

Argyll and Bute Council
Internal Audit Report
January 2026
FINAL

Capital Governance
Arrangements

Audit Opinion: Reasonable

	High	Medium	Low	VFM
Number of Findings	0	6	0	0

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1. Executive Summary

Introduction

1. As part of the 2025/26 internal audit plan, approved by the Audit & Scrutiny Committee in March 2025, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Capital Governance Arrangements.
2. The audit was conducted in accordance with the Global Internal Audit Standards (GIAS) 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. Asset management is a structured and systematic approach to managing assets on an ongoing basis. The Council has a large and varied collection of assets including buildings, vehicles, transport infrastructure (roads / bridges / piers), ferries, parks, cemeteries to information technology hardware and software. Assets are essential to the operation of the Council and ensuring they evolve and remain fit for their intended purpose is key to the function of the organisation and its efficient service delivery. Successful asset management addresses all phases of an asset's life cycle, from pre-acquisition through to retirement. Effective asset management planning means knowing what you own, where it's located, what it costs you, what it will cost you in the future, whether it will support current and future service delivery and who is responsible for it.
5. Asset management is the process of ensuring that the Council's assets are:
 - Fit for purpose
 - Used efficiently
 - Maintained on a sustainable basis
 - Matched in investment terms to service needs
6. The current approved Corporate Asset management Strategy and Plan states that the Council governance of asset management by elected members is on the basis of the Council directing the work of the Council through the Strategic Management Team. Responsibility for Council assets is held by the two Departments:
 - Executive Director Douglas Hendry
 - Executive Director Kirsty Flanagan

7. The Head of Commercial Services is the Chair of the Capital Investment Board and is responsible alongside the Section 95 Officer for the development of the Corporate Asset Management Strategy, production of the Corporate Asset Management Plan, and preparation of the Capital Plan, informed by the Council's Priority Investment Plans (PIPS).
8. Each financial year the Capital Plan is approved at the February Council meeting. The Capital Plan currently spans 3 financial years.
9. The document contains detail of the estimated capital funding, any proposed revisions to existing plans and a summary of the updated plan.
10. The CIPFA 2021 Prudential and Treasury Management Codes place a requirement on local Authorities to prepare a Capital Strategy. The Capital Strategy demonstrates how capital expenditure, capital financing and treasury management activity contribute to the provision of services and longer-term policy objectives of the Council. It also provides an overview of how associated risk is managed and the implications for future financial stability.
11. An update Capital Investment Strategy was approved by the Policy and Resources Committee in August 2023. As part of a planned review of capital arrangements to be undertaken in 2025/26, an updated Capital Strategy may be required and further aligned with council priorities.
12. A report was presented to the Council in February 2024 which outlined proposals for the rolling forward of the current 3-year Capital Plan 2024-27 by one year, incorporating updated funding assumptions, new spending proposals, and the re-phasing of total programme spend across the future years of the new Capital Plan 2025-28.
13. The table below provides a summary of the updated Capital Plan 2025-28 planned investment or gross expenditure:

	2025-26 £m	2026-27 £m	2027-28 £m	Total £m
Executive Directorate (Douglas Hendry):				
Education	2.946	1.988	1.988	6.922
Facility Services - Shared Offices	3.681	0.667	0.382	4.730
Major Projects/CHORD	10.865	10.018	0.000	20.883
Executive Directorate (Kirsty Flanagan):				
ICT	1.352	0.820	0.688	2.860
Roads and Infrastructure	48.500	39.110	33.979	121.589
Development and Economic Growth	1.104	0.000	0.000	1.104
Health and Social Care Partnership	2.084	0.000	0.382	2.466
Live Argyll	0.474	0.468	0.382	1.324
Total	71.006	53.071	37.801	161.878

Scope

14. The scope of the audit was to assess the governance and monitoring arrangements in relation to capital projects, determine the effectiveness of the Capital Investment Boards overview and challenge in relation to planned work and processes of escalation where required as outlined in the Terms of Reference agreed with the Interim Head of Financial Services on 16 September 2025.

Key Dates

15. The Terms of Reference provided provisional timescales for the review to take place, the actual dates are noted below.

