Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Corporate Services
Director: Nigel Stewart

11 September 2009

NOTICE OF MEETING

A meeting of the **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **FRIDAY, 18 SEPTEMBER 2009** at **11:00 AM**, which you are requested to attend.

Nigel Stewart
Director of Corporate Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF INTEREST (IF ANY)**

3. **MINUTES**
    Audit Committee 26 June 2009 (Pages 1 - 6)

4. **ANNUAL REPORT BY AUDIT COMMITTEE 2008 - 2009**
    Report by Internal Audit Manager (Pages 7 - 14)

5. **AUDIT COMMITTEE AWAY DAY - 29 MAY 2009**
    Report by KPMG (Pages 15 - 40)

6. **PROGRESS REPORT ON INTERNAL AUDIT PLAN 2009 - 2010**
    Report by Internal Audit Manager (Pages 41 - 44)

7. **AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2009 - 2010**
    Report by Internal Audit Manager (Pages 45 - 82)

8. **THE AUDIT COMMISSION (2009) REPORT "DRUG AND ALCOHOL SERVICES IN SCOTLAND" - PROGRESS REPORT FOR COUNCIL**
    Report by Director of Community Services (Pages 83 - 88)

AUDIT COMMITTEE

Councillor Gordon Chalmers   Councillor Mary-Jean Devon
Councillor David Kinniburgh   Councillor Andrew Nisbet
Councillor James Robb   Ian M M Ross
Christopher Valentine

Contact: Fiona McCallum   Tel. No. 01546 604401

Agenda Item 3

MINUTES of MEETING of AUDIT COMMITTEE held in the MEMBERS ROOM, KILMORY, LOCHGILPHEAD on FRIDAY, 26 JUNE 2009

Present:	Ian M M Ross (Chair)

Councillor David Kinniburgh   Christopher Valentine
Councillor Andrew Nisbet

Attending: Charles Reppke, Head of Democratic Services and Governance
Bruce West, Head of Strategic Finance
Ian Nisbet, Internal Audit Manager
Andrew Law, Director of Operational Services (for items 12 & 13)
Gary Devlin, Grant Thornton UK LLP, External Auditors
Stephen Reid, KPMG
Ewan Currie, KPMG

Apologies: Councillor Gordon Chalmers   Councillor James Robb

Prior to consideration of business the Chair of the Committee advised that he had met with Chris Shirley, Quality Standards Manager, regarding Truancy statistics and received confirmation that the reporting mechanism did not show reasons for absences which were not always due to Truancy and that reasons for absence will be recorded in future.

The Chair also expressed his serious concerns regarding the large number of Internal Audit reports before the Committee for consideration at this meeting and the Committee agreed to the introduction of a protocol which would alert the Committee to the date of first issue of such reports.

1.   DECLARATIONS OF INTEREST

None declared.

2.   MINUTES

The Minutes of the Audit Committee meeting held on 6 March 2009 were approved as a correct record.

3.   UNAUDITED ANNUAL ACCOUNTS 2008 - 2009

The Committee considered an updated report on the Unaudited 2008 - 2009 Annual Accounts which had previously been considered by the Council. A report prepared by the Internal Audit Manager on the Internal Control Statement for 2008 – 2009 was also considered.

Decision

The Committee agreed:-

1.   To note the Unaudited Accounts and Internal Control Statement for 2008 – 2009;

2. To note that the Council had agreed, in respect of earmarked balances in the General Fund Reserve that –

   (a) The balances in relation to the Strategic Housing Fund, NPDO Smoothing Fund and Waste Management PPP Smoothing Fund continue to be earmarked;

   (b) Any balances identified at the Council meeting on 12 February 2009 to be carried forward to balance the 2009-2010 budget be earmarked and applied to the budget in 2009-2010;

   (c) Any unspent grants and unspent contributions from external bodies be earmarked; and

   (d) Any unspent budget that relates to existing policy commitments or is required to meet an existing legal commitment is earmarked.

(Reference: Updated Report by Head of Strategic Finance dated 17 June 2009 and report by Internal Audit Manager dated 22 May 2009, tabled)

4. INTERNAL AUDIT ANNUAL REPORT 2008 - 2009

Internal Audit has the responsibility to provide to the Audit Committee an Annual report that comments on the duties and audits carried out by the section throughout the financial year. The Annual Report for 2008 – 2009 was before the Committee for consideration.

Decision

1. Approved the Internal Audit Annual Report for 2008 – 2009; and

2. Agreed to request the Head of Improvement and HR to bring a report to the December meeting of the Audit Committee regarding HR policies and procedures in terms of absenteeism, stress and recruitment and retention of staff.

(Reference: Report by Internal Audit Manager dated 27 May 2009, submitted)

5. AUDIT COMMITTEE ANNUAL REPORT 2008 - 2009

A report summarising the work of the Audit Committee during the year 2008-2009 and outlining its view of the Council's internal control framework, risk management and governance arrangements was considered.

Decision

1. Agreed the Annual Report by the Audit Committee for 2008/2009 subject to the following changes:-

   (a) Expansion to the second last paragraph under the heading "Summary of the work of the Audit Committee during 2008/2009" in respect of Quarterly Performance Reports;

(b) Second paragraph under heading "Conclusion" to include reference to role of PPGs;

(c) Under the heading "Conclusion" add reference to self improvement carried out by the Audit Committee;

(d) Under the heading "Conclusion" amend typo in the second sentence of the first paragraph - "an agreed framework" should read "and agreed framework";

(e) Under the heading "Conclusion" remove extra line spacing between third and second last paragraphs; and

2. Noted that final report would come to the September meeting of the Audit Committee for approval prior to submission to the Council.

(Reference: Report by Internal Audit Manager dated 25 May 2009, submitted)

6. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE

A report enclosing the key messages of recently published Audit Scotland reports entitled "Overview of the Local Authority Audits 2008", "Drug and Alcohol Services in Scotland" and "Asset Management in Local Government" was considered. A report by the Head of Strategic Finance commenting on the "Overview of Local Authority Audits 2008" was also before the Committee for consideration.

Decision

1. Noted the contents of the report and that these will be followed up by Internal Audit;

2. Agreed to request the Head of Facility Services to bring a report to the next meeting showing the Argyll and Bute position against the national position in respect of Asset Management; and

3. Agreed to request the Head of Adult Services to bring a report to the next meeting showing the Argyll and Bute position against the national position in respect of Drug and Alcohol Services.

(Reference: Report by Internal Audit Manager dated 18 May 2009, submitted)

7. RISK MANAGEMENT AND BUSINESS CONTINUITY STRATEGY

A report updating the Committee on progress being made with the implementation of the Council's Risk Management and Business Continuity Strategy was considered along with a report prepared by Glen Abbot Ltd following the recent exercise carried out by the Council on 11 March 2009 to test the Business Continuity Incident Management Plan and some of the Departmental Recovery Plans. An Internal Audit report prepared by KMPG on Risk Management was also considered.

Decision

1.   Noted the contents of the reports; and

2.   Noted that the Head of Democratic Services and Governance will look at incorporating Risk Management into the training programme for Members which will be considered by the Organisational Development PPG.

(Reference: Report by Governance and Risk Manager and Report by Glen Abbot Ltd dated 26 March 2009, submitted)

8.   GOVERNANCE ARRANGEMENTS - FOLLOW UP AUDIT

As part of the External Auditor's 2008 – 2009 interim audit they followed up the Council's progress in implementing agreed recommendations from the 2007 – 2008 audits in respect of the following aspects of Governance: - the effective operation of internal audit; the effective operation of the audit committee; and the arrangements to prevent and detect fraud and irregularity.

A report advising on the outcome of this follow up review was considered.

Decision

Noted the contents of the report and that these will be follow up by Internal Audit.

(Reference: Report by Grant Thornton UK LLP, External Auditors dated June 2009, submitted)

9.   IT SYSTEMS AND APPLICATIONS - PROGRESS REPORT

As part of their 2008 – 2009 audit, a report detailing the External Auditor's review of the design and operational effectiveness of general controls over IT systems and applications in the Council and progress of the implementation of the agreed action plan points from their 2007 – 2008 audit of IT systems and applications was considered.

Decision

Noted the contents of this report and that these will be follow up by Internal Audit.

(Reference: Report Grant Thornton UK LLP, External Auditors dated 3 June 2009, submitted)

10.   AUDIT COMMITTEE AWAY DAY

The Committee noted that this report was in the process of being finalised and would be submitted to a future meeting.

11.   EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2009 - 2010

The Committee considered a report detailing the results from a review performed by Internal Audit for recommendations due to be implemented by 31 March

2009.

Decision

Noted the contents of the report and that these will be follow up by Internal Audit.

(Reference: Report by Internal Audit Manager dated 20 May 2009, submitted)

12. **INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2008 - 2009**

A report detailing final report summaries and action plans from recent audits was considered.

Decision

Noted the contents of the reports in respect of the following audits and that these will be followed up by Internal Audit:-

Cash and Income Banking;
Capital Accounting;
Council Tax and Non Domestic Rates;
Debtors;
Health and Safety;
Procurement for Fleet;
Recruitment and Retention of Staff;
Stress Management;
New Legislation;
Asset Management;
Pre School Education;
Parking and Public Convenience Income;
Unified Benefits;
Payroll;
Commissioning Social Work;
Computer Audit – Help Desk;
Budgetary Preparation;
Capital Contracts;
Contract Hire and Operating Leases

(Reference: Report by Internal Audit Manager dated 18 May 2009, submitted)

13. **CONTRACT MANAGEMENT**

Internal Audit, as part of the Annual Audit Plan for 2008 – 2009 carried out a Tendering Procedures audit in August 2008. The project selected was Argyll Air Services to complement the review of contract arrangements and subsequent report by the Council's External Auditors. In consultation with Grant Thornton UK LLP it was agreed that both reports would be presented under the specific heading of Contract Management for ease of review by the Audit Committee. These reports were now before the Committee for consideration.

Decision

1.   Noted the contents of the reports and that these will be followed up by

Internal Audit; and

2.   Acknowledged that the Council have revised its project management arrangements which meet good practice guidelines and will now identify risks prior to the commencement of projects.

(Reference: Report by Internal Audit Manager dated August 2008 and report by Grant Thornton UK LLP dated March 2009, submitted)

ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
18 SEPTEMBER 2009

ANNUAL REPORT BY AUDIT COMMITTEE 2008 - 2009

1.   SUMMARY

The Code of Practice for Internal Audit in Local Government (the Code) issued by CIPFA in 2000, sets out good practice in delivering internal audit services. The Code was further revised in 2006. In May 2007, Grant Thornton UK LLP the Council's external auditors carried out a Code compliance review. This resulted in a report with recommendations. One recommendation required the Audit Committee to produce an Annual Report to the Council. This report summarises the work of the Audit Committee during the year and outlines its view of the Council's internal control framework, risk management and governance arrangements. The annual report is attached in Appendix 1.

2.   RECOMMENDATIONS

2.1   The contents of this report are noted and approved by the Audit Committee for submission to the Council.

3.   DETAILS

3.1   Following the Council's external auditor recommendation that the Audit Committee prepare an annual statement, attached in Appendix 1, is the statement for the financial year ended 31 March 2009.

3.2   Over the past year, the Committee has evolved an agreed framework of reporting which now allows immediate assessment of the Council's progress in addressing identified issues of governance, risk management and internal control. With a solid base established in this regard, the Committee is now moving to a more pro-active posture on the Council's operations.

3.3   Having now established a mechanism for post completion audits on capital projects, the Audit Committee will be involved in the selection of projects to be reviewed and reported on by Internal Audit.

3.4   The inception of the Single Outcome Agreement, the move to stage two of Best Value and the increasing emphasis on self assessment, identify the Audit Committee as an important resource for the Council in addressing these challenges.

3.5   Over the past year the Committee has identified a process which will allow a formal audit and assessment of its own efficacy. This is the subject of a separate report to the Audit Committee by KPMG UK LLP.

3.6   A draft report was submitted to the Audit Committee in June 2009 and agreed subject to changes. The changes have now been made to the

report and the Committee is asked to approve the revised report.

4.   CONCLUSIONS

The Audit Committee is in good heart and relishing its role and contribution. The annual report has been prepared and is attached in Appendix 1.

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 Alex Colligan, Internal Audit Manager (01546 604271).
20augfinalreport20aug   20th August 2009

DRAFT

Annual Report by Audit Committee for the Financial Year 2008 - 2009

Background

Grant Thornton UK LLP, External Auditors, have evaluated the extent to which the Council's Audit Committee arrangements complied with the principles set out in the CIPFA guidance of 2004 entitled "Audit Committee principles in local authorities in Scotland: a guidance note" and found that the Audit Committee operated effectively and complied with the majority of good practice principles outlined in the CIPFA guide. In particular, the approach adopted by the Council to appoint non-executives as chair and vice chair of the Audit Committee goes beyond good practice, and significantly improves overall governance and scrutiny within the Council.

The evaluation determined that although the Audit Committee Terms of Reference presently met many of the best practice guidelines set out under CIPFA guidance, further improvements could be made.

Grant Thornton UK LLP also provided recommendations in their resultant Interim Management Report of 30 September 2008 and identified areas of development for the Audit Committee namely, self assessment, the establishment of an annual work and training plan, and further development of the Audit Committee Terms of Reference.

Terms of Reference of the Audit Committee

Draft Terms of Reference were submitted to the Audit Committee meeting on 12 December 2008, updated and presented again on 6 March 2009 and agreed. The amended version included a section on Performance and clarified the Committee's role to oversee the production of the Council's Statement of Internal Control.

In addition, the Committee agreed that:

- The Director of Corporate Services be requested to include these Terms of Reference in the revised Council Constitution to go to the Council for approval, and

- The Terms of Reference will be reviewed annually by the Committee.

The Terms of Reference are included as Appendix 1 to this report, and were approved by Council on 22 May 2009.

Self Assessment

In complying with CIPFA guidelines, it is recognised that the Audit Committee will need to identify, prioritise, assess, scope and plan out a programme to achieve their training needs. This will be informed by identifying key tasks that the Audit Committee have to annually undertake. A report setting out a self assessment

checklist and workplan framework was presented to the Audit Committee in December 2008 by Internal Audit.

The checklist template had been extracted from the Chartered Institute of Public Finance report, "A Toolkit for Local Authority Audit Committees," amended for Scotland, and the work plan framework template provided an initial document to enable the Audit Committee to look at developing an annual workplan with key events and meetings recorded.

It was agreed to consider a self assessment exercise at a separate meeting outwith the cycle of Audit Committee meetings. A further report setting out the proposed template of activities and issues for consideration prior to this self assessment exercise was considered on 6 March 2009 along with a report from KPMG UK LLP providing a suggested way to take this forward. A workshop facilitated by KPMG UK LLP to consider further the work and training plan, terms of reference and self assessment exercise was arranged for 29 May 2009. The results of which is the subject of a separate report from KPMG UK LLP.

It was also agreed by the Audit Committee on 6 March 2009 that a presentation on the introduction of International Financial Reporting Standards into Scottish Local Government prepared by the Head of Strategic Finance would be presented to the Audit Committee at the workshop on 29 March 2009.

On 26 February the Audit Committee visited East Renfrewshire to attend a meeting of their Audit Committee. This provided an opportunity to compare political and operational arrangements for a Council with a similar population but very different geographical area.

Summary of the work of the Audit Committee during 2008/2009

The composition of the Audit Committee has been virtually unchanged throughout 2008/2009 with only Councillor Ron Simon resigning and being replaced by Councillor Andrew Nisbet from 12 December 2008. Ian Ross acted as Chair, with Christopher Valentine acting as Vice-Chair, throughout the year.

The Audit Committee meets quarterly i.e. March, June, September, and December; and are normally also attended by the Head of Democratic Services & Governance, the Head of Strategic Finance, the Internal Audit Manager and Grant Thornton, the Council's external auditors together with officers requested to attend by the Audit Committee.

The Audit Committee agreed at their meeting on 12 December 2008 that a draft of their annual report will be considered by the Committee at their June meeting with the final report submitted to their September meeting for approval.

During the year various reports are submitted to the Audit Committee. The reports are;

- The 3 Year Strategic Audit Plan (every 3 years);

- The Internal Audit Annual Plan;

- Progress Report on Internal Audit Plan

- Internal Audit Annual Report

- External and Internal Audit Report Follow up

- Review of Internal Audit by Grant Thornton

 - Risk Management and Business Continuity Strategy

- Summary of Quarterly Performance Reports

- Annual Audit Plan for External Auditors

- Annual Accounts – Financial Statements

- External Audit reports

- National Reports from Audit Scotland / Accounts Commission

- Briefing note on Performance of Strathclyde Pension Fund

- Update on Legal Services Review

In addition, the Audit Committee has requested reports from Officers as a result of issues arising from Internal Audit follow up reports, Quarterly Performance reports etc.

The Audit Committee have, after reviewing the reports submitted to them, requested updates where they have concerns about issues arising from the reports. Management have been requested to prepare reports and attend the Audit Committee in person to provide explanations.

The Audit Committee robustly challenged and investigated failures to meet agreed actions in response to audit findings.

The Audit Committee raised questions with regard to the format of the Quarterly Performance Reports and asked for increased clarity regarding the information provided in the report. In addition to reviewing the Quarterly Performance Reports, the Audit Committee requested explanations from senior management on performance issues detailed in the reports.

The Code of Practice for Internal Audit in Local Government (The Code) issued by CIPFA in 2000 sets out good practice in delivering internal audit services. The Code was revised in 2006 and Grant Thornton UK LLP, in May 2007 carried out a Code of compliance review resulting in a report. One resultant recommendation required that Internal Audit have a policy on the secondment of staff both from and to Internal Audit. A report with a proposed Internal Audit Secondment policy was considered and approved by the Audit Committee on 19 September 2008.

<u>Audit Committee's views on the internal control framework, risk management and governance arrangements</u>

It is the opinion of the Audit Committee that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2009.

The Council is making progress in risk management with further development and regular review of Strategic and Operational Risk Registers and Business Continuity Plans.

<u>Conclusion</u>

The terms of reference which guide the activities of the Audit Committee are soundly based and are being reviewed and revised as necessary on an annual basis. The Committee has evolved and agreed a framework of reporting which now allows appropriate assessment of the Council's progress in addressing identified issues of governance, risk management and internal control. With a solid base established in this regard, the Committee is now moving to a more pro-active posture on the Council's operations.

The evolution of the wider performance environment of the Single Outcome Agreement, and the move to Best Value Phase 2 places an increasing emphasis on self assessment, and the increasing assessment role being performed by Policy and Planning Groups (PPGs), clearly identifies the importance of the Audit Committee as a resource for addressing new challenges.

A mechanism has now been established for post completion audits on capital projects, it has been agreed by the Council that the Audit Committee will be involved in the selection of projects to be reviewed and reported on by Internal Audit.

The Audit Committee has made real progress in terms of self improvement through implementing the recommendations made by Grant Thornton UK LLP. In particular the Audit Committee identified a framework for performance improvement which will allow it to formally audit and carry out a self assessment of its own efficacy. Audit Committee performance has been aided through the expertise available from its members.

The committee is in good heart and relishing its role and contribution.

APPENDIX 1

ARGYLL and BUTE COUNCIL

Audit Committee – Terms of Reference

The Committee's Terms of Reference are generally to promote good internal control, financial management, risk, governance and performance management, in order to provide reasonable assurance of effective and efficient operation, and compliance with laws and regulations, including the Council's Financial and Security Regulations, Contract Standing Orders and accounting codes of practice.

The specific terms of reference are as follows –

Audit Activity

- To agree the internal audit strategic plan, oversee and review action taken on internal audit recommendations;
- To consider the annual report, opinion, and summary of Internal Audit activity (actual and proposed) including the level of assurance it can give over the Council's corporate governance arrangements and other specific internal audit reports;
- To consider the External Auditor's Annual Letter, relevant reports, and the report to those charged with governance and other specific External Audit reports;
- To comment on the scope and depth of External Audit work and to ensure it gives value for money;
- To commission work from Internal and External Audit;
- To consider the performance of Internal and External Audit;
- To facilitate training to support the role of Audit Committee Members;
- To develop an anti-fraud culture within the Council to ensure the highest standards of probity and public accountability;
- To promote good financial practice within the Council;
- To be consulted on the External Audit strategy and plan, review reports from the Council's External Advisors and review action on External Audit recommendations; and
- To review the Council's financial performance as contained in the Annual Report, and to report annually to the Council on the internal control environment.

Regulatory Framework

- To maintain an overview of the Council's Constitution in respect of contract procedure rules, and financial regulations;
- To monitor the effective development and operation of risk management and corporate governance in the Council;
- To monitor the Anti fraud and corruption strategy and the Council's arrangements for dealing with any allegations of fraud or similar improper behaviour;
- To oversee the production of the Council's Statement on Internal Control; and

- To consider the Council's compliance with its own and other published standards and controls.

Accounts

- To examine the activities and accounts of the Council and exercise a governance role over management efforts to ensure that;

  (a) The expenditure approved by the Council has been incurred for the purposes intended;
  (b) Services are being provided efficiently and effectively;
  (c) Value for money is being obtained, all in accordance with Best Value requirements; and
  (d) The Council/Executive has appropriate information and advice available to them to make decisions.

- To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council; and

- To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Performance

- To promote good performance management practice within the Council;
- To assess the effectiveness of the Council's Performance Management System;
- To regularly review outputs from the Council's performance management system;
- To consider performance and inspection reports from internal audit, external audit and other relevant agencies;
- To commission specific performance reviews to be carried out where necessary;
- To review Best Value arrangements and outcomes, with consideration of both external and internal Best Value reports, strategy/plans and outcomes from Best Value reviews;
- To overview key performance indicator outcomes, including quarterly service performance reporting and Statutory Performance Indicator outcomes;
- To comment on proposals for developing a performance management framework, systems and processes; and
- To review the impact of national performance reports from external bodies such as Audit Scotland and consider their impact on future audit plans for performance work to be undertaken by both external and internal audit

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ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
18 SEPTEMBER 2009

AUDIT COMMITTEE AWAY DAY – 29 MAY 2009

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1. **SUMMARY**

   To assist audit committees in local government in effectively discharging their function, CIPFA issued guidance in 2004 Audit committee principles in local authorities in Scotland: a guidance note. This outlined principles in respect of:

   - The role and remit of the committee
   - Membership, induction and training
   - Audit committee meetings
   - Monitoring the systems of internal control
   - Financial reporting and regulatory matters
   - Establishing relationships with internal and external audit

   The Audit Committee agreed that a training day should be arranged for the committee members and this would be organised by KPMG, the Council's Internal Audit Partners.
   .

2. **RECOMMENDATIONS**

   2.1 The contents of this report are noted and are to be followed up by the Audit Committee.

3. **DETAILS**

   3.1 The training day was arranged for 29 May 2009 and was facilitated by KPMG.

   Members were issued with a self assessment questionnaire prior to the training day. This questionnaire focused on exploring the operation of the Audit Committee.

   The questionnaire helped to identify actions to develop and update the audit committee's :

   - 2009-10 work plan;
   - 2009-10 training plan; and
   - Terms of reference.

   KPMG summarised the process and output from the training day in a summary report.

   The KPMG report is enclosed for the committee's attention.

4. **CONCLUSIONS**

This report is submitted to the Audit Committee for consideration and action.

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 Alex Colligan, Internal Audit Manager (01546 604271).

KPMG

Argyll and Bute Council
Audit committee training day

24 August 2009

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AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Contents

Introduction

At the request of management of Argyll and Bute Council ("the Council") we facilitated a training day for the Council's audit committee on the 29th May 2009. The purpose of the training day was to provide the audit committee with an analysis of completed self-assessment questionnaires, review the audit committee's terms of reference, identify actions required from the self-assessment process and to support management in developing an audit committee annual work plan and training plan.

Objective

The objective of the training day was to support audit committee members and Council senior management in reviewing the audit committee terms of reference and in developing annual work and training plans.

Scope

Based on the objective outlined above, we completed the following activities:

- used a self-assessment questionnaire, supplied by management, to develop an understanding of the audit committee's role and it's remit;
- collated and presented the results of the questionnaire;
- facilitated discussions using the questionnaire to identify actions to develop and update the audit committee's:
  - 2009-10 work plan;
  - 2009-10 training plan; and
  - terms of reference.

- summarised the process and output from the training day in a summary report.

Approach

Management produced a detailed self-assessment questionnaire which focused on exploring views on the operation of the audit committee. The self assessment questionnaire, together with a draft work plan (Appendix 3) and audit committee terms of reference were circulated to audit committee members and senior management in advance of the training day. Completed questionnaires were returned to allow us to collate the results.

The training day followed an agreed schedule determined by management (Appendix 1). We presented the results of the questionnaire (Appendix 2) and facilitated discussions to identify issues and any required actions. There was a focus upon developing a work and training plan and identifying any required amendments to the audit committee terms of reference.

Those participating in the training day included:

- Ian Ross, chairman - audit committee;
- Dr Christopher Valentine, vice-chairman, audit committee;
- Andrew Nisbet, member - audit committee;
- Gordon Chalmers, member - audit committee;
- Bruce West, Head of Strategic Finance
- Grant Macrae, KPMG LLP; and
- Ewan Currie, KPMG LLP.

Executive summary

The training day produced positive and constructive discussion around both the results of the questionnaire and the primary objective of the day, to develop the work and training plans for the coming year.

Questionnaire results

- The results highlighted a number of both specific and generic issues that face the committee. In summary the main issue is around the induction and the raising of awareness of the role of the audit committee and its remit. For example in areas such as external audit, corporate governance and internal control. The appointment of new audit committee members can introduce individuals to areas that they may never have experienced before. This places greater emphasis on the need for a developed induction and ongoing training plan.

- The appointment of a chairman and vice-chairman that are not elected members of the Council was considered to be a positive model that should be retained going forward.

- Non-attendance at audit committee meetings from some members was highlighted as an issue. It was agreed that the introduction of a more effective induction process and training programme would assist in addressing the issues that exist at present.

Work plan

- Recent areas of development within the Council, such as performance and risk management featured highly and have been incorporated with specific actions for future audit committee meetings. There was also specific reference to the need for the committee to consider, proactively, the implications of Best Value 2 ("BV2") and its potential impact. BV2 requires that the different inspection agencies meet annually to form a view on the risks facing the Council and the effectiveness of the risk management process. This has significant implications for both the Council and audit committee.

- A number of efficiencies were identified in terms of agenda planning, issuing of reports or minutes and attendance of selected individuals to present at audit committee meetings.

Training plan

- The training plan focuses on individual and collective training needs. There is a generic training package under consideration by management. The aim of the package is to bring both committee members and stakeholders up to the same level of understanding in terms of the role and remit of the audit committee.

- Other key issues identified were succession planning for the audit committee and the awareness of the role of the external auditor.

Audit committee terms of reference

- A number of minor amendments were identified when the current terms of reference were compared to guidance from the Chartered Institute of Public Finance and Accountancy ("CIPFA"). These amendments will be incorporated and used to update the terms of reference as part of the annual review process.

