

**Argyll and Bute Council**  
Comhairle Earra Ghaidheal agus Bhoid

Customer Services  
Executive Director: Douglas Hendry



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27 June 2012

**AUDIT COMMITTEE – FRIDAY 29 JUNE 2012 IN THE COUNCIL CHAMBER,  
KILMORY, LOCHGILPHEAD AT 11.15AM**

I attach hereto replacement and additional papers in respect of item **13 (INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2011 - 2012 & 2012 – 2013)** and item **15 (AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2011 – 2012)**.

I also enclose herewith papers in respect of item **17 (RISK MANAGEMENT)** and item **20 (CORPORATE PERFORMANCE AUDITS 2011 – 2012)** which were marked “to follow” on the agenda for the above meeting.

Douglas Hendry  
Executive Director - Customer Services

**BUSINESS**

- 13. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2011 - 2012 & 2012 - 2013**  
Report by Chief Internal Auditor (Pages 1 - 40)
- 15. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2011 - 2012**  
Report by Chief Internal Auditor (Pages 41 - 46)
- 17. RISK MANAGEMENT**  
Report by Head of Strategic Finance (Pages 47 - 60)
- 20. CORPORATE PERFORMANCE AUDITS 2011 - 2012**  
Report by Chief Internal Auditor (Pages 61 - 92)

**AUDIT COMMITTEE**

Councillor Gordon Blair  
Councillor Maurice Corry  
Councillor Duncan MacIntyre  
Ian M M Ross

Martin Caldwell  
Councillor Iain MacDonald  
Councillor Aileen Morton

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**INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2011 - 2013**

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**1. SUMMARY**

In compliance with good practice in delivering internal audit services set out in the CIPFA Code of Practice for Internal Audit in Local Government (the Code); attached for the Audit Committee are final report summaries and action plans from recent internal audits. Appendix 1, lists the attached reports with dates for draft issue, final management comment and final issue.

**2. RECOMMENDATIONS**

2.1 The contents of this report are to be noted.

**3. DETAILS**

3.1 To 30 May 2012, a total of 19 final reports had been provided to the Audit Committee. A further 8 final reports are provided with this report to the Audit Committee and are listed in Appendix 1. In addition, 13 corporate performance audits were undertaken and are the subject of a separate report to the Audit Committee. A further 2 audit reports are at final draft stage and will be presented to the Audit Committee in September 2012 and will finalise reporting for the 2011 – 2012 annual audit plan.

3.2 In addition, to the above reports for 2011 – 2012, is the Stock year-end report for 2012 – 2013. There were no recommendations and it was noted that there was an improvement from last year on stock control.

3.3 The attached reports contain both the Executive Summaries and Action Plans from finalised audit work. The Action Plans detail only those recommendations where Internal Audit in agreement with management has classified the findings either High or Medium. Therefore findings and recommendations classified as Low have been removed. The contents of this report will therefore complement the External & Internal Audit Follow up report provided to the Audit Committee on a quarterly basis.

**4. CONCLUSION**

The contents of this report will be followed up by internal audit.

**5. IMPLICATIONS**

- |     |                      |      |
|-----|----------------------|------|
| 5.1 | Policy:              | None |
| 5.2 | Financial:           | None |
| 5.3 | Personnel:           | None |
| 5.4 | Legal:               | None |
| 5.5 | Equal Opportunities: | None |

For further information please contact Ian Nisbet, Chief Internal Auditor (01546  
604216 26 June 2012

**Internal Audit Reports  
Audit Committee – June 2012**

List of Internal Audit Reports for Audit Committee as at 22 JUNE 2012

**Internal Audit Reports 2011 – 2012**

<b>No.</b>	<b>Report Title</b>	<b>Draft Issue</b>	<b>Final Management Response</b>	<b>Final Issue</b>
1.	Dangerous Buildings	18 April 2012	20 April 2012	23 April 2012
2.	Fleet Management	30 April 2012	9 May 2012	14 May 2012
3.	Treasury Management	15 May 2012	18 May 2012	24 May 2012
4.	General Ledger	28 May 2012	29 May 2012	11 June 2012
5.	Budgetary Preparation	13 June 2012	13 June 2012	15 June 2012
6.	Contract Operating Leases	31 May 2012	11 June 2012	13 June 2012
7.	Tendering Procedures	25 June 2012	26 June 2012	27 June 2012
8.	ResourceLink	25 June 2012	26 June 2012	27 June 2012

**Internal Audit Reports 2012 – 2013**

1	Stock year-end	11 June 2012	11 June 2012	12 June 2012
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**It should be noted that the Draft Issue date recorded above is when the first draft was sent out for review/comment by management. This date is recorded as the date that audit work ended. Subsequent draft reports can be issued thereafter as discussions with management over the audit findings and recommendations commence. Only when agreement is reached is the Final Management Response date recorded. This is reflected in the Final Issue Report Date column where in most cases the dates of issue are the same as the final management response date.**

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**Internal Audit Report**

Final

Customer Services  
Review of Tendering Procedures

March 2012

## **1 INTRODUCTION**

- 1.1 This report has been prepared as the result of an Internal Audit review of the tendering process carried out for the Helensburgh CHORD - Town Centre and West Bay Esplanade Public Realm works Contract.
- 1.2 The Helensburgh CHORD Project is an initiative led by Argyll and Bute Council (the Council) that aims to assist the regeneration and economic development of the Helensburgh Town Centre and West Bay Esplanade.
- 1.3 The total amount set aside for the Helensburgh CHORD is £6.6m. The value of the specific works contract being reviewed is approx £4m.

## **2 AUDIT SCOPE AND OBJECTIVES**

The key objectives of the review are:

- Evaluate the adequacy of procedures set out in the Council Procedure Manual pertaining to the above contract; and
- Evaluate the level of adherence with procurement procedures.

## **3 RISK ASSESSMENT**

As part of the audit process and in conjunction with our CIPFA Systems Based Audit (SBA), ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit. One risk was identified:

- SR27 Failure to effectively manage CHORD programme

## **4 CORPORATE GOVERNANCE**

There were no Corporate Governance issues to be reported as a result of this audit.

## **5 MAIN FINDINGS**

Internal audit has found that the Procurement Manual should be treated as a guide only by management.

Management needed augmentation and support from the procurement team to provide necessary process detail.



The manual does not address the treatment of, and the use of weightings for bullet points or questions included in sub criteria and the process to be followed when tenderers are brought to interview.

The absence of a standard process to record the reasons for post interview adjustments resulted in the Council being unable to demonstrate effectively that the bullet points included in the sub criteria had been treated as broadly equal

The roles and responsibilities of the procurement team were not clearly defined in order for them to support management at key stages of the procurement process.

## 6 RECOMMENDATIONS

Eleven recommendations were identified as a result of the audit. The recommendations are of seven are high priority and four are medium priority. The recommendations are shown in the action plan attached at Appendix 2 and have been compiled with the co-operation and agreement of senior management.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and they will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Management if it decides not to implement recommendations, must evaluate and accept the risks associated with that decision.

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

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

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

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

## **7 AUDIT OPINION**

It is Internal Audits view that the Council's Procurement Manual falls short of its claim that "following the processes and procedures contained within it will give a high level of assurance that contracts are let and managed in a both effective and legal manner".

In relation to the Helensburgh CHORD contract there are a number of key areas where the manual provides little or no guidance. Internal Audit accepts that the manual is not stand alone and that the procurement team should be involved throughout the process. However, the roles and responsibilities of procurement staff were not always clearly defined and as a result they were not as involved as was required at key stages in this contract process.

Recommendations arising from the audit work should be implemented by the nominated responsible officer/s within the agreed timescale. Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

## **8 ACKNOWLEDGEMENTS**

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

Legal Services Manager;  
CHORD Programme Manager;  
Helensburgh CHORD Project Manager;  
Exchequer Manager/Procurement Team Leader;  
Purchasing Officer;  
Procurement Training Administrator; and  
Procurement Analyst, Procurement and Commissioning.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. In any circumstances where anyone other than the Council accesses this report it is on the strict understanding that the Council will accept no liability for any act or omission by any party in consequence of their consideration of this report or any part thereof. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.



**APPENDIX 2**

**ACTION PLAN**

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	The challenge by an unsuccessful Tenderer in relation to the sub criteria and interview process was reviewed by the Council's external legal advisors. Their advice to the Council was that the challenge could be upheld. These were areas of significance that influenced the overall outcome of the process. However, the manual provides little or no guidance.	High	The manual should be reviewed and updated to ensure that it provides guidance in relation to the interview process and the treatment of and the use of any weighting in relation to bullet points or questions included in sub criteria.	Procurement and Commissioning Manager	27/07/12
2	The procurement manual was not clear on how details from specific reports would flow through the process. For those involved in the tendering interview there was no guidance on correct process.	Medium	The manual should provide clear guidance to all those involved in the procurement process as to how details from specific reports will flow through the process and what will be included in the final Contract Award Recommendation Report (CARR) and any feedback to unsuccessful tenderers.	Procurement and Commissioning Manager	27/08/12

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
3	In general, the procurement manual was found to be unclear on the roles and responsibilities of procurement officers and service management.	High	The roles and responsibilities of procurement officers and service management involved in a procurement exercise must be clearly defined and documented. Specifically the roles and responsibilities in relation to the evaluation of the final/price quality ratios should be agreed and documented. At all times the Council must ensure that an impartial and objective approach is taken to the evaluation of tenders.	Procurement and Commissioning Manager	27/07/12
4	Internal Audit has been advised that it is the responsibility of the Service managers to determine the particular price/quality ratio in relation to specific projects. However they must be aware of the effect price/quality ratios has on the final outcome. In this particular case the differential in quality has come at cost of £262,288.50 and questions have been raised as to whether this is justified.	High	Services must be aware of the effect of price/quality ratios on the overall outcome to ensure that any differential in price justifies the quality requirements. The manual should be updated to highlight this requirement and the procurement team must have an active role in agreeing the final price/quality ratio.	Procurement and Commissioning Manager	27/07/12

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
5	There is no standard process to record the specific details of each interview including the questions asked and responses given. There is a record of the interview panel's views on each tenderer's performance. These views suggest that the interview purpose was greater than just clarification. This conclusion is shared by the Council's external legal advisors.	High	The Council must ensure that the purpose of any interview is clearly defined and the process undertaken at the interview relates to that purpose only.	Procurement and commissioning manager	27/07/12
6	There is no standard process to record the specific details of each interview including the questions asked and responses given. There is a record of the interview panel's views on each tenderer's performance. These views suggest that the interview purpose was greater than just clarification. This conclusion is shared by the Council's external legal advisors.	High	There must be a standard process followed to record the details of each interview including the questions asked and the responses given. This information would be used to justify any adjustments made to the tenderers scores and provide clear evidence of how any sub-sub criteria have been dealt with.	Procurement and commissioning manager	27/07/12

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
7	At the interview stage, the evaluation panel was joined by the Chair of the Project Board. Internal audit could not identify the Chairs role on the panel. Internal audit understands that he asked at least one question of the tenderers, and was present when the adjustments to scores were made.	Medium	Changes to the evaluation panel should be by exception only and any changes should be agreed with the procurement team.	Procurement and commissioning manager	27/07/12
8	The Procurement Manual states that <i>“the role of the purchasing officer on the evaluation panel is to ensure that an impartial and objective approach has been taken to the evaluation of tenders”</i> . The purchasing officer was unable to provide internal audit with a view on the Chairs role at the interview panel as procurement staff did not attend the interviews. Therefore the purchasing officer’s role stated in the procurement manual was not fulfilled with regard to this procurement process.	Medium	The procurement officer must be in a position to fulfil their role of ensuring that an impartial and objective approach has been taken to the evaluation of tenders. To ensure that this role can be fulfilled the procurement officer must be represented at key stages in the evaluation process. At all stages in the evaluation process there must be a transparent and documented process which provides the procurement officer with the information required to assess whether an impartial and objective approach has been taken. The Council must ensure	Procurement and commissioning manager	13/10/13 this is the date whereby the team will be finalised after all purchasing officers achieve CIPS level 6 and 1 of them will become senior procurement officer

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
			that there are the appropriate resources within the procurement team to allow this role to be fulfilled.		
9	The Procurement Manual advises that clear distinction must be made between selection and award criteria. It is the view of the Council's external legal advisors that in this case, the tender evaluation panel may have strayed towards looking at the experience of the bidders rather than the bid itself. Internal Audit has been advised that this is a fundamental and common error which is frequently challenged by tenderers. While the manual is clear regarding the distinction, the manual does not outline what mechanism is in place to prevent this from happening or for the procurement team to identify cases where it has.	High	There must be a clearly documented process to ensure that any evidence that selection criteria have been used at the evaluation stage would be identified by the procurement team. The procurement officer must be in a position at all stages of the evaluation process to confirm that an impartial and objective approach has been taken to the evaluation of tenders	Procurement and commissioning manager	27/07/12



No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
10	<p>There was no feedback given to the Project Manager in relation to the training self-assessment however Internal Audit has been advised that the training needs identified by the Project Manager would not be required to fulfil her role.</p> <p>Internal Audit has been advised that while self-assessments have been carried out for officers across the Council and training needs have been identified no training has yet been in put in place.</p>	Medium	The assessment of training needs should be such that it relates specifically to the officer involved and the role that they have to fulfil. . Practical training must be provided to officers where a training need is identified.	Procurement and commissioning manager	27/07/12
11	Internal audit identified areas where the manual was insufficient in detail and requiring expansion by the procurement team in their role as professional support advisors.	High	The manual should be updated or supplemented to ensure that the roles and responsibilities of service department officers and procurement staff are clearly defined. Additional guidance should be provided on the evaluation process. The updated manual and any subsidiary guidance should be subject to external evaluation.	Procurement and commissioning manager	27/7/12

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INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

**Argyll & Bute Council**

**Internal audit report**

**Review of ResourceLink**

**26 June 2012**

This report is for:

**Action**  
Jane Fowler, *Head of Improvement and HR*

**Information**  
Audit Committee

Bruce West, *Head of strategic finance*

Ian Nisbet, *Chief internal auditor*

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**Notice: About this report**

This Report has been prepared on the basis set out in our Engagement Letter addressed to Argyll and Bute Council (“the Client”) dated 30 January 2012 (the “Services Contract”) and should be read in conjunction with the Services Contract. Nothing in this report constitutes a valuation or legal advice. We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the Services Contract. This Report is for the benefit of the Client only. This Report has not been designed to be of benefit to anyone except the Client. In preparing this Report we have not taken into account the interests, needs or circumstances of anyone apart from the Client, even though we may have been aware that others might read this Report. We have prepared this report for the benefit of the Client alone. This Report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Client) for any purpose or in any context. Any party other than the Client that obtains access to this Report or a copy (under the Freedom of Information (Scotland) Act 2002, through the Client’s Publication Scheme or otherwise) and chooses to rely on this Report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this Report to any party other than the Client. In particular, and without limiting the general statement above, since we have prepared this Report for the benefit of the Client alone, this Report has not been prepared for the benefit of any other local government body nor for any other person or organisation who might have an interest in the matters discussed in this Report, including for example those who work in the sector or those who provide goods or services to those who operate in the sector.