Exhibit 1 – Key Dates

Stage	Actual Date
Terms of Reference agreed	16 September
Fieldwork Commencement	17 September
Draft Report issued	20 November
Management Comments received	22 December
Final Report issued	06 January
Audit and Scrutiny Committee	12 March

Risks

16. The risks considered throughout the audit were:
- **SRR2** Condition and suitability of Infrastructure & Asset Base - Infrastructure and asset base does not meet current and future requirements and is not being used or managed efficiently and effectively.
 - **Audit Risk 1:** capital planning does not link to Council priorities, strategic objectives or long-term financial planning
 - **Audit Risk 2:** ineffective governance and monitoring arrangements in relation to Capital Projects
 - **Audit Risk 3:** the Capital Investment Board's overview and challenge in relation to planned work and escalation processes have not been established and shared

Audit Opinion

17. 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.
18. 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

19. We have highlighted 6 medium priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:

- Consideration should be given to developing a more strategic long-term approach to capital planning which includes increased member involvement and aligns with the long-term strategic priorities of the Council. The approach should consider future projects with a revised Capital Investment Strategy implemented. The long-term capital plan should have strong links to the Council's strategic priorities, business outcomes and vision, whilst underpinned to the medium to long term financial planning, external debt and treasury management
- Following any revised approach to Capital Planning a review should be undertaken of the Capital Programme Planning and Management Guide that reflects up to date practice and includes guidance following any revisions to the Capital Investment Strategy and capital planning processes. Following the revision of the guide, training should be rolled out to those involved in the process, including to Members
- A review of the Block Grant allocation should be undertaken to consider whether it is still relevant and an efficient use of resources, with consideration being given to whether it should be considered within the context of the Prioritisation of Projects process (PIPs). In addition, consideration requires to be given as to whether investment plans should be categorised as capital or revenue spend, in accordance with proper accounting practice. Consideration should be given to aligning the allocation of these resources, revenue and capital, to ensure it supports the overall strategic vision and priorities for the Council and aligning with any updated Capital Investment Strategy.
- A review of the current capital spend should be undertaken to ensure that spend within the category of Asset Sustainability meets the accounting standard for inclusion within the Capital Plan or whether it more appropriately falls under the heading of ongoing repairs, maintenance and revenue spend. In addition, consideration should be given to whether asset sustainability should be monitored and reported within the overall Capital Plan or an alternative approach adopted to what could be considered as repairs and maintenance of assets to ensure their continued operational and safe use
- A review of the Capital Investment Board should be undertaken to assess the appropriateness of its function and Terms of Reference, with the Terms of Reference updated to reflect any changes to the Capital Investment Strategy
- Budget monitoring and Capital Plan monitoring reports should be reviewed to include a wider corporate approach, focussed to specific groups which provide challenge to the delivery of the Capital Plan with greater detail provided around reasons for slippages or projected overspends in projects. Where slippages are identified in projects, where appropriate, consideration could be given to reallocating funds to other priority projects or where projected overspends are reported within projects, taking a holistic approach to the achievement and delivery of the overall Capital Plan

20. 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

21. 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	Effective governance arrangements are in place for the allocation of capital resources with clear links established between capital planning, Council priorities and strategic objectives, with consideration being given to long term financial planning	SRR2 Audit Risk 1	Reasonable	Whilst governance arrangements are in place for the allocation of capital resources and the PIPs refer to Council strategic priorities, there is insufficient links to long terms Council strategic priorities, financial planning or treasury management. A Capital Investment Strategy has been produced, however there is insufficient evidence to support that this has been successfully and fully implemented.
2	Effective governance arrangements are in place for the overview of Capital projects, including budget monitoring arrangements	Audit Risk 2	Reasonable	A Capital Investment Board (the Board) was established in 2019, replacing the Strategic Asset Management Board. The purpose of the Board was to oversee Capital Projects, meeting on a regular basis. The Terms of Reference provided are dated 2016. Roles and responsibilities for capital planning are outlined in the “Capital Programme Planning & Management Guide” and details that the Head of Facility Services is responsible for chairing the Strategic Asset Management Board (now known as the Capital Investment Board). The Terms of Reference for the Capital Investment Board and the Capital Programme Planning & Management Guide do not reflect current practice. The Guide outlines that the role of the Board is to consider the (and make recommendations to the SMT on) Capital Programme resource allocation; IBC, OBC and FBC presented at various gateways; asset sustainability annual plans and reports; monitoring reports; and post completions reviews. The Board has not met since April 2025 and had become focussed on asset