Training day outputs

1. Work plan

The draft work plan, circulated prior to the training day, was identified as appropriate by audit committee members and the members of the senior management team attending the training day. A number of points were identified and discussed to either be incorporated within the draft work plan or actioned separately. These have been summarised below for the audit committee and incorporated into the approved work plan, where appropriate. (Appendix 3);

- The role of the audit committee in relation to the internal control statement and development of a more detailed governance report was discussed and it was agreed that it should be considered in more detail at December meetings **(December meeting)**.

- The self-assessment exercise and effectiveness review of the audit committee was agreed to remain a stand alone activity that would be completed annually **(Date to be defined)**.

- The proactive consideration of fraud should be considered as a part of the timeslot already detailed within the December meeting. This discussion would be linked to the development and approval of the coming years internal audit plan **(December meeting)**.

- Risk register and risk management was acknowledged as under development. The role of the audit committee within this process and the progress in terms of development of risk management within the Council would be considered as part of the quarterly risk management update reporting slot already defined within the work plan **(Each meeting)**.

- The development of performance management information and the Pyramid systems was discussed, particularly in light of the audit committee taking a more prominent role in terms of oversight of performance management effectiveness. It was highlighted by the participants that historically performance management information has not been adequate. It was discussed that the audit committee should have the opportunity to review and approve the finalised scorecards during the December meeting **(December meeting)**. The quality of data was discussed and it was agreed that during the development and approval of the coming years' internal audit plan a dedicated project around 'data integrity' should be considered for inclusion at the March meeting **(March meeting)**.

- There was extensive discussion around the implications of BV2 and the possibility of the future need for a more detailed annual report that would outline performance and governance structures. It was agreed that this would be discussed as part of the December meeting. This should coincide with external audit follow up of the current Best Value report and its associated actions **(December meeting)**.

- IFRS changes and its impact upon accounting treatment were discussed following the presentation from the Head of Strategic Finance. It was agreed that this would be discussed further at the June meeting in terms of progress to date and ongoing development of information and arrangements with further updates provided as necessary **(June meeting)**.

- Visibility to the audit committee of relevant statutory and regulatory issues was discussed and it was agreed that a series of possible actions should be considered; key statutory and regulatory matters highlighted in an extra column within the individual service plan templates at the start of the year; development of a process of exception reporting against these to the audit committee during the quarterly risk management update report **(First version - December meeting; recurring each meeting)**;

- The circulation of papers was discussed and the use of additional contextualisation within minutes was acknowledged as a point that had been raised by the chairman at the most recent meeting of the audit committee. It was agreed that the issue of internal audit reports (other reports where appropriate) at point of completion would be considered rather than in tranches prior to each meeting. Draft minutes from meetings would be circulated to all audit committee members and not just the chairman **(Each meeting)**.

- The attendance of key individuals or members of the senior management team to discuss, explain or present on different topics was discussed and it was agreed this would be agreed on a case by case basis. It would form part of a discussion point at each meeting where a dedicated slot would be created to confirm the agenda for the next meeting **(Each meeting)**

- .The terms of reference for the audit committee had been approved by the Council in March. It was agreed that the terms would be reviewed and updated, where issues are identified, as part of the December meeting **(December meeting)**.

Argyll and Bute Council
Audit committee training day
24 August 2009

2. Training plan

A number of points were identified and discussed to be either incorporated within the training plan or actioned separately. The specific actions have been highlighted below and should be considered in detail at the next appropriate audit committee meeting to determine delivery timetables and individuals responsible.

- Succession planning was highlighted as an area that needed to be considered in the short-term. Both the current chairman and vice-chairman of the audit committee are due to stand down in 2011 and 2010 respectively. Consideration of the point is critical to ensure continuity and adequate transition time is made available, but also that agreement is reached for the chairman or vice-chairman to be a non-elected member. It was widely agreed by the participants that this was a model that should be retained.

  o **Action (1)** – Succession planning to be determined by council for the chairman and vice-chairman of the audit committee.

- The training discussion extended to consider whether a broad ranging training programme was needed where all current (and possibly future members as part of an induction process) attend a tailored and dedicated course on corporate governance and the role of the audit committee. It could be tailored to consider key issues such as BV2 or internal control and bring all members up to the same level in terms of understanding. The action was to agree this as an approach and then identify an appropriate provider of the training. It was highlighted that this training should not be restricted to audit committee members and should include other key stakeholders.

  o **Action (2)** – Identify a provider to deliver a broad ranging training programme on corporate governance and the role of the audit committee extended to both audit committee members and other key stakeholders (i.e. council members, executive and senior management).

- The induction process was highlighted as an area of potential improvement. This will in part be addressed by the two points raised above, however, it was agreed that following appointment to the audit committee, the chairman and Head of Strategic Finance would have a private meeting to discuss induction, personal development planning and any specific skills gaps or concerns.

  o **Action (3)** – A formal induction process should be defined that incorporates a private meeting with the chairman and Head of Strategic Finance following appointment and the creation of an individually tailored training programme.

- Individual training and wider training requirements for the audit committee as a whole was discussed and it were agreed that an outline of the expertise required (skills, experience) by the audit committee would be defined as a starting point. This would then be tailored on an individual committee member level to develop a personal development plan tailored to individual requirements.

  o **Action (4)** - Audit committee overall expertise required to fulfil remit is to be identified.

- o **Action (5)** – Tailored individual training programme to be developed for each committee member based upon expertise identified for overall committee.
- Awareness and visibility of all critical policies (i.e. anti fraud and corruption policy) was highlighted, however, it was acknowledged that the Council's standing orders highlights and refers to the most critical documents. It was agreed that the constitution should form a pivotal part within the induction process.
- The role of external audit and the key documents that the audit committee will have to review was highlighted as a development and training opportunity for members. It was agreed that the Council's external auditor would be asked to complete a short presentation on the role of the external auditor. Particular focus would be upon explaining the key reports it produces that the audit committee need to review.
  - o **Action (6)** - External auditor to be requested to complete a short presentation on the role of the external auditor. Particular focus on explaining the key reports it produces that the audit committee need to review.

3. Audit committee terms of reference

A number of points were identified to be actioned. The points were highlighted by making a comparison between the current terms of references and guidance from CIPFA *Audit Committee principles in local authorities in Scotland*. These points have been summarised below for the audit committee to take forward as part of a review of the terms of reference at the end of the year.

- Clarification of the required expertise for committee membership.

- Definition as to the circulation of minutes to other committees / full Council. It became apparent that these minutes do not go to the full Council or executive.

- Reference to the processes to ensure effective liaison between external and internal audit.

- More detail to be included to ensure a clear link between the committee's review of the 'internal control statement' and it satisfying the remit defined within CIPFA guidance that states 'systematic appraisal of control environment to provide assurance of effective and efficient operations'.

- Reference to audit committee consideration of a programme of areas for examination or review.

Argyll and Bute Council
Audit committee training day
24 August 2009

Appendix 1 – Training day schedule

| Purpose | - | (1) | To carry out a self assessment, review terms of reference, identify actions required from self assessment and review of terms of reference, develop work plan for the year and develop a training plan for the year. |
| | | (2) | Gain an understanding of issues arising from IFRS. |

Topic	Approach	Actions before day	On the day	Output	Timing
Self-assessment Discussion facilitated by KPMG informed through analysis of completed assessment checklists	Review operation of audit committee against a good practice checklist	Draft response to checklist and issue to participants	Review and adjust draft completed checklist to identify areas for development	Agreed self assessment checklist that identifies areas for development	10.00-11.30
Terms of reference (Given recent revision to terms of reference this should not be a long session) Discussion facilitated by KPMG	Review terms of reference to identify revisions required	Issue current terms of reference to participants.	Discuss terms of reference and identify changes in terms of reference from self assessment	Agreement on proposed revised terms of reference	11.30 – 12.00
Actions required to populate work plan Discussion facilitated by KPMG	Review outcome of self assessment and review of terms of reference to identify actions required for work plan	-	Review outcome of self assessment and review of terms of reference to identify actions required for work Plan	Actions to be included in work plan	12.00 – 12.30
Work plan Discussion facilitated and guided by KPMG	Review draft work plan and actions required and develop into an agreed work plan	Issue draft work plan	Discuss draft work plan and actions required to determine extent they cover terms of reference and address action arising from self assessment and review terms of reference	Agreed work plan	1.30 – 2.30
Training plan Facilitated and guided by KPMG	Identify training needs and develop a plan to deliver these	-	Discuss training needs in the light of the actions required and work plan and agree plan for their delivery	Agree training plan	2.30 – 3.15
IFRS Bruce West to lead	Gain understanding of IFRS issues and the Council's plan for implementation	-	Presentation to be made on the day	Audit committee comment on key IFRS issues	3.15 – 4.00

Appendix 2 – Self-assessment questionnaire results

The six completed self-assessment questionnaire have been tabulated below where exceptions or inconsistency of understanding was evident. The comments have not been edited and have been directly inserted into the table below. This formed the focal point for discussions during the training day.

Assessment category	Results (Member key messages)	Results (Executive key messages)
ROLE AND REMIT	Yes – Y. No – N. Don't Know - DK	
Does the audit committee have sufficient membership, authority/power and resources to perform its role effectively and independently	50% unsure if committee has sufficient authority/power?	Y
Does the Council statement on internal control include a description of the audit committee's role and activities?	Y	Y. This could be enhanced.
Does the audit committee assess its own effectiveness?	50% acknowledged this as the first exercise undertaken	Y. 1st time.
Does the audit committee make a formal annual report on its work and performance during the year to the full council	Y	Y. Reporting commenced 2007-2008. 2008-2009 report to be produced. Could be enhanced.
MEMBERSHIP, INDUCTION AND TRAINING		
Has the audit committee chair previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	Additional training required for individuals or committee as a whole might need development.	AC to discuss

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Argyll and Bute Council
Audit committee training day
24 August 2009

Assessment category	Results (Member key messages)	Results (Executive key messages)
Are new audit committee members provided with appropriate induction training?	75% confirmed no induction process or that it was ineffective.	Y. As part of councillor induction.
Have all members' skills and experiences been assessed and training given for any gaps identified?	100% acknowledged training gaps have not been identified. Expectation that this exercise will address this point.	AC to discuss
Has each member declared his or her business interests?	Unclear process to confirm all members have declared all their business interests.	Y. Process in place.
MEETINGS		
Do the terms of reference set out the frequency of meetings?	Y	N. TOR to be updated.
Are members attending meetings on a regular basis and if not, is appropriate action taken?	75% acknowledged meeting attendance was not ideal.	N. Members apologies have been given in past
Does the Council's Section 95 officer or deputy attend all meetings?	50% unclear if Councils Section 95 officer attends /or deputy all meetings.	Y. Head of Strategic Finance attends.

Assessment category	Results (Member key messages)	Results (Executive key messages)
INTERNAL CONTROL		
Does the audit committee have responsibility for review and approval of the SIC and does it consider it separately from the accounts?	50% unclear or no response.	Y. ICS reviewed annually alongside the annual report.
Does the audit committee consider how meaningful the SIC is ?	75% unclear or no response.	Y. ICS reviewed annually alongside the annual report.
Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	75% Y. 25% unsure given early stages of risk if AC have.	Unclear effectiveness.
Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	75% unclear if this has been addressed.	Y. The council has an anti fraud and corruption policy as part of constitution.
Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	75% unclear if this has been addressed.	N. does the AC need to be more proactive.
Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	50% unaware of role between risk management and internal audit plan	Y. Audit Committee have received presentation on risk management and business continuity.
Does the audit committee review the Council's strategic risk register at least annually?	100% acknowledged that it has only just started to review strategic risk register.	N. Add to work plan.

Assessment category	Results (Member key messages)	Results (Executive key messages)
Does the audit committee monitor how the Council assesses risk?	50% no response or acknowledged risk management process under development within Council.	N. Add to work plan. Internal audit to review.
Do the audit committee's terms of reference include oversight of the risk management process?	75% unclear or unsure if TOR clearly define role in terms of audit committee	Y
FINANCIAL REPORTING AND REGULATORY MATTERS		
Is the audit committee's role in the consideration and/or approval of the Council's annual accounts clearly defined?	50% no response or unclear	Y
Does the audit committee consider specifically - the suitability of accounting policies and treatments / major judgements made/large write-offs/ changes in accounting treatment/ the reasonableness of accounting estimates the narrative aspects of reporting?	50% no response or unclear	DK. Need to consider how this is presented to AC.
Is the audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	50% no response or unclear	Y
Does the audit committee review management's letter?	50% no response or unclear	Y
Does the audit committee annually review the accounting policies of the council?	Y	N. Consider adding this to the work plan.

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Assessment category	Results (Member key messages)	Results (Executive key messages)
Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	100% confirm no formal process exists to keep up to date with legal and regulatory issues.	N. Consider creating a report for each meeting.
INTERNAL AUDIT		
Does the audit committee hold periodic private discussions with the internal auditor?	100% acknowledged the engagement with Internal Audit needs to be formalised.	Y. JUNE 2009 to be first.
Does the audit committee review the adequacy of internal audit staffing and other resources ?	Highlighted as possible area of personal frustration.	Y
Has the audit committee evaluated whether internal audit complies with CIPFA's Code of Practice for Internal audit in Local Government in the UK ?	50% unclear if this comparison of internal audit with CIPFA guidelines has been completed.	Y. GT external auditor complete this exercise.
Has the audit committee considered the information it wishes to receive from internal audit?	50% perceive that internal audit information provision has not been challenged.	Y. Might be an area to develop.
EXTERNAL AUDIT		
Does the audit committee hold periodic private discussions with the external auditor?	75% acknowledged the engagement with External Audit needs to be formalised.	Y. JUNE 2009 to be first.
Does the audit committee review the external auditor's annual report to those charged with governance?	50% unclear if AC review annual report from external auditors.	Y

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Assessment category	Results (Member key messages)	Results (Executive key messages)
Does the audit committee assess the performance of external audit?	50% unsure how or if AC assess performance of the external auditor.	Y. Process in place.
Does the audit committee consider and approve the external audit fee?	50% believe the AC does not approve the external audit fee.	Unclear
AGENDA MANAGEMENT		
Does the audit committee have a designated secretary from committee /member services?	Y	N. Corporate Services support this element.
Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	50% believe pre meeting circulation of papers could be improved.	Y
Are outline agendas planned one year ahead to cover issues on a cyclical basis?	25% believe this does not happen.	N. could be done via work plan.
Are inputs for Any Other Business formally requested in advance from committee members, relevant officers and internal audit?	75% believe selected attendance of the specific executive at AC would be an improvement.	Y
PAPERS		
Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	50% believe the reporting following AC meetings could be improved.	AC to discuss

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Assessment category	Results (Member key messages)	Results (Executive key messages)
Does the audit committee issue guidelines and/or a Performa concerning the format and content of the papers to be presented?	50% believe the format of papers could be improved.	N. development area

ACTIONS ARISING

Are minutes prepared and circulated promptly to the appropriate people?	50% believe the timeliness and broadening of minutes circulation could be improved.	Y
Do action points indicate who is to perform what and by when	Area for improvement	Y

Appendix 3 – Draft work plan

The draft work plan attached below was circulated to attendee's prior to the training day. The specific actions identified from the training day, where relevant, have been highlighted in bold against the appropriate audit committee meeting.

Meeting dates	Responsibility areas of the audit committee								
	Audit committee option 1	Audit committee option 2	Internal audit	External audit	Risk management	Performance management	Anti-fraud & corruption arrangements	Corporate governance arrangements	Financial statements
MARCH									
	Audit Committee Annual Report.		-Consider internal audit annual audit plan. -Consider follow up of external and internal action points. -Consider IA progress against plan. -Consider IA reports.	-Consider external audit annual audit plan. -Consider external audit progress against plan. - Consider external audit reports.	Quarterly update report. **(Progress Report on development of risk management)**	Quarterly update report. **(Ensure an internal audit focused upon 'data integrity' is included within internal audit plan development process)**	-Annual report on the National Fraud Initiative. -Annual Review of Anti Fraud and Corruption Arrangements.		Review work plan for completion of annual accounts.

Meeting dates	Responsibility areas of the audit committee								
	Audit committee option 1	Audit committee option 2	Internal audit	External audit	Risk management	Performance management	Anti-fraud & corruption arrangements	Corporate governance arrangements	Financial statements
JUNE									
		- Audit Committee Annual Report. -Work and Training Plan. - Terms of reference. - Self Review.	- Report on the year. -Consider follow up of external and internal action points. - Consider IA progress against plan. - Consider IA reports.	-Interim audit work review. - Consider external audit progress against plan. - Consider external audit reports.	Quarterly update report. **(Progress Report on development of risk management)**	Quarterly update report.	Annual Review of Fraud Results across the Council.	Review Statements of Control.	Review of un-audited accounts. **(Review progress of IFRS implementation and ongoing development of management information)**

Meeting dates	Responsibility areas of the audit committee								
	Audit committee option 1	Audit committee option 2	Internal audit	External audit	Risk management	Performance management	Anti-fraud & corruption arrangements	Corporate governance arrangements	Financial statements
SEPTEMBER									
	- Self Review. - Terms of reference.		-Private meeting with Internal audit. -Consider follow up of external and internal action points. - Consider IA progress against plan. - Consider IA reports.	-ISA260 Report. -Private meeting with external audit. - Consider external audit progress against plan. - Consider external audit reports.	Quarterly update report **(Progress Report on development of risk management)**	Quarterly update report			Review of audited annual accounts

Meeting dates	Responsibility areas of the audit committee								
	Audit committee option 1	Audit committee option 2	Internal audit	External audit	Risk management	Performance management	Anti-fraud & corruption arrangements	Corporate governance arrangements	Financial statements
DECEMBER									
	-Work and Training Plan		Consider follow up of internal action points. -Consider IA progress against plan. -Consider IA reports.	-Annual audit report. - Consider external audit progress against plan. -Consider external audit reports	Quarterly update report **(Progress Report on development of risk management)**	Quarterly update report **(Review finalised scorecards to be adopted by performance management system)** **(Discuss the implications of Best Value 2 within the Council)**	**(Consider Fraud when developing internal audit plan)**	Annual Report on Corporate Governance **(Consideration of Internal Control Statement)** **(Consider actions taken to monitor relevant statutory and regulatory issues affecting the Council)** **(The terms of the reference for the audit committee would be reviewed to confirm ongoing appropriateness)**	

Appendix 4 – Draft Meeting Agenda

The draft work plan identifies areas of responsibility and specific actions identified from the training day. These have represented below in terms of draft agenda's for each audit committee meeting throughout the year. These should used as a start point and be reviewed and updated where appropriate.

Meeting dates	Draft Meeting Agenda			
	March	**June**	**September**	**December**
Agenda Items				

	1. Audit Committee
	  • Annual Report
	2. Internal Audit
	  • Annual Audit Plan Approval
	  • Follow up Actions Status
	  • Progress against Plan
	  • Completed IA Reports
	3. External Audit
	  • Annual Audit Plan
	  • Follow up Actions Status
	  • Progress against Plan
	  • Consider EA Reports
	4. Risk Management
	  • Quarterly Update Report
	  • Progress update on development of Risk Management.
	5. Performance Management
	  • Quarterly Update Report
	  • Ensure 'Data Integrity' is included in internal audit plan.
		1. Internal Audit
		  • Report on year
		  • Follow up Actions Status
		  • Progress against Plan
		  • Completed IA Reports
		2. External Audit
		  • Interim Audit work review.
		  • Progress against Plan
		  • Consider EA Reports
		3. Risk Management
		  • Quarterly Update Report
		  • Progress update on development of Risk Management.
		4. Performance Management
		  • Quarterly Update Report
		5. Anti-Fraud & Corruption
		  • Annual Review of Fraud results across the Council.
		6. Corporate Governance Arrangements
		  • Review Statements of Control
			1. Audit Committee
			  • Self Review
			2. Internal Audit
			  • Private meeting
			  • Follow up Actions Status
			  • Progress against Plan
			  • Completed IA Reports
			3. External Audit
			  • ISA260 Report
			  • Private meeting
			  • Progress against Plan
			  • Consider EA Reports
			4. Risk Management
			  • Quarterly Update Report
			  • Progress update on development of Risk Management.
			5. Performance Management
			  • Quarterly Update Report
			6. Accounts
			  • Review of audited annual accounts.
				1. Audit Committee
				  • Work and Training Plan
				  • Terms of Reference reviewed to confirm ongoing appropriateness.
				Internal Audit
				  • Ensure Fraud and 'Data Integrity' linked to performance management system are included in audit plan development.
				  • Follow up Actions Status
				  • Progress against Plan
				  • Completed IA Reports
				2. External Audit
				  • Annual Audit report.
				  • Progress against Plan
				  • Consider EA Reports
				3. Risk Management
				  • Quarterly Update Report
				  • Progress update on development of Risk Management.

	6. Anti-Fraud & Corruption	7. Accounts		4. Performance Management
	• Annual report on National Fraud Initiative. • Review of Anti-Fraud and Corruption arrangements. 7. Accounts • Accounts Completion Work Plan review.	• Review of un-audited accounts • Review progress of IFRS implementation and development of management information.		• Quarterly Update Report • Review Finalised Scorecards to be adopted by performance management system. • Discuss the implications of Best Value 2 within the Council. 5. Corporate Governance Arrangements • Annual Report on Corporate Governance • Consideration of Internal Control Statement. • Consider actions taken to monitor relevant statutory and regulatory issues affecting Council.

Appendix 5 – Consolidated Action List

The specific actions identified from the training day, where relevant, have been highlighted in against the appropriate audit committee meeting and included within the draft agendas. Additional actions, not captured by the meeting agendas, have been consolidated and included below.

1. The self-assessment exercise and effectiveness review of the audit committee was agreed to remain a stand alone activity that would be completed annually. The next date needs to be defined.

2. Succession planning to be determined by council for the chairman and vice-chairman of the audit committee.

3. Identify a provider to deliver a broad ranging training programme on corporate governance and the role of the audit committee extended to both audit committee members and other key stakeholders (i.e. council members, executive and senior management).

4. A formal induction process should be defined that incorporates a private meeting with the chairman and Head of Strategic Finance following appointment and the creation of an individually tailored training programme. It was agreed that the constitution should form a pivotal part within the induction process.

5. Audit committee overall expertise required to fulfil remit is to be identified.

6. Tailored individual training programme to be developed for each committee member based upon expertise identified for overall committee.

7. External auditor to be requested to complete a short presentation on the role of the external auditor. Particular focus on explaining the key reports it produces that the audit committee need to review.

Agenda Item 6

ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
18 SEPTEMBER 2009

PROGRESS REPORT ON INTERNAL AUDIT PLAN 2009 - 2010

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1. **SUMMARY**

    An interim progress report has been prepared covering the audit work performed by Internal Audit up to 21 August 2009. The objective of the report is to advise members of the progress of the Annual Audit Plan. (See Appendix 1).

2. **RECOMMENDATION**

    2.1   The Audit Committee is asked to approve the progress made with the Annual Audit Plan for 2009 - 2010.

3. **BACKGROUND**

    3.1   The progress report contained in Appendix 1 lists the audits scheduled for the financial year 2009 –2010, and are ordered by section and level of completion.

    3.2   For the purpose of the progress report, Audits are deemed to be complete following fieldwork and issue of the Draft Report. Of the 7 completed audits, 5 reports have been finalised and 2 remain in draft:

    -   Corporate Services – Business Continuity Management
        draft issued 13 July 2009
    -   Operational Services – Stock Control, Leisure Systems
        draft issued 19 August 2009,

    3.3   As at 21 August 2009, of 19 core financial systems audits set out in the audit plan presented on 6 March 2009, 4 have been completed. Of the remaining audits, 3 have been started.

    3.4   Of 15 non-financial audit areas set out in the audit plan presented on 6 March 2009, 2 have been completed as at 21 August 2009. Of the remaining audits, 3 have been started.

    3.5   A total of 100 direct audit days were set aside in the annual audit plan for Special Investigations / Contingency work. As at 21 August 2009, 10 days have been expended. The audit has been completed and the final report issued. A total of 97 days were set aside in the audit plan for Other Areas, to date 19 days have been expended.

4. **SUMMARY OF AUDIT ACTIVITIES FOR 2009 - 2010**

    4.1   It can be reported that Internal Audit continues to make progress with the Annual Audit Plan. Appendix 1 shows that a total of 271 direct audit days

have been expended on planned audits as at 21 August 2009. At the same period in August 2009 a total of 175 direct audit days had been expended.

4.2 As noted above current progress with the Internal Audit plan remains relatively on schedule against the approved annual plan.

5. CONCLUSION

Progress is being made on audits planned for 2009 – 2010
.

6. IMPLICATIONS

6.1 Policy: Update on audit plan for 2009 – 10.

6.2 Financial: The audit plan is based on budgeted provision.

6.3 Personnel: None

6.4 Legal: None

6.5 Equal Opportunities: None

For further information please contact Alex Colligan, Internal Audit Manager (01546 604271)

Assessment of audit days: 2009-2010 strategic plan

AUDIT WORK SCHEDULE	Last audited	Risk ranking	Original Estimated Audit Days 2009-10	Revised Estimated Audit Days 2009-10	Actual Audit Days 2009-10	Balance
Core financial systems						.
Complete						
Stocktaking/ Work in Progress	2008	2	25	25	13	12
Council Tax and Non-Domestic Rates	2008	2	15	15	9	6
Government & European Grants	2008	1	35	35	8	27
Tendering Procedures	2008	1	15	15	9	6
Started						
Car Allowances	2008	2	40	40	17	23
Debtor Accounts	2008	2	15	15	4	12
Unified Benefits System	2008	2	15	15	14	1
Not Started						
Creditor Payments	2008	2	40	40	0	40
Treasury Management	2008	2	15	15	0	15
Purchasing	2008	2	15	15	0	15
Cash Income and Banking	2008	2	15	15	0	15
Capital Accounting	2008	1	15	15	0	15
Payments to Voluntary Bodies (Following the Public Pound)	2008	2	40	40	0	40
General Ledger Operations	2008	2	15	15	0	15
Asset Management	2008	1	15	15	0	15
Budgetary preparation and control	2008	1	40	40	0	40
Capital Contracts	2008	1	15	15	0	15
Contract Hire and Operating Leases	2008	2	40	40	0	40
Payroll	2008	2	15	15	0	15
Section Total			**440**	**440**	**74**	**366**
Non-financial Audits						
Complete						
Corporate Services - Business Continuity Management	-	1	30	30	25	5
Operational Services - Stock Control, Leisure systems	-	2	30	30	35	-5
Started						
Operational Services - Payroll Processes for Catering	-	1	30	30	5	25
Corporate Governance ICS	2008	1	30	30	54	-24
Performance Indicators/Single Outcome Agreement	2008	1	86	86	47	39
Not Started						
Department Business Continuity Plan Testing	2008	1	30	30	0	30
Chief Executive's - Single Outcome Agreement	-	1	30	30	0	30
Community Services - Foster Care Services	-	2	30	30	0	30
Community Services - Adult Services Assessment & Care Management Processes	-	1	30	30	0	30
Corporate Services - Information Computer Technology (ICT) - Applications	2008	2	28	30	0	30
Development Services - Partnership Project Funding	2007	3	30	30	0	30
Department Risk Plan Testing	2008	1	30	30	0	30
Revierw of HR Activities	2008	1	20	20	0	20
Computer Audit	2008	2	30	28	0	28
New Legislation	2008	1	30	30	0	30
Section Total			**494**	**494**	**167**	**327**
Actual Direct Audit Time			**934**	**934**	**241**	**693**
Special investigations contingency			100	100		90
Council Wide						
Chief Executive's Unit						
Community Services						
Corporate Services						
Development Services						
Operational Serivces - Report issued on Port Askaig Development					10	
Section Total			**100**	**100**	**10**	**90**
Other Areas						
Follow-up External & Internal Audit Management Letter Points			77	77	19	58
Risk Assessment, Strategic Plan, Annual Plans			20	20		20
Section Total			**97**	**97**	**19**	**78**
TOTAL			**1131**	**1131**	**271**	**860**

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Agenda Item 7

ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
18 SEPTEMBER 2009

AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2009 - 2010

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1. **SUMMARY**

   The Code of Practice for Internal Audit in Local Government (the Code) issued by CIPFA in 2000 and further revised in 2006 sets out good practice in delivering internal audit services. Grant Thornton UK LLP, in May 2007 carried out a Code compliance review and in their resultant report recommended that external audit reports (including Audit Scotland reports) be reported to the Audit Committee. Attached in Appendix 1 is the most recent report from Audit Scotland.