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### Introduction and objective

In accordance with the 2011-12 internal audit plan of Argyll & Bute Council (“the Council”), as approved by the Audit Committee, we performed an internal audit of the ResourceLink project. In accordance with the Audit Agreement Document (“AAD”), the overall objective of this internal audit was to review the progress of the ResourceLink project, evaluate the current status of the system and weaknesses in proposed changes to the system.

### Scope

Based on the objective outlined above, the scope of the assignment was to review the following key aspects of the ResourceLink project to:

- § establish progress to date and ensure targets are achievable as set out in the Project Initiation Document (“PID”);
- § evaluate the current status of the system and identify any control weaknesses; and
- § identify any weaknesses within proposed changes to avoid them being planned into the system.

Following agreement of the timing of the audit fieldwork, the precise scope of the work was agreed at a pre-planning meeting held by conference call, including the project Programme Manager and the Chief Internal Auditor. At this meeting it was agreed that in order to meet the objective of the AAD, and taking consideration of competing pressures on Council staff time during the course of the audit fieldwork, the following approach should be taken:

- § review the PID (objectives and timeline), establish current position/progress and compare to PID;
- § review completed task and test to confirm they meet requirements;
- § review plans to confirm they are resourced to support the project plan and timeline and are achievable with risks identified and managed and there is robust progress monitoring with exceptions, issues and risks being flagged and addressed.

This was to be achieved through a series of meetings with the key officers involved in the project, supplemented by review of documentation including the PID and subsequent update reports and change to scope requests.

In respect of current and future system controls, it was further agreed that the ten-day budget allocated to the audit within the internal audit plan meant that the consideration of the current system status and proposed changes should be restricted to specific elements being delivered within the project. Our work was therefore directed to the MyView self-service module, online travel expense process, and absence management elements of the project.

### Structure of report

Our report considers the overall objective of the review in terms of the progress of the ResourceLink project with the internal audit findings section of the report and specifically ‘monitoring of deliverables’; ‘project assumptions’; ‘risk management’; ‘staffing resource’ and ‘financial resource’.

Our work in respect of the current and future process improvements, including the absence management module, are reporting in the remaining sections of our findings.

### Background

ResourceLink is a web-enabled integrated suite of human resources (“HR”) and payroll modules. The heart of the system is a single data repository which holds all employee-related information, which can be accessed and updated by users across the Council, according to individual authority levels. ResourceLink has been used by the Council since 1998-99. In 2009, a project was initiated to review and update the system to improve the functionality and information provided.

This project is currently being implemented by the Council as an enabler to help achieve a 20% budget reduction for each of the Council’s support services. Following approval of an outline business case in October 2009 and an option appraisal in August 2010, the ResourceLink Review Project Initiation Document (“PID”) was approved in January 2011. The PID detailed a staged approach to project implementation and achievement of the key deliverables in two stages. Stage one is considered by the Council to be largely complete, and consequently a stage two PID was approved in August 2011.

This document sets out the scope of stage two of the project, including a set of 16 deliverables, split between the three key themes of the scope. A set of assumptions are documented which have been used in preparing the PID and the benefits which the project is expected to deliver. The PID also outlines the budget, project organisation structure, project controls and a communications plan. The ResourceLink project has a number of inter-dependencies with other improvement initiatives within the Council.

On 16 February 2012, the Council approved the integration of HR and payroll leading to a new structure being established, merging the two teams under the current HR manager. The structure will introduce a development team, which it is intended will be in place from the beginning of July, and will be given responsibility for the current systems administration and any future development. We understand that ResourceLink project improvements will continue to be undertaken through the newly introduced development team.

As a result of this new structure, combined with other identified project pressures, a formal ‘Change to Scope’ request for the stage two PID was submitted to the Project Board for approval on 9 March 2012 by the project team. The resulting change to scope will remove the leave management module and associated deliverables from the project. The intention is therefore for the project to end in June 2012, instead of August 2012.

### Acknowledgement

We wish to record our appreciation of the co-operation extended to us by Council staff whom we met with as part of the review.

## Summary of key findings and recommendations

We identified one 'high' risk recommendation and four 'medium' risk recommendations.

The findings identified during the course of this internal audit are summarised below. A full list of the findings and recommendations are included in the summary of findings and action plan within this report. Management has accepted the findings and agreed reasonable actions to address the recommendations.

	High	Moderate	Low
Number of internal audit findings	1	4	-
Number of recommendations accepted by management	1	4	-

Classification of internal audit findings is provided in appendix one.

### 'High' risk recommendations highlighted to the audit committee

We have made one 'high' risk recommendation as a result of our work. This relates to the need to prepare a full update report against the project deliverables, and agree those of priority which can be delivered within the remaining available resources, both financial and staff. This will help to ensure that the Council maximises the potential benefits from the time invested to date in the project. This is detailed in the 'Monitoring of deliverables' section of the report, and again in the action plan in appendix two.

Taken together, the recommendations highlight the need for consideration of strengthening of the project management arrangements established for this project.

Subsequent to the completion of our onsite fieldwork, but prior to the completion of this report, a budget report was presented to the strategic management team outlining a proposal to earmark the unspent budget in respect of the project within general reserves. This action should be noted in the context of our recommendation in respect of financial monitoring.

### Monitoring of deliverables

The PID identified the deliverables to be achieved through the successful completion of stage two of the project. As part of our audit work we have considered the evidence available from project team members to support the current status of each deliverable. We have summarised each deliverable and our assessment of the current status within appendix three. From our work we have identified that there are a number of deliverables that have either not been achieved, or are significantly behind schedule. Of the 16 deliverables identified in the PID, only four have been completed. A further four relate to the leave management module, which has now been removed from the scope of the project.

All other deliverables are ongoing, and a number of the estimated completion dates have not been met to date. In addition, a number of the stage one outstanding deliverables have also still not been completed. From our discussions with project team members, however, the outstanding stage one deliverables are not considered to impact the implementation of the self-serve element of the project, which the project team feel will be the key area in which efficiencies and objectives will be met.

On a six weekly basis, update reports are presented to the Project Board. The first report of stage two was delivered on 30 September 2011, and since that date to the time of the audit fieldwork, five update reports had been completed. This is in line with the six weekly Project Board reporting until the beginning of February, when reports were then additionally delivered to the Council's Transformation Board on a fortnightly basis.

We have reviewed the minutes provided to us for the Project Board and Transformation Board. The reports are split into the following sections:

- § Headlines: this section outlines the key areas of the project which have been recently completed or are currently being implemented;
- § 4-week horizon; this section outlines the key items which will be delivered in the upcoming four week period; and
- § current risks and issues.

Each update report is also given an overall project status, with all update reports to the time of our work having been given a 'green' project status.

The update reports do not, however, report the progress made against each of the specific deliverables identified in the PID. There is a risk, therefore, that the current reporting arrangements do not ensure adequate transparency for the project, and that the deliverables outlined in the PID are not appropriately monitored during the project lifecycle.

The PID outlines specific tolerances for stage two of the project and the reporting requirements if such tolerances are breached. These are:

- § a delay of two weeks or more of any project milestone recorded in the deliverables section of the PID must be reported immediately to the project SRO and the programme manager and to the next Project Board and Transformation Board, with a remedial plan of action in an exception report; and
- § any over or under spend of more than 5% (£8,000) of the total budget must be reported immediately to the project SRO and the Programme Manager, and to the next Project Board and Transformation Board.



While we consider the financial position of the project in more detail later in this report, from the progress reports made to the Project Board or Transformation Board which have been made available to us, the financial position of the project has never been reported. Furthermore, all update reports have been graded with a green status and no exception reports have been completed during the project duration; we also consider project monitoring in more depth later in this report.

From our assessment of the overall status of the project against the deliverables, we believe that it is unlikely that all deliverables will be met within the remainder of the project life cycle. There remains a significant element of work needed to ensure full completion of the PID (excluding the leave management module work which has now been removed from scope).

### ***Recommendation one***

#### **Project assumptions**

The PID included a number of the key assumptions in respect of the ability to deliver phase two of the project. Of the eight assumptions outlined, only three have proved accurate and, while in some cases the other assumptions have been outwith the control of the project team, the fact that the assumptions have been inaccurate has led to further delay and cost to the project. Appendix four sets out the assumptions from the PID, and the detail of their current accuracy and impact.

The objective of stage two, as set out in the PID, is for ResourceLink to efficiently support the Council's core business and the modernisation change programme in the key areas of:

- ⌘ workforce and financial planning and decision making;
- ⌘ workforce deployment;
- ⌘ administrative efficiency;
- ⌘ statutory and audit related compliance; and
- ⌘ employee development.

Without the leave management module, it is not now expected that ResourceLink will fully support the workforce and financial planning and decision making. This is further impacted by the difficulties being experienced with the writing of reports in Cognos 10, and the considerable amount of work that is still required around these deliverables. These areas will also impact workforce deployment.

The objective over employee development relied heavily on the ETC integration with ResourceLink which has not, to date, happened and therefore there is a risk that this objective may not be achieved.

### Risk monitoring

An initial risk log was compiled in the PID, setting out eight anticipated risks to the project. In the update reports produced, a section on risks is included, which represents good practice. However, the risks reported on are those that are assessed as having materialised therefore they do not necessarily correspond to the risks identified originally in the PID. It is therefore more difficult to see how the expected risks are being monitored. Furthermore, the materialised risks are not necessarily given a unique reference number, making it more difficult to follow the progress of the assessment and management of each risk. We did identify examples where different risks have been given the same reference number. Care should also be taken to ensure that in assessing the movement of the materialised risks that, should there be a change in the level of risk, an explanation should be given for this movement. Without explanation for a change in risk, it can be difficult for members of the Project Board to understand the overall risk profile of the project and whether appropriate mitigating action has been taken.

### *Recommendation two*

### Staffing resource

The PID identifies the members of the project team and their responsibilities, which was formed at the beginning of stage two. This staffing resource includes a dedicated full-time Project Manager, two HR staff members (resourced to the project at 0.25 and 0.5 FTE), two Payroll staff members (one resourced to the project at 0.4 FTE), a Project Officer (Learning and Development), a Finance Officer and an ICT Project Manager.

The Project Manager has overseen this project from the approval of the stage two PID and, as such, has detailed knowledge to be able to demonstrate the full suite of processes of ResourceLink and MyView. While there is a potential risk of too much information being held by one person, following the implementation of the service review, the Project Manager will remain on secondment to the project until 30 June 2012. With the payroll and HR development team forming from 1 April 2012, this allows a handover period and time for information dissemination which should mitigate the risk to the Council of loss of system knowledge.

We did, however, identify that the staff resource for the project to be made available from the payroll department, in line with the PID, has not been fully available, resulting in a number of the payroll tasks not being completed. We were advised that this was due to other pressures occurring for the payroll department, in particular in preparing for the new pension scheme regulations and the recently announced merger of payroll and HR sections.

### Financial resource

The PID sets out the budget for the project as shown in the table. The Council's executive approved an allocation of £135,367 of ring-fenced funding for stage two of the ResourceLink project, with the shortfall against funding requirement met by under spends in other programmes. As this project is considered low risk, the budget holder does not have to complete specific returns to the finance department explaining any variances from budget. Furthermore, no budget monitoring is reported in the update reports. The total amount incurred by the project to the end of February 2012, as reported in the financial ledger totals £125,366. However, without regular reporting of the financial position of the project, it is difficult to draw specific conclusions on the expected outturn. With the change in scope in respect of the project, it would be timely to prepare a summary of expenditure incurred to date, including information on the forecast outturn position.