				sustainability. Budget monitoring arrangements for the overview of the capital programme is the responsibility of Financial Services staff. Quarterly reports are prepared by finance staff and reported to coincide with the requirements for reporting on treasury management. Reports are provided to the Policies & Resources Committee.
3	The Capital Investment Board has effective oversight and challenge in relation to planned work within Capital projects	Audit Risk 2	Reasonable	Budget monitoring reports are provided, and PIPs (Priority Investment Plans) are submitted for review to the Capital Asset Board ahead of the Capital Plan being recommended for approval. The PIPs provide details of strategic priorities and the categories which funding requests fall under, however, PIPs do not seem to link into or take account of the overall priorities for assets across the Council. There is very little evidence that there is effective oversight and challenge in relation to planned work within the capital projects and oversight of the wider, longer term, financial planning which supports the overall achievement of the capital plan.
4	Escalation processes are in place in relation to concerns arising within the Capital programme	Audit Risk 3	Reasonable	Reports are prepared and reported at various levels throughout the Council, however, there are no processes in place in relation to concerns arising within the Capital programme at a Board or strategic level. Project management is monitored and reported within the Services for individual projects.

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

3. Detailed Findings

Effective governance arrangements are in place for the allocation of capital resources with clear links established between capital planning, Council priorities and strategic objectives, with consideration being given to long term financial planning

2. Asset management refers to the systematic approach to tracking, accounting for, controlling and reporting the condition of the Council's capital assets. This involves managing the full lifecycle from acquisition through to the disposal of the asset, considering any potential future costs. It also ensures that the asset is maintained properly and replaced if necessary. In addition, we

must ensure that the assets comply with any legislative or regulatory requirements. Effective capital asset management planning supports long term planning and should be aligned to asset management strategies.

3. Funding for the capital plan comes from the Scottish Government (General Capital Grant and Specific Ring-Fenced Capital Grants), other capital grants, capital receipts from asset disposals, revenue contributions to capital, earmarked reserves, prudential borrowing and borrowing funded by the loan charges provision in the revenue budget. In setting the budget, elected members approve the Council's capital expenditure and decisions relating to the control of the Council's borrowing requirement. The Council's Constitution details the specific delegations.
4. A long-term perspective of capital investment with a strategic approach and enhanced governance arrangements ensures that it contributes to the Councils long term strategic aims and business outcomes. The development or purchase of new assets, maintenance of existing assets and disposal of surplus assets are matters of operational and financial significance and therefore require robust governance arrangements and for this reason the elected members and corporate management team play a significant role in the governance arrangements. At present our 3-year Capital Plan provides a short-term to medium-term approach to Capital Planning.
5. A Capital Investment Strategy 2023-2038 (the Strategy), which includes a foreword from the Leader of the Council and the Chief Executive, is in place. It outlines the aims and ambition of the Council and states that the 15-year Capital Investment Strategy will support the Council to achieve the ambitions of the Corporate Plan and the Council's emerging Argyll and Bute Outcome Improvement Plan (ABOIP) and to resource the delivery of the Council's priorities. In addition, the Strategy also states that it alongside and is underpinned by the 'Medium to Long Term Financial Strategy' of the Council.
6. Within the Capital Investments Strategy, it outlines the estimate of capital grant funding for the long term, details below:

Scenario	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000
Best Case	10,481	10,690	10,904	11,122	11,344	11,571	11,803	12,039
Mid-Range	9,876	9,876	9,876	9,876	9,876	9,876	9,876	9,876
Worst Case	9,295	9,109	8,927	8,749	8,574	8,402	8,234	8,069

It is noted within the Strategy the estimated funding for the long term is not committed to any projects and that there needs to be an awareness that a large proportion of the capital funding will be required to sustain the current asset base under asset sustainability to meet health and safety requirements. Whilst the Capital Investment Strategy discusses medium and long-term capital planning, there is no indication that the Strategy has been implemented to support a long-term strategic view of capital planning or that projects have been identified for the longer-term future years, with structure plans outlined for the prioritisation of future projects which link to the strategic priorities of the Council or link into the long term financial planning and

treasury management of the Council. The capital planning process and Capital Plan focus on a three-year plan.