2. **RECOMMENDATIONS**

   2.1 The contents of this report are noted and are to be followed up by Internal Audit.

3. **DETAILS**

   3.1 On the 6th of August 2009 the Accounts Commission released a report entitled, "Improving Civil Contingencies Planning".

   The Civil Contingencies Act was passed in 2004 and Audit Scotland's study looked at what progress has been made to date, assessed the pace of change and identified ways in which improvements can be made. Implementation of the Act is ongoing and it is recognised that some of the provisions have not yet been fully implemented or matured. The findings reflect the position at the time of the main audit work during 2008 and further progress may have been made since then.

   The key messages can be summarised as follows:

   - Overall, key organisations work well together, particularly through Strategic Coordinating Groups (SCGs), but there are still barriers to joint working.

   - The Scottish Government has taken an active role in implementing the Act and this increased priority has placed greater demands on local responders.

   - Governance and accountability arrangements for multi-agency working in civil contingencies planning are unclear.

   - All SCGs have produced and published a CRR but these have made a limited contribution to informing civil contingencies planning at a local or national level.

   - Most Category 1 responders have a generic emergency plan in place and have been involved in developing multi-agency arrangements for their SCG area. However, planning for business continuity management

and recovery are not yet well developed.

- Complex training and exercising requirements place significant demands on local responders, making participation and effective coordination difficult.

- Lessons from incidents and exercises are not shared widely or systematically put into practice.

- There is no clear information on how much is spent overall on civil contingencies planning across Scotland.

- There is potential for more collaboration between organisations to increase capacity and make more effective use of resources.

3.2   Argyll and Bute Council has taken its responsibilities under the Civil Contingencies Act very seriously.

We have almost completed a Business Continuity programme which has seen the development of Departmental Recovery Plans for all the identified critical activities, and the development of a Business Continuity Plan.

The Council has also reviewed and developed its Emergency Planning Generic Plan and Pandemic Flu Plan. The Emergency Planning Unit enjoys a close working relationship with the partners within the local Strategic Co-ordinating Group.

The Council's website provides information to businesses on Business Continuity Planning.

3.3   The full report can either be viewed at http://www.audit-scotland.gov.uk/work/local_national.php 2009/10 or viewed in the Members room where copies of the above reports are available for review.

4.   CONCLUSIONS

This report is submitted to the Audit Committee for consideration.

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 Alex Colligan, Internal Audit Manager (01546 604271).

Improving civil contingencies planning

Prepared for the Auditor General for Scotland and the Accounts Commission

August 2009

Auditor General for Scotland

The Auditor General for Scotland is the Parliament's watchdog for ensuring propriety and value for money in the spending of public funds.

He is responsible for investigating whether public spending bodies achieve the best possible value for money and adhere to the highest standards of financial management.

He is independent and not subject to the control of any member of the Scottish Government or the Parliament.

The Auditor General is responsible for securing the audit of the Scottish Government and most other public sector bodies except local authorities and fire and police boards.

The following bodies fall within the remit of the Auditor General:

- directorates of the Scottish Government

- government agencies, eg the Prison Service, Historic Scotland

- NHS bodies

- further education colleges

- Scottish Water

- NDPBs and others, eg Scottish Enterprise.

The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning

- following up issues of concern identified through the audit, to ensure satisfactory resolutions

- carrying out national performance studies to improve economy, efficiency and effectiveness in local government

- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 44 joint boards and committees (including police and fire and rescue services).
Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Summary

The Civil Contingencies Act 2004 has reinforced multi-agency working and organisations are making progress in meeting their duties, although there are a number of areas that could be improved.

1. Disruptive events, such as flooding or pandemic illness, pose significant social, economic and environmental risks to local communities and to the continued delivery of vital public services. Over the last ten years for example, the attacks of 11 September 2001 in the United States increased awareness across the world of the threat from terrorism, the Indian Ocean tsunami in December 2004 highlighted the threat to people and the environment from natural disasters, and currently people around the world are experiencing a flu pandemic.

2. Recent events in Scotland include the Glasgow airport terrorist attack (2007), the potential fuel shortage and risks to safety caused by the industrial dispute at the Grangemouth petro-chemical refinery (2008), having the first confirmed cases in the UK of the Influenza A H1N1 virus – or swine flu (2009), and numerous floods. These have all highlighted the importance of effective arrangements being in place to prepare for, respond to and recover from major emergencies. They illustrate two important features of civil contingencies planning; first, that a wide range of different events can cause significant disruption, and second, that dealing with and recovering from such events requires public sector organisations to work together, alongside the private and voluntary sectors.

3. The Civil Contingencies Act 2004 (referred to as 'the Act') established a new legislative framework for civil protection across the UK. The Contingency Planning (Scotland) Regulations 2005 describe how the provisions of the UK Act are to be implemented in Scotland. Part 1 of the Act imposes new duties on public sector and other relevant organisations to ensure that effective arrangements are in place for planning for, responding to and recovering from emergencies, and for the continued delivery of services in the event of disruption. Part 2 of the Act deals specifically with emergency powers and relates to matters reserved to the UK Parliament and has not been included within our study.

About this study

4. The Civil Contingencies Act was passed in 2004 and our study looked at what progress has been made to date, assessed the pace of change and identified ways in which improvements can be made. Implementation of the Act is ongoing, and we recognise that some of its provisions have not yet been fully implemented or matured. Our findings reflect the position at the time of our main audit work during 2008 and further progress may have been made since then.

5. The emphasis of our study was on the requirement under the Act for organisations to work together. We examined co-operation between key stakeholders generally, as well as specifically in relation to risk assessment, emergency and business continuity planning, training and exercising, and learning lessons. We also looked at the resources and financial and performance management processes that support these activities.

6. The study did not attempt to make judgements on how individual emergencies have been dealt with, the adequacy of plans in place or the level of preparedness of any individual organisation, sector or Scotland as a whole.

7. In carrying out this study, we collected information through:

- a survey of 64 organisations named in legislation as the main responding agencies to emergencies in Scotland (known as 'Category 1 responders').[1]

- interviews with representatives of some of the main responding agencies and other relevant organisations, covering both devolved and reserved matters. We also interviewed the chairs and coordinators of the eight Strategic Coordinating Groups (SCGs), which are the focal point for local multi-agency civil contingencies planning

- a survey of SCG coordinators

- focus groups with emergency planning officers from local authorities and the NHS

- observation of meetings, training events and exercises

- a review of documentation, including minutes of meetings, emergency and business continuity plans, exercise debrief reports and performance reports.

8. We have used aspects of the response to an industrial dispute at the Grangemouth petro-chemical refinery in 2008 as a

case study throughout the report to illustrate a range of issues within civil contingencies planning.

9. At the time of writing our report, there was a worldwide outbreak of the Influenza A H1N1 virus and, where possible, we have used the preparation and response to this outbreak in Scotland as a further case study. This pandemic was ongoing when our report went to print.

10. This report primarily relates to organisations responsible for matters devolved to the Scottish Parliament for which the Auditor General or the Accounts Commission has audit responsibilities. However, we also refer to some organisations operating in Scotland in areas of reserved responsibility (such as British Transport Police and the Maritime and Coastguard Agency), as well as the UK government, and the private and voluntary sectors.

11. This report includes a self-assessment checklist for Category 1 responders to support improvement and the implementation of our recommendations (Appendix 2). In addition to this report, we have produced the following, which can be found at: www.audit-scotland.gov.uk

- a key messages summary

- additional material on our website, intended for use by those directly involved in civil contingencies planning.

The overall picture

12. Overall, the Act has reinforced multi-agency working, with organisations generally co-operating well and making progress towards meeting their main duties under the Act. However, further improvements could be made and the pace of change accelerated in certain areas.

13. The Act introduced a new approach to civil contingencies planning. These new arrangements emphasise the need for flexible and adaptable arrangements to support an effective response to disruptive events that affect our communities. This is a more holistic approach than that taken traditionally. Instead of emergency planning being an isolated activity, it should be part of a wider process, embedded across organisations. Although progress has been made, traditional aspects of civil contingencies planning – such as response arrangements – still tend to dominate activity. So far, less attention has been given to arrangements that ensure the continued delivery of services to local people and the effective recovery of communities after an incident.

14. Improved joint working between agencies in the public, private and voluntary sectors was a key aim of the Act and this is an area where progress is being made, particularly through the eight SCGs. However, as with multi-agency working across the public sector more generally, we found a number of issues that limit its effectiveness. These include limited joint working across geographic boundaries, different approaches to information sharing, and difficulties in ensuring effective representation at SCG level.

 15. The arrangements for civil contingencies planning are increasingly complex, involving a range of organisations, procedures and processes. There is a lack of clarity about some roles, leadership and accountabilities and this carries a risk of confusion, duplication or omission. The potential for a clearer and more streamlined approach should be explored. More could be done to engage with elected members at a national and local level to ensure they are aware of, and supported in, their role in civil contingencies planning.

16. The Scottish Government has been active in supporting multi-agency working and the implementation of the Act in Scotland. However, at a local level, organisations can find it difficult to keep pace with the demands placed on them. It is important that the Scottish Government fully considers local delivery and capacity issues when initiating new developments.

17. Assessing the likelihood and impact of risks is an area of continuing development. There is a UK-wide National Risk Register, but this has not yet been supplemented by a Scottish-level risk assessment. While all SCGs have published a Community Risk Register (CRR), these have not always been used effectively to inform planning at local and national levels. The Scottish Government is developing materials to raise awareness and promote understanding among the public of the risks we face and the likelihood of different events happening.

18. Business continuity arrangements ensure organisations continue to deliver services in the event of disruption. Local authorities are required to provide business continuity advice and assistance to local businesses and voluntary organisations but not all are doing so. This reflects our finding that the Act has so far had less impact on business continuity than emergency planning arrangements.

19. Training and exercising are essential for effective civil contingencies planning, and it is vital that any shortcomings identified lead to improvements in systems and procedures. Local organisations work within a complex and demanding training and exercising landscape, and some find it difficult to take up these opportunities. Despite the significant demands, nearly all Category 1 responders with an agreed generic emergency plan have met their duty to exercise it. However, not all

business continuity management plans have been tested. There is also limited testing of cross-border and cross-boundary arrangements and lessons identified from exercises are not always shared widely or implemented systematically.

20. Best Value requires a proper balance between the costs and quality of services delivered, and all public bodies should monitor how they perform and what they achieve. However, there is no clear information on how much is spent on civil contingencies planning across Scotland and performance management at a local, regional and national level has been limited. There is potential for more efficient use of resources through joint working arrangements, for example by formalising mutual aid agreements and more effective sharing of resources.

Summary of key messages

21. Our key messages can be summarised as follows:

- Overall, key organisations work well together, particularly through SCGs, but there are still barriers to joint working.

- The Scottish Government has taken an active role in implementing the Act and this increased priority has placed greater demands on local responders.

- Governance and accountability arrangements for multi-agency working in civil contingencies planning are unclear.

- All SCGs have produced and published a CRR but these have made a limited contribution to informing civil contingencies planning at a local or national level.

- Most Category 1 responders have a generic emergency plan in place and have been involved in developing multi-agency arrangements for their SCG area. However, planning for business continuity management and recovery are not yet well developed.

- Complex training and exercising requirements place significant demands on local responders, making participation and effective coordination difficult.

- Lessons from incidents and exercises are not shared widely or systematically put into practice.

- There is no clear information on how much is spent overall on civil contingencies planning across Scotland.

- There is potential for more collaboration between organisations to increase capacity and make more effective use of resources.

Recommendations

22. We make a number of recommendations for the Scottish and UK governments and the main responding agencies in Scotland, both as individual organisations and as members of their SCGs. These identify how things can improve, and are as follows:

Working together

- The Scottish Government and SCG partners should agree a standard approach to the sharing of civil contingencies planning information across Scotland.

- SCGs should review their membership to ensure key organisations are represented appropriately, and work to maximise the benefits of effective joint working, including across SCG boundaries.

- The Scottish Government should review how it engages with those individuals who have day-to-day responsibility for civil contingencies planning, and ensure that it provides clear and consistent information.

- In consultation with SCG partners, the Scottish Government should clarify the governance and accountability arrangements for decisions made by the SCGs and for its own role during an emergency.

- Councils, police forces and fire and rescue services should ensure elected members are aware of their role in an emergency and of developments in civil contingencies planning.

Planning for a resilient Scotland

- SCG partners and the Scottish Government should work together to ensure that the full potential of CRRs in informing risk assessment and planning at local and national levels is realised.

- The UK and Scottish governments, SCGs and individual organisations should work together to improve cross-border and cross-boundary planning.

- Local responders should ensure that they have up-to-date emergency and business continuity plans and recovery arrangements, and that staff are fully aware of their roles and responsibilities.

- Local authorities must ensure they are providing business continuity management advice and assistance to local businesses and voluntary organisations. SCG partners should consider how they could add value to this process.

- Scottish Government and local responders should work together to improve public awareness of the risks we face and to ensure effective communication procedures are in place during and after an incident.

Learning lessons from training, exercises and incidents

- SCG partners and the Scottish Government should work together to ensure the effective targeting and coordination of exercises and training.

- Category 1 responders must ensure they are meeting the statutory requirement to exercise all of their emergency and business continuity plans.

- SCG partners and the Scottish and UK governments should ensure that lessons learned from training and exercising activities are systematically shared and that monitoring arrangements are in place to ensure their effective implementation.

Costs, capacity and performance

- SCG partners and the Scottish Government should work together to develop and apply a consistent framework for managing and reporting expenditure to demonstrate value for money, and seek to deliver increased efficiencies and improved resilience through further partnership working.

- Category 1 and 2 responders should develop formal mutual aid agreements. These agreements should take account of cross-border and cross-boundary arrangements, and the voluntary and private sectors.

- Local responders, SCGs and the Scottish Government should develop arrangements for managing, monitoring and reporting their performance.

1   These are the organisations most likely to engage in the response to or recovery from emergencies. Our survey included all police forces, fire and rescue services, local authorities, territorial NHS boards, the Scottish Ambulance Service and the Scottish Environment Protection Agency.

Part 1. Setting the scene

The Act imposes legal duties on relevant organisations to ensure that effective arrangements are in place to prepare for, respond to and recover from emergencies.

The Civil Contingencies Act 2004 seeks to minimise disruption in the event of an emergency

23. Civil emergencies (such as flooding, outbreaks of disease, loss of power or terrorist attacks) pose significant risks to local communities and the delivery of public services. Dealing with major incidents and emergencies requires a multi-agency response, not only involving various public organisations but also the voluntary and private sectors.

24. The Act was introduced primarily to ensure that the UK is better prepared to deal with a range of emergencies. The Act defines an emergency as an event or situation which threatens serious damage to human welfare (for example, loss of life, illness or disruption to food, money or energy supplies), the environment (for example, contamination of land, water or air), or security of the UK (for example, war or terrorism). We use this definition when referring to emergencies throughout this report.

25. The Act imposes specific duties on two categories of 'responders':

- Category 1 responders – those public sector organisations providing vital services in an emergency (for example, the police, fire and rescue services, local authorities and the NHS). The majority of Category 1 responders in Scotland operate exclusively within its borders, although there are three organisations whose responsibilities cover

the whole of the UK (British Transport Police, the Health Protection Agency and the Maritime and Coastguard Agency).

- Category 2 responders – those public and private sector organisations providing key infrastructure services (for example, gas and electricity companies, transport operators, telecommunications providers and Scottish Water).

26. There are seven main duties under Part 1 of the Act and these provide a framework for our audit (Exhibit 1). The duties aim to ensure effective arrangements are in place for planning for and responding to emergencies and for the continued delivery of services. The Contingency Planning (Scotland) Regulations 2005 describe how these duties are to be implemented in Scotland and the Scottish Government's document *Preparing Scotland* contains statutory guidance on the implementation of the Regulations.[2]

Civil contingencies planning is undertaken in a complex political, organisational and legislative environment

27. While most civil protection issues are devolved to the Scottish Parliament, and therefore the responsibility of Scottish ministers, some key issues (for example, counter-terrorism and energy policy) remain the responsibility of the UK Parliament and are subject to separate regulations and guidance issued by UK ministers. In 2006, the UK government and Scottish ministers signed a civil contingencies concordat to establish an agreed framework for co-operation on the application of the Act in Scotland and to ensure consistency across the UK.

28. Local responders usually manage the response to major emergencies in Scotland, with central government coordination provided by a lead department in the Scottish or UK government if necessary. If such an emergency only affects Scotland, the Scottish Government will normally take the lead unless the incident falls within a reserved policy area. In that case, the Cabinet Office or another nominated UK government department may take the lead. Some cross-border incidents require a combined and coordinated government response (Exhibit 2).

29. Within the Scottish Government, and on behalf of ministers, the Director General for Justice and Communities has overall responsibility for civil contingencies. Scottish Resilience, which is part of the Justice and Communities Directorate, was established to work with frontline organisations to prepare for and, where necessary, respond to emergencies. The role of Scottish Resilience includes providing funding, support and guidance to bodies involved in emergency planning, response and recovery; identifying national risks; as well as coordinating the Scottish Government's response to major emergencies through the Scottish Government Resilience Room (SGoRR). At the time of our audit, Scottish Resilience had a Civil Contingencies Unit to deliver these functions. However, following a restructuring exercise, these functions have now been integrated with other parts of Scottish Resilience.

30. While the Act places duties on Category 1 and 2 responders, it also emphasises the importance of other organisations, such as the voluntary sector and businesses, in achieving a successful multi-agency approach to civil contingencies (Exhibit 3, overleaf). In Scotland, responders and other relevant organisations, co-operate primarily through eight SCGs[3] which correspond to police force boundaries – Central Scotland; Dumfries and Galloway; Fife; Grampian; Highlands and Islands[4]; Lothian and Borders; Tayside; and Strathclyde. SCGs are not statutory bodies, but they are intended to be the focal point for local multi-agency civil contingencies planning and decision-making.

31. In addition to the complexities caused by the number of bodies involved and the varying administrative boundaries, many of the organisations active in civil contingencies planning are also subject to other legislation and regulations that impose additional duties relating to specific types of risks, accidents and major emergencies.

Civil contingencies planning in Scotland is taking place within an evolving policy environment

32. Wider developments in the local and national political landscape continue to affect the civil contingencies environment. Some examples are:

- the concordat signed in 2007 by the Scottish Government and COSLA

- the 2009 Single Outcome Agreements (SOAs) between individual Community Planning Partnerships and the Scottish Government

- national legislation and policy reviews around specific risk areas, such as the Flood Risk Management Act (2009) and the current review of water rescue services

- the current review of the Act by the Cabinet Office (the 'Civil Contingencies Act Enhancement Programme')

- the internal restructuring of Scottish Resilience and its work to measure preparedness across Scotland

- the development of counter- terrorism strategies in England and Wales (Contest 2) and Scotland (Insight).

33. Both the UK and Scottish governments are monitoring implementation of the Act. The Wales Audit Office is currently reviewing civil contingencies planning, and the Northern Ireland Audit Office is researching the need for such a review.

Exhibit 1

Civil Contingencies Act 2004 – the seven main duties

Duty to share information	Category 1 and 2 responders are required to share information freely with each other, except some sensitive information (for example, relating to national security, public safety, commercial confidentiality and personal information). See Part 2 of this report.
Duty to co-operate	Category 1 and 2 responders within a police force boundary must co-operate with each other in the performance of their duties, both directly and through establishing multi-agency SCGs. See Part 2 of this report.
Duty to assess risk	Category 1 responders are required to assess the risk of emergencies occurring in their area, and to work with their SCG partners to produce and publish a shared Community Risk Register. See Part 3 of this report.
Duty to maintain emergency plans	Category 1 responders must maintain emergency plans for the purpose of preventing or limiting the effects of an emergency, and should consider whether risk assessments or guidance make it necessary to modify a plan. The Regulations also state that plans should include arrangements for exercises and training. See Parts 3 and 4 of this report.
Duty to maintain business continuity plans	Category 1 responders must maintain business continuity plans to ensure that they are able to perform their functions, as far as possible, during an emergency. They should consider whether risk assessments or guidance make it necessary to modify a plan. The Regulations also state that plans should include arrangements for exercises and training. See Parts 3 and 4 of this report.
Duty to communicate with the public	Category 1 responders should arrange for the publication of all or part of their risk assessments and emergency and business continuity management plans. Category 1 responders should maintain arrangements to warn the public, and to provide information and advice to the public, if an emergency is likely to occur or has occurred. See Part 3 of this report.
Duty to promote business continuity	Local authorities have a duty to provide advice and assistance on business continuity management to local businesses and voluntary organisations. See Part 3 of this report.

Source: Audit Scotland, based on the Civil Contingencies Act 2004 and the Contingency Planning (Scotland) Regulations 2005.

2   Prior to September 2007, the Scottish Government was previously known as the 'Scottish Executive' and although this was the case when the Act was implemented, we use the term Scottish Government throughout the report to refer to the Scottish Administration.

Exhibit 3

Key organisations involved in civil contingencies planning in Scotland

Scope of organisation	Category 1 responders	Category 2 responders	Others
Devolved	Fire and rescue services Local authorities (including port health authorities) NHS boards Police forces Scottish Ambulance Service Scottish Environment Protection Agency	NHS National Services Scotland Public sector airport operators Scottish Water Public sector harbour authorities	Animal Health[5] Procurator Fiscal Service Health Protection Scotland NHS 24
Reserved	British Transport Police Health Protection Agency Maritime and Coastguard Agency	Health and Safety Executive	Armed forces Foods Standards Agency Met Office
Non-public sector organisations with either Scotland or UK-wide remit		Electricity distributors Gas distributors Private sector harbour authorities Private sector airport operators Railway operators Telecommunications companies	Businesses Voluntary sector organisations

Source: Audit Scotland

3   In England and Wales the equivalent groups are known as Local Resilience Forums (LRFs).
4   Highlands and Islands SCG covers the same geographical area as Northern Constabulary.
5   Animal Health's functions are devolved to Scotland but its budget is not. The budget is retained by the UK government Department of environment, food and rural affairs (Defra), which funds Animal Health's activities in Scotland.

Part 2. Working together

Summary

Overall, key organisations co-operate well, particularly through their SCGs, but the effectiveness of joint working is limited by a number of issues.

Key messages

- Organisations co-operate well with each other, but the lack of a consistent approach to information sharing could limit effective joint working both within and outwith SCG areas.

- The SCGs have added value as forums for joint working in their areas but have still to fully address some key issues and they could work together better across boundaries.

- Ensuring that all key organisations are effectively involved in multi-agency planning is a challenge. Member organisations do not always attend SCG meetings and are not always represented at a level that allows effective participation.

- The Scottish Government has been active in supporting the implementation of the Act, but the increased priority given to this at a national level has placed greater demands on local responders.

- Governance and accountability arrangements for multi-agency civil contingencies planning are unclear.

The Civil Contingencies Act 2004 has formalised multi-agency arrangements, and organisations generally co-operate well with each other

34. Although there is a long history of organisations working together in emergency situations, particularly among the emergency services, the Act has formalised multi-agency arrangements. The Act gives a collective responsibility to SCG members to ensure that those duties that should be undertaken in a multi-agency environment are achieved.

35. Information from our Grangemouth case study illustrates a multi-agency response to an incident (Grangemouth case study:1).

36. Overall, our survey of Category 1 responders found there is a high level of co-operation between key organisations, with over 90 per cent reporting that they receive appropriate levels of co-operation from NHS boards, councils, fire and rescue services, Scottish Ambulance Service, SEPA, Scottish Water, Animal Health, Scottish Resilience and voluntary organisations, for example. However, the level of co-operation from Category 2 responders and those organisations with a UK-wide remit was, in general, viewed less positively.

37. A successful approach to civil contingencies depends on effective information sharing within and between individual organisations during the key stages of planning, response and recovery. Category 1 responders reported that they are generally kept well informed about the civil contingencies work being undertaken by others, although less so by Category 2 than other Category 1 responders (Exhibit 4). We found some variation within types of responders. For example, while most Category 1 responders viewed each other positively, less than half reported that the Health Protection Agency and British Transport Police (both of which cover reserved matters) kept them well informed.
In addition, among the utility companies, Scottish Water was viewed more positively than the gas and electricity companies (which may or may not be based in Scotland).

There are still some barriers to effective information sharing between key organisations

38. We found some barriers to effective information sharing:

- Different definitions exist as to what an 'emergency' is. Although there is a definition of what constitutes an emergency within the Act and in *Preparing Scotland*, those used by individual organisations sometimes differ. In addition, a single organisation or even document may use more than one definition. Certain actions, such as the convening of an SCG to respond to an incident, are dependent on whether the circumstances fit the definition of an emergency and so this lack of clarity has the potential to complicate and delay a multi-agency response.

- Different document security systems are in use. For example, all police forces use the Government Protective Marking Scheme (GPMS), which classifies documents under five headings of 'not protectively marked', 'restricted', 'confidential', 'secret', and 'top secret'. Only 21 per cent of other Category 1 responders use this scheme (although another nine per cent intend to do so in the future).

- There is no national protocol for information sharing, although the Scottish and UK governments are working together to address some information sharing problems (for example, through the development of a secure computer system – the National Resilience Extranet – that will allow the exchange of information up to and including 'restricted' level). In addition, there is limited use of formal information sharing policies or protocols among Category 1 responders (with only 38 per cent having one in place and a further nine per cent developing one).

- Not all Category 1 responders operate secure email systems. For example, while the police, Scottish Government and the NHS boards operate such systems, some local authorities and fire and rescue services do not. This can lead to delays in receiving what can be critical information and limit the sharing of information, such as exercise or incident evaluations that identify areas for improvement.

- Organisations have different approaches to vetting, or security clearing, staff and some are unwilling to share information with other organisations whose staff have not been security cleared.