Budget heading	2011-12 £	2012-13 £	Total £	Spend to 29 February 2012 - £
Employee costs	1	1	79,542	53,117
System, consultancy and training costs	56,240	25,000	81,240 <sup>2</sup>	72,249
<b>Total</b>	<b>56,240</b>	<b>25,000</b>	<b>160,782<sup>3</sup></b>	<b>125,366</b>

- 1 *The PID does not identify the split of staff costs across the two financial years, but calculates the cost per member of staff for the 12 month period of the project.*
- 2 *On inspection of the details of the budget as set out in the PID, no licence related costs have been accounted for, as all projected expenditure under 'licences and consultancy costs' relates to training and consultancy.*
- 3 *Elsewhere in the PID, we note that the total funding requirement is documented as £157,212, which is inconsistent with the detail of the budget.*

### Recommendation three

#### Process improvements

The project has introduced one self-serve module that is currently in the pilot stage. Office based staff now have the option through the MyView self-service software to view their payslips online. This is, however, currently considered to be a 'nice to have' option, and all members of staff still receive hard copies of their payslip. Non-office based staff do not have access to MyView. Members of staff have MyView access added to their staff record in ResourceLink and when payruns are processed, the system automatically produces an electronic copy of the payslip. Consequently, there have been no changes to the current system and process for generating payslips and so at this time, this element of the project currently does not deliver any efficiencies. Further consideration is needed by the Council to achieve fully the potential benefits from this element of the project, especially as the system is due to be rolled out to teaching staff in the coming months as well as other remaining employees to whom this process is currently unavailable. There is, therefore, a risk that the Council continues to incur costs and not meet efficiency targets, as well as members of staff not benefiting from the self-serve software.

### Recommendation four

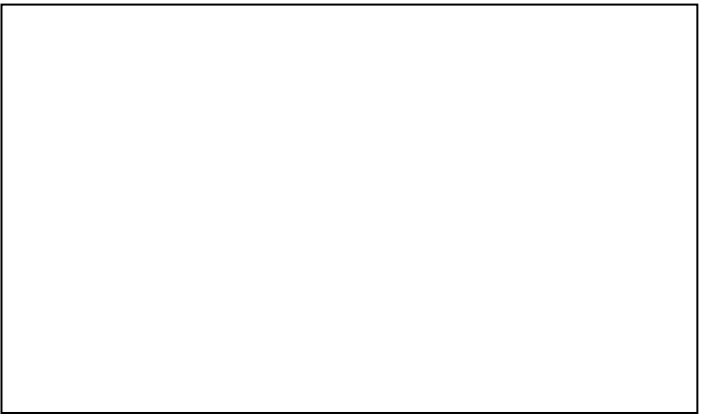
The online travel expenses does have the potential to deliver administrative efficiencies through the removal of the 'keying-in' process by the creditors team. However, the checks on expense claims which are required under the financial regulations of the Council may mean that the project cannot fully meet its objectives. Furthermore, the current BarrachD Staffing Watch report service has had to be continued as the project team do not yet have the confidence that the system will be able to produce the statutory reports required.

### Absence management

Absence management was one of the original key deliverables, and a further direct absence reporting project was set up to implement a central telephone line for all members of staff to call. From our understanding of progress to date, this deliverable has been successful. From our discussions and testing, we have identified the following areas where there is scope for further improvement to mitigate risks currently identified in the system:

- §there is duplication of data through multiple reports having to be run, which has led to inefficiencies, and further pressure on scarce resources, particularly staff time;
- §managers are not informed of employees meeting the triggers in the sickness policy and therefore cannot take action to support the employee as well as being able to make plans about workforce management;
- §there is a potential for further staff training in how to use the system, in particular Cognos 10, which may lead to further efficiencies; and
- §there is some duplication of processes between the absence operator and payroll operator which could lead to inefficiencies in the process.

***Recommendation five***



## Appendix one

# Classification of internal audit findings

The following framework for internal audit ratings has been developed and agreed with management for prioritising internal audit findings according to their relative significance depending on their impact to the process.

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

The action plan summarises specific recommendations, together with related risks and management's responses.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<b>1 Project monitoring</b>		
<p>From our consideration of the progress made against project deliverables, while there is potential in the project to deliver on the identified objectives and deliverables, there is a risk that the appropriate level of resource is not available to ensure delivery of the project within the shortened remaining project timetable.</p>	<p>Management should undertake a full update report against the project deliverables, and agree those of priority which can be delivered within the remaining available resources, both financial and staff. This will help to ensure that the Council maximises the potential benefits from the time invested in the project to date.</p>	<p style="text-align: center;"><b>High</b></p> <p>Agreed - this will be picked up in the lessons learnt review and next steps report which will be prepared by the project manager at the end of phase 2 of the project to be presented to the next meeting of the HR board.</p> <p>Moving forward future development of Resourcelink and My View self serve will be managed by the HR development team from October 2012.</p> <p><b>Responsible officer:</b> Head of Improvement and HR</p> <p><b>Implementation date:</b> October 2012</p>

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p><b>2 Risk monitoring</b></p>		<p><b>Medium</b></p>
<p>In the update reports produced, a section on risks is included, which represents good practice. However, the risks reported on are those that are assessed as having materialised therefore they do not necessarily correspond to the risks identified originally in the PID. It is therefore more difficult to see how the expected risks are being monitored.</p> <p>Furthermore, the materialised risks are not necessarily given a unique reference number, making it more difficult to follow the progress of the assessment and management of the risk.</p> <p>Care should also be taken to ensure that in assessing the movement of the materialised risks that, should there be a change in the level of risk, an explanation should be given for this movement. Without explanation for a change in risk, it can be difficult for members of the Project Board to understand the overall risk profile of the project and whether appropriate mitigating action has been taken.</p>	<p>In preparing the risk reporting and monitoring, management should ensure that:</p> <ul style="list-style-type: none"> <li>•risks originally identified within the PID are reported on, to provide a complete picture of the risks to the project;</li> <li>•as risks materialise, they should be assigned unique reference numbers to assist the Project Board with assessment of monitoring of the risk profile of the project; and</li> <li>•change in risk assessment should be reported, so that the overall risk profile can be monitored and the success of actions to mitigate risks considered.</li> </ul>	<p>Accepted - the project manager for this project was chosen because of her knowledge of Resourcelink rather than experience of project management. The SRO was aware that project management skills were not well developed and brought in an IOD programme manager in a project assurance and mentoring role. Skills have improved over the duration of the project but have some way to go.</p> <p>From October 2012 future developments of the Resourcelink project will be managed by the HR development team who are experienced in project work.</p> <p><b>Responsible officer:</b> Head of Improvement and HR</p> <p><b>Implementation date:</b> October 2012</p>









Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p><b>3 Financial monitoring</b> <span style="float: right;"><b>Medium</b></span></p>		
<p>No financial budget monitoring has been reported in the update reports to the time of our work. Without regular reporting of the financial position of the project, it is difficult to draw specific conclusions on the expected outcome of the project, especially with the recent change in scope to the project.</p>	<p>Following the change in scope on the project, a summary of expenditure incurred to date, and that now forecast to be incurred by the anticipated end date, should be prepared and submitted to the Project Board for review.</p>	<p>Accepted – see response to recommendation 1 above.</p> <p>Budget forecasting was prepared at year end to ensure earmarked funds were rolled over. Review of project budget and spend will be included in the lessons learnt report.</p> <p><b>Responsible officer:</b> Head of Improvement and HR</p> <p><b>Implementation date:</b> October 2012</p>
<p><b>4 Online payslips</b> <span style="float: right;"><b>Medium</b></span></p>		
<p>Office based staff have the option through the MyView self-service software to view their payslips online. This is currently considered to be a 'nice to have' option, and all members of staff still receive hard copies of their payslip. Non-office based staff do not have access to MyView.</p> <p>Consequently, there have been no changes to the current system and process for generating payslips and so at this time, this element of the project currently does not deliver any efficiencies. There is, therefore, a risk that the Council continues to incur costs and not meet efficiency targets, as well as members of staff not benefiting from the self-serve software.</p>	<p>Further consideration is needed by the Council to achieve fully the potential benefits from this element of the project, especially as the system is due to be rolled out to teaching staff in the coming months as well as other remaining employees to whom this process is currently unavailable.</p>	<p>Agreed - the savings will be delivered through the HR service review implementation.</p> <p>From October 2012 the HR development team will continue with a phased roll out of online payslip and online travel and subsistence.</p> <p><b>Responsible officer:</b> Head of Improvement and HR</p> <p><b>Implementation date:</b> October 2012</p>

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<b>5 Absence management</b>		<b>Medium</b>
<p>From our discussions and testing there are some areas for further improvement to mitigate risks currently identified in the system, which include:</p> <ul style="list-style-type: none"> <li>§there is duplication of data through multiple reports having to be run, which has led to inefficiencies, and further pressure on scarce resources, particularly staff time;</li> <li>§managers are not informed of employees meeting the triggers in the sickness policy and therefore cannot take action to support the employee as well as being able to make plans about workforce management;</li> <li>§there is a potential for further staff training in how to use the system, in particular Cognos 10, which may lead to further efficiencies; and</li> <li>§there is some duplication of processes between the absence operator and payroll operator which could lead to inefficiencies in the process.</li> </ul>	<p>A review of the current processes in absence management should be undertaken to ensure that the system and process are delivering the maximum efficiencies, therefore enabling the Council to meet its objectives.</p>	<p>Accepted - a new team is to be formed in July 2012 which will undertake a review of absence process, an action plan will be prepared as a result of this review.</p> <p><b>Responsible officer:</b> Head of Improvement and HR</p> <p><b>Implementation date:</b> July 2012</p>




## Appendix three

### Project initiation document deliverables

We have considered the progress of each deliverable identified in the project initiation document, and provided our assessment of the progress made against them.

Deliverable title/description/dependency	Estimated completion date	KPMG assessed evidenced progress (March 2012)	Status
<b>System integrity and management</b>			
<b>Implement database upgrades</b> A Payroll related system upgrade was implemented 25/08/2011 and the My View software upload will also highlight any other gaps in functionality from previous upgrades. This will then become a business as usual task.	September 2011 and ongoing	The upgrades to the system have taken place as planned. Ongoing updates take place, with Aurora 8 being installed on 12 March 2012.	
<b>Amalgamate Duplicate Payroll Transfer Records</b> Only closed records remain to be processed – this is an outstanding Stage 1 Payroll related task.	October 2011	No further duplicate payroll records are being created, however the task of amalgamating current duplicate records is not complete.	
<b>Update of Post Related Data Entries</b> Outstanding FTEs and obsolete posts, plus ongoing changes arising from Service Review outcomes are an outstanding Stage 1 HR related task.  Pay group and Location data entries will be updated as a prerequisite for the Leave Module implementation	October 2011 and ongoing  January 2012	This task was completed, and on an ongoing basis, reports are sent to managers to confirm staff in post. This will be an ongoing task due to the service reviews.  The leave module and associated deliverables have been removed as part of the change in scope.	  n/a
<b>Validation of Employment Service Dates</b> Outcomes from the completed checks of card records are on a spreadsheet and need to be input to RL and validated – this is an outstanding Stage 1 Payroll related task.	October 2011	This is ongoing work, but this has not been completed due to payroll staffing pressures.	
<b>Review of Service Break Entries</b> Review covers past 5 years and has been started but is incomplete. This is an outstanding Stage 1 Payroll related task.	October 2011	This is ongoing work, but has not been completed due to payroll staffing pressures.	
<b>Stock Take of RL Users</b> Review of system users to delete redundant user access and ensure live profiles are appropriate. Also to complete a training needs analysis of the current users to create a system training plan that ensures those users who use the system have the knowledge to use it effectively.	November 2011	On an approximately monthly basis, a report of users is run and checked.	

**Status key:**

-  Risk of significant delay / non-completion of deliverable
-  Risk of some delay
-  Project deliverable on track

**Source:**

KPMG observations during the audit.

## Appendix three

### Project initiation document deliverables (continued)

Deliverable title/description/dependency	Estimated completion date	KPMG evidenced progress	Status
<p><b>RL Operational Management Review</b></p> <p>To establish a formal system management arrangement (similar to the Web Steering Group) with terms of reference that reflect the need for effective cross service control regarding: system performance and issues management, change control, development and system release appraisal.</p>	November 2011	This group has not yet been established, however the project group is being used to meet the deliverables. It is intended that the development team that will be set up from 1 April 2012 will take this role.	●
<p>Review of BarrachD Staffing Watch report service with a view to cessation of current contract (May 2012), as in house functionality should supersede this.</p>	April 2012	The current contract has been extended for another year.	●
<b>System Development</b>			
<p><b>Implementation of the Self Service Module</b></p> <p>This will involve the implementation of the core software with a phased rollout of functionality thereafter, it may involve a pilot in a single Department first:</p> <ul style="list-style-type: none"> <li>- System install (15/09), branding and administrator training (12/13 Sept.).</li> <li>- Online Payslips and Employee Change of Circumstances</li> <li>- eTimesheets and timecards (including overtime &amp; adjustments)</li> <li>- Online expense forms (build in January, pilot Feb./March)</li> </ul> <p>There is a dependency to Northgate consultant availability which will be confirmed by the Project Manager.</p> <p>There is a dependency to Audit sign off of online arrangements (see risks)</p>	<p>October 2011</p> <p>December 2011</p> <p>February 2012</p> <p>March 2012</p>	<p>The system install was completed on time. Online payslips are currently being piloted. eTimesheets and timecards have been deferred, as they relate to the work on the leave module. The online expense forms were piloted from April 2012.</p>	●
<p><b>Evaluate Costs and Benefits of a TRS Integration</b></p> <p>Complete an evaluation of the costs and benefits of developing integration to the Time Recording System to extract data regarding leave, flexi and time recording. This needs to take account of the Leave module solution which may provide key elements of the functionality provided by integration.</p>	February 2012	A decision on TRS integration has been deferred, as this is linked to the leave module work.	n/a
<p><b>Completed Resourcelink Development Roadmap</b></p> <p>Dependencies to outcome of SD02 evaluation above and R003alignment of Pay modelling activities. Will also include evaluation of Recruitment Module to MyJob Scotland.</p>	March 2012	This has not happened, due to other dependencies, and ultimately the leave module being removed from the project scope.	n/a

**Status key:**

- Risk of significant delay / non-completion of deliverable
- Risk of some delay
- Project deliverable on track

**Source:**

KPMG observations during the audit.