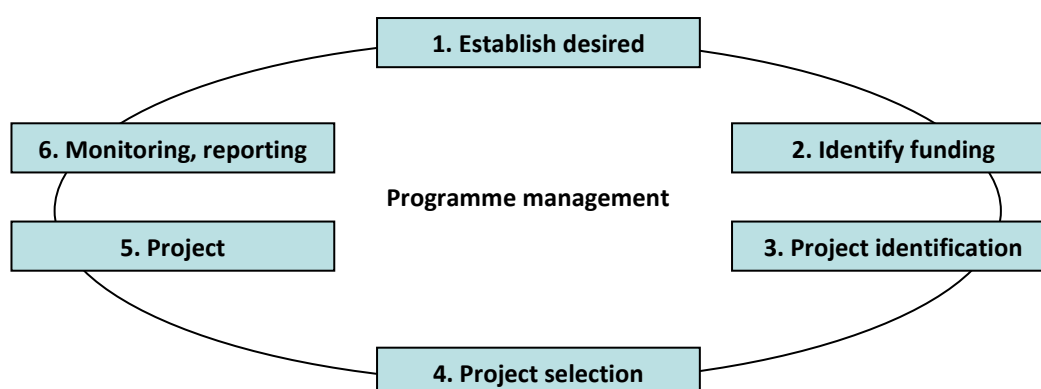
Action Point 1

7. A Capital Programme Planning and Management Guide (the Guide), version 7.1, last reviewed 2018 is in place. The guide sets out the Council's arrangements for Capital Programme planning and management and is aimed predominantly at Heads of Service, Project Sponsors and Project Managers, the guide:

- sets out the Capital Programme planning and management arrangements
- clarifies their links with existing Council processes
- defines roles and responsibilities for governance, management and implementation
- provides detail on processes and procedures to be followed in making the arrangements a success.

Action Point 2

8. The Guide sets out a six stage Capital Programme Planning and Management Model as detailed below.



9. The Council must have a clear vision and robust governance framework to ensure effective capital allocation and decision making. Capital budgeting process involves identifying, prioritising and allocating capital resources to support strategic goals. The rolling, 3-year Capital Plan is reviewed on an annual basis with agreement reached at the Council meeting as part of the budget setting process. Included in the Capital Plan is a block allocation of resources provided to each service who have autonomy over the use of the allocation. This is a historical approach to allocating funds for capital spend within services, allowing the services to prioritise their own projects. The allocation of the block grant is based on a percentage split across services:

Block Allocation	%
Education	26
Customer Services - IT	9
Customer Services - Facilities	5

Roads & Infrastructure Services	46
Vehicles (added to RIS)	4
HSCP (IJB)	5
Live Argyll	5

Action Point 3

10. Projects within the capital plan are categorised as asset sustainability, service development or strategic change with a definition of each category as noted below:
- **Asset sustainability:** this encompasses projects related to ensuring existing assets are fit for purpose/continue to be fit for purpose based on existing use.
 - **Service Development:** with a focus on enhancing the current asset to improve its fitness for purpose or its efficiency and effectiveness. Service development would cover construction/acquisition of new assets to replace existing assets on a like for like basis or investment in assets to enhance service delivery based on existing use. Projects in this category would typically be under £1,000,000 in capital costs.
 - **Strategic Change:** with a focus on a significant investment across the service asset portfolio to support fundamental service development. The requirement for this investment would be driven by corporate priorities. Projects in this category would typically be at least £1,000,000 in capital costs.

11. Local Authorities must ensure clear separation between capital (enhancing and extending the life of the asset and revenue (routine maintenance and sustainability of the asset). Understanding the distinction between capital and revenue is essential for effective financial management and reporting of assets, in addition to complying with accounting standards. There is insufficient guidance and application to support the separation of revenue and capital spend within the category of Asset Sustainability, increasing the risk that routine maintenance is embedded within the Capital Plan and Block Grant Allocation.

Action Point 4

[Effective governance arrangements are in place for the overview of Capital projects, including budget monitoring arrangements](#)

12. A Capital Investment Board (the Board) was established in 2019, replacing the Strategic Asset Management Board. The purpose of the Board was to oversee Capital Projects, meeting on a regular basis. The Terms of Reference provided are dated 2016 and relate to the predecessor, the Strategic Asset Management Board and outline the members from across the Services at that time, with members noted on the Terms of Reference who have since left the employment of the Council.
13. Roles and responsibilities are outlined in the “Capital Programme Planning & Management Guide”. Within the guide it outlines the Head of Facility Services is responsible for chairing the Strategic Asset Management Board (now known as the Capital Investment Board) and coordinating its consideration of and reporting to SMT on:
- Capital Programme resource allocation
 - IBC (Initial Business Case), OBC (Outline Business Case) and FBC (Final Business Case) as presented at relevant gateways

- Asset sustainability annual plans and reports
- Post completion reviews

It further outlines that the role of the Board is to consider the (and make recommendations to the SMT on) Capital Programme resource allocation; IBC, OBC and FBC presented at various gateways; asset sustainability annual plans and reports; monitoring reports; and post completions reviews.