- The variety of sources of civil contingencies-related information can result in information overload, duplication and contradiction, causing confusion among responders. For example, NHS boards receive information from Scottish Resilience, the NHS Health Emergency Planning Team, the Scottish Ambulance Service, NHS 24, the Chief Medical Officer, and Health Protection Scotland, as well as information from the UK government's health department and other bodies with a UK-wide remit, such as the Health Protection Agency.

39. Incidents and exercises have highlighted some of these issues.

For example, during the 2008 industrial dispute at Grangemouth, Scottish Resilience adopted a new document labelling convention, marking documents as 'releasable', without an explanation of what this meant. Debrief reports often highlight problems related to technical difficulties with communications equipment as well as weaknesses in communication

procedures generally.

SCGs have broadly similar structures but what they do and how they do it varies

40. Although the guidance in *Preparing Scotland* is not prescriptive, allowing the eight SCGs to develop structures that take account of local priorities and risks, they have developed in broadly similar ways. All SCGs have a senior strategic group to consider how to take forward their collective responsibilities under the Act, as well as providing the strategic coordination and consequence management of an emergency response. In 2008, due to its large size, Strathclyde created an additional executive group that can operate on behalf of other members. It meets between full SCG meetings to consider urgent matters.

41. Each strategic level group is supported by a tactical group and various task specific subgroups. The overall roles and responsibilities of these different groups vary depending on whether they are engaged in the day-to-day planning and preparation for incidents, or actively responding to or recovering from an emergency (Exhibit 5).

Grangemouth case study
(1) The multi-agency response

An industrial dispute at Grangemouth petro-chemical refinery, resulted in safety concerns and a potential fuel shortage. Shutting down the refinery took five days and involved closing a major North Sea oil pipeline. The petro-chemical industry predicted that this could result in the loss of £50 million per day to the economy. As the pipeline and refinery had never been shut down before, there were fears that restarting them might be problematic, and that any fuel shortage might outlive the strike action.

All SCGs across Scotland met to make sure that multi-agency procedures were in place to implement the National Emergency Plan – Fuel (NEP-F) if the situation escalated. The NEP-F includes arrangements to enforce maximum purchase schemes to limit the amount of fuel consumers can buy, and a designated filling station (DFS) scheme, which allows access to only essential emergency or utility vehicles at some filling stations. There were discussions at SCG meetings across Scotland to decide which vehicles would be included in a DFS scheme, and how essential staff (such as police and doctors) could still get to and from work during a fuel crisis.

A multi-agency approach was important in ensuring that: the public received consistent and accurate information; SCG member organisations were kept informed by the Scottish Government; the NEP-F would be applied consistently across police force areas; and that in the event of a fuel shortage, key organisations would work together to ensure that fuel supply would be prioritised to those vehicles essential to service delivery.

Source: Audit Scotland

42. At the time of our study, seven of the eight SCGs were chaired by chief officers – four chief constables, two council chief executives and one by the council chief executive and chief constable jointly. The remaining SCG was chaired by an assistant chief constable.

43. Each SCG is supported by a full- time coordinator, with the exception of Strathclyde which, because of its size, has two posts. These posts are funded by the Scottish Government to provide administrative support to the SCG, liaise with Scottish and UK governments and other relevant bodies, and develop the SCG's work programme, and monitor and report to the SCG on its progress.

44. While an outline job description was issued by the Scottish Government, individual SCGs and their coordinators have been allowed to develop the role according to local needs. For example, during emergencies some coordinators have an advisory role, some a liaison role and others have no role at all. These differences mean that organisations outwith the relevant area may not be aware of the responsibilities of an SCG coordinator, which could make cross-border or cross-boundary working more difficult. Additionally, there is no deputising system in place to cover coordinator absences or to provide 24-hour coverage during incidents.

45. The coordinator posts are valued by SCG chairs, who see them as giving extra capacity to the SCGs and supporting working relationships between individual member organisations and Scottish Resilience, which uses them as a single point of contact for all SCG member organisations. However, some local responders feel that this 'gatekeeper' role has resulted in individual organisations having less direct contact with the Scottish Government and have concerns that there could be delays or omissions in receiving important communications.

46. SCG activity during an incident can be illustrated with our case study of the Grangemouth industrial dispute in April 2008, which involved a multi-agency response to the potential interruption to fuel supplies (Grangemouth case study: 2).

47. Although SCGs receive funding from the Scottish Government for their coordinators (at a cost of £445,000 in 2008/09 for nine posts) and they can bid for central government funding for specific initiatives, they do not receive any routine, formal funding from the Scottish Government or from SCG member organisations. Activity is usually funded through contributions from the main partner agencies (such as the police and local authorities) but there is no clear system to formalise these arrangements.

SCGs have added value in supporting joint working between organisations, but cross-boundary working has been limited

48. Since implementation of the Act, all SCG work programmes have prioritised their immediate legislative responsibilities around preparing for and responding to emergencies, and establishing stronger relationships between key organisations within their area.

49. Almost all Category 1 responders reported that SCGs are making an effective contribution to facilitating multi-agency working. Nearly all consider their SCG to be effective in providing an information sharing function, ensuring individual organisations can contribute to joint plans and facilitating co-operation between Category 1 and 2 responders. Fewer Category 1 responders consider their SCG effective at sharing outcomes of exercises and lessons learned from outwith their SCG area or discussing business continuity management issues (Exhibit 6).

50. In relation to the key areas listed in Exhibit 6, we collated the views of Category 1 responders within SCG areas and created an effectiveness score for each SCG. With a maximum possible score of 22, results ranged from five in Strathclyde to 19 in Dumfries and Galloway (Exhibit 7).[7] Strathclyde's score may reflect the difficulties it has had in engaging with a large number of Category 1 responders over an extensive geographical area.

51. SCGs are now taking a more proactive strategic approach and are strengthening their business planning processes, as well as spending increasing time considering training, exercising and reviewing lessons learned. However, we also found a number of key areas that have not yet been fully addressed by SCGs, such as warning and informing the public about risks and developing arrangements to recover from emergencies.

52. Despite addressing comparable issues and having similar activities within their work programmes, there has been limited cross-border working or sharing of good practice information between SCGs. Work in some key areas, such as the development of Community Risk Registers (CRRs) and generic emergency plans (see Part 3), has been carried out in isolation within each individual SCG. This reduces the opportunity to share good practice, risks duplication and results in the inefficient use of skills and expertise.

53. We did find some examples of individual SCGs taking the lead in developing a particular area and then sharing the outcomes with the other SCGs. These include Grampian's development of an SCG-level information sharing protocol, Lothian and Borders' local authority mutual aid agreement and Dumfries and Galloway's public information development project. Such approaches have potential to improve efficiency and reduce duplication.

Ensuring all key organisations are effectively involved in multi-agency planning is a challenge

54. A response to an emergency can be quicker and more effective when the main responders are known to each other and are familiar with local and regional structures, procedures and practices. One of the challenges SCGs face is ensuring that all the organisations involved in dealing with incidents are effectively included in planning for them, while still maintaining effective strategic decision-making.

55. According to the Regulations, all Scottish Category 1 responders should be represented on SCGs – and we found that this is the case – but overall membership can be determined by each SCG itself. We found some variation across Scotland in representation of UK-wide Category 1 responders, for example British Transport Police is a member of only two SCGs. We also found variation among other organisations that are relevant but not named in the Act, as well as limited involvement of Category 2 responders.

56. The voluntary sector is not represented on any strategic level SCG, although it is represented on subgroups within some SCG areas. The Resilience Advisory Board for Scotland (RABS), which provides strategic advice to ministers and the civil contingencies community, has recently approved proposals to improve engagement with the voluntary sector, including the development of a scheme through which Category 1 responders can represent a named voluntary organisation at SCG meetings. An example of how the voluntary sector can boost capacity in relation to civil contingencies planning activity is given in Exhibit 8 below.

57. If SCGs decide not to include key organisations within their core membership, it is important that alternative arrangements are in place to ensure effective engagement with relevant non-members on civil contingencies planning issues.

58. We found some evidence of confusion among responders as to the status of some bodies involved in multi-agency

planning. For example, although NHS 24 is not named within the Act, some responders assumed it has Category 1 or 2 responder status because of the key role it can play in preparing for and responding to an emergency (as highlighted during the outbreak of Influenza A H1N1 in 2009). Similarly, we found confusion as to the status of Health Protection Scotland, which is not classified as a responder, although it sits within NHS National Services Scotland, which is a Category 2 responder.

Member bodies do not always attend SCG meetings and not all representatives attending are of the appropriate level

59. We found attendance levels at SCG meetings varied among members. During 2007 and 2008, the police and fire and rescue services were the only member organisations represented at all 43 SCG meetings. Dumfries and Galloway was the only SCG with full member attendance at all of its meetings in these years. The lowest levels of attendance were found in Strathclyde and Highlands and Islands SCGs, the largest groups geographically. Some organisations with a Scotland or UK-wide remit are members of all eight SCGs across Scotland and they find it particularly difficult to send a representative to all meetings.

60. According to *Preparing Scotland,* those attending strategic level SCG meetings should be officers with appropriate seniority, expertise and decision-making powers. In 2008, further guidance was issued stating that 'chief officers' (those with ultimate responsibility for meeting their organisation's obligations) should attend. In their occasional absence, they must be effectively represented so that, for example, any member could be asked to lead a multi-agency response in the event of an emergency.

61. Due to the structures and competing demands of some organisations, again particularly those with Scottish and UK-wide responsibilities, some members (for example, SEPA) find it difficult to send their chief officer to SCG meetings because of resource demands and some feel their chief officer is not necessarily the right person to attend. For example, the MCA considers it more appropriate that local senior officers responsible for emergency response attend SCG meetings.

62. We found that across all SCG meetings in 2007 and 2008, chief officers attended on less than half of the total possible occasions. Chief officers from SAS, SEPA and MCA, all of whom have either a Scotland or UK-wide remit, did not attend any of the SCG meetings.

63. Attendance of chief officers varied between SCG areas. For example, in Fife there was 100 per cent attendance from police, fire, local authority and NHS chief officers in 2007, and 92 per cent attendance in 2008; whereas in Tayside there was only 11 per cent attendance in 2007 and in 2008 no chief officers attended any of the SCG meetings (Exhibit 9).[9] Despite the guidance, some chief officers were represented by staff, such as departmental heads or emergency planning officers, who do not have appropriate authority. These issues raise questions about whether some SCG members are sufficiently engaged in the process, as well as the effectiveness of decision-making processes.

The Scottish Government has taken an active role in implementing the Civil Contingencies Act 2004 and supporting SCGs

64. Between 2004 and 2008, the Scottish Government's Civil Contingencies Unit (CCU) grew from a staff of four to around 25, reflecting the increased priority given to civil contingencies planning and the wide range of associated work streams (Exhibit 10). The Unit's expenditure for the financial year 2008/09 was £4 million, a 28 per cent increase on the previous year. The Unit's expenditure has now been integrated with other parts of Scottish Resilience (see paragraph 29).

65. Following the introduction of the Act, a number of steps were taken by the Scottish Government to develop civil contingencies planning to deal with disruptive events, whether they affect local communities or Scotland as a whole. It has:

- published overarching guidance, *Preparing Scotland,* to support responders and SCGs in meeting their duties under the Act, along with more specific guidance (eg, *Pandemic Flu: A Scottish framework for responding to an influenza pandemic,* November 2007)

- established the Scottish Resilience Development Service (ScoRDS) to coordinate national exercises and workshops, deliver training and support the sharing of knowledge and good practice

- supported the establishment of SCGs through the funding of the coordinator, training officer and Regional Resilience Adviser posts, and the establishment of forums for SCG chairs and coordinators to allow discussion at a national level

- sent nominated government representatives to attend SCG meetings to maintain direct contact between the Scottish Government and a range of individual organisations, enabling SCGs to clarify government-provided information, as well as allowing the government to hear directly from SCG members about key issues

- set up the RABS to provide strategic advice to ministers. In 2008, this replaced the Scottish Emergencies

Coordinating Committee Core (SECC Core), and has resulted in some SECC members losing their direct input to government. For example, the utility companies are no longer represented at the strategic level, even though utilities failure is recognised as a key risk for Scotland.

66. Despite these government initiatives, some of those who deliver civil contingencies planning as part of their day-to-day role within local organisations feel that they have limited opportunities for discussion with the Scottish Government, yet much of the detailed knowledge, skills and expertise exists at this less strategic level.

67. The *Preparing Scotland* guidance is deliberately non-prescriptive to allow for flexible implementation of the Act at local levels. While most Category 1 responders have found it and the subsequent supplementary guidance helpful, some feel that the lack of a common approach across Scotland has led to inefficiency and duplication. The Scottish Government is currently undertaking a review of *Preparing Scotland* to look at the future format and presentation of the document.

68. Delays in the provision of Scottish Government guidance on some specific issues have impacted on the pace of change within SCGs. For example, some have delayed addressing communicating with the public, and others have developed their own communications systems in isolation from work being undertaken at Scottish or UK level, because of a lack of guidance.

The increased priority given to civil contingencies planning at the national level has increased demands on local responders

69. Category 1 responders reported that it has been difficult to keep up to date at a local level with the increased activity within the Scottish Government. The growth in resources within the government's Civil Contingencies Unit does not appear to have been matched across Category 1 responders.

70. While civil contingencies planning should now be embedded across organisations, at a local level it is still specialist staff (such as those with an emergency and business continuity planning role) who deal with most of the central government driven activity. In 2008, there were, on average, 1.9 full-time equivalent (FTE) civil contingencies staff per council and 1.2 per NHS board. The Scottish Government needs to consider fully local capacity issues when initiating new developments.

71. Decisions on staffing and resources are the responsibility of senior management and, where relevant, elected members within individual organisations, and these have to take account of wider competing organisational priorities. We found variation in civil contingencies staffing levels within local authorities and health boards. For example, while most councils have one or two FTE staff dedicated to civil contingencies planning work[10], Dumfries and Galloway has eight, Highland has six, Fife has four and Glasgow City Council has three. Similarly within NHS boards, staffing levels vary from none to three. This does not necessarily reflect overall capacity, as the figures available do not include the level of involvement of other staff across the organisation, and consequently the extent to which civil contingencies planning has been embedded.

The way in which parts of the government work together could be improved

72. Legislation requires UK and Scottish ministers to consult each other when making provisions affecting civil contingencies planning. This is reinforced by the civil contingencies concordat, signed by the Scottish and UK governments. Scottish Government directorates and parts of Westminster (such as the Department of Energy and Climate Change, and the Cabinet Office) have established formal links. Their representatives, along with others from Wales and Northern Ireland, meet on a regular basis.

73. However, a more cohesive approach could be taken by the Scottish and UK governments. For example, although the UK government has issued extensive guidance for organisations involved in civil contingencies planning, it is not always clear how relevant this is to responders in Scotland, or how it relates to Scottish guidance. The Scottish Government is not always clear in its advice about whether to adopt the UK guidance, and if not, why not. This can result in responders following guidance that has not been prepared with their needs in mind and can cause confusion for those organisations whose remit crosses over national borders.

74. Exercises and incidents, such as the Cellardyke avian influenza incident in April 2006, have highlighted the need for stronger definitions of the roles and responsibilities of the various parts of the Scottish and UK governments. This is particularly important when the lead responder delivers services in Scotland but falls within a reserved competence (such as the Maritime and Coastguard Agency, British Transport Police or Health and Safety Executive).

The governance and accountability arrangements for multi-agency working are unclear

75. There are a number of issues relating to governance and accountability arrangements that should be addressed. This reflects the findings of Audit Scotland's 2006 report on community planning partnerships, which found that implementing the principles of good governance and accountability in partnerships is more challenging than in individual organisations. The examples we discuss here relate to SCGs, the Scottish Government's role and the involvement of elected members in civil contingencies planning.

76. Although SCGs were established by the Act and given effect by the Contingency Planning (Scotland) Regulations 2005, they are not statutory bodies and have no binding decision-making powers. The chair of an SCG has no power to direct other members and the SCG cannot be the subject of legal proceedings.[11]

77. While SCG members generally work well together, with consensus decision-making, it is not clear who the SCG chair is accountable to or how the SCG can be held to account for delivering effective local resilience. This lack of clarity around accountability for decisions made at the strategic level raises questions around what might happen when things do not run smoothly (for example, when key partners are in disagreement about a course of action) and the potential civil and criminal liability for staff if decisions result in personal injury, death or damage to property (for example, through the Corporate Manslaughter and Corporate Homicide Act 2007).

78. Scottish ministers see themselves as taking the strategic lead in civil contingencies planning and this is reflected in the level of government activity and initiatives to support the implementation of the Act. Scottish Government activity in the early stages of the Influenza A H1N1 outbreak in April 2009 is illustrated in Influenza case study: 1.

79. However, there is a lack of clarity among local responders as to the Scottish Government's role and accountability during an emergency and around the status of the Scottish Government's relationship with the SCGs. There are concerns among local responders about the extent to which the Scottish Government can direct and deliver local civil contingencies planning activity, and potentially interfere with those duties placed upon individual Category 1 and 2 responders. In 2008, for example, the Scottish Government offered to fund 'Regional Resilience Adviser' (RRA) posts within the SCGs, to strengthen the arrangements at a strategic level and facilitate the use of multi-agency resources within the SCG area. In 2009, Strathclyde and Grampian SCGs established RRA posts on a three-year pilot basis. The RRAs are accountable to the SCG chairs but have a direct relationship with the Scottish Government. For some, this relationship makes accountability arrangements for these individuals unclear and their role in relation to local responders potentially confusing.

Local elected members currently have limited involvement in civil contingencies planning.

80. Elected members of local authorities, including joint boards for police and fire and rescue services, have demanding and varied roles with many responsibilities.[12] As both ward councillors and members of corporate bodies, they represent local people and communities and, as such, have an important role to play. Before an emergency, their role includes scrutinising their organisation's emergency planning processes, ensuring that appropriate resources are available and considering reports on emergency planning topics. During and after an emergency, elected members may be responsible for providing leadership and assurance to local communities and ensuring that lessons learned are incorporated into future plans. The public may also use elected members as a way of communicating their views on how an emergency is being dealt with and the impact on their local area.

81. We found limited evidence of engagement with elected members in civil contingencies planning. Only 14 councils reported that any elected members had undertaken formal training in preparing for, responding to and recovering from emergencies within the last two years. One police force and four fire and rescue services reported that they provided elected members with some form of training. Five local authorities have developed and distributed a booklet to elected members, specifically covering their role in emergencies. However, to date, there has been no evaluation of the impact of this.

82. Given the growing interest in civil contingencies planning among politicians and the range of events that can have a significant impact on communities, organisations need to engage with elected members at both local and national levels to ensure they are aware of their responsibilities and are supported to play an effective role.

Recommendations

- The Scottish Government and SCG partners should agree a standard approach to the sharing of civil contingencies planning information across Scotland.

- SCGs should review their membership to ensure key organisations are represented appropriately, and work to maximise the benefits of effective joint working, including across SCG boundaries.

- The Scottish Government should review how it engages with those individuals who have day-to-day responsibility for civil contingencies planning, and ensure that it provides clear and consistent information.

- In consultation with SCG partners, the Scottish Government should clarify the governance and accountability arrangements for decisions made by the SCGs and for its own role during an emergency.

- Councils, police forces and fire and rescue services should ensure elected members are aware of their role in an emergency and of developments in civil contingencies planning.

Grangemouth case study

(2) SCG activity

Scotland's SCGs were convened in response to the industrial dispute and threatening fuel crisis. The issues considered included:

- the need to assess the existing fuel stock in their area

- the need for each SCG member organisation to review its business continuity management arrangements to ensure continuation of services during a fuel shortage

- confirmation of the police role in dealing with public disorder issues, for example to deal with any issues resulting from implementation of a maximum purchase scheme at fuel stations

- updating arrangements for designated fuelling stations, to allow access to emergency vehicles and other vehicles considered necessary for the continuation of public services

- ensuring that communications arrangements were in place to deliver consistent messages to the public from each SCG member organisation, and avoid public alarm.

SCG coordinators collected information from member organisations on developments in their area in response to daily requests by the Scottish Government and distributed the situation reports received from the Scottish Government. Most SCGs met daily to take part in teleconferences with Scottish Government Resilience Room (SGoRR) and BERR[6], which were viewed positively as an opportunity to gather information from a single source.

Source: Audit Scotland

6   UK Government Department of Business, Enterprise and Regulatory Reform – responsibility for energy has since been transferred to the Department of Energy and Climate Change.

Exhibit 8

Working with the voluntary sector

As part of a review of Falkirk Council's emergency planning arrangements, following the 2004 Act, a joint survey of all council-owned premises deemed suitable for use as potential rest centres was undertaken by representatives from the council's Housing, Social Work and Community Services departments and the voluntary sector (which included the WRVS, Red Cross, Salvation Army, the local council for voluntary sector (CVS) and the St Andrews Ambulance Service).

The group set out criteria required for a rest centre, including a detailed risk assessment of premises that could be used in each electoral ward. Once agreed, a programme of inspection visits was carried out between August and December 2008. The results of this were collated into a list of 35 suitable premises, with identified capacities and supporting facilities.

Although the voluntary sector has traditionally been associated with the council's emergency response procedures, it was felt that these could improve. The involvement of the voluntary sector in the early stages of planning produced encouraging results, such as a strengthening of team spirit and partnership working, and allowing voluntary organisations to familiarise themselves with council premises and equipment and assess their suitability. Future work will include training and awareness for the successful operation of rest centres and wider consideration of issues around emergency evacuation.

Source: Falkirk Council

Exhibit 10

Civil Contingencies Unit priority work streams for 2008/09

- Business continuity

- CBRNE (chemical, biological, radiological, nuclear and explosives)

- Communication with the public

- Counter-terrorism

- Environment (including extreme weather)

- Exercising

- Front-line support services

- Governance

- Learning lessons from emergencies

- Mass fatalities

- Pandemic flu

- Performance management

- Scottish Government and emergency response arrangements

- Stakeholder communications and sharing of information

- Strategy, planning and resourcing

- Support for SCGs and *Preparing Scotland*

- Training

Source: *Civil Contingencies Unit Business Plan 2008/09*, **Scottish Government**

10 Full-time equivalent staff that spend a minimum of 80 per cent of their time on civil contingencies planning.
11 *The Legality of an SCG,* Scottish Resilience Civil Contingencies Unit, 2008.
12 *Overview of local authority audits 2008*, Audit Scotland, February 2009.

Influenza case study

(1) The role of the Scottish Government in the early stages of the outbreak

Influenza A H1N1 became headline news in Scotland during the weekend of 25 April 2009. The SGoRR was convened on 26 April 2009 to address the outbreak. On the same day, the US government reported 20 laboratory confirmed cases and the Mexican government reported 18. Investigations were still under way to clarify the spread and severity of the disease. The virus was described as a new strain of H1N1 influenza, which had not previously circulated in humans.

The first two cases of Influenza A H1N1 were confirmed in Scotland on 27 April. Between this day and 8 May, daily teleconferences took place between the Scottish Government and SCGs to gather local information and answer queries. When the infection appeared to be under control, the teleconferences were reduced to twice a week. Daily situation reports, frequent communication updates and templates for gathering information and queries were distributed to SCGs by the Scottish Government.

The Scottish and UK governments worked closely to communicate consistent messages to the public. The Scottish Government assured the public that pandemic influenza plans were in place, and that planning for such an event had been ongoing for a number of years.

Source: Audit Scotland

Part 3. Planning for a resilient Scotland

Most organisations have multi-agency risk assessments and generic emergency plans. However, arrangements for business continuity, recovery and informing the public could be better.

Key messages

- There is no comprehensive risk assessment process or risk register at a Scottish level.

- All SCGs have produced and published a Community Risk Register (CRR) but the contribution these make to national risk assessments and local civil contingencies planning has been limited.

- Most Category 1 responders have developed generic emergency plans, but there is variation in how guidance about content has been adopted.

- Most Category 1 responders are involved in multi-agency planning, but joint plans and cross-boundary working could be improved.

- Planning for business continuity management and recovery are not yet well developed.

- The public are generally not well informed about risks and not all Category 1 responders have arrangements in place for informing the public during an emergency.

83. Exhibit 11 illustrates the continuous and integrated nature of planning for emergencies and the continued delivery of services. This cycle is undertaken at national levels (both UK and Scotland), regional levels through SCGs and locally within individual organisations. There are several linked stages. This part of the report reviews the first two of these interdependent stages of planning – assessing risks and preparing plans. Exercising plans and learning lessons are discussed in Part 4.

There is no comprehensive risk assessment process or risk register at a Scottish level

84. Risks are potential events or situations that could have a significant impact on communities should they occur. *Preparing Scotland* states that there are two main types of risk:

- Hazards – natural or unintentional risks (for example, severe weather or industrial accidents).

- Threats – malicious or deliberately made risks (for example, terrorist attacks).

85. Risk assessment should provide a rational basis for prioritising strategic objectives, work programmes and resource allocation. At the UK level, risk assessment activity is coordinated by the Cabinet Office Civil Contingencies Secretariat, and supported by the Scottish Government. In November 2008, the Cabinet Office published a National Risk Register identifying the main risks that are relatively likely to occur within the next five years and which could have a serious impact on the UK (Exhibit 12). Although the National Risk Register is intended to cover the whole of the UK, the Scottish Government was only consulted at a late stage in its development.

86. During 2008, four main risks were identified for the UK – pandemic flu, avian flu, flooding and foot and mouth disease.[13] These were different to those shown in Scottish Government communications, which were pandemic flu, severe weather, utilities failure and terrorism. The presentation of different key risks could potentially cause confusion among the public, and impact on the prioritisation of work programmes by local organisations.

87. There is no comprehensive Scottish-level risk assessment process or risk register document. However, the Scottish Government is now considering how the UK National Risk Assessments and National Planning Assumptions, along with the regional CRRs, might be reviewed to develop a Scottish addendum to the National Risk Register that would more accurately reflect the risks faced in Scotland.

88. Influenza case study: 2 illustrates the preparation and planning undertaken by the Scottish Government for this particular risk.

All SCGs have published a CRR but the contribution they have made to civil contingencies planning so far has been limited

89. The Scottish Regulations require responders within each SCG area to collaborate in producing a shared CRR. A CRR should identify hazards and threats, rate these according to the likelihood of occurrence and the impact they may have, and list the arrangements in place both to respond to an incident, and to manage the risk. A CRR should take account of local as well as national risks and form the basis of multi-agency planning in the SCG area, as well as contributing towards a Scottish-level risk assessment.

90. All SCGs have fulfilled their duty to develop and publish a CRR. Although *Preparing Scotland* provides guidance on their development and includes an example CRR, there are significant variations in the presentation and type of information included.

91. In addition, although all CRRs use the same risk rating definitions[14], how they are applied differs. Some risk ratings inevitably vary because of local circumstances (for example, some geographic areas are more prone to flooding than others and so have a higher risk rating) but we also found variation where a more consistent rating might be expected (for example, failure of the electricity network) (Exhibit 13).

92. There is generally a high level of consistency between SCGs in terms of the responders named as taking the lead on specific risks. For example, SEPA is usually the lead responder for flooding and the Scottish Government Health Directorate for pandemic flu, which is identified as a 'very high risk' by all SCGs.