## Appendix three

### Project initiation document deliverables (continued)

Deliverable title / description / dependency	Estimated completion date	KPMG evidenced progress	Status
<p><b>Implementation of the Resourcelink Leave Module</b> Includes procurement and implementation of the module once it has been fully developed and released by Northgate. Also involves setting up of interface to Self Service absence management capabilities, enablement of processes to resolve IFR standards for flexi and holiday pay accrual and support Direct Absence reporting of complex scenarios e.g. multiple post holders and variable hours. Single council wide go live is anticipated.</p>	July 2012	Removed from scope of project.	n/a
<p><b>Implementation of Resourcelink – ETC Training/PDR Integration</b> SMT Option Appraisal decision is for ETC system to progress as standalone tactical PRD and training information solution followed by integration to ResourceLink via an existing Northgate API. Will need self service access and authentication to be rationalised (Both ETC and ResourceLink will have online capabilities) .</p>	August 2012	This is not forecast to be completed by the revised project end date of June 2012.	●
<p><b>Reporting and business support</b></p>			
<p><b>Launch of Absence Reporting and Resourcelink Awareness</b> This will be based on deployment of trigger and quarterly reports already developed and approved by SMT. The campaign is also to highlight the importance of ResourceLink and the role of all managers in providing accurate, prompt data and returns to it.</p>	November 2011	Trigger and quarterly reports are completed, further consideration of this functionality has been given earlier in this report.	●
<p><b>Review of Report Writing Operations</b> Implementation of activities designed to refocus the original group, ensure effective consolidation of existing training and additional training where required. Key users: For HR – Eileen Coligan &amp; Jane Willan For Payroll – Lorraine Brodie and Angela Gilchrist System Admin – Karen Mitchell ResourceLink Project – Mary Soudan</p>	November 2011	This is ongoing, and has suffered a number of difficulties, particularly with the upgrade to Cognos 10. The priority reports for year end have been developed, but further consideration is needed on how to take this area forward in the future.	●

**Status key:**

- Risk of significant delay / non-completion of deliverable
- Risk of some delay
- Project deliverable on track

**Source:**

KPMG observations during the audit.

Appendix three  
**Project initiation document deliverables (continued)**

Deliverable title / description / dependency	Estimated completion date	KPMG evidenced progress	Status
<p><b>Completed Resourcelink Development Roadmap</b>                      Agree Deliverables and timetable with Strategic Finance :</p> <ul style="list-style-type: none"> <li>•Reporting into Strategic Finance Manpower templates</li> <li>•Adoption by Strategic Finance of the cleansed and update ResourceLink line management hierarchies                             <ul style="list-style-type: none"> <li>•Ready identification of vacant posts</li> </ul> </li> <li>•Ways of reducing activities that result in transactions that go to the payroll suspense accounts</li> <li>•Implementation of a 'manpower commitment' field in ResourceLink to help control manpower budgets</li> </ul>	<p>November 2011</p> <p>Dates to be announced after agreement of above</p>	<p>This is ongoing, but has not been completed, partly due to issues with Cognos 10. This is now being taken forward outwith the ResourceLink project. Further progress will be made once a decision has been reached on the future of Cognos.</p>	<p>●</p>

**Status key:**

- Risk of significant delay / non-completion of deliverable
- Risk of some delay
- Project deliverable on track

**Source:**

KPMG observations during the audit.

## Appendix four

### Project assumptions

Assumption	Implication of the assumption	Current status of the assumption	Current impact of the assumption
The consultant resources required to implement Self Service will be available in September and October.	The dates for the implementation of Self Service Phase 1 are predicated on this assumption and may slip if it proves unfounded.	Consultants have been available to support the Council.	No negative impact
Directors and Heads of Service will make sure relevant staff are available as required at all stages of the project.	A certain degree of employee involvement is required for a range of tasks e.g. user testing, attending training, providing requested information. Delays and quality of implementation will be affected if this is not forthcoming.	There have been difficulties in payroll members of staff being available to complete work as required.	A number of the payroll deliverables have not been achieved.
The Leave module will be released to market and stable enough to implement in January 2012.	The Leave module implementation will be delayed if the module is not available and its functionality is required for the start of the 2012/13 financial year.	The leave module was not considered to be stable enough to implement.	This has been a key factor in the change in scope.
The resources identified will be sufficient to deliver the planned outcomes of Stage 2 over the next 12 months.	Stage 1 had insufficient ring fenced resources to meet the demands of the project. Stage 2 has more resources, but also a greater scope. Slippage will result if the resource requirement predictions were incorrect.	There has been considerable pressure on the resources identified.	Delays have occurred throughout the project deliverables.
The ring fenced employee project resources identified will not be diverted to operational matters.	Back fill funding has been provided to ensure ring fenced resource from HR and Payroll. If these are drawn back to deal with operational priorities Stage 2 will suffer the same slippage as Stage 1. This will require close control by the Project Manager.	Ring fenced payroll staff have been diverted to operational matters.	A number of the payroll deliverables have not been achieved.
Strategic Finance will engage sufficiently to enable delivery of the relevant pay and workforce related milestones.	Strategic Finance has its own busy programme of system improvements and has secured ring fenced funding for it. Delivery depends on timely alignment of Stage 2 with Strategic Finance to ensure their input, otherwise delays and possible duplication of effort will ensue.	Strategic Finance have engaged with the project, but have not been able to fully deliver their milestones.	This has lead to delays with the specific strategic finance deliverable.

Appendix four  
**Project assumptions (continued)**

Assumption	Implication of the assumption	Current status of the assumption	Current impact of the assumption
<p>There will be no additional costs to the ResourceLink Project arising from the ETC Training integration</p>	<p>It has been indicated that the ETC system will integrate to ResourceLink via an existing Northgate API and therefore no funding has been included in the ResourceLink budget for this. If the assumption is incorrect then additional funding will be required and obtaining approval may involve a delay.</p>	<p>No further progress has been made with the ETC training integration and so it is not known if there are any additional costs.</p>	<p>There is significant delay to the integration of the ETC system with ResourceLink.</p>
<p>Internal Audit will approve protocols and system safeguards regarding online expense forms.</p>	<p>If considerable be-spoking of forms or processes is required to meet audit requirements then the online expense form element of ResourceLink Self Service may be delayed.</p>	<p>Internal audit have approved the forms, with minor recommendations for small changes.</p>	<p>It is unlikely that the changes requested will result in any delay to the deliverables.</p>



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**ARGYLL AND BUTE COUNCIL****AUDIT COMMITTEE  
29 JUNE 2012**

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**AUDIT SCOTLAND NATIONAL REPORT – LOCAL GOVERNMENT OVERVIEW**

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**1 SUMMARY**

- 1.1 Audit Scotland prepare an overview report each year that highlights from their perspective the key issues facing local government. This report summarises the most recent report published in March 2012.

**2 RECOMMENDATION**

- 2.1 The Audit Committee note the summary of the key points from the local government overview report prepared by Audit Scotland.

**3 DETAIL**

- 3.1 Each year Audit Scotland publishes a report on the key issues relating to local government. The most recent report published in March 2012 highlights issues around

- Challenges in 2012
- Review of resource use in 2011

In addition a checklist for Members is included with the report.

- 3.2 The summary and conclusions from the report in relation to challenges for 2012 are as follows:

- The pressures on local government finances and increasing demands present a substantial challenge to services and outcomes.
- Strong leadership and governance is required in this period of transition and change, including in police and fire and rescue services.
- It is vital that statutory officers, and in particular the statutory officer for finance, have appropriate access and influence
- Local authorities need to take a structured approach to options appraisal and demonstrate the basis for decisions.
- Councils and their partners need to develop partnership working to deliver better value for money and improved outcomes, to ensure that partnership performance systems are sound and that accountabilities

are clear.

- Good-quality performance information and effective management is required, with an increasing focus on costs and measures which monitor partnership performance and outcomes.

3.3 In relation to the section on review of resource use in 2011 the summary points and conclusions are noted below:

- The accounts for 2010/11 showed a relatively stable financial position.
- Accounts were unqualified, with the exception of Shetland Islands Council.
- There is increasing evidence of non-compliance with financial regulations and procedures.
- There have been substantial changes in the local authority workforce, and more change is likely
- More work is required to improve asset management and procurement practices.
- Based on the most recent audited financial information, councils appear to have coped well with the financial pressures. Financial reporting continues to be a strength but the time is right for councils to reaffirm the importance of financial procedures and ensure that staff who hold positions that are central to strong and effective financial control are fully aware of their responsibilities.
- There have been and will continue to be substantial changes in the local government workforce; this brings opportunities in terms of new structures and new individuals in post that can bring fresh thinking in services and at the corporate centre. However, there are also risks and staff will need time fully to understand their new roles and to build the necessary networks and working relationships within the local authority and with community partners.
- Asset management continues to be an area requiring attention; the backlog of maintenance of roads and buildings is substantial. Taking together with the slippage in capital programmes, local authorities need comprehensive and effective asset management plans to ensure they have the right assets in the right condition available to match service plans and developments.

3.4 The checklist for Members is attached as Appendix 1 with some comments on the questions from an Office perspective.

3.5 The Audit Committee should consider the terms of the report. A link to the full report is given below

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

Bruce West  
Head of Strategic Finance  
30 May 2012

## Appendix 1

Ref	Checklist For Members	Comments
<b>Leadership and governance</b>		
1	Do you understand fully all aspects of your role and how to find out more?	Each member to consider this.
2	Do you know who the statutory officers are, what they do and when you need to talk to them?	Chief Executive is Head of Paid Service. Executive Director of Customer Services is monitoring officer. Head of Adult Care is Chief Social Work Officer. Head of Strategic Finance is Section 95 Finance Officer.
3	Have you prioritised what you need to do in the next 12 months?	In a time of constrained resources and increasing expectation it is important the Council is clear about its priorities.
4	Do you have access to relevant training and development?	Induction programme but members should also consider their ongoing training and development needs.
<b>Partnership working</b>		
5	Do you have a good understanding of partnership arrangements?	The key partnerships are the community planning partnership and the health and social care partnership although there are a range of other partnerships.
6	Are you assured that the council is making the most of partnership working?	Issue for members to consider.
7	Are you kept informed about partnership working developments and the outcomes being achieved?	Should we submit a periodic report on key partnerships to members?
<b>Options for service delivery</b>		
8	Are you aware of alternative service delivery models being considered?	Alternative service delivery models will be

		a key feature of the Corporate Improvement Plan.
9	Do you have access to all of the information you need to make a decision on alternative service delivery options?	An options appraisal using Scotland Excel guidance will be prepared as part of consideration of alternative service delivery models.
<b>Performance information</b>		
10	Do you have a good understanding of performance information arrangements? Are you assured that there is emphasis on cost and partnership performance in addition to level and quality of service?	Scorecards reported quarterly to members. Success measures included in service plans.
11	Are you provided with appropriate reports and information to enable you to scrutinise performance effectively?	Community planning partnership scorecard picks up partner performance as does review of single outcome agreement.
<b>Use of resources</b>		
12	Do you have a good understanding of the council's financial position including the impact of future funding?	Induction training included some information on financial position. Annual accounts due to be submitted to Council on 28 June. Budget agreed in February set out budget proposals including savings, cost/demand pressures and financial risks for 3 years to 2014-15.
13	Are you aware of the level of future savings required by the council and are you assured that firm plans are in place to achieve these?	
14	Have you asked how your council is addressing the actions set out in the most recent external auditors' report and this overview report? Are you assured that action is being taken and quickly enough?	Action plans for audit reports are submitted to the Audit Committee.
15	Are you assured that arrangements are in place (through internal audit or other processes) to ensure ongoing compliance with financial regulations and strong internal controls?	The internal audit plan is agreed by the Audit Committee each year and all internal and external reports are submitted to the Audit Committee.
16	Do committee papers on resource issues	Reports should

	enable you to scrutinise effectively? Are they adequate in terms of clarity, level of detail and ease of understanding?	summarise implications on financial and human resources and where these are significant they should be explained in more detail.
17	Are you aware of the council's workforce strategy? Are you assured that any potential impact on service delivery is being minimised?	Savings have been identified through service reviews which drive out issues in terms of human resources. Workforce planning being developed.
18	Do you know how well your council performs on procurement and the steps being taken to ensure further improvement?	Results of Procurement Capability Assessment reported to members. The Council was one of the higher ranked councils although there is still scope for progress.
19	Do you know what your council's risk management arrangements are, where you can find information on risk and where you can ask questions and challenge?	Operational risk register summaries included in scorecards. Service plans show risks related to each service outcome.
20	Do you understand what best value involves, what it means in practice and how your council demonstrates it is achieving best value?	<b>Issue for members to consider.</b>



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**ARGYLL AND BUTE COUNCIL****AUDIT COMMITTEE****29 JUNE 2012****STRATEGIC FINANCE**

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**RISK MANAGEMENT UPDATE AND ACTION PLAN 2012/13**

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**1. INTRODUCTION**

- 1.1 This report updates the Audit Committee on progress and issues related to risk management and highlights the progress made in relation to the action points within the 2011/12 Risk Management Action Plan (RMAP) and details the proposed 2012/13 RMAP.
- 1.2 The proposed 2012/13 RMAP which has still to be approved by the Strategic Risk Group is influenced by the result of the Alarm CIPFA Risk Management Survey results, any current internal audit recommendations, and any recommendations arising from the annual review of Risk Management Strategy, Policy and Framework documentation. There is also reference to Corporate Improvement programme recommendations. It is intended that the plan will be monitored via the Strategic Risk Group.
- 1.4 This report also summarises the outcome of the review of year end risk assurance statements and these have also been used in developing the draft 2012/13 RMAP.