Action Point 5

14. The preparation of budget monitoring arrangements for the overview of the capital programme is the responsibility of Financial Services staff. Quarterly reports are prepared by finance staff and reported to coincide with the requirements for reporting on treasury management. The reports provide details of forecast outturn, capital plan delivery across each heading, any proposed budget changes, capital plan risks, project variances and slippage etc. Reports are provided to the Policies & Resources Committee. Budget monitoring reports are not a detailed overview of the progress of the project as this is monitored within the service project teams. There is very little evidence that there is effective oversight and challenge in relation to planned work within the capital projects and oversight of the wider, longer term, financial planning.
15. Although there is no specific capital monitoring training programme, through discussions with officers, we confirmed that one to one engagement takes place between officers and financial services staff who support the process and offer advice. Training is an important aspect of understanding Capital and Capital procedures and allows consistency across services.

Action Point 2

[The Capital Investment Board has effective oversight and challenge in relation to planned work within Capital projects](#)

16. Whilst budget monitoring reports are provided, and PIPs (Priority Investment Plans) are submitted for review to the Capital Asset Board ahead of the Capital Plan being recommended for approval. The PIPS provide details of strategic priorities and the categories which funding requests fall under, however, as mentioned, the individual PIPs do not seem to link into or take account of the overall long-term priorities for assets across the Council for the allocation of resources.
17. The Capital Investment Board is in existence, however, as confirmed through discussions, the Investment Board it has not met since April 2025. The Board should meet quarterly or more frequently if activities dictate. We were advised that the reason why the Capital Investment Board has not met since April was that it had become much more focussed on capital monitoring of routine asset sustainability projects and review of the PIPs, rather than focussing on strategic elements, long term strategic planning of assets and direction of capital projects.

Action Point 5

[Escalation processes are in place in relation to concerns arising within the Capital programme](#)

18. The quarterly Capital Monitoring reports are reported at several different levels including:

- Full Council
- Strategic Management Team
- Policy and Resources Committee

19. Reports are prepared, however, there are insufficient processes in place in relation to concerns arising within the Capital programme at a Board or strategic level. Considerable slippage was highlighted in the December 2024 Capital Monitoring report with the final budget report projecting for 2024/25 an actual gross capital expenditure for the financial year totalling £48.553m, compared to a profiled annual revised budget of £70.588m. This gives rise to an underspend for the year of £22.035m (31.2%), noting that the forecast outturn gross expenditure on the total Capital Plan (2024-2027) is £189.728m, compared to a budget of £189.611m, resulting in a forecast overspend of £0.117m (0.06%). Additional resources of £0.117m have been approved as part of the 2025-26 budget process to meet this forecast overspend. As of 31 March 2025, there are a total of 160 projects within the overall Capital Plan. Whilst monitoring reports are prepared and reported, there is insufficient information provided to detail the reasons for slippages or projected overspends (unless these are significant >£50k). The focus of capital monitoring is financial performance with very little attention with regards to the physical progress of a project, other than reference to whether the project is 'off-track' either in terms of timescales or budget. This results in insufficient opportunities for corporate overview or consideration to be given to reprioritising resources to ensure the overall delivery of the Capital Plan or realigning underspends to other priority projects.