Influenza case study

(2) Scottish Government planning

An outbreak of pandemic flu has been rated as 'high risk' in the UK for a number of years. The Scottish Government published *A Scottish framework for responding to an influenza pandemic* in 2007 (which updated the 2005 plan). This is the key pandemic flu document for use by Scottish planners in the NHS and other organisations. The framework sets out the Scottish Government's strategic approach to dealing with an influenza pandemic, and provides information on potential impact and planning assumptions. Accompanying guidance on specific issues has also been published.

In addition, the Scottish Government has been taking practical measures for a number of years, including:

- training NHS staff in how to manage services during a pandemic and cope with the demands that are likely to be placed on them

- building up stocks of:

    o antiviral drugs (during the outbreak the Scottish Government announced that stocks were being procured to cover 75-80 per cent of the population)

    o antibiotics

    o surgical facemasks (at the start of the outbreak the Scottish Government announced it had a stockpile of 9.3 million facemasks)

    o respirators to be used to treat those most at risk of serious illness

- planning for public information announcements through newspapers, radio and TV, giving advice on the best course of action to take including simple hygiene measures and treatment

- taking steps to ensure vaccine manufacture takes place as rapidly as possible when a pandemic virus is identified.

Source: Audit Scotland

Exhibit 13

Examples of variation in classification of risks included in CRRs

SCG	Year CRR published	Risk rating			
		Significant local river flooding due to prolonged rainfall	Influenza type disease (pandemic)	Technical failure of electricity network (Scotland)	Non-zoontoic notifiable disease (eg, foot and mouth)
CS	2007	High	Very high	High	Medium
D&G	2008	High	Very high	High	Medium
Fife	2008	High	Very high	High	High
Grampian	2008	High	Very high	Very high	High
H&I	2008	High	Very high	Not rated	Low to high
L&B	2008	High	Very high	Very high	High
Strathclyde	2006	Very high	Very high	High	Medium
Tayside	2008	High	Very high	Medium	High

Source: Audit Scotland's review of current CRRs

14   'Very high risk' – primary and critical risks that require immediate attention, which may or may not be highly likely to occur but the potential impact is so great that they must be treated as a priority. 'High risk' – significant risks that irrespective of the likelihood of

occurrence would have serious consequences. 'Medium risk' – less significant and their impact may cause some upset and inconvenience. 'Low risk' – unlikely to occur and not significant in their impact. *Preparing Scotland.*

93. However, for a small number of risks different lead responders are identified in the CRR. For example, for failure of the electricity network, local authorities, the Scottish Government, the Department of Energy and Climate Change at Westminster[15] and the Energy Networks Association [16] are named as lead responders in different SCG areas.

94. Although all SCGs submitted their CRRs to the Scottish Government for review in 2006, the quality and variation between them meant it was not possible to collate the information to inform a Scottish-level risk assessment. However, it is widely acknowledged within the civil contingencies community that the first round of CRR risk assessments was not sufficiently robust or comprehensive, partly as a result of the short six-month timeframe set by the government for their completion. Although the second round of CRRs have shown improvements, a more standardised approach, with some flexibility to take account of local differences, would allow for more effective use of the CRRs. This is currently being reviewed by the Scottish Government with an aim to provide a more comprehensive risk assessment process.

95. CRRs are not always used to inform emergency and business continuity planning. Around three-quarters of Category 1 responders use their SCG CRR to inform their emergency planning process, although we found variation between sectors. For example, while all police forces use their CRRs, only two-thirds of councils do so. CRRs are used even less often to inform business continuity planning, with only 58 per cent of Category 1 responders doing so.

96. Some Category 1 responders also use CRRs for prioritising training and exercising and raising awareness of risks among the public and senior managers. CRRs are sometimes used to support an organisation's proposals for new equipment or procedures.

97. Although all SCGs have made a public version of their CRR available online, most do not routinely or actively share their CRRs with organisations outwith their own area. There is a risk that this approach could limit the contribution CRRs make to cross-border and cross-boundary arrangements for preparing for and responding to emergencies.

Most Category 1 responders have developed generic emergency plans, but there is variation in the extent to which the guidance has been adopted

98. Category 1 responders have a duty to maintain plans that relate to planning for and responding to a wide range of emergencies, irrespective of the cause. These are known as generic plans. Most Category 1 responders (80 per cent) have now produced their own generic emergency plan. The remaining organisations (seven councils, four fire and rescue services, one police force and one NHS board) were in the process of developing them at the time of our survey.

99. Although *Preparing Scotland* provides guidance on what should be included in generic emergency plans, there is variation in the extent to which this has been followed by Category 1 responders (Exhibit 14). We found variation between sectors. For example, while nearly all NHS boards and councils include contact details of key personnel in their generic emergency plans, only three of the eight Scottish police forces do so. We also found differences within sectors. For example, only two of the eight fire and rescue services include details of how to identify who might be vulnerable in an emergency.

100. Some of the key elements omitted from plans often mirror those issues identified as areas for improvement in incident debrief reports (for example, maintenance of contact details, dealing with victims, survivors, family and friends, and procedures for resuming normal activity). Incident debrief reports also highlight a lack of staff training procedures as an issue. The Regulations state that all plans must include arrangements for exercising plans and training relevant staff in their roles, but less than half of Category 1 responders' generic plans do so.

101. *Preparing Scotland* also recommends a number of key local capabilities are included in plans. We found most contain details of control centre arrangements, communication equipment to be used and welfare arrangements, but only about half contain details of evacuation procedures and how to deal with mass fatalities. These inconsistencies could present risks to dealing with emergencies effectively if set procedures have not been agreed prior to an emergency occurring.

Most Category 1 responders are involved in multi-agency planning, but joint plans and cross-boundary working could be improved

102. With the exception of West Dunbartonshire Council, all Category 1 responders have had some input into developing joint, formal civil contingencies arrangements within their SCG area, such as generic or specific plans, mutual aid agreements, or training and exercising programmes.

103. For this study, seven SCGs were able to submit a multi-agency generic emergency plan for their area (five final and two in draft form), and the remaining SCG was at an early stage of plan development. However, there was confusion among some Category 1 responders as to whether or not a generic emergency plan was in place or being developed for their SCG

area.

104. We also found that the SCG generic emergency plans could be improved:

- Some plans have not been reviewed or updated regularly or routinely.

- It is not always clear within plans how the roles and responsibilities of the SCG, Category 1 and other responders link together and dovetail with other plans.

- None of the SCG generic plans include information on the process of determining if an emergency has occurred, who is responsible for formally declaring this, and what procedures should be adopted (although 81 per cent of Category 1 responders said they had formally agreed this with their SCG).

- None of the plans contain detailed arrangements for dealing with vulnerable groups or diverse communities. Three mention the needs of these groups but do not refer to processes to take account of their needs.

- Capabilities of voluntary organisations are only included to a significant degree in two SCG generic emergency plans (Central and Lothian and Borders).

105. The development of joint arrangements across SCG boundaries is at an early stage. Our survey found that just over half of Category 1 responders[17] have had some input into developing joint, formal arrangements with responders in other SCG areas.

Planning for recovery is not well developed

106. While the process of restoring, rebuilding and supporting communities in the aftermath of an emergency – known as 'recovery' – is not covered directly in the Act, Regulations or *Preparing Scotland,* it is an important part of effective civil contingencies planning, and recent incidents (such as floods) have shown that it can be a challenging process. While the UK Civil Contingencies Secretariat has produced guidance on recovery, the Scottish Government has advised responders in Scotland not to use this because recovery is handled differently in Scotland to the rest of the UK. Alternative guidance is due to be issued for Scotland during 2009.

107. All except three Category 1 responders reported having formally agreed recovery arrangements in place.[18] Exhibit 15, overleaf illustrates the variation in content of recovery arrangements. Five Category 1 responders reported their recovery arrangements do not address any of these aspects.[19] More work needs to be done to ensure effective arrangements are in place so that local people and communities recover from disruptive events as quickly and as easily as possible.

108. Recovery has traditionally been seen as a local authority responsibility and we found it was included in 72 per cent of their generic emergency plans. However, a multi-agency approach is likely to restore services and rebuild communities in a more efficient and effective way. We found that SEPA and the Scottish Ambulance Service both include recovery in their generic emergency plans, as do just over half of NHS boards and almost two-thirds of police forces and fire and rescue services.

The Act has yet to make a significant impact on business continuity management

109. Business continuity management is the process whereby organisations of all types ensure they can continue to deliver services during any kind of disruption. For example, when front- line staff are diverted to managing an emergency response, or large numbers are absent due to a health emergency, essential local services still need to be delivered (such as home care for older people and responding to 999 calls). Business continuity management should be built into an organisation's everyday activities.

110. Under the Act, Category 1 responders must maintain business continuity plans. Despite severe weather and utilities failure being identified as key risks in Scotland, the Act does not place an equivalent duty on Category 2 responders (which include utility companies, telecommunications companies and transport operators) or other organisations that provide vital services (for example, major food suppliers).

111. We found only 47 per cent of Category 1 responders had a corporate business continuity management plan in place, although the same proportion had one in development. A small number of organisations reported that they relied on departmental business continuity management plans rather than an overall corporate plan.

112. Most but not all of these plans include key information such as which personnel have the necessary skills, knowledge and authority to take control in an emergency, what an organisation's critical activities are, the arrangements for relocation of these functions and personnel, and estimated recovery times.

113. Many public sector organisations now rely on commercial and voluntary organisations to deliver some services, so how these organisations manage business continuity is also important. However, only a quarter of Category 1 responders require evidence of business continuity planning among key suppliers and service providers, and just over half encourage such planning.

114. There is now a business continuity management British Standard (BS 25999) and our survey found 14 per cent of Category 1 responders are planning to require evidence of compliance with this among their key suppliers in the future. Scottish Borders Council was the first council in the UK to achieve BS 25999 and is currently the only Category 1 responder in Scotland to require certification against the standard from key suppliers and service providers.

115. The Act and *Preparing Scotland* place an emphasis on the integration of emergency and business continuity planning within the civil contingencies process. While some Category 1 responders view business continuity management as integral to emergency planning, others view it as a separate matter, primarily related to their organisation's internal structures. Business continuity management is often primarily driven from the perspective of information and communications technology services because of the role these systems play in ensuring continued service delivery and the far-reaching consequences of a technological systems failure.

116. Responsibility for business continuity management sometimes falls within the remit of emergency planning staff, but this is not always a formal arrangement. We found that less than half of Category 1 responders (28) always included business continuity management in the job description of managers with business continuity, civil contingencies or emergency planning responsibilities. Two-thirds (42) reported that it never formed part of these managers' training. More could be done by organisations to raise awareness among their staff of corporate business continuity plans.

117. Local authorities have an additional duty to work with local partners to provide business continuity management advice and assistance to commercial and voluntary organisations in their area. Only seven local authorities have developed a strategy document that describes how they will meet this duty.

118. Most local authorities provide general advice and assistance to local businesses *and* the voluntary sector. However, two (East Ayrshire and South Lanarkshire) only provide it to businesses and six (Argyll and Bute, Inverclyde, Moray, North Lanarkshire, Orkney Islands and South Ayrshire) do not provide any at all.

119. Business continuity management advice is most often provided by local authorities through publication of general information on websites; there is little targeted advice for individual types of organisations. Around half of local authorities have hosted ad hoc seminars or events for local businesses and voluntary organisations and less than half have held training events, established forums or produced leaflets.

120. Our survey found that almost two-thirds of the local authorities in Scotland have worked with other councils to provide business continuity management advice and assistance to local businesses, and half have done so for voluntary sector organisations. However, the involvement of organisations from other sectors has been slower to develop, with only 11 other Category 1 responders having worked with local authorities in connection with providing business continuity management advice or assistance.

121. Our focus groups with local authority emergency planning officers highlighted how activity to promote business continuity management can be influenced by factors such as: a lack of interest among local businesses and voluntary sector organisations; local authority staff concerns about a lack of expertise; liability issues; and concerns about not being able to meet demand. Almost half of local authorities reported that the *Preparing Scotland* guidance on business continuity management promotion, and the supplementary guidance on this, were not helpful and most (84 per cent) indicated that further guidance would be useful.

122. Better use could be made of SCGs as a mechanism for organisations to share business continuity management expertise, from both the public and private sectors. This could add value to the development of plans and the advice provided by local authorities to commercial and voluntary sector organisations, so contributing to improved resilience within Scotland.

More could be done to inform the public about the risks we face

123. A well-informed public is better equipped to respond to, and recover from, an emergency. Category 1 responders have a duty to maintain arrangements to warn the public if an emergency is likely to occur and provide information and advice if one does occur (commonly referred to as 'warning and informing'). Responders use a variety of means to inform the public of the risks of emergencies before they occur, most commonly through websites (Exhibit 16). However, it is not clear how effective individual methods are and there may be a tendency to use methods that are easiest to implement rather than those that will have the greatest impact.

124. A Scottish Government survey (2008) found that the public think they are unlikely to be affected by major incidents. Despite pandemic flu being rated as a 'very high' risk by all SCGs, the majority of respondents thought a health-related

emergency was the least likely to occur in Scotland. In response to this gap in public knowledge, the Scottish Government is developing materials to provide consistent information to raise awareness and promote understanding of risks.

125. Central government can also play a key role in providing and coordinating information about risks and incidents that are likely to be large scale and that may cross boundaries or borders. Influenza case study: 3 provides an example of central government undertaking a national communications exercise to inform the public about the risks and how to minimise the spread of the virus.

Not all Category 1 responders have arrangements in place for informing the public during an emergency

126. Despite the importance of communication with the public, we found that 11 per cent of Category 1 responders do not have arrangements in place to ensure citizens are warned at the time of an emergency or provided with advice and information as it progresses. In addition, 36 per cent do not include arrangements for communicating with vulnerable groups. Although defining vulnerable groups can be difficult, as different people become vulnerable in different types and stages of emergencies, some groups are already known to service providers (for example, nursing home residents). Groups that may be vulnerable should not be overlooked in communications before or during emergencies, as specific action may be needed to reach them.

127. Most Category 1 responders (88 per cent) have agreed within their SCG which organisation will take the lead on informing the public in particular types of emergencies, to avoid providing duplicate or inconsistent information to the public. Almost all Category 1 responders (97 per cent) have a process in place for liaising with lead responders in a multi-agency response.

128. Utility companies also have duties under their own regulatory frameworks to provide information and advice to the public when their services are disrupted. To avoid duplication generally, but also in relation to communicating with vulnerable groups in particular, it is important that there is effective integration of information provided by suppliers and other organisations involved in the response to an emergency. This was highlighted during the multi-agency response to a power supply failure in Kelso in 2008.

129. *Preparing Scotland* recommends that organisations should be familiar with media organisations in their area. Nearly all Category 1 responders have a formally agreed process for liaising with the media during major incidents, and of these, nearly all have tested their arrangements. Almost two- thirds of those that had tested their media liaison process reported that this resulted in improvements to their procedures.

Recommendations

- SCG partners and the Scottish Government should work together to ensure that the full potential of CRRs in informing risk assessment and planning at local and national levels is realised.

- The UK and Scottish governments, SCGs and individual organisations should work together to improve cross-border and cross-boundary planning.

- Local responders should ensure that they have up-to-date emergency and business continuity plans and recovery arrangements, and that staff are fully aware of their roles and responsibilities.

- Local authorities must ensure they are providing business continuity management advice and assistance to local businesses and voluntary organisations. SCG partners should consider how they could add value to this process.

- Scottish Government and local responders should work together to improve public awareness of the risks we face and to ensure effective communication procedures are in place during and after an incident.

Influenza case study

(3) Informing the public

On 30 April 2009, in response to eight confirmed cases of Influenza A in the UK (two in Scotland), and the spread of the virus to 11 countries worldwide, a mass UK public health campaign was launched. The campaign included print, TV and radio adverts, designed to increase awareness about respiratory hygiene, emphasise the importance of personal hygiene and indicate what individuals could do to protect themselves and prevent the spread of the virus. The message strapline was: 'Catch it. Bin it. Kill it.' There was also a free Influenza A H1N1 phone number, which was designed to give people regularly updated recorded information about the virus.

As well as adverts, there was additional television coverage on mainstream and satellite news channels, and a government information leaflet was distributed to every household in the UK. The media and government continue to report new cases

and provide information through a variety of media.

Part 4. Learning lessons from training, exercises and incidents

There is a lot of training and exercising activity in Scotland, but lessons learned are not always shared widely or implemented systematically.

Key messages

- A complex training and exercising landscape places significant resource demands on key organisations, making participation and effective coordination difficult.

- There is limited testing of cross-border or cross-boundary arrangements.

- All Category 1 responders with generic emergency plans have tested them, but this is not the case for business continuity plans.

- Lessons learned from incidents and exercises are not always shared widely or systematically put into practice.

A complex training and exercising landscape places significant demands on organisations, making participation and coordination difficult

130. There is a variety of sources of training and exercising in relation to civil contingencies planning (Exhibit 17). There are Scottish and UK government national training programmes and SCG training groups, as well as training organised by individual organisations.

131. The Scottish Regulations relating to the Act require Category 1 responders to have arrangements in place to train staff and exercise their emergency plans. There are also similar duties under other legislation (including that overseen by the Health and Safety Executive (HSE) and the Civil Aviation Authority) relating to specific risk areas. In recognition of this complex environment, the Cabinet Office Civil Contingencies Act Enhancement Programme (CCAEP) is looking at the relationship between the Act and other legislation to ensure consistency in planning and response arrangements.

132. The Cabinet Office and other UK government departments organise exercises, as well as providing training through the Emergency Planning College in North Yorkshire. The Scottish Government runs its own programme of training and exercises, through the Scottish Resilience Development Service (ScoRDS). Examples of central government exercises are:

- Winter Willow (2007) – a pandemic flu exercise led by the Department of Health, the Cabinet Office and the Health Protection Agency. It involved over 5,000 government, industry and voluntary sector staff. This was due to be followed by exercise Cauld Craw, which began on the 24 April 2009, but was suspended the next day due to the Influenza A H1N1 outbreak.

- Claret Castle (2008) – a ScoRDS decontamination and recovery exercise attended by representatives from the public, private and voluntary sectors.

- Ancient Mariner (2009) – a ScoRDS severe weather exercise testing interruptions to the national water supply.

133. ScoRDS's work has to reflect national as well as local priorities and its work programme is informed by the RABS training and exercising subgroup, which includes representatives of key organisations. Some local authority and NHS practitioners feel that ScoRDS events do not always meet local needs and expectations, or take adequate account of the scheduling of local or regional events. To address this and contribute to a sense of common ownership in multi-agency training and exercising, ScoRDS has established a national exercise information source (NExIS), where all training and exercising events taking place across Scotland should be recorded by local responders.

134. At SCG level, training and exercising programmes are usually developed by a dedicated training and exercising subgroup that assesses needs across the SCG. Seven of the eight SCGs use this structure, but Highlands and Islands SCG addresses training and exercising needs on a more compartmentalised basis, with each of the other subgroups (such as risk assessment and recovery) responsible for developing training relevant to its particular needs.

135. Grampian and Strathclyde SCGs have each established a training post to support their training and exercising programme. In Strathclyde, this post also contributes to national learning and development priorities and is funded by the Scottish Government. In Grampian, the post was created to administer the local learning and development programme and it is funded jointly by the Scottish Government and local SCG members (the councils, police force, fire and rescue service and NHS board).

136. Some incidents cross over national borders or SCG boundaries, and it is important that training and exercising programmes include events to test arrangements for how these are dealt with. However, SCG training programmes usually focus on their own area and there is little evidence of training or exercising involving neighbouring SCGs. A more joined-up approach between SCGs and Category 1 responders could reduce duplication and workloads, and make better use of resources.

137. Individual organisations can find it difficult to participate in some events because of the volume and scheduling of training and exercising. Although gaps in attendance are sometimes filled by the voluntary sector (for example, providing medical staff, equipment and volunteers), the benefits are limited if key organisations do not participate. This is a particular problem for Scotland or UK-wide organisations which may be invited to participate in numerous training and exercising events across the country (for example, similar events being run separately in each of the SCG areas).

Most Category 1 responders with generic emergency plans have exercised them, but this is not the case for business continuity plans

138. The Scottish Regulations state that Category 1 responders must test their own emergency and business continuity plans, as well as those multi-agency plans they are signed up to, to ensure that they are workable and fit for purpose, and that staff are aware of their roles and responsibilities.

139. Our survey found that of those Category 1 responders with a generic emergency plan (51), most (48) had tested it within the last two years. However, about a quarter (seven) of formally agreed corporate business continuity plans had never been tested by either an exercise or an incident.

140. Where generic emergency plans had been tested in the last two years, more than half identified shortcomings (for example, in communications, recovery processes, training needs and resources) that led to improvements to their plans and preparations. However, there was variation in the aspects of generic emergency plans tested during exercises. Among the elements we asked about in our survey, within the last 12 months, contact lists and call-out procedures were the most tested, whereas procedures for dealing with vulnerable groups and cross-boundary and cross-border arrangements were tested least (Exhibit 18).

141. Although the requirement to test plans is placed on Category 1 responders, Category 2 responders and other relevant organisations should co-operate to help them do this. Participation in training and exercising events provides these organisations with opportunities to train their own staff, make links with key organisations involved, raise awareness of their capabilities, and replicate the role they might play in a real incident. However, Category 2 responders and other relevant organisations are often not invited to events where they could make an important contribution.

The effectiveness of exercises could be improved by making sure that participants receive appropriate training beforehand

142. Training staff at all levels on preparing for, responding to and recovering from emergencies should be available to help embed civil contingencies planning within organisations. However, less than half (27) of all Category 1 responders have a system in place for reviewing training needs of key staff involved in civil contingencies planning.

143. Most Category 1 responders usually provide training for their staff before an organisational exercise (67 per cent), but staff are less likely to receive training prior to regional (50 per cent), Scottish (23 per cent) or UK-wide exercises (19 per cent).

144. Emergency services staff receive training in dealing with emergencies due to the nature of their day-to-day business. Among other Category 1 responders, we found that few provided training to all staff. For example, in the previous two years, only seven responders (six councils and SEPA) provided formal training to all senior managers, and only two (one council and one NHS board) to all middle managers. In organisations with formal generic emergency plans in place, three (one council and two health boards) had not trained any of the staff named in the plan in their specific role and a further 18 (12 councils, five health boards and one police force) had trained less than half of named staff.

145. To address some of these issues, in 2006 the UK government Civil Contingencies Secretariat (CCS) and the Emergency Planning Society initiated a project to develop a core competences framework (CCF). This aimed to enhance the skill-set of those employed in the field and establish a more formalised career structure. The CCF builds on the national occupational standards developed by Skills for Justice, in partnership with the Emergency Planning Society. While ScoRDS was involved in developing the framework and standards, it has also developed a separate Professional Development Award

to help practitioners in Scotland gain academic recognition for their skills, knowledge and experience, and to support their further development.

Lessons identified from incidents and exercises are not always shared widely or systematically put into practice

146. Guidance recommends that a debriefing process should take place following the conclusion of an incident or training exercise, and should include representatives from all relevant organisations (for example, those that participated, as well as others that may be affected by any changes made to plans). Lessons identified in debriefing meetings should be prioritised and translated into actions, targeted at specific organisations, recorded (in terms of how they have been considered and implemented) and shared appropriately. Despite this guidance, most of the debrief reports we reviewed did not include a list of who they were distributed to or clearly link lessons to action points. Similarly, although most emergency plans contain a page for recording amendments, these are not routinely maintained.

147. Grangemouth case study: 3 describes the debrief process following the industrial dispute at the Grangemouth petro-chemical refinery.

148. Changes resulting from exercises should be carefully considered and managed through routine performance monitoring processes. An example of how lessons identified during exercises can be collected and shared is given in Exhibit 19.

149. Within SCG areas, information about exercise or incident evaluations is generally shared well. Almost all Category 1 responders (90 per cent) reported that they do this with their SCG partners all or most of the time. However, outwith their own SCG areas, just over a third (38 per cent) shared information about exercise or incident evaluations with other Category 1 responders and less than a quarter (23 per cent) with Category 2 responders. Debrief reports and lessons identified from multi-agency training exercises are often restricted to participating organisations. Exercise or incident evaluation information should be shared more routinely across SCG boundaries.

150. Organisations can submit and access debrief documents via the ScoRDS website. While this promotes better sharing of information between SCG members, its use has been limited, with few organisations routinely submitting information for inclusion.

151. The UK government recognises the need for a more systematic approach to identifying, sharing and implementing lessons learned from exercises and incidents. The Cabinet Office has established a working group to take this forward, with representatives from the Scottish Government, Home Office, Ministry of Defence and other UK government departments.

Recommendations

- SCG partners and the Scottish Government should work together to ensure the effective targeting and coordination of exercises and training.

- Category 1 responders must ensure they are meeting the statutory requirement to exercise all of their emergency and business continuity plans.

- SCG partners and Scottish and UK governments should ensure that lessons learned from training and exercising activities are systematically shared and that monitoring arrangements are in place to ensure their effective implementation.

Grangemouth case study

(3) Debriefing and lessons identified

Following the industrial action, ScoRDS used written questionnaires and structured debrief meetings to collate the views of those organisations (including SCGs and Category 1 responders) involved with the Scottish Government's management of the response. The lessons identified from this were analysed, prioritised and translated into actions, which were assigned to individuals within the Scottish Government.

Actions focused on nine key areas: media and communications; information management; leadership and decision-making; working with responders; SGoRR administration; emergency support team; security; UK liaison and de-activation.

General feedback and the lessons identified were reported to Scottish ministers and relevant organisations. Issues relating to the National Emergency Plan for Fuel were taken forward as a separate project in partnership with the UK government. The Scottish Government recognised the value of committing resources to delivering debrief sessions and analysing the results, and made a commitment to continue to refine this process for future incidents.

Source: Audit Scotland

Exhibit 19
Recording and sharing lessons identified from training exercises

In 2008, Grampian Fire and Rescue Service (FRS) Contingency Planning Department identified a need to capture multi-agency training and exercising and to share lessons learned throughout the organisation. An intranet-based system was introduced, where multi-agency activities could be recorded.

The system is now used to record multi-agency activities and internal exercises of significance (eg, three appliances or more). It allows operational managers to record details of an exercise including exercise briefs, debriefs and risk assessments by hyperlinks on the template. Users can search for specific information, such as incident type, location and the agencies involved. Information is available to all Grampian FRS personnel and can be forwarded to partner agencies to share lessons learned. The system is a valuable tool for managers when developing future exercises.

Grampian FRS considers the system simple but effective. It took about 12 months to get the system to its current format and takes minimal time to maintain, with operational managers inputting information as and when exercises are planned, carried out and debriefed. The system will be evaluated towards the end of 2009.

Source: Grampian Fire and Rescue Service

Part 5. Costs, capacity and performance

There is a lack of information on the costs of planning for civil contingencies, and performance management information is limited.

Key messages

- There is no clear information on how much is spent on civil contingencies planning across Scotland.

- There is potential for more effective use of resources and to increase capacity through closer collaboration between organisations, for example through formal mutual aid agreements and the sharing of resources.

- Performance management at national, regional and local levels is limited.