**2. RECOMMENDATION**

- 2.1 Audit Committee to note Argyll & Bute risk management systems are assessed as 'working', the draft 2012/13 RMAP and the outcome of the year end risk assurance review.

**3. DETAIL**

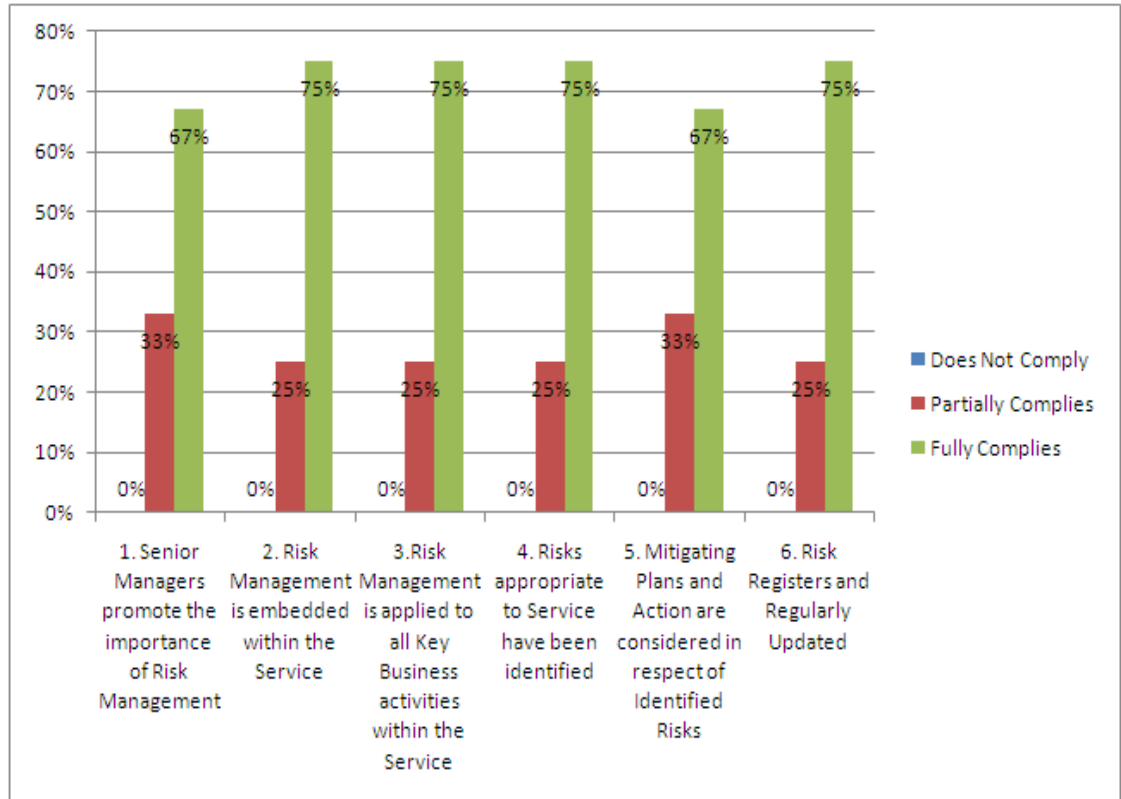
- 3.1 The 2011/12 RMAP is shown in appendix A. Considerable progress has been made in relation to a number of the outcomes and actions points. Where action has been delayed or not progressed this will be addressed in the revised 2012/13 RMAP.
- 3.2 Argyll and Bute Council is part of the ALARM CIPFA risk management benchmarking club and took part in a survey which is designed as a performance tool to assist in raising the standards of risk management within organisations. The survey is based on ALARM's National Performance Model for Risk Management in Public Services.
- 3.3 The survey breaks downs risk management activity into seven strands:

- Leadership and management
- Strategy and policy
- People
- Partnership, shared risks and resources
- Processes and tools
- Risk Handling and assurance
- Outcomes and delivery

- 3.4 Under each strand, a series of questions have been developed. Responses to these questions are weighted to reflect their relative impact on performance and collated into a final “score” for each section. This identifies the level of maturity the organisation has reached. Appendix B shows the current assessed level for each of the themes identified in 3.3.
- 3.5 The 2012/13 RMAP incorporates the seven strands and will attempt to maintain or improve current assessed levels. The plan incorporates the outstanding 2011/12 actions under the appropriate theme. It also details actions arising from the Corporate Governance Improvement plan 2012/13 (Appendix C) which align with planned RM activity. There are no outstanding Internal Audit recommendations to be considered. The detail of the 2012/13 RMAP is shown in appendix D.
- 3.6 The Risk Management Policy, Framework and Guidance documentation was revised during 2011/12. These revisions included the development of an annual risk assurance statement for each service.
- 3.7 The risk assurance statements for services have been based on the following statements:
- Senior managers promote the importance of risk management.
  - Risk management is embedded within the service.
  - Risk management is applied to all key business activities within the service.
  - Mitigating plans and actions are considered in respect of identified risks.
  - Risk registers are regularly updated.
- 3.8 Heads of Service were requested to indicate whether they fell into one of three categories, non –compliance, partial compliance or full compliance for each of the statements. Heads of Service were further requested to evidence their selection and where appropriate give further detail of actions to be taken.
- 3.9 Services have indicated that they were partially compliant or fully compliant with existing guidelines. No Service indicated a failure to comply or reported any significant issue. It is envisaged that as Risk Management protocols mature and develop as part of the 2012/13 Risk Management Action plan, responses will indicate a greater assurance in future years.
- 3.10 Returns were subject to a random evidence testing exercise. Evidence suggests that Risk Management is being regularly discussed by Departmental Management Teams and by Service Management Teams. Risk registers are

being reviewed and updated where appropriate and consideration is given to mitigating plans and actions.

3.11 A summary of the overall position against the 6 service risk assurance statements is given below.



3.12 The key improvement areas identified from the risk assurance statements are incorporated in the updated risk management action plan within the undernoted themes.

- Leadership & Management – Senior managers promote the importance of Risk Management
- Policy & Strategy – Clear Policies and Strategies in Place
- Processes – Effective Risk Management

#### 4. CONCLUSION

4.1 The report advises that progress has been made in relation to outstanding action points and that Risk Management processes and protocols are developing. It also advises that a revised action plan is in place to further develop and improve Risk Management.

Bruce West  
 Head of Strategic Finance  
 21 June 2012

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Theme	Management Activity	Improvement Areas	Specific Action Activity	Success Measures	Lead	Deadline	Status
Leadership & Management	Senior Management and Executive support & promote risk management	Information and decision making Escalation and reporting systems Accountability and management responsibility Leading risk management implementation	Formation of Strategic Risk Group Corp Gov Improvement Plan CG11 Corp Gov Improvement Plan CG7	Maintain or Improve Assessed Level	SMT	31/3/13	Current
Policy & Strategy	Clear policies and strategies in place	Risk Management Policy	Review Policy, Framework and Guidance  Corp Gov Improvement Plan CG10 Corp Gov Improvement Plan CG8	Maintain or Improve Assessed Level	Head of Strategic Finance	31/3/13	Current
People	People are equipped to manage risk	Culture  Responsibility Skills and Guidance  Communications	Develop and Deliver Training Programme  Corp Gov Improvement Plan CG9	Maintain or Improve Assessed Level	Head of Strategic Finance	30/9/12	Current
Partnership & Resources	Effective arrangements for managing risk with partners	Partnerships  Finance Tools	Develop Shared Risk Arrangements	Maintain or Improve Assessed Level	Head of Strategic Finance	30/9/12	Current
Processes	Effective risk management	Links to business / service processes overview Risk identification and analysis Risk Response Risk Reporting and Review Investigation and root cause analysis Service continuity	Regularly Review ORR's and SRR's. Develop procedures for reporting risk movement	Maintain or Improve Assessed Level	Head of Strategic Finance & Heads of Service	31/03/13	Current
Risk Handling & Assurance	Risks are handled well and the organisation has assurance that risk management is assisting delivering successful outcomes and supports risk	Risk Handling Assurance	Develop advanced annual Risk Assurance Statements	Maintain or Improve Assessed Level	Head of Strategic Finance & Heads of Service	31/3/13	Current
Outcomes & Delivery	Risk Managements contributes to achieving Outcomes	Risk Management contribution to overall performance Contribution to specific outcomes	Annual review	Maintain or Improve Assessed Level	Head of Strategic Finance & Heads of Service	31/3/13	Current

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Outcome	Action	Success Measures	Lead	Deadline	Risk	Status
Risk management is actively supported by senior officers and elected members	Risk Management Policy Statement developed	Risk Management Policy approved by Executive	Head of Strategic Finance	31-Mar-11	Risk management is not seen to have support or commitment at a service level	Complete
	Risk management framework developed	Risk Management Framework approved by Executive	Head of Strategic Finance	31-Mar-11		Complete
	Risk management strategy developed	Risk Management Strategy approved by Executive	Head of Strategic Finance	31-Mar-11		Complete
	Risk management guidance developed	Risk Management Guidance approved by Executive	Head of Strategic Finance	31-Mar-11		Complete
	Risk management action plan developed	Risk Management Action Plan approved by Executive	Head of Strategic Finance	31-Mar-11		Complete
	Risk management policy, framework, strategy, guidance and action plan reviewed annually	Annual review of risk management complete and key documents updated and approved	Head of Strategic Finance	30-Apr-12		Complete
	Risk and action taken to investigate that they are regular monitored	The Strategic Risk Register (SRR) has been reviewed	Revised SRR approved by Executive	Head of Strategic Finance		31-Mar-11
Risk management contribute to the achievement of the Council objectives	The Operational Risk Register (ORR) has been reviewed	Revised ORR approved by Executive	Heads of Service	31-Mar-11	The effectiveness of risk management activity is not monitored and stakeholders are unaware of the impact of this	Complete
	There is regular review and reporting of the SRR	Quarterly report on SRR to Executive	Head of Strategic Finance	July, Oct, Dec, Apr		Complete
	There is regular review and reporting of the ORR	Annual report on SRR to Executive	Head of Strategic Finance	May-12		In Progress
	SRR and ORR are updated regularly	Quarterly report on ORR to Executive	Heads of Service	July, Oct, Dec, Apr		Complete
	Risk management arrangements for key partnerships are developed	Annually report on SRR to Executive	Heads of Service	May-12		Complete
		SRR and ORR reviewed and updated quarterly in Pyramid	Heads of Service	July, Oct, Dec, Apr		Complete
		Key agreement on risk management responsibility	Head of Strategic Finance	Mar-12		In Progress
		Key partnerships have a shared risk register	Head of Strategic Finance	Mar-12		In Progress
		A report on the SRR is prepared at the start of each planning round	Head of Strategic Finance	August		Deferred pending more detailed review of SRR. Will take place in 2012-13.
		Risk management is part of the planning process				

Outcome	Action	Success Measures	Lead	Deadline	Risk	Status
There is a systematic approach to help ensure all key risks are identified, prioritised and matched with appropriate responses	Risk Management is used to help drive improvement  Links developed between risk management and financial performance  Staff in Strategic Finance allocated to support dept with risk management  Training provided to support staff across the Council	A report on the SRR is prepared at the conclusion of each planning round	Head of Strategic Finance	March 2011 and 2012		Deferred pending more detailed review of SRR. Will take place in 2012-13.
		A report on the ORRs is prepared at the start of each planning round	Heads of Service	August		ORRs were reviewed as part of service plan preparation. Formalise reporting as per this action for 2012-13.
		A report in the ORRs is prepared at the end of each planning round	Heads of Service	March 2011 and 2012		ORRs reviewed for start of 2012-13 financial year. Formalise reporting as per this action in 2012-13.
		Risk management assists in identifying improvement opportunities	Head of Strategic Finance	Mar-12		In Progress
		Projects and programmes have their own risk register that is actively monitored	Head of Strategic Finance	Mar-12		Complete
		Clear cost/benefit criteria and analysis developed for risk management	Head of Strategic Finance	Mar-12		Delayed. Will take forward in 2012-13.
		A document linking risk management to financial performance is developed	Head of Strategic Finance	Mar-12		Complete
		Staff in place	Head of Strategic Finance	Mar-11		Lack of consistency in identification and evaluation of risks and inconsistent approach across the Council to risk management
		Use satisfaction survey to establish if depts. Feel support	Head of Strategic Finance	Nov-11		
		Training needs analysis completed	Head of Strategic Finance	Jun-11		Delayed. Will take forward in 2012-13.
		Training plan developed for risk management	Head of Strategic Finance	Jul-11		Delayed. Will take forward in 2012-13.
		Training delivered	Head of Strategic Finance	Ongoing		Delayed. Will take forward in 2012-13.