Action Plan 6

Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	<p>Capital Strategy</p> <p>Whilst the Capital Investment Strategy discusses medium and long-term capital planning, there is no evidence to support that a long-term strategic view of capital planning has been taken or the Strategy implemented, including identifying projects for the longer-term future years, with structured plans which link to long term financial planning, debt management and treasury management.</p>	Capital Plans become too focussed on short term plans, increasing the risk that the Council's future ambitions for new innovative projects are not achieved	The production of a new Capital Strategy that reflects long-term ambitions and strategic priorities, in the context of affordability constraints, in advance of 2028-29 budget process.	Chair of Capital Investment Board (or comparable governance group), in consultation with members and relevant officers. 31 March 2027
Medium	2	<p>The Capital Programme Planning and Management Guide</p> <p>A Capital Programme Planning and Management Guide (the Guide), version 7.1, last reviewed 2018 is in place. This guide sets out the Council's arrangements for Capital Programme planning and management. The Guide sets out the Council's arrangements for Capital Programme planning and management and is aimed predominantly at Heads of Service, Project Sponsors and Project Managers</p>	The Capital Programme Planning and Management Guide may not reflect current arrangements and practices	The production of updated Capital Programme Planning and Management Guidance, subsequent to outcome of wider review of Capital Arrangements; and processes, procedures and governance arrangements for a potential new corporate Project Management Office being agreed.	Head of Financial Services in consultation with Lead Officer for Programme Management Office (currently Head of Commercial Services) 31 March 2027
Medium	3	<p>Block Grant Allocation</p> <p>Included in the Capital Plan is a block allocation of resources provided to each service who have autonomy over the use of the allocation. This is an historical approach to allocating funds for capital spend within services, allowing the services to priorities their own projects. The allocation of the block grant is based on a percentage split across services and may not link into the Council's overall priorities for capital investment priorities across all services.</p>	The Block Allocation to services does not provide a clear link to the Council's strategic investment priorities or Corporate Asset Management Plan, in addition to a lack of member involvement and oversight when allocating resources.	Outcome of wider Review of Capital Arrangements to include recommendations for capital resource allocations, in accordance with Capital Strategy, reflecting council long-term strategic priorities agreed by members.	Chair of Capital Investment Board (or comparable governance group), in consultation relevant officers. 31 March 2027
Me	4	<p>Asset Sustainability</p>	The distinction between routine maintenance and	Review and implementation of revised approach to Asset	Jointly by Head of Financial Services and

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
		There is currently insufficient guidance and application to support the separation of revenue and capital spend within the category of Asset Sustainability, increasing the risk that routine maintenance is embedded within the Capital Plan and Block Grant Allocation.	asset sustainability may become unclear raising concerns of noncompliance with accounting standards.	Sustainability planning and management, as part of wider Review of Capital Arrangements, for implementation from 2026-27.	Head of Commercial Services. 31 March 2026
Medium	5	<p>Capital Investment Board</p> <p>The Capital Investment Board has not met since April 2025, pending the outcome of the review of capital arrangements being undertaken during 2025-26, as approved by Council in February 2025. The Capital Investment Board, in practice, had become more focussed on the PIPs, as part of the budget process. ELT has agreed an approach to the 2026-27 budget process for capital, pending the outcome of the review.</p>	Lack of strategic oversight and management of overall plan at a corporate level, with clear link to the Council's strategic investment priorities, long term planning of assets or the direction of capital projects.	<p>Outcome of wider Review of Capital Arrangements to include recommendations for appropriate governance arrangements, with terms of reference to be agreed. This is expected to include management of the delivery of the approved Capital Plan, reflecting the agreed Capital Strategy.</p> <p>Interim arrangements to be put in place to manage the delivery of the approved 2026-28 Capital Plan by the existing Capital Investment Board, with terms of reference to be reviewed and agreed.</p>	<p>Jointly by Head of Financial Services and Head of Commercial Services.</p> <p>Short-term (Interim Arrangements) 30 September 2026</p> <p>Long-term (Review of Capital Arrangements) 31 March 2027</p>
Medium	6	<p>Capital Monitoring Reports</p> <p>Although monitoring reports are prepared and reported, there are insufficient opportunities for corporate overview of slippages or projected overspends or consideration to be given to reprioritising resources to ensure the overall delivery of the Capital Plan or realigning underspends to other priority projects. In addition, there is insufficient processes in place in relation to concerns arising within the Capital programme at a Board or strategic level.</p>	Ineffective use of resources where significant slippages in capital projects are rolled over to future years.	Subject to outcome of wider Review of Capital Arrangements, interim arrangements to be put in place to manage the delivery of the approved 2026-28 Capital Plan by the existing Capital Investment Board, with terms of reference to be reviewed and agreed. Consideration will be given to inclusion of escalation to ELT, as appropriate, within terms of reference.	Jointly by Head of Financial Services and Head of Commercial Services. 30 September 2026

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

Appendix 2 – Audit Opinion

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