There is no clear information on how much is spent on civil contingencies planning across Scotland

152. Achieving best value requires that public bodies ensure an effective balance between the cost of delivering a service and the quality of that service in terms of its impact and outcomes. Organisations involved in civil contingencies planning also need to take account of the likelihood of particular events occurring and the potential impact of these on communities. Decisions always need to be taken in the context of other pressing demands for the use of resources. Therefore, it is important that organisations can demonstrate sound management and decision-making that is supported by good management information about the resources used and the results achieved.

153. Despite the requirements of Best Value, the higher profile of civil contingencies planning due to recent incidents and increased activity to implement the Act, we were unable to include details of current overall expenditure on civil contingencies planning in Scotland in this report. This is because there is a lack of clear information available from the organisations involved. Costs are difficult to measure for a number of reasons:

- As the day-to-day function of the emergency services is to respond to emergencies, it is difficult for these organisations to disaggregate expenditure related specifically to civil contingencies.

- While most key organisations – such as local authorities, NHS boards and the Scottish Government – collect some financial information for those parts of their organisation with primary responsibility for emergency planning (for example, relating to an emergency planning unit or department), they do not routinely collect or collate information for civil contingencies activity taking place across the whole organisation, or the costs associated with individual incidents.

- Differences in definitions and recording systems between organisations make it difficult to ensure comparability of budget and expenditure figures (for example, some include business continuity management expenditure while

others do not).

- Civil contingencies planning involves a wide range of public, private and voluntary sector organisations, not all of whom fall within public audit arrangements within Scotland.

154. In our survey, four fire and rescue services, one police force and one NHS board did not provide any revenue expenditure information for civil contingencies planning as it could not readily be extracted from other budget headings. Revenue expenditure on civil contingencies planning in 2007/08 by the other Category 1 responders was around £6.9 million. However, this underestimates actual expenditure as organisations were unable to provide full information (for example, because they could not separate civil contingencies spending within some budgets).

155. The Scottish Government conducted its own analysis of expenditure on civil contingencies planning by police forces, fire and rescue services, local authorities and NHS boards in SCG areas. However, these figures did not match those submitted by the same organisations during our study. This may reflect inconsistencies in definitions and recording practices but underlines the difficulties in examining costs related to civil contingencies planning.

156. The costs of incidents are not routinely or systematically recorded by all individual organisations. Only 20 Category 1 responders (11 local authorities, four police forces, four NHS boards and one fire and rescue service) were able to provide information on the costs of emergencies.[21] Many Category 1 responders stated that costs are spread across different departments, making it difficult to calculate total costs of an incident to an organisation.

157. Although it is not clear how consistent the methods used for calculating costs are, from the 42 incidents for which cost information was submitted for this study, it is clear that the amounts are variable and can be significant. For example:

- While only four police forces provided any incident costs, of those that did, the largest reported figure was £1.7 million incurred by Strathclyde police for dealing with the terrorist attack on Glasgow Airport in 2007.

- Of the incident costs provided by local authorities, the five highest related to severe weather incidents, and ranged from £50,000 spent by West Lothian Council (in response to the floods in Linlithgow in 1998) to £15 million by Eilean Siar (for the severe storms of 2005 that resulted in damage to infrastructure and a number of deaths). All other incidents had reported costs of less than £50,000.

- Among NHS boards, NHS Borders recorded the incident with the highest costs – an anthrax-related death in 2006 – at almost £500,000. Although this was a relatively isolated incident, the reported costs were significant due to the multi-agency response required and the need to follow specific protocols to minimise disruption and ensure lessons were learned for the future.[22]

158. The Scottish Government also provided some expenditure information (see paragraph 64) relating to its Civil Contingencies Unit (CCU) where, at the time of our audit, most civil contingencies activity within the Scottish Government took place. However, the quality of this information was poor. Although other parts of government have significant involvement in national civil contingencies planning activity, the Scottish Government does not routinely record, monitor or disaggregate these other costs, meaning its total spend is unclear.

159. Organisations, including the Scottish Government, should record robust information on activity, cost and performance in order to plan, demonstrate best value, achieve continuous improvement and assess whether funding levels are sufficient.

There is potential for more collaboration between organisations to increase capacity and make more effective use of resources

160. Dealing with and recovering from emergencies can place significant demands on the financial, human and physical resources of individual organisations. In addition, given the range of types of emergencies that may occur, some aspects of civil contingencies planning require considerable technical expertise. Improved partnership working has potential to deliver increases in efficiency and effectiveness.

161. In order to make best use of resources at local and regional levels (including better information and knowledge sharing, limiting duplication, increasing capacity and improving the ability to scale-up quickly in response to a major incident), a few organisations are now sharing emergency and business continuity planning expertise, through jointly funded teams or co-location of staff. For example:

The Grampian Emergency Planning Unit has co-located emergency planning officers from Aberdeen City, Aberdeenshire and Moray councils and is jointly funded by each.

- East, North and South Ayrshire councils have combined their services to form the 'Ayrshire Civil Contingencies Team'.

- East Renfrewshire, Renfrewshire and Inverclyde councils have established a joint service model with a single civil contingencies service, based in Renfrewshire Council.

162. The emergency services across Scotland have jointly procured equipment (such as personal protective equipment) to achieve economies of scale and improve performance. Under the New Dimensions programme, the Scottish Government procured equipment (such as high volume pumps) to be used across all fire and rescue services in the event of flooding or a CBRNE[23] incident.

163. There are also some examples of a more joined-up approach at the SCG level:

- Lothian and Borders SCG member organisations have jointly procured 'Lothian and Borders Alert' – an internet-based computer system to facilitate communication between organisations, and with the public, within the SCG area.[24] This online site is live at all times and can be used to share information during and outwith emergencies.

- Lothian and Borders SCG has trialled an emergency rest centre management system, which is now being adopted across Scotland (Exhibit 20).

While organisations usually support each other in an emergency, formal mutual aid arrangements are not in place in all sectors

164. Mutual aid agreements formally set out arrangements between organisations to provide each other with assistance through the provision of additional resources during and after an emergency. These arrangements can be within the same or different sectors and across SCG boundaries or national borders. Experience shows that organisations tend to offer each other support in the event of emergencies even without formal mutual aid agreements in place. However, these informal, reactive arrangements often rely on individual personalities and are at risk of breaking down when circumstances change (for example, when staff changes occur).

165. For mutual aid agreements to add value to the civil contingencies process, staff need to be aware of them and understand how to use them. However, our survey found confusion among some Category 1 responders as to whether they have mutual aid agreements in place, even among police forces and fire and rescue services who have long- standing mutual aid arrangements. Many organisations confused mutual aid agreements with more general memorandums of understanding (MOUs).

166. Developing and agreeing mutual aid agreements may highlight differences in approach to civil contingencies planning between organisations. For example, some local authority chief executives have concerns that committing resources to another local authority area may prevent them from fulfilling their duty of care to their own citizens. There may also be complex legal and health and safety issues around organisations providing staff to support the work of other organisations during an emergency, as the duty of care for staff remains with their employer.

167. The Scottish Government states that a *"fundamental purpose of the SCG is responders' co-operation and preparing for and responding to emergencies. Mutual aid and support lies at the heart of that co-operation."*[25] However, mutual aid at an SCG level is not well developed. While Lothian and Borders SCG has a formally agreed regional level mutual aid agreement (January 2008), this only covers its local authorities (City of Edinburgh, East Lothian, Midlothian, Scottish Borders and West Lothian). Highlands and Islands SCG has taken a more multi-agency approach, agreeing mutual aid at an SCG level in 2005 and revising this in 2008.

168. In January 2008, the Scottish Government ran a mutual aid workshop (Exhibit 21, overleaf). Following this, the Convention of Scottish Local Authorities (COSLA) concluded that mutual aid arrangements across local authorities in Scotland were inconsistent, not always formal and perhaps would not be sustainable during a major emergency. COSLA identified a need for a Scotland-wide local authority mutual aid protocol and that it should work with local authorities and the Scottish Government to produce one.

169. Limited progress had been made in regard to developing this Scotland-wide local authority protocol by the time the Influenza A H1N1 virus reached Scotland in April 2009. In response to potential and actual difficulties of some organisations being able to cope with demand due to the clustered nature of the cases in Scotland, local authorities, SCGs and the Scottish Government are now involved in developing a public sector- wide mutual aid protocol.

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21 Some of these costs were estimated rather than actual costs.
22 Our main audit work was conducted prior to the 2009 Influenza A H1N1 outbreak. We recognise there may have been significant costs for the NHS, as well as other organisations, as a result of this.
23 Chemical, biological, radiological, nuclear and explosives (CBRNE).
24 www.lbalert.info

Exhibit 20

Joint working: the emergency rest centre management system

Scottish Borders Council worked closely with a private sector company to develop an emergency rest centre (ERC) management system, which is a secure web-based system allowing computerised 'registration' of evacuees to ensure that they receive the appropriate care in an ERC and that particular needs are efficiently and effectively processed. It allows for detailed individual histories to be maintained and could be used in any subsequent enquiry or complaint made by an evacuee. The system also helps an ERC manager to keep track of staff support by recording details of the incident, those on duty, hours worked, and those in the ERC at any time. The system can be accessed by those managing an incident from remote locations allowing access to up-to-date information off site.

Following a two-year training and exercising programme run by the Lothian and Borders SCG's Rest Centre Working Group, the system was developed further by five local authorities and the police. It was then demonstrated to all Scottish local authorities. Following the pilot exercise, the Scottish Government agreed to provide funding for two years (from April 2009) to roll out the system to the rest of Scotland.

Source: Lothian and Borders SCG
25 *Preparing Scotland*, Scottish Government, 2007.

Exhibit 21

Developing mutual aid arrangements: ScoRDS mutual aid workshop

In January 2008, senior representatives from emergency responder organisations took part in a workshop to consider mutual aid in Scotland.

The aims of the workshop were to:

- confirm the management and mutual aid arrangements within and between organisations and boundaries in situations where adequate resources are not available to responders

- identify if current documentation is accurate and sufficient

- ensure that all relevant organisations have clear, generic mechanisms for setting priorities and for moving assets around to reflect them.

The findings from the day were analysed around five key themes:

- Coordination – local authorities and health boards need to consider formalising their mutual aid arrangements. Lothian and Border's local authority mutual aid framework agreement was considered as an example of a protocol currently being used by local authorities in an SCG and could be built on to develop an SCG mutual aid agreement.

- Information – organisations with existing agreements emphasised the crucial role of information management. It was important for all responders to have 'resource lists' which provide an overview of what is available and where. Local authorities do not generally have such lists and these should be developed.

- Leadership – Scottish ministers should have political leadership but this may be in co-operation with UK ministers. Central government should not make detailed decisions of an operational or tactical nature, including the direction of responders' resources. A 'National SCG' to lead on mutual aid for responders was discussed.

- Legislation – a review of responders' chief officers' statutory obligations together with Scottish ministers' powers was required. A question was raised about the legal basis for SCGs with regards to mutual aid management and coordination.

- Funding – the Scottish Government needs to work with responders on scoping the funding issues and the spread of costs for a large-scale incident with mutual aid implications.

Source: *ScoRDS National Exercise Programme: Mutual Aid Workshop Report*, March 2008

There are few examples of information systems detailing resources available to deal with emergencies

170. Overall, there is a lack of local, regional or national information systems to provide details of the resources available to respond to an emergency (for example, transport, digging or medical equipment, rest centres and temporary mortuaries).

171. Within their own sectors, the police, fire and rescue services and the Scottish Ambulance Service have addressed this

issue through the Scottish Police National Information Coordination Centre (S-PICC), the Scottish Fire and Rescue Service Information Coordination Centre (SFRICC) and the Scottish Ambulance Service Strategic Coordinating Centre (SAS-SCC). These help coordinate resources when an emergency escalates beyond local boundaries and capabilities. If UK resources are required then the Police National Information Coordination Centre (PNICC) or Fire and Rescue Service National Control Centre (FRSNCC) are activated. The ambulance services across the UK also have an agreement in place to provide mutual assistance on a national scale in the event of a major incident. These systems allow for effective co-operation between forces, fire and rescue and ambulance services within their own sectors, but they do not link up with other information about resources held by organisations in other sectors, which may be closer to home and easier to access.

172. There are no similar arrangements for sharing resources in place among local authorities or the territorial NHS boards. Having robust databases detailing the resources held by a range of organisations could help ensure a more effective coordinated response to, and recovery from, emergencies.

Performance management for civil contingencies planning is limited and inconsistent across all sectors

173. Since the implementation of the Act, individual organisations and SCGs have focused on complying with their main duties. Most have still to develop performance management and monitoring arrangements to assess the impact and outcomes of this work.

174. *Preparing Scotland* sets out guidance on audit and monitoring for local responders. This should form part of the existing internal audit and inspection regimes of these organisations. However, of the 64 Category 1 responders in our survey, only three (one police force and two councils) use the performance monitoring framework set out in *Preparing Scotland*. Most (44) use their organisation's own performance management system, although 12 reported that they do not currently assess their performance in relation to civil contingencies planning in any way.

175. *Preparing Scotland* also advises that SCG chairs should require regular reporting from the SCG secretariat on performance relating to its aims, objectives and programme of work for multi-agency aspects of co-operation and preparation. Although recommended by the guidance, assessment of performance against *Preparing Scotland's* performance monitoring guide is not a standing item on any SCG agendas.

176. Performance monitoring has been taken forward to varying degrees by the eight SCGs:

- Most SCG coordinators provide a verbal or written update at each SCG meeting. Since the beginning of 2008, this has become more formal in a number of SCGs (for example, Dumfries and Galloway, and Lothian and Borders SCGs now discuss progress on their business plans at each meeting, Grampian considers its progress against annual objectives and Tayside reviews its work plan).

- Three of the eight SCGs have produced annual reports. Dumfries and Galloway and Lothian and Borders' annual reports are aimed at keeping the public aware of what the SCG is doing in the field of civil contingencies, whereas Grampian's annual report is less public focused, stating progress against the seven duties of the Act and setting strategic and annual priorities.

- Fife SCG has developed a performance monitoring and compliance task sheet based upon *Preparing Scotland's* audit and monitoring guide.

177. With the exception of both internal and external evaluations of ScoRDS, at the time of our study Scottish Resilience had done little to measure its own performance. However, alongside responder organisations, it will participate in its own measuring preparedness work (see paragraph 179).

The Scottish Government is undertaking a programme of work to assess levels of preparedness in Scotland

178. Under the Act, Scottish ministers can request reports from the SCGs to monitor performance. To date, this has been limited to a quarterly return on progress against meeting the main duties, requesting specific reports on an ad hoc basis, and direct liaison with the SCGs (both by attending SCG meetings and through the coordinators' forum).

179. However, Scottish Resilience is currently developing a process to assess the level of preparedness within Scotland and provide assurance that Scotland has the capabilities to meet the risks we face. This aims to establish an evidence base that will enhance decision-making and promote continuous improvement. The Scottish Government, SCGs and some national responders will be covered by the 'measuring preparedness' programme, which includes:

- annual statements of preparedness to be completed by SCGs, some national responders and the Scottish Government

- a self-evaluation framework for use by SCGs, individual responders and the Scottish Government on a voluntary basis

- a capabilities survey to be completed by SCGs, some national responders and the Scottish Government every three years

- peer review visits to SCGs and the Scottish Government every three years

- guidance provided by the Scottish Government to support capability analysis.

180. The guidance to support capability analysis relates to the capacity needed to meet specific tasks. The Scottish Government is developing a model of capability for civil contingencies planning (based on that of the Ministry of Defence) indicating that overall capability is dependent on eight key enablers and that each of these needs to be considered before it can be assumed that a capability is in place (Exhibit 22, overleaf). The Scottish Government also recommends that organisations and SCGs examine four other aspects when assessing a capability – interoperability, interdependence, readiness and sustainability.

The UK government is also undertaking work to monitor the implementation of the Civil Contingencies Act and assess levels of preparedness

181. Since the Civil Contingencies Act was introduced in 2004, the UK government has undertaken a number of exercises to monitor and support implementation of the Act. These include:

- A survey of national capabilities in 2006 and 2008, which gathered information from organisations to assess national resilience. However, Category 1 responders and other public sector bodies in Scotland were not involved, as the Scottish Government chose not to take part.

- The Civil Contingencies Act Enhancement Programme (CCAEP), led by the Cabinet Office. This is currently reviewing the Act to see if it needs to be strengthened or modified, to consider how good practice from its first three years of operation can be reflected and how to ensure its framework is aligned with other relevant legislation.

- The production of the Cabinet Office's 'Expectations and indicators of good practice set' (2008) to clarify what is expected of Category 1 and 2 responders in England and Wales in relation to the Act and its associated guidelines.

Recommendations

- SCG partners and the Scottish Government should work together to develop and apply a consistent framework for managing and reporting expenditure to demonstrate value for money, and seek to deliver increased efficiencies and improved resilience through further partnership working.

- Category 1 and 2 responders should develop formal mutual aid agreements. These agreements should take account of cross-border and cross-boundary arrangements, and the voluntary and private sectors.

- Local responders, SCGs and the Scottish Government should develop arrangements for managing, monitoring and reporting their performance.

Appendix 1.

Study advisory group

Advisory group members consist of professional and technical advisers, normally drawn from a wide cross-section of interested parties. Members sit on the group in a personal capacity, not as representatives of the organisations they come from. The group does not act as a steering group as such, and the Accounts Commission and the Auditor General for Scotland retain responsibility for the conduct of studies and the content of final reports. For the civil contingencies planning study, the study advisory group comprised 13 members who served at various times:

Name	Organisation
Oliver Blatchford	Consultant in Public Health, Greater Glasgow and Clyde NHS Board
Alan Dorn	Head of Civil Contingencies Planning, Greater Glasgow and Clyde NHS Board
Catherine Harper	Scottish Continuity Group
Jon Harris	Strategic Director, COSLA
Bill Lyons	Head of Resilience, SEPA
Peter McCarthy	Operations Director, British Red Cross
Mary Pitcaithly	Chief Executive, Falkirk Council and SOLACE (Scotland)
Jacqui Semple	Chair, The Emergency Planning Society, Scottish Branch
Ewan Stewart	Assistant Chief Constable, Grampian Police and Association of Chief Police Officers in Scotland
Ian Walford	Head of Scottish Resilience, Scottish Government
John Weston	Performance Specialist, Wales Audit Office
David Wynne	Chief Fire Officer, Dumfries and Galloway and CFOA(S)
Keith Yates	Former Chief Executive, Stirling Council and Chair of SOLACE (Scotland)

Appendix 2.

Self-assessment checklist for Category 1 responders involved in civil contingencies planning

	Assessment of current position				
	No progress to date	In development	In place but needs improvement	In place and working well	Not applicable
1. We, our SCG partners and the Scottish Government have agreed a standard approach to sharing information relevant to planning and responding to emergencies.					
2. With our SCG partners, we have reviewed the SCG membership to ensure all organisations key to civil contingencies planning are properly represented, and taken action as appropriate.					
For councils, police forces, and fire and rescue services only 3. Our organisation has developed materials to raise elected members' awareness of their role in an emergency and of civil contingencies planning generally, and have evaluated the impact of this work.					
4. With our SCG partners, we are working with the Scottish Government to ensure that our Community Risk Register can be used to its full potential, both locally and nationally.					
5. We, our SCG partners and organisations we share a boundary with are reviewing how our civil contingencies planning arrangements will work across geographic or administrative boundaries.					
6. We have up-to-date emergency and business continuity plans in place, which have been formally agreed.					
7. Emergency and business continuity planning are embedded across our organisation. All our staff are aware of their roles and responsibilities in relation to civil contingencies planning, are trained appropriately, and are aware of procedures.					

	Assessment of current position				
	No progress to date	In development	In place but needs improvement	In place and working well	Not applicable
For councils only 8. Our council provides local businesses and voluntary organisations with BCM advice and assistance and we have evaluated the effectiveness of our approach.					
For other organisations, excluding councils 9. Our organisation, together with SCG partners, has considered and taken action to help relevant councils deliver BCM advice to businesses and voluntary organisations.					
10. We have a structured approach and appropriate arrangements in place to improve public awareness of the risks we face and developments during and after an incident.					
11. With our SCG partners, we have considered how best to target and coordinate training and exercising activity in our area with national events, and how to increase efficiency and share good practice by working with organisations in neighbouring areas.					
12. All our emergency and business continuity plans are subject to regular and routine tests and exercises.					
13. With our SCG partners, and taking into account any national developments, we have ensured that we have a systematic process to share and implement improvements from the lessons identified during training and exercising activities or incidents. We have robust monitoring arrangements to demonstrate the effective implementation of lessons learned.					
14. With our SCG partners and the Scottish Government, we have developed a consistent framework for managing and reporting expenditure to demonstrate value for money and seek to deliver increased efficiencies and improved resilience through further partnership working.					

	Assessment of current position				
	No progress to date	In development	In place but needs improvement	In place and working well	Not applicable
15. We have developed formal mutual aid agreements within our sector and SCG, taking account of cross-border arrangements, and the voluntary and private sectors.					
16. With our SCG partners, we have multi-agency arrangements in place for managing, monitoring and reporting our collective performance against the duties of the Civil Contingencies Act and the requirements of the Regulations and guidance.					

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ARGYLL AND BUTE COUNCIL   **AUDIT COMMITTEE**

COMMUNITY SERVICES   **18 SEPTEMBER 2009**

The Audit Commission (2009) report "Drug and Alcohol Services in Scotland" – Progress report for Council

1. SUMMARY

1.1 The main body of the report details the progress made by the Council against the recommendations of The Audit Commission (2009) report "Drug and Alcohol Services in Scotland" published in March.

1.2 The Council has strong financial oversight of addiction expenditure and well established partnership working.

2. RECOMMENDATION

2.1 Contents of report to be noted by members.

3. DETAIL

3.1 Background

The Audit Commission report *"Drug and Alcohol Services in Scotland"* was published in March 2009.
The report examined:

- the extent and impact of drug and alcohol problems in Scotland
- the main areas of spend on drug and alcohol services
- how effectively this money has been spent
- joint working to plan and deliver drug and alcohol services

The report contains a checklist for statutory and non statutory agencies to match themselves against and this checklist has been utilised for the format of this report

In Argyll and Bute joint working to address alcohol and drug problems across the spectrum from *prevention to reducing availability* is coordinated via the Alcohol and Drug Partnership (ADP), previously known as the Alcohol and drug Action Team (ADAT). Coordination specifically of statutory *treatment* service provision is via the Argyll and Bute Addiction Team (ABAT), an integrated health and social work team.

3.1a. The Argyll and Bute Council (ABC) played an active role within the now defunct Argyll and Clyde ADAT. After the dissolution of Argyll and Clyde Health Board and in discussion with Highland DAAT it was agreed that Argyll and Bute would set up an ADAT based on the ABC boundary. The Argyll and Bute ADAT first met on 22June 2007 but did not recruit any support staff until April 09.

The Council actively supported the Argyll and Bute ADAT (now ADP) by allocating time from the Addiction Team Manager to the cover some of the duties of the vacant role of ADP coordinator. This dual role by the Addiction Team Manager, whilst placing pressure on ABC resources, has had the positive effect of ensuring that ABC planning and strategies have for some time been integrated with ADP planning. It is hoped that the employment of an ADP coordinator will allow this close working to continue.

3.1.b The ADP partners include Police, Education, Non Statutory Sector, Children and Families, Criminal Justice, Integrated Addiction Team, Health Promotion, Public Health. Homelessness, Mental Health etc.

3.1.c The Scottish government in its review of ADATs recommended that these should come under the governance of the Community Planning Partnership and report via the Single Outcome Agreement. The ADP coordinator is expected to progress this development on behalf of the ADP partners.

3.2. Audit Commission Report - Progress to date

3.2.a Planning

The Council has, for a number of years incorporated its substance misuse planning within the ADAT (now ADP) strategic plan. This was to ensure compatibility, input from partner agencies and to reduce the number of plans which duplicate and overlap with each other. The Council will continue to work with the ADP to develop outcome measurements compatible with the SOA and ADP requirements. It is anticipated that this work will evolve and progress over during 09/10.

3.2.b Commissioning

Service strategies and outcomes are included within the Service Level Agreements (SLAs) which the Council has in respect of commissioning services from all the addiction non statutory providers. The SLAs are adapted in line with any strategic changes agreed by the ADP. The SLAs clearly state the expectations the Council has of each agency. There are core elements within each SLA with a service specific section clearly defining the services being purchased from each provider by the Council. Links are made within the SLAs to national documents such as the National Quality Standards for Substance Misuse Services. Details of the monitoring/reporting expectations are contained within each SLAs and statistics collated form each provider.

An example of integrating the Council SLAs with ADP strategic plans was the ABC/CHP decision to develop the integrated addiction team (see below) into a tier 3 service with the non statutory services providing the tier 2 services. This was then incorporated into the ABC SLAs. As this development met the ADP strategic objectives the ADP then responded positively to the request by ABC that part of the ADP underspend monies in 08/09 be allocated to the non statutory sector to aid their development into tier 2 services.

To date the Council only holds only one SLA *on behalf* of the ADP. The future role of the new ADP in terms of commissioning services is still to be discussed. The Council notes that ADPs are not legally constituted bodies and therefore at this time are unable to directly function as commissioners. The Council will play a full role in the future discussions in this area including clarifying the ADP processes for accountability and delegation.

3.2 c. Service Integration

In April 2008 the ABC and the Argyll and Bute CHP launched the fully integrated health and social care addiction team. The integrated team is 'hosted' by health, managed by the ABC Addiction Team Manager who is line managed by a health locality manager. Consequently all service planning between the two partners is fully integrated. The full integration of the statutory addiction services built on the foundation of a number of years of informal close working between health and social work addiction managers in Argyll and Bute.

Health and social work addiction managers had several years ago jointly developed, introduced and trained staff in both statutory and non statutory addiction services in the use of a Single Shared Assessment Tool with accompanying guidelines for information sharing. NHS Highland and ABC have a jointly agreed information sharing protocol. The integrated addiction team has written information available to services referring clients to the team and an information leaflet for clients giving them an explanation of the range of services available.

3.2. d. Finance

The Council is able to confirm all specific expenditure on addiction services and has regularly reported on these to the Scottish Executive/Government in previous years via the ADAT Corporate Action Plan (CAP). Estimating the expenditure of generic Council departments on addiction work is more difficult (as it is for such agencies as Scottish Ambulance, Primary Care etc.)

The ABC/CHP integrated addiction team has an aligned budget and the Team Manager (ABC employee) has the authority from the CHP to approve expenditure from the NHS budget. Finance officers from both CHP/ABC attend the management meetings to discuss budgetary issues. The Team Manager receives budget read outs from both ABC and CHP.

Financial management of the ADP budget is provided via CHP accountants who attend the ADP meetings and all ADP partners receive copies of the budget updates. The budget for addictions 08/09 is £658,382.

3.2. e. Risk Assessment

As the ABC/CHP addiction team is hosted by the CHP the team utilises the CHP organisational risk management templates and systems. These are discussed and updated at each management meeting.