Outcome	Action	Success Measures	Lead	Deadline	Risk	Status
	Systematic approach to identifying and evaluating risk development that outlines mitigation action and residual risk arrangements	Included as part of Risk Management Guidance	Head of Strategic Finance	Mar-11		Complete
	Investigate options for computer package to hold SRR and ORR and support risk management	Review complete	Head of Strategic Finance	Sep-11		Complete

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<b>Enablers</b>  Leadership & Management  Policy & Strategy  People  Partnership & Resources  Processes	Awareness	Happening	<b>Working</b>	Embedded & Integrated	Driving
	Awareness	Happening	Working	<b>Embedded &amp; Integrated</b>	Driving
	Awareness	Happening	<b>Working</b>	Embedded & Integrated	Driving
	Awareness	Happening	<b>Working</b>	Embedded & Integrated	Driving
	Awareness	Happening	<b>Working</b>	Embedded & Integrated	Driving
<b>Results</b>  Risk Handling & Assurance  Outcomes & Delivery	Awareness	Happening	<b>Working</b>	Embedded & Integrated	Driving
	Awareness	Happening	<b>Working</b>	Embedded & Integrated	Driving

**Level Guide:**

Engaging	< 20%
Happening	20 – 45%
Working	45 – 70%
Embedded & Integrated	70 – 85%
Driving	85% +

<b>Level 1 Awareness</b>	<b>Level 2 Happening</b>	<b>Level 3 Working</b>	<b>Level 4 Embedded &amp; Integrated</b>	<b>Level 5 Driving</b>
No clear evidence of improved outcomes.	Limited evidence that risk management is being effective in, at least, the most relevant areas.	Clear evidence that risk management is supporting the delivery of key outcomes in all relevant areas.	Clear evidence of significantly improved delivery of relevant outcomes and evidence of positive and sustained improvement.	Risk management arrangements clearly acting as a driver for change and linked to plans and planning cycles.

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## Argyll and Bute Council – Corporate Governance Improvement Plan 2012/2013

The Corporate Governance Improvement Plan outlines the actions required to raise areas rated as partially compliant with local Code of Corporate Governance requirements to a level rated as fully compliant with the requirements of the code.

Ref	Local Code	Actions to achieve compliance	Success measures	Key dates	Lead	Ref.
CG-7	<b>A risk based approach is a key component of the Council's approach to planning and performance management</b>	Development / review of risk management policy, framework and guidance and ensure it is consistent with PPMF.	Revised risk management framework in place to ensure consistency with PPMF	31 March 2013	Head IHR / Head SF	CG Code 4.3.1
CG-8	<b>Strategic and Operational Risk management procedures and processes in place</b>	Development / review of risk management policy, framework and guidance and ensure it is consistent with PPMF.	Revised risk management framework in place to ensure consistency with PPMF  Revised SRR/ORR	31 March 2013  31 March 2013	Head IHR / Head SF	CG Code 4.3.1
CG-9	<b>Appropriate risk management training provided to Members and Officers</b>	Further roll-out of Risk Management Training; including Elected Members	Risk Management Training provided to relevant Officers and Members	31 March 2013	Head SF / Head G&L	CG Code 4.3.1
CG-10	<b>Risk Management Policy Statement and Strategy in place</b>	Review of existing Risk Management Policy and Strategy	Revised and updated Risk Management Policy and Strategy in place	31 March 2013	Head SF	CG Code 4.3.1
CG-11	<b>Corporate group in place to oversee risk management process</b>		Schedule of meetings and terms of reference agreed	30 June 2013	Head SF	CG Code 4.3.1

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**CORPORATE PERFORMANCE AUDITS 2011 - 2012**

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**1. SUMMARY**

This report covers the work undertaken by Internal Audit in respect of Corporate Performance Audits. Audit Scotland has published a number of Best Value (BV2) Toolkits as guidance for Councils to enable them to assess their performance against defined criteria. Internal Audit undertook an analysis of the BV2 Toolkit outcomes and constructed an audit framework in order to evaluate performance.

**2. RECOMMENDATION**

2.1 The Audit Committee is asked to note the contents of this report which will be followed up by Internal Audit.

**3. DETAILS**

3.1 The objective of the work undertaken by internal audit was to assess the performance of the Council using the criteria contained in the toolkits. No other document was used to determine what constituted best practice.

3.2 Internal Audit audited 13 of the BV2 Toolkits and the results are provided in the attached report with an agreed action plan.

3.3 The attached report was presented to the SMT for review on 11 June 2012, with the report approved.

**4. CONCLUSION**

Internal audit will follow up report action plan points.

**5. IMPLICATIONS**

6.1	Policy:	None
6.2	Financial:	None
6.3	Personnel:	None
6.4	Legal:	None
6.5	Equal Opportunities:	None

For further information please contact Ian Nisbet, Chief Internal Auditor (01546 604216) 27 June 2012

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**Internal Audit Report**

**Chief Executives**

**Corporate Performance Audits**

May 2012

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## 1 PURPOSE OF REPORT

Best value is a duty that applies to all public bodies in Scotland. It is a statutory duty in local government. Audit Scotland as an evaluation framework provided Best Value 2 (BV2) Toolkits to help auditors and Council management reach robust judgements on how best value is being delivered. As part of the 2011 – 2012 Annual Audit Plan, internal audit undertook a review of council services in relation to 13 BV2 toolkits. It was apt that internal audit undertook the review as the toolkits are process-focused. This report presents a high level summary of the ongoing work to deliver on BV2 by council departmental services.

## 2 SCOPE AND OBJECTIVE

Internal audit selected the following 13 operational focused BV2 Toolkits for review as set out below:

Asset Management	Community Engagement
Customer Focus	Efficiency
Equalities	Financial Management
Governance and Accountability	Information Management
People Management	Performance Management
Procurement	Risk Management
Sustainability	-

The themes within each of the selected BV2 Toolkits contained statements of good practice ranging over 3 categories Basic, Better and Advanced. Internal audit took the statements and converted these to questions. The work of internal audit was structured to ensure that management time was kept to a minimum and that only appropriate Heads of Service and management were asked to provide responses to the BV2 adapted statements. The objective of the BV2 internal audit review was to assess the performance of Council services using the framework and values set out within the BV2 Toolkits.

Internal audit matched the responses from management to the BV2 statements, using a criterion. This allowed internal audit to judge service performance in relation to the toolkit statements. In addition, clarification meetings were held with management to discuss responses and evaluation outcomes.

No other reference documents were used to determine what constituted good practice and the conclusions reached is based solely on the values contained within the BV2 Toolkits.

## 3 CORPORATE PERFORMANCE AUDITS - AUDIT DAY USAGE

Within the 2011 - 2012 Annual Audit Plan, a total of 225 direct audit days were set aside for Corporate Performance Audit work. Apart from the audit work undertaken on selected BV2 Toolkits, 2 specific areas of work were also undertaken, a review of Statutory Performance Indicators (SPIs) and Public Service Improvement Framework (PSIF) work. The work undertaken for both these areas has been separately reported to the Audit Committee. In total 40 audit days were planned for both activities out with the review of the 13 BV2 Toolkits. The

remaining 185 planned audit days were assigned to work involving the Toolkits. In the end, a total of 175 audit days were expended.

## **4 RISK MANAGEMENT**

As part of the audit process and in conjunction with our CIPFA Systems Based Audit (SBA), ICQ approach, the council risk register was reviewed to identify any areas that needed to be considered, when undertaking the audit review. The risk areas identified were:

- SR06 Failure to provide strong leadership and direction; and
- SR07 Failure to maximise the benefits on best value.

## **5 CORPORATE GOVERNANCE**

There are no Corporate Governance issues to be reported as a result of this audit.

## **5 IMPROVEMENT ACTION PLAN**

An action plan has been included as part of this report, setting out the findings to be addressed. The findings will form part of the Corporate Improvement Programme (CIP) and be included within individual plans within the CIP. Internal audit will undertake audit work to assess progress by management in addressing the findings from this report, for both the Strategic Management Team (SMT) and Audit Committee.

## **6 AUDIT OPINION**

There is scope for improvement across all BV2 Toolkits reviewed.

## **7 ACKNOWLEDGEMENTS**

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

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in Section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only, and is solely for use in the provision of an internal audit service to the Council. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

## **DETAILED FINDINGS**

### **1. CRITERION**

Internal audit's objective was to establish compliance or non compliance of council services with the Audit Scotland BV2 Toolkits categorisation of Basic, Better and Advanced. A criterion was devised to enable ranking of management responses within the BV2 categorisation. That criterion was 4, 3, 2, 1 and 0 applied as detailed below:

- 4 meets all;
- 3 meets most;
- 2 meets some;
- 1 meets a few; and
- 0 does not meet any.

In the following pages the results of the review of the 13 BV2 Toolkits is set out, using both the above criterion in relation to the BV2 Toolkit categorisation.

**Efficiency:**

No.	Items	Basic	Better	Advanced
1.1	To what extent is the concept of improved efficiency clearly evident throughout the organisation?	4	4	1
1.2	How is efficiency embedded within the corporate goals of the organisation thereby driving the direction of activities?	4	1	0
1.3	How well has the organisation embedded efficiency within the planning and risk management process?	4	4	4
1.4	To what extent has the organisation adopted an Efficiency Strategy covering?	4	2	1
2.1	To what extent does a senior level person within the organisation have responsibility for promoting efficiency and for monitoring and reporting progress?	4	4	3
2.2	To what extent has the organisation undertaken measures in the last year to engage all relevant staff in discussion of efficiency issues and to inform or remind them of their individual responsibilities?	4	4	4
2.3	What incentives are there to promote efficiency, organisationally and individually?	4	1	1
2.4	To what extent does the organisation have a rigorous approach to identifying and analysing its costs and processes?	1	2	0
2.5	How well does the organisation understand the drivers of its cost profiles and how costs change in response to changing levels of activity?	4	1	0
2.6	How well does the organisation regularly review the cost and outputs of its front-line services and support functions and benchmark these to ensure it is as efficient as possible?	4	2	1
2.7	How does the organisation engage in the five key work streams identified in the Scottish Government Efficient Government Plan?	4	4	0
3.1	How are efficiency plans subject to consideration and approval by the Board (or equivalent)?	4	3	1
3.2	How is the overall level of efficiencies expected properly co-ordinated with financial and service planning?	2	0	0
3.3	How are individual efficiency projects planned to maximise the chances of being achieved?	4	4	4
3.4	How well are efficiency targets for individual projects based on a robust methodology?	4	4	2
4.1	What systems does the organisation have in place to capture information to track progress against planned efficiencies?	4	4	4
4.2	How accurate and reliable is the information?	4	0	0
4.3	How are services reviewed regularly to monitor the impact of efficiency measures on delivery?	4	4	2
4.4	How well does the organisation involve service users in efficiency reviews to ensure a continued focus on quality at the same time as efficiencies are being sought?	4	0	0
4.5	To what extent can the organisation demonstrate quantifiable efficiency gains over the last three years?	4	4	1
5.1	How well can managers responsible for efficiency improvements access information on progress on a regular basis?	1	1	1
5.2	How do managers intervene at an early stage when progress varies from expectations?	2	1	0
5.3	How are changes to efficiency plans accommodated?	1	1	0
5.4	How does the organisation's board consider progress against efficiency plans on a regular basis?	2	1	0
5.5	To what extent is there regular interaction with the Scottish Government on efficiency gains?	4	4	4

**Asset Management:**

No.	Items	Basic	Better	Advanced
1.1	To what extent has the organisation developed an asset management plan?	4	4	2
1.2	To what extent does asset management plan display aspects of good practice?	3	2	1
1.3	How well is the asset management plan aligned with the organisation's financial plans?	1	2	1
1.4	To what extent does the organisation have acquisition and disposal policies or guidelines?	2	2	1
1.5	To what extent does the organisation carry out joint asset planning with other public sector partners?	2	2	0
1.6	To what extent does the organisation consider sustainability issues in procuring assets??	2	2	1
1.7	To what extent does the organisation consider sustainability issues in ongoing asset management?	1	1	1
2.1	How well are the roles and responsibilities in relation to asset management clearly identified?	4	2	2
2.2	How well does the organisation's management structure support delivery of effective asset management?	4	3	3
2.3	To what extent are capital investment projects robustly managed both at a strategic and individual project level	4	2	3
2.4	How well are staff involved in asset management appropriately trained and how does the organisation promote the sharing of asset management knowledge and experience?	1	1	2
2.5	To what extent does the organisation consider workforce planning issues in relation to asset management	2	1	1
3.1	To what extent are stakeholders (both internal and external) involved in asset planning, including asset redesign and improvement projects?	2	2	2
3.2	To what extent are feedback and complaint procedures monitored and acted upon?	2	2	1
3.3	How well does the organisation consider equality and diversity issues in asset procurement and ongoing asset management?	3	3	2
3.4	How much equality and diversity training is provided to staff involved in asset management?	1	1	1
4.1	How well does the organisation manage its data collection and collation to support the planning and management of assets?	2	2	2
4.2	To what extent does the organisation have performance indicators and targets for asset management?	3	2	1
4.3	How well does the organisation understand its relative performance in how it manages its assets?	2	0	0
4.4	How well does the organisation actively manage its maintenance requirements?	2	1	0

**Information Management:**

No.	Items	Basic	Better	Advanced
1.1	Does the organisation have an effective strategy for information management?	2	2	2
1.2	Do senior managers provide leadership on information management?	3	3	1
1.3	Do members provide effective challenge on information management?	1	1	0
2.1	Is the organisation aware of all its information systems?	2	1	0
2.2	Are checks carried out to help ensure that information held is accurate and up to date?	2	0	0
2.3	Are there sound back-up arrangements in place to help ensure business continuity?	4	4	1
2.4	Are there proper controls in place to prevent unauthorised access to information?	3	1	2
2.5	Are information sharing agreements in place?	1	0	0
2.6	Are staff made aware of the risks and controls associated with information systems?	2	0	1
3.1	How effective is information sharing?	1	1	0
3.2	Does the organisation measure and improve its information management performance?	3	3	2