3.2 f. Performance Management

As stated above there is robust financial information collated on the specific costs of both statutory and non statutory addiction services. Non statutory agencies return a range of statistics as part of their SLAs accountability to ABC and contribute to the ISD waiting times database. The integrated addiction team collates activity statistics and contributes to the ISD waiting time database.

3.3 Future developments

3.3. a. Baseline profile- the need to develop a drug and alcohol detailed profile for the Argyll and Bute area is recognised. The addiction team manager will work with the recently employed ADP information officer to begin this piece of work.

3.3.b Performance Management

The addiction team is hampered in collating statistical information due to difficulties with CHP and ABC staff being unable to utilise the same computerised systems to store client data. This difficulty is being addressed via an on going pilot scheme in one locality involving a range of integrated teams including the addiction team. The outcome of the pilot will be reported during August 2009. The aim is to bring the integrated addiction team within the performance management system (Pyramid) of the Council. This performance data is being gathered currently which includes historical data from January 2008 to the present. A target date of 8th September 2009 has been agreed to have this work completed on Pyramid.

The addiction manager plans to work with the ADP information officer to look at all present data collections systems across statutory and non statutory services and explore ways of streamlining these.

Across addiction services the difficulties in meaningfully measuring outcomes are acknowledged. The Council will work actively with the ADP to develop means of measuring outcomes which hopefully will not detract too many hours from direct client care. Valid measuring of outcomes is resource intensive.

4.   CONCLUSION

4.1   Progress is satisfactory on commissioning, planning, finance governance and service integration.

4.2   Outstanding Issues:

- Attention is required to performance management in respect of giving practitioners and managers tools to easily input and extract information from both NHS and ABC systems without reducing the amount of time available to clinical/caseload work.

- There is a need to develop a baseline alcohol and drug profile for Argyll and Bute.

- Attention needs to be given to defining and measuring outcomes from service delivery. This should be done in conjunction with the ADP as outcomes link to the SOA via the ADP.

5.   IMPLICATIONS

Policy:

Finance: None at present.
Personnel: Dependent on the findings from the pilot examining NHS/ABC staff sharing info.
Legal: Dependent on the outcomes and method of measuring these which to be discussed and agreed with the ADP coordinator.

Equal Opportunities:

For further information please contact: Mr Jim Robb Head of Service (Adult Care) or Mr Allen Stevenson Service Manager Argyll and Bute Council.

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ARGYLL & BUTE COUNCIL   **ORGANISATIONAL DEVELOPMENT PPG**

DEVELOPMENT SERVICES   **10th JUNE 2009**

AUDIT SCOTLAND - ASSET MANAGEMENT IN LOCAL GOVERNMENT

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1.   SUMMARY

The purpose of this report is to summarise the key messages and recommendations contained within the recently published Audit Scotland report on Asset Management in Local Government and, in broad terms outline, the areas for improvement identified for action by the Council's Asset Management Board.

2.   RECOMMENDATION

2.1   That the Organisational Development PPG notes the contents of this report and, in particular, the high level action plan that will address the areas for improvement identified by Audit Scotland in respect of Argyll and Bute Council.

2.2   The Organisational Development PPG are also requested to note that a separate report will be submitted to the next meeting by the Head of Facilities, as Chair of the Asset Management Board, setting out the planned actions in greater detail.

3.   DETAIL

3.1   During the summer of 2008 Audit Scotland devised a detailed questionnaire to be issued to all Scottish local authorities. The intention was to establish a more complete picture of the asset management planning landscape across the Country and to assess progress made by Councils following the publication of an earlier Improvement Service study.

3.2   Nick Allan, the Council's Strategic Asset Manager, was invited to join the Audit Scotland Study Advisory Team as the CoSLA representative on this Project.

3.3   The Advisory Team signed off the final version of the Questionnaire which was then issued with a return date of 22 August 2008.

3.4 The completed report was eventually published on 7 May 2009. A copy of the full report is attached under **Appendix 1**.

The format of the final report differs from earlier drafts in that it was originally attempted to present the results by banding them in a league table format. In many ways this would have made it easier to assess the performance and weaknesses of individual authorities.

The Organisational Development PPG might therefore find it helpful to consider the content of an extract from the penultimate draft shown below **(Exhibit 13).** It highlights the performance of local authorities relative to each other as opposed to an absolute standard.

Exhibit 13: Summary of the assessment of councils' asset management arrangements

Source Audit Scotland

In general the bandings broadly signify the following:

- **green** – a council exhibits many of the features associated with good practice (although there may be still some room for improvement)

- **amber** – the council has some of the features associated with good practice, but that there is room for improvement

- **red** – although the council may have some features associated with good practice but there is likely to be considerable room for improvement.

3.5 Therefore, in adopting the assessment categories shown in Exhibit 13, the key areas for scrutiny and challenge fall into the headings below.

While it is acknowledged that improvement work will be continuous under each of these headings the categories highlighted in bold lettering represent the areas of asset management where a greater immediate focus is required:-

1. **Strategy, policy and plans**
2. **Structure, roles and responsibilities**
3. Working with service areas
4. Data collection
5. **Performance management**
6. Implementation
7. Commercial property review
8. Property review

Appendix 2 attached to this report contains a table combining the areas for challenge listed above, the key Audit Scotland recommendations and a current statement of position from the Asset Management Board.

3.6 Following its re-establishment in April the Asset Management Board has been reviewing its terms of reference, composition and priority areas for action.

A report on the Audit Scotland study has been presented to the Board and agreement has been reached on incorporating the high level action areas identified above into its future work plan. These will, in turn, be translated into more specific and timetabled actions. It is understood that a more detailed report on this subject will be presented separately to the ODPPG.

3.7 The Strategic Asset Manger understands that Audit Scotland are likely to follow up the publication of their report with a check to measure how local authorities have reacted to its contents and findings. This exercise is thought to be timetabled for 3-6 months post-publication.

3.8 Looking slightly further ahead, it is understood that a future assessment of asset management arrangements within local authorities will be embedded within the next round of Best Value audits.

3.9 The Organisational Development PPG may also be interested to note that Audit Scotland carried out a parallel review of asset management arrangements across NHS Scotland. Both reviews contained intentional cross references to joint planning between LA's and Health Boards, Community Planning, sharing of data and the Scottish Governments hub Initiative.

4.   **CONCLUSION**

In relative terms, compared with other local authorities, Argyll and Bute Council has emerged from this Study with some credit. To a large extent this has been due to the activities of the original Asset Management Board over the past 18 months and to those Service areas where a strong asset management ethos has developed.

However, there has always been an absolute acknowledgement that there are many areas within the Council's corporate and service asset management planning arrangements where there is much to be done to improve performance.

The findings from the Audit Scotland report have reinforced existing convictions that this Council is heading in the correct direction and it is the intention of the Asset Management Board to address those areas of weakness identified.

5.   **IMPLICATIONS**

POLICY   Consistent with terms of Asset Management Strategy

FINANCIAL   None

PERSONNEL   None

EQUAL OPPORTUNITIES   None

LEGAL   None

For further information please contact:-

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Development Services
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27th May 2009

Asset management in local government

AUDIT SCOTLAND

The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning

- following up issues of concern identified through the audit, to ensure satisfactory resolutions

- carrying out national performance studies to improve economy, efficiency and effectiveness in local government

- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 41 joint boards (including police and fire and rescue services). Local authorities spend over £19 billion of public funds a year.

Contents

2

Summary

Good asset management can make council
buildings work better for the people using
them – but this needs active participation from
all council departments and partner agencies.
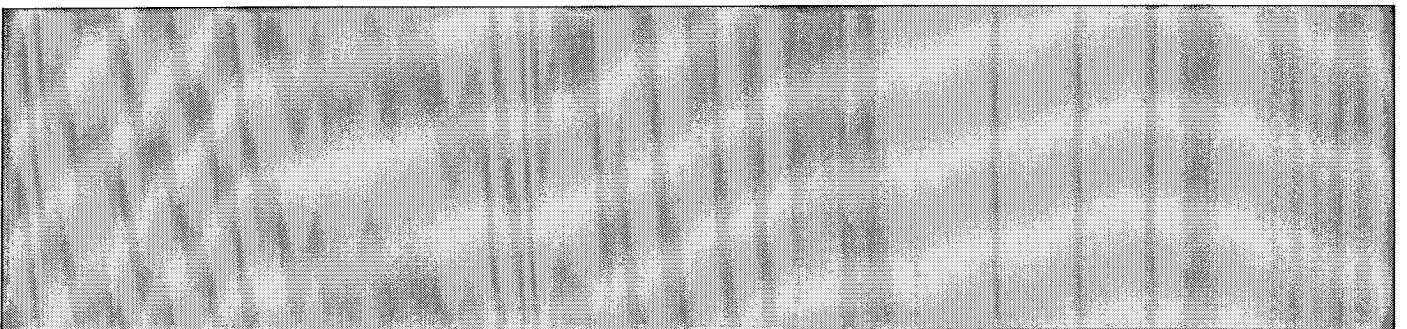
About the study

1. Assets are anything owned by an organisation that have a monetary value. Councils' fixed assets include property assets (buildings and the land they occupy), vacant land, infrastructure assets (mainly roads and bridges), vehicles, plant and machinery, and Information Technology (IT) hardware.

2. After employee costs, the largest cost to public sector bodies is what they spend on their fixed assets – councils spent around £1.1 billion on property running costs in 2007/08. Good asset management is therefore critical to a council being able to demonstrate that it is providing Best Value.

3. The overall aim of our study was to evaluate the extent to which councils manage their assets to ensure effective service provision and achieve value for money, and to make recommendations for improvement. Our report includes an overview of councils' arrangements for corporate asset management and a detailed examination of how councils manage property assets.

4. We focus on property assets in particular because they make up the majority (81 per cent) of councils' asset value (50 per cent if council housing is excluded). Property assets are important for effective service delivery, for example, by providing a welcoming, safe and secure environment for delivering services. Councils also have an opportunity to actively manage their property assets by acquisition, disposal and change of use to make improvements. Best Value audits and local audit work have shown that there is room for improvement in asset management

in many councils. We did not examine council housing or roads and infrastructure because:

* councils' housing asset management is currently subject to scrutiny by the Scottish Housing Regulator

* the Accounts Commission published a report on roads asset management (*Maintaining Scotland's roads*)[1] in 2004 and follow-up work will be conducted later this year.

The principles of good asset management can be applied to all fixed assets. Our study focuses on property for the reasons outlined above. Although we draw comparisons with the management of roads and other assets at appropriate points, the main messages included in the report refer to property assets.

5. This report was prepared on behalf of the Accounts Commission and seeks to answer the following questions:

* What assets do councils own, what is their value and what information do councils hold about their condition and suitability?

* How well are councils organised to ensure that service needs drive their asset management strategies?

* Do councils' asset management arrangements lead to increased efficiency?

* Do councils have effective arrangements for managing the performance of their assets?

6. A range of methods was used to obtain evidence, including:

* desk research and analysis – drawing on existing data sources and previously published research

* questionnaires to gather information from councils about their asset management arrangements

* fieldwork visits to five councils (Clackmannanshire, City of Edinburgh, Fife, Highland and Renfrewshire) and interviews with elected members, senior managers and practitioners, and site visits to find out the views of people who use council buildings.

7. The report also draws on material available from previous Audit Scotland work, such as national performance studies on improving the Scottish school estate, maintaining Scotland's roads, asset management in the NHS and energy efficiency in the public sector, as well as council Best Value audits and local external audit work.

8. We also make use of the work of other relevant organisations, for example, the Improvement Service,[2] the Audit Commission[3] and the work of York Consulting on behalf of the UK government.[4]

9. In addition to this report and key messages document, we have produced:

* a checklist for elected members (Appendix 1)

* technical information for practitioners about the more detailed data we collected, such as the variation in condition and suitability of different types of council properties.

1   *Maintaining Scotland's roads*, Auditor General and Accounts Commission, November 2004.
2   *Property Asset Management in Scotland's Councils: Moving Forward*, Improvement Service, March 2008.
3   *Hot Property: getting the best from local authority assets*, Audit Commission, 2000.
4   *Evaluation of Corporate Capital and Asset Planning in Local Authorities*, York Consulting, November 2007.

4

Key messages

- Overall, councils own around 12,400 property assets. Councils report that 27 per cent are in a poor or bad condition, 23 per cent are not sufficiently suitable for the services delivered from them, and 14 per cent fail in both respects.

- The people we surveyed consider access to buildings to be their most important feature, highlighting disabled access and facilities for people with disabilities as being highly important.

- Councils have good information on how accessible their buildings are for people with disabilities, but not all are acting on that information by producing access plans for their buildings quickly enough.

- Almost two-thirds of all councils report that their property maintenance backlogs are increasing. Only 23 councils were able to report the size of their backlog; this totalled £1.4 billion, and £376 million of this is described as maintenance that is urgently required. Unless councils manage this backlog, there is a risk that buildings currently in satisfactory condition will deteriorate.

- More than half of councils do not have an approved corporate asset management strategy, although many councils are in the process of developing individual strategies and plans for their fixed assets. Almost two-thirds of councils have an approved IT asset management strategy in place, but less than half have asset management strategies for roads, property and vehicle fleets.

- The majority of councils report good arrangements for collecting data about assets, and for working across services to ensure a corporate approach to asset management; but they need to improve their performance management arrangements and ensure strategies, policies and plans are up to date and coordinated, and property asset management is implemented systematically.

- There are large variations in the cost of holding property among councils. In most councils, property costs are between five per cent and 12 per cent of councils' gross revenue budget, but in some councils costs are higher.

- Although councils are reducing energy use in their buildings, environmental sustainability is not a key factor in building design. Most councils are missing opportunities for incorporating environmentally friendly features into the design of new buildings.

- Some councils gave examples of savings from rationalising office space, but few were able to provide details of significant efficiencies arising from property review and rationalisation.

- Many councils find rationalising property assets difficult to manage well. The role of elected members is of crucial importance; however, many councils do not have effective elected member scrutiny of property assets and only half provide regular information to elected members on property performance.

- Councils and health boards have a high-level commitment to joint working on property asset management. However, joint working does not appear to be widely embedded across services at a planning or operational level.

- There has been some well-planned joint working reported between social work and primary care services. Many joint property projects are developed in an opportunistic way, rather than as part of a long-term joint strategy.

- In three out of the five councils we visited, national policies on the sale of assets are seen as a barrier to joint working. For example, a health board may wish to use surplus council land for a community facility, but is not able to meet the market price which the council is required to achieve.

- Although there have been a number of national initiatives to facilitate joint working between councils, the NHS, and other partners, the impact to date on asset management has been limited.

Key recommendations

Councils should:

- work together to implement a consistent methodology for measuring building suitability

- ensure they have effective asset management plans and strategies for their property, IT, vehicles, roads and associated infrastructure. These should:

  - set out how each type of asset will contribute to council objectives and service aims

  - set targets for assessing progress, including the condition and suitability of each asset

  - describe an overall plan for achieving this

- ensure that asset information is up-to-date, complete, and held in a form which allows the production of appropriate management reports

- establish robust monitoring and reporting procedures for asset performance, to assess progress against their strategies

- formulate a long-term capital strategy, linked to achieving the aims of their asset management strategies; this should include a formal corporate approach to options appraisal for proposed capital projects

- ensure that whole-life costs are taken into account in capital and revenue planning

- consider issues of sustainability, such as CO2 emissions, in their whole-life costing model for proposed capital projects

- ensure that elected members and council officers have transparent mechanisms for scrutinising property use and the cost of holding property; elected members should regularly consider reports on the condition, suitability and use of assets, property costs, and estimates of the maintenance backlog

- where significant changes are planned to assets in an area, or to a particular type of asset, for example school buildings, ensure consultation with residents is open about the issues the council is facing and provides clear information about the options for change

- agree with community planning partners arrangements for joint planning, management and property sharing. This should include identifying and tackling the barriers to strategic joint working around public assets and developing shared property databases to facilitate joint working.

Councils, Community Planning Partnerships and the Scottish Government should:

- make use of legislation which allows councils to sell assets at below market value if it is for public benefit, where this is consistent with a published policy objective, and would achieve Best Value for the public sector overall.

Asset management in
local government

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AUDIT SCOTLAND

APPENDIX 2

KEY CHALLENGE AREAS	KEY AUDIT STUDY RECOMMENDATIONS	ASSET MANAGEMENT BOARD POSITION	COMMENTS
1. Strategy, policy and plans	Councils should ensure that they have effective asset management plans and strategies for their properties, IT, vehicles, roads and associated infrastructure.	Proposals being brought forward by Board per report to SMT 14th April 2009.	The Board will recommend improvements to service asset management, corporate asset management and capital planning arrangements.
2. Structure, roles and responsibility	Councils should ensure that elected members and council officers have transparent mechanisms for scrutinising property use and the cost of holding property.	Proposals being brought forward by Board per report to SMT 14th April 2009.	These will more clearly define corporate management arrangements, roles and responsibilities.

3. Working with service areas	As per (1) above. Plans and strategies should:- • Set out how each type of asset will contribute to council objectives and service aims. • Set targets for assessing progress, including the condition and suitability of each asset. • Describe an overall plan for achieving this.	Revision of service asset management guidance, templates, and performance framework instigated at Board meeting on 22nd May 2009. Will be embedded within Nos. 1 & 2 above.	As in Nos. 1 & 2 above this area of work will be the subject of a separate and more detailed report by the Asset Management Board.
4. Data collection	Councils should ensure asset information is up to date, complete, and in a form which allows the production of appropriate management reports	Existing action being progressed by Board. Meeting of Asset Board Sub-Group held on 5th May 2009 to develop proposals.	Proposals from this exercise will be incorporated into exercise outlined in No. 3 above.
5. Performance management	Councils should establish robust reporting procedures for asset performance, to assess progress against their strategies	Existing action being progressed by Board. Meeting of Asset Board Sub-Group held on 5th May 2009 to develop proposals.	Proposal will be contained in a more detailed report by the Asset Management Board

6. Implementation	As per (1) above. Councils should:- • formulate a long-term capital strategy, linked to achieving the aims of their asset management strategies; this should include a formal corporate approach to options appraisal for proposed capital projects. • Consider issues of sustainability, such as Co2 emissions, in their whole-life costing model for proposed capital projects. • Ensure that whole-life costs are taken into account in councils' capital and revenue planning.	Proposals being brought forward by Board per report to SMT 14th April 2009.	As in Nos. 1 & 2 above this area of work will be the subject of a separate and more detailed report by the Asset Management Board. Proposals will encompass key challenge areas Nos. 1-6
7. Commercial property review	Councils, Community Planning Partnerships and the Scottish Government should make use of legislation which allows councils to sell assets at below market value if it is for public benefit, where this is consistent with a published policy objective, and would achieve Best Value for the public sector overall.	Review of Non-operational property commissioned and completed by Board in 2008.	SOA Impact on corporate asset management arrangements to be assessed.

		Third Sector Demonstration Project currently examining public benefit aspect of asset management use and planning.	Third Sector consultation exercise taking place throughout June 2009.
8. Property review	Councils should:- • work together to implement a consistent methodology for measuring building suitability. • where significant changes are planned to assets in an area, or to a particular type of asset, for example school buildings, ensure consultation with residents is open about the issues the council is facing and provides clear information about the options for change. • agree with community planning partners arrangements for joint planning, management and property sharing. This should include identifying and tackling the barriers to strategic joint working around public assets and developing shared property databases to facilitate joint working.	The Board will continue to support membership and participation in national benchmarking groups/schemes. GIS CPP Project has recently commenced, building on earlier asset management initiative approved by CPP Management Committee in 2007. Office rationalisation studies have involved consult'on with CPP's	The Strategic Asset Manager will continue national AMP policy development role to inform current and future Board activities . This Project is sponsored by the GIS Board but will be tracked also by the Asset Management Board where it is seen as a key area for development.

ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
18 September 2009

EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2009 – 2010.

1. **SUMMARY**

   The Internal Audit Annual Plan requires that follow up reviews be conducted for all audits completed during the prior year. Internal Audit also document the progress made by departmental management in implementing the recommendations made by both External Audit and Internal Audit. The current reporting system was introduced and approved by the Audit Committee in August 2004. Set out below are the results from a review performed by Internal Audit for recommendations due to be implemented by 30th June 2009.

2. **RECOMMENDATIONS**

   2.1   The contents of this report are noted and are to be followed up by Internal Audit.

3. **DETAILS**

   3.1   Appendix 1 is a statistical summary of the 2004/05, 2006/07, 2007/08 and 2008/09 Internal Audit reports issued prior to June 2009. It details the number of recommendations to be implemented by the follow up date, the number implemented and those past their implementation date. The implementation date used for reporting to this Audit Committee is 30th June 2009. A reference column has been added to provide a link to Appendix 2, where reasons are given by local management as to why recommendations have not been implemented by the agreed date. There is an additional column showing when those actions not yet implemented had been reported to previous Audit Committees. The same layout has been used for the follow up of External Audit report recommendations.

   3.2   Appendix 1 is split into 2 documents 1a & 1b. The first document refers to all reports with recommendations due April to June 2009. The second document lists action points outstanding from the previous Audit Committees. These are points that should have been implemented by 30th March 2009 for the last Audit Committee. The same layout has been used for the reporting of External Audit report recommendations in Appendix 3.

   3.3   All new external audit reports issued by External Audit to the Council are reported initially separately to the Audit Committee with their executive summary and action plan. Thereafter they are included in the summary list for external audit.

4. **CONCLUSIONS**

   Implementation of all recommendations will continue to be monitored 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 Alex Colligan of Internal Audit on (01546 604271)

9 September 2009

Internal Audit Report Follow up - Summary

Reports With Recommendations Due From April to June 2009

Audit	Report Date	Points to be actioned by 30 June 2009	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
2008/09					
Review of Debtors	January 2009	3	1	2	C1& 5
Review of Health & Safety	March 2009	9	7	2	D3 & 6
Review of Parking & Public Convenience Income	April 2009	1	1	0	
Review of Pre-school Education	April 2009	2	2	0	
Review of Procurement for Fleet	May 2009	2	1	1	E3
Review of Purchasing 2008/09	November 2008	1	1	0	
Review of Recruitment & Retention of Staff	February 2009	7	2	5	F1,2,3,4 & 5
Review of 2007/08 Statutory Performance Indicators	August 2008	3	3	0	
Review of Tendering Procedures - Argyll Air Services	August 2008	7	7	0	
Review of Unified Benefits	March 2009	2	2	0	
Total		37	27	10	

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Points Outstanding From Previous Audit Committee

Audit	Report Date	Points Still Outstanding From Previous Audit Committees	Points to be actioned by 30 June 2009	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
2004/05						
Review of the Prudential Code	April 2005	1	1	0	1	H15
2006/07						
Review of Tendering Procedures	June 2007	1	1	1	0	
Review of School & Public Transport	August 2007	1	1	0	1	G3
2007/08						
Review of Contract Hire & Operating Leases	December 2007	2	2	1	1	A6
Review of Council & Committee Decision Follow-up	November 2007	2	2	1	1	B8
Review of Income & Banking 2008/09	November 2008	5	5	5	0	
Review of New Legislation	November 2007	1	1	1	0	
Review of Risk Management Framework	January 2008	1	1	1	0	
Total		14	14	10	4	

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APPENDIX 2

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
A - REVIEW OF CONTRACT HIRE & OPERATING LEASES							
6	MATERIAL	The advantages gained from networking of photocopiers in schools are not fully known.	The networking position in schools is to be reviewed and if necessary an implementation programme and action plan prepared. An assessment should also be made of the likely impact on school budgets	Head of Secondary Education & Pupil Support & Head of Pre-School & Primary Education	31 March 2008 31 March 2009	31 December 2009	The required cabling has been installed as part of the upgrade of LAN facilities in support of Glow. Where photocopiers exist in schools, they have been connected to the LAN. Assessments on school budgets will be carried out by individual schools by November 2009.
B - REVIEW OF COUNCIL & COMMITTEE DECISION FOLLOW-UP							
8	MATERIAL	It has been identified that there are approximately 41 to 50 TPOs outstanding.	Legal Services has agreed with Planning Services that Legal staff will be directed to address the backlog of TPOs, on a prioritised basis to be agreed with Planning.	Head of Legal & Protective Services	31 March 2008 30 November 2008 31 May 2009	31 December 2009	Legal Services will be preparing and advertising the required TPOs during the the course of the next 3 months. It is anticipated that the required TPOs will have been completed by 31 December 2009.

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
C - REVIEW OF DEBTORS							
1	MATERIAL	The Debtors section issued a 'Sundry Debtors Policy' for departments in 2004. This will need to be updated for the new system. At the same time a new Debtors Retention Policy will be required and disaster recovery procedures updated.	A new 'Sundry Debtors Policy' and Debtors Retention Policy' will be issued to compliment the implementation of the new Debtors system. Disaster recovery procedures will recognise the new Debtors system.	Exchequer Manager	29 May 2009	31 October 2009	Development of policy delayed due to delays in implementing new system – will now be addressed
5	MATERIAL	There are no collection rate targets in place. In addition, there is a lack of clarity on debtor performance reporting to Senior Management.	Management will review current performance reporting and assess the requirement to introduce collection rate targets taking into the introduction of the new Debtors system.	Head of Legal and Protective Services	29 May 2009	31 October 2009	This matter is within the remit of the Insurance Assistant who is just recently in post and will be completed by the end of October 2009.
D - REVIEW OF HEALTH AND SAFETY							
3	HIGH	The Personnel Services – Health & Safety Report 2007/08 noted that 'previous advice that the Fire Risk Assessments are a requirement has not been fully	We are concerned that this failure to comply with H&S regulations could result in further closure of premises by the fire service, a possible fine from the HSE, loss of	Director of Operational Services	31 March 2009	30 September 2009	A joint working agreement is being developed between the Councils Health and Safety Manager, Facility Services and Community Services.

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
		addressed by the Council.' It further identifies that, 'in many of the premises visited over the past four years, many of the items identified for action in the initial assessments are found to be unaddressed when revisited.' The SMT considered this report in November 2007 and recognised that no process was in place that ensured that Property Services and Community Services, who have asset management responsibilities for Council buildings, were provided with the outcomes of the Fire Risk Assessments and relevant action points which would require to be addressed through property capital or maintenance works.	insurance cover for certain premises, increased insurance premiums and damage to the corporate image of the Council. The lack of progress in dealing with the necessary work identified by the existing Fire Risk Assessments should be reported to the SMT with the recommendation that the Head of Facility Services be given the lead to undertake a review of Fire Risk Assessments. The review will identify, prioritise and cost any outstanding capital & revenue property requirements. The review will be undertaken by Property Services and Health & Safety staff with support from Community Services as required.				Meeting held on 6th June with the above parties agreed the joint working framework. Joint agreement to be operational by 30 September 2009 Evidence will be provided.
6	MEDIUM	We understand that a few claims may have been made against the Council arising from hearing loss, but the outcomes of these claims are not known by H&S Section.	Legal Services should establish a procedure to notify the outcome of any claims arising	Head of Legal & Protective Services	31 March 2009	31 October 2009	This matter is within the remit of the Insurance Assistant who is just recently in post and will be completed by the end of October 2009.