**Risk Management:**

No.	Items	Basic	Better	Advanced
1.1	Is there a risk management strategy, giving a clear lead and practical guidance to staff	3	2	3
1.2	Do senior managers and members give a visible lead in promoting the importance of risk management?	4	2	1
1.3	Is risk management fully embedded in the organisation's business processes?	3	2	1
1.4	Is risk management used to identify opportunities as well as risks.	3	1	0
2.1	Is risk management applied to all key business activities?	4	2	2
2.2	Are staff provided with the appropriate training to ensure they are equipped to support the risk management process.	2	2	2
2.3	Is a systematic approach used to identify and evaluate risks?	3	3	1
2.4	Is the action to be taken to mitigate each risk properly considered and recorded?	2	2	2
2.5	Are there adequate contingency arrangements to address residual risks?	4	3	2
2.6	Are risk registers updated regularly	4	2	2
3.1	Are key risks and the action taken to mitigate them monitored throughout the year?	3	2	1
3.2	Is there adequate monitoring of partnership risks.	1	0	0
3.3	Is risk management adequately reported to stakeholders?	4	3	3
3.4	Is the risk management process subject to review?	3	3	3
4.1	Does risk management contribute to successful delivery of public services?	0	0	2
4.2	Has risk management contributed to the meeting of financial targets?	0	0	0

**Sustainability:**

No.	Items	Basic	Better	Advanced
1.1	To what extent is organisational commitment to sustainability reflected in strategies and plans?	3	3	0
1.2	To what extent have leaders created a culture throughout the organisation that focuses on sustainability?	0	0	0
1.3	How effectively has the organisation implemented a strategy in response to climate change?	4	4	2
2.1	How effectively is sustainability reflected in the vision and priorities of partners?	3	3	2
2.2	To what extent does the organisation promote sustainability among its stakeholders?	2	2	0
2.3	To what extent are partners responding to climate change?	1	1	0
2.4	What progress are the organisation and its partners making in reducing waste and increasing recycling?	4	3	2
2.5	Are partners improving sustainability through sharing services and rationalising assets?	2	3	0
3.1	Is there clear accountability for sustainability in leadership and management structures?	1	0	0
3.2	Is Strategic Environmental Assessment (SEA) appropriately applied to policy appraisal and development?	2	2	0
3.3	How well are sustainability issues integrated into decision making processes?	2	1	1
3.4	To what extent does scrutiny and challenge improve the organisation's sustainability?	2	2	1
3.5	To what extent does the organisation publish information on its contribution to sustainability?	4	4	3
4.1	How well is the organisation improving the sustainability of its physical assets?	3	3	0
4.2	To what extent has the organisation been successful in reducing its energy use?	1	2	2
4.3	How effectively has the organisation improved the sustainability of the goods and services it buys?	2	2	1
4.4	To what extent has the organisation reduced its ecological footprint?	3	3	1
5.1	How well do sustainability indicators feature in the organisation's performance management framework?	0	2	1
5.2	How broad is the range of qualitative and quantitative measures / indicators used to demonstrate impact?	3	3	0

**Customer Focus:**

No.	Items	Basic	Better	Advanced
1.1	To what extent is a culture of customer focus and responsiveness evident across the organisation?	4	3	3
1.2	How do the organisation's leaders provide strong leadership in its approach to customer focus and responsiveness?	4	3	3
1.3	To what extent does the organisation commit sufficient resources to support its approach to customer focus and responsiveness?	4	3	3
2.1	How well does the organisation proactively seek the views, aspirations and needs of its staff and customers and use these to improve its customer services?	4	3	3
2.2	How do the organisation's feedback processes inform and drive improvement in customer service?	3	3	3
3.1	How well does the organisation engage and publicise on Customer Service Standards?	4	3	2
3.2	How does the organisation apply its' Customer Service Standards?	4	3	2
4.1	How well does the organisation ensure that its services are responsive to the needs of its diverse communities?	4	3	3
4.2	How well does the organisation provide user-friendly information for customers on service access and performance?	3	3	3

**Procurement:**

No.	Items	Basic	Better	Advanced
1.1	Does the organisation provide clear leadership on procurement?	3	3	1
1.2	Is there a clear role focused on strategic procurement (by sourcing group) which is embedded across the organisation and aligned with the centre of expertise?	4	3	3
1.3	How clear is the system of delegation and authority for procurement?	3	3	2
1.4	Does Internal Audit provide assurance that the organisation's internal control systems for procurement are adequate and effective?	3	1	1
2.1	How developed is the Procurement strategy?	4	3	3
2.2	How well defined are the objectives and targets for Procurement?	3	2	2
2.3	How far does Procurement strategy support and align with the overall organisation's strategy and with the wider public sector strategies?	3	0	0
2.4	How well is Procurement strategy documented, communicated and understood by sector or individual organisation?	4	3	2
3.1	How are local strategies developed and reviewed?	2	2	0
3.2	How much of the overall spend (Category A, B and C) is covered by signed off sourcing strategies?	2	2	2
3.3	To what extent does the organisation take account of its sustainability and the current economic climate in its procurement activity?	3	2	2
3.4	To what extent are sourcing strategies for categories A, B and C spend based on reliable / robust internal information?	3	2	2
3.5	Are mechanisms in place to encourage new suppliers and ensure clear access routes?	3	3	3
3.6	Is the organisation moving towards advanced procurement performance in accordance with the McClelland report aim (report para 9.8.1)?	4	3	2
3.7	Is the organisation increasing its collaborative procurement with other public bodies?	2	2	2
4.1	Is there an effective contract management process in place?	3	1	1
4.2	How clearly defined are the procurement policies and procedures?	4	3	3
4.3	To what extent does the organisation learn from its supply market?	2	2	2

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4.4	How reliable is the method for assessing and managing supplier performance?	3	0	0
5.1	Are suitable technology based tools in place and used?	1	3	1
5.2	Does the organisation use tools such as procurement cards and aggregate / consolidated invoices, self billing and e-invoicing?	3	1	1
6.1	How proactive is the procurement function in terms of planning future resources?	3	2	2
6.2	Do procurement personnel have their competency levels assessed using the Scottish Procurement Competency Framework or a similar competency framework?	4	2	2
7.1	How well defined are the procurement performance target and measures?	4	2	1
7.2	Do managers get relevant, timely and accurate procurement spend information?	2	2	0
7.3	Does the organisation have a clear approach to assessing / demonstrating its procurement performance?	2	3	2
7.4	Does the organisation demonstrate a focus on performance improvement year on year?	3	3	1

**Community Engagement:**

Issue	Items	Basic	Better	Advanced
1.1	How well does the leadership demonstrate commitment to community engagement?	4	3	3
1.2	To what extent is a commitment to community engagement evident in the organisation's culture?	2	2	1
1.3	How much commitment to capacity building for the organisation and communities is evident?	3	2	1
1.4	To what extent is community engagement seen as a partnership commitment?	4	3	3
2.1	How has the organisation engaged communities to identify community needs and aspirations?	4	4	1
2.2	How are communities' needs and aspirations defined and articulated?	3	2	3
2.3	How are community needs and aspirations reflected in vision and planning?	4	3	3
3.1	To what extent is the organisation effective in involving communities in decision-making?	4	3	1
4.1	How is commitment to community engagement shown in plans and strategies?	3	3	1
4.2	How well is community engagement monitored, challenged and scrutinised?	4	2	0
5.1	What evidence of benefit from community engagement is available?	3	2	1
5.2	What are communities' perceptions of being engaged?	2	2	2

**Equalities:**

No.	Items	Basic	Better	Advanced
1.1	How effectively does the organisation understand the diversity and inequality within its communities?	4	3	0
1.2	How effectively does the organisation engage its diverse communities to understand their needs?	3	3	2
2.1	To what extent do senior officers and elected members promote and lead an equality improvement agenda?	2	2	0
2.2	How well is the commitment to improving equality outcomes reflected in policies, strategic objectives and actions?	3	2	0
2.3	How effectively is equality built into decision making and scrutiny arrangements?	4	3	3
2.4	To what extent is equality embedded in a culture of continuous improvement?	4	3	0
2.5	How effectively does the organisation report on equality to the public?	3	4	0
3.1	To what extent does the organisation value diversity in its workforce and provide equality of opportunity for all staff?	2	0	2
3.2	How well are staff supported in meeting the organisation's equality and diversity goals?	0	0	0
4.1	To what extent are services delivered in ways that meet the needs of their diverse communities?	2	2	2
4.2	How effectively can the organisation demonstrate improved outcomes for diverse communities?	3	3	0

**Governance and Accountability:**

No.	Items	Basic	Better	Advanced
1.1	How well does the organisation ensure that its standing orders, scheme of delegation and financial instructions are well understood, complied with and appropriate to its objectives and circumstances?	4	3	1
1.2	How effectively does the organisation communicate the collective responsibility of its members and the respective roles and remits of its committees to members and staff?	4	4	0
1.3	How well does the organisation promote and support the role and responsibilities of its statutory officials?	4	3	2
2.1	How effectively does the organisation communicate the values and standards of behaviour that are expected from its members, senior officials and staff?	3	2	0
2.2	How well does the organisation's ethos and culture support the highest standards of good governance and real accountability?	4	3	3
2.3	How effective are relationships amongst members and senior officials?	4	3	3
2.4	How open and transparent is the organisation in the manner that it operates?	4	2	1
2.5	How effectively does the organisation manage risks of: actual or perceived conflicts of interest; /fraud & corruption?	4	2	2
3.1	How effectively does the organisation recruit and appoint members and senior officials?	4	2	1
3.2	How effective, transparent and objective are remuneration arrangements for members and senior officials?	3	3	2
3.3	How well does the organisation develop the capability of its members and senior officials?	3	2	2
3.4	How effective, transparent and objective are severance, early retirement and redundancy arrangements for members and senior officials?	4	3	1
4.1	How well do the organisation's decision making processes support good governance and clear accountability?	4	3	3
4.2	How well informed are members about the implications of their decisions and alternative options?	4	3	0
4.3	How well is the evidence for decisions documented (including the criteria, rationale and considerations on which they are based) and communicated?	4	3	3
5.1	How effective, objective and transparent is the scrutiny and challenge of decisions and policies?	4	2	2
5.2	How effective, objective and transparent is scrutiny of the organisation's performance and the effectiveness of its policies and procedures?	4	3	3
5.3	How effective is the Audit committee?	4	3	2
5.4	How well does the Internal audit function provide assurance to management on the integrity of the organisation's corporate	4	4	3



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	governance framework and improvement?			
5.5	How effective is the organisation's annual review of its overall corporate governance arrangements?	4	4	3
5.6	How well does the organisation respond to external review and scrutiny?	4	3	2
6.1	How well does the organisation understand its accountabilities to key stakeholders and the public, and communicate these effectively internally and externally?	3	3	0
6.2	How effective are the organisation's arrangements for regular dialogue with the Scottish Government on its aims, performance and improvement activity?	3	3	2
6.3	How well does the organisation provide opportunities for members of the public to raise and receive answers to specific questions on corporate and service performance?	3	2	0
6.4	How well does the organisation's published annual report (or equivalent) provide a fair and understandable account of it's: activities and achievements/use of resources and financial position /performance/improvement activity/corporate governance arrangements?	4	2	0
6.5	How accessible are key decision making and scrutiny processes to members of the public and institutional stakeholders?	4	3	2
6.6	How effectively does the organisation engage with its staff and representatives in relation to key decisions?	1	2	2

**People Management:**

No.	Items	Basic	Better	Advanced
1.1	To what extent is there a comprehensive, strategic approach to people management, consistent with other organisational strategies?	4	2	2
1.2	How well do HR policies and procedures support effective people management practice?	3	2	3
1.3	How effectively does the organisation design, support and implement organisational change?	4	3	3
2.1	To what extent is there a cohesive approach to planning organisational capacity and skills in support of corporate objectives?	2	0	0
2.2	How effectively does the organisation attract, retain and manage its staff?	2	2	0
2.3	How well does the organisation deploy and support people in a way that ensures increased efficiency and effectiveness?	4	2	3
3.1	To what extent does the organisation support continuous improvement in the performance of its staff?	4	2	1
3.2	How effective are training and development activities in improving personal and organisational effectiveness and improved service?	3	3	2
4.1	How effective is staff engagement within the organisation?	4	3	3
4.2	To what extent does the organisation value and recognise the contribution and wellbeing of staff?	3	2	0

**Financial Management:**

No.	Items	Basic	Better	Advanced
1.1	How does top management fulfil its financial management responsibilities?	4	4	4
2.1	Is the finance function adequately resourced with appropriate skills?	4	4	3
2.2	What level of financial training is provided to budget holders and managers?	4	0	0
2.3	How is the finance department viewed by service departments?	4	4	4
3.1	Apart from the work of a finance committee, how do members provide effective challenge on finance matters and use of resources at board level?	2	2	3
3.2	Does the organisation have an audit committee, or equivalent, which provides independent and effective financial scrutiny?	3	2	2
4.1	How does the budget and longer term financial plan reflect the organisation's strategic priorities?	4	4	2
4.2	How are the assumptions underpinning the financial plan and budget subject to effective challenge to help ensure they are robust and realistic?	4	4	3
4.3	Are there clear links between service plans and the medium term financial strategy?	4	3	0
4.4	Are reasonable contingencies and reserves built into financial plans?	4	2	3
5.1	Is there a medium term financial strategy, setting out how financial resources will be matched to strategic goals?	4	2	0
5.2	How does the organisation challenge existing methods of service delivery in order to help drive improvements?	4	3	3
5.3	How does the plan set out how effective use of resources and value for money will be demonstrated?	4	1	1
6.1	How does the organisation identify and analyse its costs across all key services that it provides?	4	3	2
6.2	How are cost implications taken into account when making key policy decisions?	3	3	1
6.3	What information is provided to managers <i>to help them monitor budgets?</i>	4	4	3
6.4	How does the organisation check that its costs are in line with those of other bodies?	2	2	0
7.1	How are all new investments subject to a robust appraisal of costs and benefits (financial and non financial)?	3	3	3
7.2	How does the investment appraisal process take into account the risks and potential changes for individual projects?	2	2	2

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7.3	How are projects monitored to ensure that they remain on track and realise their anticipated benefits?	3	3	0
8.1	Is financial monitoring and forecasting information up to date?	4	3	0
8.2	Does the format and content of internal financial reporting reflect the committee and / or departmental structure, and does it provide users with a suitable mix of narrative and financial information?	3	3	3
8.3	Does financial monitoring include good quality forecasting covering cost pressures, commitments and opportunities for the remainder of the year, and is this subject to quality check?	4	0	0
8.4	Is the overall annual budget clearly delegated to identified budget holders who are at an appropriate level to control expenditure, and are all budget holders provided with regular monitoring reports?	4	4	4
8.5	How is key information (including savings and efficiency gains) presented in monitoring reports?	4	4	0
9.1	How does the organisation ensure that action is taken to address significant budget variations?	4	2	3
9.2	Is there no history of in year overspends by departments that require to be bailed out from other services or from centrally held budgets?	3	3	3
10.1	Does the organisation have a history of unqualified audit reports, indicating that the accounts meet statutory requirements, financial reporting standards and present fairly, and give a true and fair view of, the financial position?	4	2	2
10.2	Has the organisation identified the financial information that will meet the needs of the differing requirements of users of the financial statements, including members, who require to manage the strategic direction of the organisation?	4	4	0
11.1	Does the external reporting provide stakeholders with information which includes: Links between the financial information and the organisation's stated strategy/Quantified data that supports the qualitative statements/Metrics that illustrate performance against peers/A statement of future ambitions?	4	4	2
11.2	Are the financial aspects of public performance reports clear, relevant and concise? Do they provide the reader with high quality, easy to understand commentary and analysis?	3	2	0

**Performance Management:**

No.	Items	Basic	Better	Advanced
1.1	What is the impact of performance management?	3	3	2
2.1	To what extent is there a culture of performance management across the organisation?	3	3	2
2.2	To what extent is the organisation aware of its relative performance?	4	3	2
3.1	To what extent is performance management integrated with organisational activities?	4	3	0
3.2	How effective are performance measures?	3	2	2

**CORPORATE PERFORMANCE AUDIT – ACTION PLANS – EFFICIENCY**

	<b>FINDING</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>LEAD</b>	<b>IMPLEMENTATION DATE</b>
1	The organisation has not yet got the information to fully identify and analyse its costs. When this is achieved the council will have reached a basic understanding of its cost drivers and how costs respond to changing levels of activity.	High	Improvements should be made through:- Identifying and analysing costs and processes; Assessment of cost efficiencies and impact on service plans; and Information should be provided to Managers which they can use to assess progress against efficiency plans.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
2	Efficiencies need to be built into financial plans to assess how efficiencies will impact service plans.	High	Improvements should be made by:- Identifying the overall level of efficiencies expected; and Build these into financial plans and assess how efficiencies will impact service plans.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
3	Managers need to have a range of information available to assess progress against efficiency plans. Processes are not fully in place to enable management to record and report routinely, variations and proposed actions to the Corporate Improvement Board.	High	Improvements should be made in:- The review of financial information for decision making.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012

**CORPORATE PERFORMANCE AUDIT – ACTION PLANS – ASSET MANAGEMENT**

	<b>FINDING</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>LEAD</b>	<b>IMPLEMENTATION DATE</b>
4	The council has not yet fully developed its asset management plan.	High	Improvements should be made in the:- To fully comply the budget needs to identify expenditure and savings; Policies and guidelines that follow legislation and standing financial orders for procurement and disposal need to be completed; Investigation the cost-effectiveness of using other organisations assets; Further development of business cases and	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012

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			decision-making processes; and Decisions to enhance or dispose of assets of consider financial, environmental and social sustainability..		
5	The council has yet to fully set out a workforce planning needs that ensures that staff are appropriately trained.	High	Improvements should be made in:- Fully developing a training programme for staff; and Developing a workforce management plan in terms of staff numbers, skills and succession planning..	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
6	The council needs to ensure that stakeholders (both internal and external) are involved in asset planning feedback and complaint procedures backed by training on equality and diversity for asset management.	High	Improvements should be made in:- Involving staff and external stakeholders in the asset management planning; Development of a policy for feedback and complaints; and Ensuring there is mandatory equality and diversity training.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
7	The council needs to further develop its understanding regarding performance of assets, how maintenance is managed and data management in support of the planning and managing of assets.	High	Improvements should be made in:- Ensuring asset data collected is linked to performance management and wider corporate objectives; Benchmarking with other similar organisations; and Developing a maintenance programme with planned and reactive maintenance with priority areas and funding identified.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
<b>CORPORATE PERFORMANCE AUDIT – ACTION PLANS – INFORMATION MANAGEMENT</b>					
	<b>FINDING</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>LEAD</b>	<b>IMPLEMENTATION DATE</b>
8	The council as a corporate body has not adopted a council wide information management policy.	High	A corporate Information Strategy that encompasses all relevant Information Management Systems with wider focus on issues beyond hardware, software, data security should be developed and an opportunity for member challenge should be provided within this strategy.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012

9	Members are aware of the wider information management issues, but there is little opportunity for members to provide effective challenge on information management.	High	Information management should feature in discussions by members about corporate risk management.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
10	Although Services are aware of information held, there is no central inventory focusing on what is held, including: The owner of the information The location of the information Staff who have access rights With whom and how the information can be shared The risks associated with each asset (such as sensitive personal data, inappropriate disclosure, loss, tampering, deletion etc.) How information/data will be updated, transferred and disposed of.	High	Consideration should be given to establishing a corporate inventory of information management systems held throughout the Council along with associated policy documents on the risks and controls associated with information systems, including the accuracy of data held on the information systems.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
11	Some departments have established formal information sharing agreements with external partners however, a corporate template is not used for information sharing agreements across the organisation.	High	There are information sharing protocols in respect of some social work activities and other public agencies – NGHS, police, Highland Council, however a corporate template should be developed for information sharing with external partners and across the organisation should be established.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
<b>CORPORATE PERFORMANCE AUDIT – ACTION PLANS – RISK MANAGEMENT</b>					
	<b>FINDING</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>LEAD</b>	<b>IMPLEMENTATION DATE</b>
12	Risk management is not fully, actively supported and promoted by senior officers/elected members There is not yet a systematic approach to identify and prioritise risks and match them with appropriate responses.	High	Continue to ensure risk management is given sufficient profile within the organisation, as a Standing Item on SMT/DMT agenda and including within Scorecard reporting. This should include providing training for appropriate staff and with actions to be taken to mitigate each risk recorded.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012



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13	There is not yet a consistent approach to Risk Management within Partnership arrangements or adequate monitoring of partnership risks.	High	Ensure consistent approach to Risk Management within Partnership arrangements. Regular monitoring and review of Joint Risk registers	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
14	There is no evidence that the risk management process has actively contributed to improving frontline services, or back office functions which support front line services.	High	Ensure risk management is given sufficient profile and that Strategic and Operational risks reflect organisational aims and objectives. Explore the possibility of establishing a framework for evaluating the cost effectiveness of Risk Management in the delivery of frontline services and of meeting financial targets.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
<b>CORPORATE PERFORMANCE AUDIT – ACTION PLANS – SUSTAINABILITY</b>					
	<b>FINDING</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>LEAD</b>	<b>IMPLEMENTATION DATE</b>
15	Sustainability issues are not yet fully embedded in the organisation's vision and strategic direction?	High	Sustainability issues should be recognised as part of staff induction, training and development with sustainability being embedded within the culture of the organisation.  An evaluation of the impact that this work is having on establishing a more sustainability focused culture should be initiated.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
16	Sustainability is not yet effectively promoted throughout its partnerships and among its stakeholders.	High	The organisation along with its partners should develop a shared climate change strategy and action plan focusing on reducing greenhouse gas emissions.  Sustainability issues should form an integral part of the decision making process when partners are considering sharing services and rationalising assets with benefits of reduced greenhouse gas emissions from buildings, transport, water use and reduced waste production being acknowledged.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012

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17	Sustainability issues are not yet fully embedded into the governance arrangements of the organisation.	High	Sustainability should be considered in decisions across a range of issues and services with a manager being identified as a sustainability champion in order to ensure there is an opportunity to challenge and report on sustainability issues. Reports that are produced and presented to Committees to inform decisions should be expanded to include sustainability issues.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
18	The organisation does not yet fully use its resources in a way that contributes to sustainability.	High	The development of a system to monitor accurately energy consumption (evidencing year on year comparisons and reductions in energy costs) – in terms of transport and buildings should be considered. Targets to reduce energy consumption should form part of business plans in all parts of the organisation.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
19	The organisation cannot yet fully demonstrate its contribution towards sustainability.	High	Sustainability indicators should be incorporated within the performance management framework and be a primary feature at a corporate level ie in the local SOA, the corporate plan and should reflect indicators/outcomes in the national performance framework.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
<b>CORPORATE PERFORMANCE AUDIT – ACTION PLANS – PROCUREMENT</b>					
	<b>FINDING</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>LEAD</b>	<b>IMPLEMENTATION DATE</b>
20	The organisation cannot fully demonstrate sourcing strategy development and review.	High	Improvements should be made to ensure:- Sourcing strategies are defined for all major spend areas; Sourcing options are fully developed & reviewed on a regular basis; and Overall procurement spend is covered by a signed-off sourcing strategy.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012

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21	The council has yet to fully develop a process that allows it to use feedback from suppliers.	High	Improvement should be made to ensure:- Opportunities to obtain feedback from suppliers is undertaken and reviewed to help improve procurement performance.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
22	The Council is currently developing its IT systems to assist procurement efficiency.	High	Improvement should be made to ensure:- Those efficient and robust processes systems continue to be developed in support of procurement activity.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
23	The Council has made efforts in demonstrating procurement performance; to improve is currently developing its IT systems to assist procurement efficiency.	High	Improvement should be made to ensure:- Reporting procurement spend to management against budget is fully developed.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
<b>CORPORATE PERFORMANCE AUDIT – ACTION PLANS – COMMUNITY ENGAGEMENT</b>					
	<b>FINDING</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>LEAD</b>	<b>IMPLEMENTATION DATE</b>
24	The organisation cannot yet fully demonstrate a commitment culture towards community engagement	High	Community Engagement should be a joined-up activity, widely and consistently practised across the organisation.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
25	There is some evidence of greater levels of community awareness of decision making. Although communities can point to consultation and 'being asked', they cannot see their views reflected in changes to policy or service provision.	High	The organisation should work towards involving Communities in greater levels of their involvement in decision-making process.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
<b>CORPORATE PERFORMANCE AUDIT – ACTION PLANS – EQUALITIES</b>					
	<b>FINDING</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>LEAD</b>	<b>IMPLEMENTATION DATE</b>
26	Elected members and officers are required to understand the significance of improving equality throughout the Council but at present there are no established forum to address potential inequality.	High	The Employee Equality Forum should be re-established and consisted of employees from different services and elected members. This forum should be reviewed.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012

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27	There is currently no structured equality and diversity training and development opportunities for employees and elected members. It is not provided through the corporate training and development strategy.	High	Equality and Diversity training for all employees and elected members should be considered. The Improvement and Organisational Development team should continue to work on and develop an e-learning module for Equality and Diversity.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
<b>CORPORATE PERFORMANCE AUDIT – ACTION PLANS – GOVERNANCE AND ACCOUNTABILITY</b>					
	<b>FINDING</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>LEAD</b>	<b>IMPLEMENTATION DATE</b>
28	There is no clear policy on how staff and their representatives are involved in decision making and this is followed.	High	The organisation should consider developing an employee engagement policy.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
<b>CORPORATE PERFORMANCE AUDIT – ACTION PLANS – PEOPLE MANAGEMENT</b>					
	<b>FINDING</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>LEAD</b>	<b>IMPLEMENTATION DATE</b>
29	The organisation has not identified the current and future skills needed to deliver its objectives or has explored the different options available to meet skills demands.	High	Progress should continue in respect of the Workforce Planning Strategy and Toolkit currently under development	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
30	There is not a coherent approach to talent management which links together recruitment, retention, reward, appraisal processes and succession planning. The organisation has not identified key areas of skills shortage or have clear plans in place for attracting suitable people.	High	Progress should continue in respect of the Workforce Planning Strategy and Toolkit currently under development. The Council should continue to develop a competency framework.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012

**CORPORATE PERFORMANCE AUDIT – ACTION PLANS – FINANCIAL MANAGEMENT**

	<b>FINDING</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>LEAD</b>	<b>IMPLEMENTATION DATE</b>
31	Benchmarking is not fully practiced across all areas organisation.	High	The organisation should expand the use of benchmarking in key areas in order to check that its costs are in line with those of other bodies.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
32	Business cases do not all include basic sensitivity analysis and risk appraisal?	High	The investment appraisal process should take into account the risks and potential changes for individual projects. Business cases should include basic sensitivity analysis and risk appraisal. There should be a clear recommended option which is supported by the analysis provided.	Head of Strategic Finance CAs SRO for Corporate Improvement Plans	15 July 2012
33	The above prioritised items are not presently allocated to a Corporate Improvement Plan Workstream by the Corporate Improvement Board.	High	Ensure improvement outcomes are incorporated into project plans for Corporate Improvement Plan Work streams.	As above.	31 July 2012
34	The above prioritised items are not presently being reviewed for progress and reported to SMT and Audit Committee.	High	Review progress against planned improvements and update assessment for these areas. Report outcomes to SMT and Audit Committee.	Chief Internal Auditor	31 March 2013

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