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENT ATION	REVISED DATE	COMMENT/EXPLANATION
E - REVIEW OF PROCUREMENT FOR FLEET							
3	MEDIUM	Vehicles were found to be operating in a different geographical area from that noted in the Amatics system as their home base or section.	A method of ensuring that Fleet Management are advised of inter department or section transfers of fleet items by Services should be devised and introduced to maintain the integrity of the hierarchical reporting within the Amatics system.	Waste and Fleet Manager, Facility Services.	31 May 2009 31 July 2009	30 September 2009	Fleet & Waste Manager will issue protocol at Fleet User Group Meeting August 2009
F - REVIEW OF RECRUITMENT AND RETENTION OF STAFF							
1	HIGH	Head Teachers and teaching staff involved in the Recruitment and Interview process had not received any training.	Consideration should be given to rolling out Recruitment Training to all Teaching Staff involved in the Recruitment process.	Head of Planning & Performance	30 April 2009	31December 2009	Further guidance to be issued to Head Teachers at the start of the 09/10 term. Recruitment training events have to be arranged.
2	MEDIUM	Files are retained for a period of 1 year with parts of files being kept in two locations – the school and a central office	On the completion of the Interview process all recruitment paper work should be returned to a central location and retained by the HR Officer - Resourcing for the Service. Guidance should be issued with regards to what documentation should be retained on the Recruitment file.	Head of Planning & Performance	30 April 2009	31 October 2009	A review of recruitment procedures has actioned the request that all documentation relating to recruitment be held within the Dunoon HR Office. Further guidance to be issued to Head Teachers at start of 09/10 term.

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENT ATION	REVISED DATE	COMMENT/EXPLANATION
3	HIGH	Shortleeting Forms were incomplete and did not indicate clearly who the successful candidates was	Shortleeting forms should be completed by the Chair of the interview panel. The Shortleeting forms should clearly indicate who is recommended to attend for interview.	Head of Strategic HR/Head of Planning & Performance/Head of Primary and Secondary Education	30 April 2009	31 October 2009	A review of recruitment procedures including the completion of short-leeting forms has been actioned. Further guidance to be issued to Head Teachers at start of 09/10 term.
4	HIGH	Interview Details Forms were incomplete, did not give relevant scores and did not provide sufficient narrative	Interview detail forms should be completed in full, clearly indicating scores given, with total score marked at the bottom. Interview details forms should also state the recommendation of the panel as to the successful candidate.	Head of Strategic HR/Head of Planning & Performance/Heads of Primary and Secondary Education	30 April 2009	31 October 2009	A review of recruitment procedures including the completion of short-leeting forms has been actioned. Further guidance to be issued to Head Teachers at start of 09/10 term
5	MEDIUM	A number of recording systems are used to record the PDR process	The number of systems used to record staff details, recruitment details and the PDR process should be reduced. Consideration should be given to improving the reporting system within ResourceLink in order to improve information.	Head of Strategic HR	30 April 2009	Complete	Community Services use 2 Corporate systems one is Resourcelink which records staff details, the other is VMS which is used for recruitment purposes.

Internally PDR is monitored on 2 systems but recorded on one system – Resourcelink. |

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENT ATION	REVISED DATE	COMMENT/EXPLANATION
						December 2009	Please find attached a copy of the Cognos report that is used to monitor PDR's carried out in a given period. This has been sent to all HR sections together with instructions on how to run it and to enter the data into Pyramid. Data is entered into Pyramid on a quarterly basis. I also attach a copy of the procedure which shows the information that can be recorded in RL.

Community Services are currently doing double entry – they record the info into their own database as well as RL. The Head of Planning & Performance has said previously that their system provides "additional Functionality" which RL does not. It is not clear as to what this additional functionality is though SHR have offered to work with CS previously to see if these are things which could be obtained from RL. |

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
G - REVIEW OF SCHOOL AND PUBLIC TRANSPORT 2007							
3	MATERIAL	A review of the Guideline Criteria for Supporting Bus Services has not been carried out.	A Paper reviewing the guideline Criteria should be submitted to the Executive Committee as soon as possible.	Transportation & Infrastructure Manager	30 November 2007 30 April 2008 30 November 2008 31 May 2009	31 January 2010	This has been included within the Service Review for School and Public Transport.
H - REVIEW OF THE PRUDENTIAL CODE							
15	MATERIAL	Existing strategy limitations restricts investment returns. There is an opportunity for increased returns at minimum risk	investment strategy indicators to be reviewed upon receipt of new regulations with the aim of increasing returns	Finance Manager - Development Services	30 June 2006 31 March 2007 30 September 2007 30 June 2008 31 December 2008 30 June 2009	31 March 2010	The Scottish Executive have still to produce Investment Regulations

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APPENDIX 3 A

External Audit Report Follow up - Summary

External Audit Reports With Recommendations Due From April to June 2009

Audit	Points to be actioned by 30 June 2009	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
2008/09				
Grant Thornton 2007/08 Audit - Interim Management Report	2	2	0	
Grant Thornton Report on the 2007/08 Accounts Audit	5	5	0	
Grant Thornton Progress Implementation Review - Internal Audit	1	1	0	
Total	8	8	0	

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Points Outstanding From Previous Audit Committee

Audit	Points Still Outstanding From Previous Audit Committees	Points to be actioned by 30 June 2009	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
Audit Scotland - Improving Customer Services through Better Customer Contact	1	1	1	0	
Grant Thornton 2007/08 Audit - Interim Management Report	1	1	1	0	
Grant Thornton Progress Implementation Review - Internal Audit	1	1	1	0	
Total	3	3	3	0	

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Agenda Item 11

ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
18 SEPTEMBER 2009

CONTRACT MANAGEMENT – AUDIT REPORTS.

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1. SUMMARY

The Organisational PPG considered a report dated 30 January 2009 by the Head of Roads & Amenity Services outlining the history of the Port Askaig redevelopment project and reporting on the contractual issues associated with the completed Phase 2 Marine Works contract, customer expectations and project management issues.

It was agreed to recommend to the Executive that, in view of the degree of overspend, this project be subjected to financial audit.

The Executive at their meeting on 19 March 2009 considered the recommendation from the PPG and agreed that this project be the subject of a financial audit and to refer to the Audit Committee for attention with a request that they report back to the Executive with their findings.

Internal Audit carried out a review of this project.

2. RECOMMENDATIONS

2.1 The contents of the report are noted by the Audit Committee and they report their findings to the Executive.

3. DETAILS

3.1 The main findings generated by the internal audit report found that:

Major projects were being included in the Council's Capital Plan without appropriate review and assessment of risk, benefit, need or priority.

The progress of major infrastructure projects is hampered by a lack of co-ordination, knowledge and co-operation at all levels of government involved in the process.

The construction tender process is regularly commenced even if the Council is not in a position to accept the preferred tender within the acceptance period defined in that tender.

Further detail is provided within the report itself along with an agreed management Action Plan. (See Appendix 1).

4. CONCLUSIONS

The report is submitted to the Audit Committee for consideration.

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 Alex Colligan, Internal Audit Manager (01546 604271)

Alex Colligan
Internal Audit Manager   08 September 2009.

Internal Audit Report

Operational Services

Contract Review of *Port Askaig Redevelopment*

July 2009

Argyll & Bute Council
Internal Audit Contract Review of Port Askaig Redevelopment

1 INTRODUCTION

The Port Askaig Redevelopment project has been in progress for ten years since its inception in 1999. It is now in its final stages and at a Council Executive Committee meeting on 19th March 2009 it was agreed that the project be subject to a financial audit to be considered by the Audit Committee who are then requested to report back to the Executive Committee with their findings. The gross cost is currently estimated at £13.7m compared to an original £5.5m.

2 AUDIT SCOPE AND OBJECTIVES

Our approach was to verify the facts of that report and determine the issues contributing to the overspend on the original project estimates and thereafter to prepare a financial analysis of the project and recommend actions designed to improve the financial management of future capital contracts. The analysis also considered the likely improvements to the project process the new procedures, issued in draft in June 2007 and entitled Capital Planning and Management Guide (reissued July 2008), could have had.

3 MAIN FINDINGS

3.1 Major projects were being included in the Council's Capital Plan without appropriate review and assessment of risk, benefit, need or priority.

3.2 The progress of major infrastructure projects is hampered by a lack of co-ordination, knowledge and co-operation at all levels of government involved in the process.

3.3 The construction tender process is regularly commenced even if the Council is not in a position to accept the preferred tender within the acceptance period defined in that tender.

4 FINANCIAL ANALYSIS

In 1999 the then Scottish Executive requested bids for Public Transport Funding monies from Scottish Local Authorities. These bids were required to address INTEGRATED TRANSPORT PROPOSALS within each Council Area. Argyll & Bute Council, aware that the linkspan and landing slip at Port Askaig were in need of attention, developed a redevelopment project addressing cycle, road vehicle and island and mainland ferry transport which met the criteria. The project cost submitted in support of the bid was a rough calculation prepared by Roads Design and amounted to £5,500,000 and covered road access and vehicle mustering; marine works and pier buildings. This was put together in a short timescale and the thinking at the time was, to at least get approval for the access and mustering scheme, an expanded bid including the marine works and buildings would be necessary.
The scheme envisaged removal of cliff rock from behind the pier buildings; refurbishment or demolish and rebuild of the pier buildings and the creation of a new access road to a 40mph standard with an enhanced mustering area.

The rock removed was anticipated to be used in the remaining works or stored for later use.

In the event the scheme was approved in total and a grant of £3,750,000 offered. At that time it was conditional upon the money being spent within 2 years. The project works were divided into three phases as logistically it would be impossible to accommodate more than one contractor on site at any one time. Phase 1 was the access road and mustering area; phase 2 the marine works and phase 3 the pier buildings.

While acknowledging that phase 2 & 3 costs are not yet finalised Table 1 below sets out the approximate final cost of the overall project and where possible attributes these to specific cost events. The only cost events over which the Council had complete control were the two occasions when the tenders were issued but was not in a position to place orders.

The Gate Lodge House additional cost can be partially attributed to the project management in that the Council was in a position to limit what was acceptable in the design while acknowledging the need to keep Dunlossit Estate on side. The additional work element is not considered unreasonable when one considers the alterations which had to be accommodated in the design in all three phases.

The delay inflation for phase 2 is a huge sum but the Scottish Government acknowledged the increase in market prices both as a result of steel price increases and a saturated marine work market at the time of going to tender which had not been the case only a year earlier and Table 2 demonstrates this showing the allocation of grant.

Table 1 Project Cost Analysis

Analysis	Initial Cost	Additional Costs					Forecast Cost
		Late Tender Acceptance	Gate Lodge House	Rock Excavation & Additional work	Delay Inflation and Market Conditions	Contract Variations & Claims	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Design and Consultants Fees	500				1700		2200
Phase 1 Construction	2900	243	245	200	212		3800
Phase 2 Construction	1700	249		480	2584	1787	6800
Phase 3 Construction	400				500		900
Project Total	5500	492	245	680	4996	1787	13700

Table 2 Costs and Grant Income Comparison. Note: where grant is not directly attributable it has been allocated on a pro rata basis to the Initial Cost

	Initial Cost	Forecast Cost	Grant Awards	Net Cost	2009/10 Capital Block Allocation
	£000's	£000's	£000's	£000's	£000's
Design and Consultants Fees	500	2200	545	1655	
Phase 1 Construction	2900	3800	3158	642	
Phase 2 Construction	1700	6800	5493	1307	(1000)
Phase 3 Construction	400	900	736	164	
Project Total	5500	13700	9932	3768	(1000)

The above tables show that the net overall cost of the project to Argyll & Bute Council was £2.77m with £1.1m attributable to the construction costs and of these perhaps the rock excavations and variations could be considered avoidable, although this is arguable given the volume of non construction issues.

There are two main areas of concern; the design and consultancy costs largely linked to time; and the high level of claims being experienced on phase 2 these being advised after the contract was practically completed. There is an issue here for Roads and Amenity Services to consider when selecting contractors to tender major projects and when deciding how these should be designed and supervised. It is impossible to separate the role of employer, designer and supervisor and therefore the success of the introduction of Project Boards consisting of appropriate personnel and their effectiveness is critical to the future benefit of all major projects.

Attached at Appendix 3 is a Stage Analysis of forecast and budgeted costs and revenue which attempts to demonstrate how the cost outcomes were being communicated at key stages of the project.

5 RECOMMENDATIONS

Four recommendations were identified as a result of the audit, three at a high level and one at the medium level of priority. The recommendations are shown in the action plan below. Internal Audit is advised that some of the requirements of the action plan are already being implemented but we are concerned that all Services recognise the level of support that may be required by the Capital Programme Planning and Management Guide. This will increasingly become apparent as the requirements of the Internal Audit Review of Asset Management issued in May 2009 are implemented.

6 AUDIT OPINION

Based on the findings we can conclude that at the time the project was conceived and for some time thereafter the Council did not have suitable formal procedures in place in respect of major projects for establishing desired outcomes; identifying funding resources; project identification; project selection; project implementation and monitoring reporting and impact assessment. There was also a distinct lack of project business cases and option appraisal.

Recommendations arising from the audit work should be implemented by the nominated responsible officer 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.

7   CAPITAL PROGRAMME PLANNING AND MANAGEMENT GUIDE

There are eight findings listed in parts 1 and 3 of Appendix 1 Detailed Findings all of which would have been affected if the Guide had been in place at the outset of this project. If the Guide had been in place and implemented these eight findings should not have arisen. Of prime importance to this project would have been the requirement to prepare Initial, Outline and Final Business Cases together with the appointment of a Project Board. It is impossible to say with any certainty what time or money savings would have accrued from these initiatives.
It is reasonable to assume that an effective project board would have saved the time lost from the completion of phase 1 to the start of phase 2 approximately 1 year. The project would not have been included in the capital plan either at the time or price it was included at but would have been included at a more realistic cost and timescale. It is also conceivable that savings would have been possible in consultancy and construction costs. Conjecture on these matters can only be subjective but it is considered possible that the project would have been able to have been reported as a major project completed in five years from first being approved with an overspend on marine works due to unforeseen variations and contractor claims as a result of a 6 to 9 month delay. This at least would appear preferable to a ten year contract with a 150% cost overrun.

8   ACKNOWLEDGEMENTS

Thanks are due to the Principal Engineer, and his Roads and Amenity Services colleagues 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.

APPENDIX 1   DETAILED FINDINGS

1   Capital Project Initiation

1.1   The project was conceived in response to Integrated Public Transport funding being available from the Scottish Executive and not by reason of an agreed Council need or priority.

1.2   The need for an urgent submission proposal resulted in the project cost being a rough calculation and no detailed consideration was given to the needs and risks of the project.

1.3   When the project was approved for Public Transport Funding it was included in the capital plan before all other anticipated funding (ERDF and Marine Grant) had been agreed.

1.4   No Feasibility Study or Initial Business Case was prepared at the outset of the project. "Feasibility Briefs" issued to the consultants for phases 2 and 3 were more akin to design briefs than a request for a Feasibility Study. As a result there was no consideration given to the various planning, environmental, site ownership etc. risks in advance of the project being included in the capital plan which occurred when initial funding was secured.

1.5   Four years elapsed from this project being added to the capital plan until construction commenced on site during which time planning, environmental, taxation and site ownership issues were pursued. This demonstrates the need for a full understanding of the initial business case and the risks and benefits associated with a major project prior to project approval, which were not considered in this case.

2   Co-ordination of Matters Affecting or Influencing the Project

2.1   Despite one Government Department insisting upon grants being spent within 2 years other Government Departments and Agencies are not advised of the project and the need to act constructively.

2.2   Phase 2 of the project was delayed by the failure to acquire the necessary land in accordance with the project programme. Responsibility for this failure tends to be allocated to the Project Engineer but he has little power neither to instruct personnel in other Council Services nor to dictate their timescales! However he is required to co-ordinate these internal services and must rely on their ability to communicate effectively with the various parties who may be involved. Where delays occur for whatever reason it is important that the appropriate senior management is advised.

3   Project Management

3.1   In the absence of a full feasibility study and by establishing three separate construction phases for the project there was a tendency in the early years for issues relating to the later phases to be ignored in some facets e.g. final outcome forecasting; minor planning issues; land acquisition etc.

3.2   In both phases 1 and 2 the tender process was started and progressed even although we were not in a position to accept the preferred tender within the acceptance period defined (landfill tax and site ownership issues respectively), resulting in a cost increase of £250k. in both cases. This is most certainly not the only project where this finding has been reported.

3.3   In reviewing the project costs which show an apparent £8m. gross over spend it is arguable that only the rock excavations and variations of that over spend were unavoidable. If all administration work had been completed prior to the construction phases being tendered we would have eliminated some risks and be aware of the costs already incurred. We would then have been in a position to consider alternative tender processes with a view to transferring delay risk or linking penalties for late completion from phase to phase.

4   Council Public Perception

4.1   The Council suffered from a significant amount of bad publicity on this project (others also come to mind e.g. Argyll Air Services, Rothesay Harbour). This occurred even while efforts were made to communicate the position to the local community. While not promoting the adoption of Spin it is vital that the Council uses its best endeavours to communicate a proactive positive message. This may simply mean that projects are not trumpeted before a Final Business Case has been approved but when the risks and actions being taken to manage those risks are known.

APPENDIX 2   ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	1.1 The project was conceived in response to Integrated Public Transport funding being available from the Scottish Executive and not by reason of an agreed Council need or priority. 1.2 The need for an urgent submission proposal resulted in the project cost being a guesstimate and no detailed consideration given to the needs and risks of the project. 1.3 When the project was approved for Public Transport Funding it was included in the capital plan before all anticipated funding had been agreed. 1.4 The Feasibility Briefs issued to the consultants for phases 2 and 3 were more akin to design briefs than a request	High	The Draft Capital Programme Planning and Management Guide as issued in July 2007 and subsequently revised in July 2008 should be implemented for all Strategic Change Projects. Particular cognisance should be given to Sections 2, 3 and 4 of that document.	Head of Roads and Amenity Services.	Roads and Amenity Services have now implemented The Guide which will be followed for all new projects. It is clear however that some of the processes e.g. project appraisal need to be better understood by all concerned. It is hoped that the work being promoted by the Asset Management Strategic Board will assist in this regard but this is therefore an ongoing work in progress.

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
	for a Feasibility Study. As a result there was no consideration given to the various planning, environmental, site ownership etc. risks in advance of the project being included in the capital plan which occurred when initial funding was secured.				
	1.5 Four years elapsed from this project being added to the capital plan until construction commenced on site. This demonstrates the need for a full understanding of the business case and the risks and benefits associated with a major project, which were not considered in this case.				
2	2.1 Despite one Government Department insisting upon grants being spent within 2 years other Government Departments and Agencies	High	The Council Spokesperson for Transport and Infrastructure should be requested to promote the need for co-operation among all Scottish Government	Head of Roads and Amenity Services.	This is a constant ongoing task which will be promoted through the Project Boards with Public

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No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
	are not advised of the project and the need to act constructively. 2.2 Phase 2 of the project was delayed by the failure to acquire the necessary land in accordance with the project programme. Responsibility for this failure tends to be allocated to the Project Engineer but he has no power to instruct personnel in other Council Services nor to dictate their timescales. However he is required to co-ordinate these internal services and must rely on their ability to communicate effectively with the various parties who may be involved.		Departments and Agencies as well as Services within Argyll & Bute Council which are involved in Strategic Change Infrastructure projects. This could be either direct or indirect e.g. Contact with agencies involved when a strategic change project Final Business Case is approved or Regular bulletins providing details of new projects or both.		Relations being included in project board meeting agendas with immediate effect and progressively as major projects business cases are approved.
3	3.1 In the absence of a full feasibility study and by establishing three separate construction phases for the project there was a tendency in the early years for issues	High	The Draft Capital Programme Planning and Management Guide as issued in July 2007 and subsequently revised in July 2008 should be implemented for all Strategic Change Projects. In	Head of Roads and Amenity Services.	Roads and Amenity Services have now implemented The Guide which will be followed for all new projects. It is clear

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No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
	relating to the later phases to be ignored in some facets e.g. final outcome forecasting; minor planning issues; land acquisition etc. 3.2 In both phases 1 and 2 the tender process was started and progressed even although we were not in a position to accept the preferred tender within the acceptance period defined, resulting in a cost increase of £250k. in both cases. This is most certainly not the only project where this finding has been reported. 3.3 In reviewing the project costs which show an apparent £8m. gross over spend it is arguable that only £750k. of that over spend was unavoidable. If all administration work had been completed prior to the construction phases being tendered we would have eliminated some risks and be		particular support for the Project Manager will come from Section 2 Stage 4 which identifies the need to form Project Boards and this with the adoption of the Prince 2 project management system should ensure improvement in management and decision making.		however that some of the processes e.g. project appraisal need to be better understood by all concerned. It is hoped that the work being promoted by the Asset Management Strategic Board will assist in this regard but this is therefore an ongoing work in progress.

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No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
	aware of the costs already incurred. We would then have been in a position to consider alternative tender processes with a view to transferring delay risk or linking penalties for late completion from phase to phase.				
4	The Council suffered from a significant amount of bad publicity on this project (others also come to mind e.g. Argyll Air Services, Rothesay Harbour). This occurred even while efforts were made to communicate the position to the local community. While not promoting the adoption of Spin it is vital that the Council uses its best endeavours to communicate a proactive positive message. This may simply mean that projects are not trumpeted before a Final Business Case has been approved but when the risks and actions being taken to manage them is known.	Medium	The Head of Roads and Amenity Services and the Council Spokesperson Transport and Infrastructure should develop a review programme that promotes the infrastructure work being undertaken from time to time by way of press releases, community bulletins, public meetings or other suitable forms of communication with all interested parties.	Head of Roads and Amenity Services.	This is a constant ongoing task which will be promoted through the Project Boards with Public Relations being included in project board meeting agendas with immediate effect and progressively as major projects business cases are approved.

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Appendix 3 Port Askaig Redevelopment Stage Analysis

	Aug. 1999 Proj. Cost F'cast	Budget Approval to March 2002	Sept. 2001 Project Cost Forecast	Budget Approval to March 2003	Oct. 2002 Project Cost F'cast	Budget Approval to March 2005	Dec. 2004 Project Cost Forecast	Budget Approval to March 2007	July 2006 Project Cost F'cast	Budget Approval to March 2008	Nov. 2007 Project Cost Forecast	Budget Approval to March 2009	March 2009 Project Cost F'cast
Cost	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Phase 1	3200		3640		4429		5220		5280		5280		5280
Phase 2	1850		1785		1700		2800		4780		6520		7425
Phase 3	450		776		767		672		750		995		995
Total Gross Cost	5500	1800	6201	3288	6896	4730	8691	11141	10810	11141	12795	12775	13700
Funding													
PTF	3750		3750		3750		3750		3750	3750	3750	3750	3750
ERDF					1660		2240		2240	2240	2240	2240	2240
Marine Grant	1190				900		1474		3642	3642	3642	3746	3642
Hitrans	0										300	300	300
Argyll & Bute	560				586		1227		1178		2863		3768
Total Funding	5500				6896		8691	10121	10810	9632	12795	10036	13700
See Note	**1**	**2**	**3**		**4**		**5**		**6**		**7**		**8**

Notes:
1. Represents the bid for funding submitted to the Scottish Executive in respect of Public Transport Funds being made available for qualifying integrated transport projects.

2. Amount of spend approved to date stated based on previous years actual cost plus current year budget cost. From 2007 budget is set for a three year period.

3. Revised estimated project cost following planning approval in September 2001.

    3.1 As costs were rising the access road design standard was reduced to achieve savings and this affect the environmental impact assessment therefore a further planning application was submitted in August 2002 and approved in December 2002.

4. Marine Grant secured, revised cost estimate prepared on basis of new planning application.

    4.1 Tenders for phase 1 were issued in November and returned in December 2002.

    4.2 Landfill Tax regulation changes cost implications delayed the acceptance of the tender while the resultant issues were investigated. Phase 1 works finally commenced in July 2003 when costs were ascertained. However further design issues would affect this.

5. Completion of phase 1 works.

    5.1 Delays in respect of land entry resulted in tenders for phase 2 marine work not being issued until January 2006.

6. Phase 2 tender could not be accepted until August 2006 therefore phase 1 cost known; phase 2 adjusted tender cost known but construction not yet started.

7. At this stage phase 3 has been tendered but phase 2 was not complete. The forecast cost includes contractor's claims of £1.7m of which £600k of additional work has been paid.

8. Phase 3 now nearing practical completion with the main outstanding issue the resolution of the contractor's claim.

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ARGYLL & BUTE COUNCIL

CORPORATE SERVICES

**AUDIT COMMITTEE
26 JUNE 2009**

EXTRACT OF MINUTE OF EXECUTIVE 19 MARCH 2009

12. PORT ASKAIG REDEVELOPMENT

The Executive considered a recommendation from the Organisational Development Policy and Performance Group requesting that, in view of the degree of overspend incurred by the Port Askaig Redevelopment Project, that this project be the subject of a financial audit.

Decision

To agree that this project be the subject of a financial audit and to refer the report to the Audit Committee for attention with a request that they report back to the Executive with their findings.

(Reference: Extract from Minutes of Organisational Development Policy and Performance Group of 11 February 2009 and Report by Head of Roads and Amenity Services dated 30 January 2009, submitted)

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ARGYLL & BUTE COUNCIL   **ORGANISATIONAL DEVELOPMENT PPG**

OPERATIONAL SERVICES   **11 FEBRUARY 2009**

PORT ASKAIG REDEVELOPMENT

1.   PURPOSE

The Mid-Argyll, Kintyre and the Islands Area Committee had requested that the Organisational Development Policy and Performance Group examined the way this project had been handled. A report was submitted to the Executive meeting on 18 December 2009 and they confirmed that the report should be referred to the PPG.

This report outlines the history of the project, reports on the contractual issues associated with the recently completed Phase 2 Marine Works contract, customer expectations and project management issues.

Questions raised by the Mid-Argyll, Kintyre and the Islands Area Committee along with answers have been included as an appendix to this paper

2.   RECOMMENDATIONS

It is recommended that the PPG note the contents of the report and the actions already undertaken to mitigate against such overspends in the future and note that the project has provided a high quality facility to maintain the future ferry services to Islay and Jura for a cost of only £3,118,705 to the Council

3.   PROJECT HISTORY

3.1   In 1999 the Scottish Executive created a Public Transport Fund and invited Councils to bid for the available funding.

3.2   There were considerable problems at Port Askaig with traffic congestion caused by an inadequate mustering area and the poor structural condition of the mainland ferry linkspan and the aligning structure for the Jura ferry berth.

3.3   A bid for funding for a project estimated to cost £5,500,000 was submitted in August 1999. An award of £3,750,000 was made in January 2000. The new access road and mustering area were estimated to cost £3,200,000, the Terminal building £450,000 and the Marine works £1,850,000. The Council's contribution to the works was estimated at £560,000 with an expectation of the balance coming from ERDF and Marine Grants.

3.4   It was decided at an early date that the project would have to be phased due to the restricted area at the pier and the specialisation of each of the three phases. The new access road and mustering area would be constructed first to remove the congestion from the Port Area. The specialist marine works would be the second contract with the pier buildings following last once the marine contractor had cleared the pier area to give sufficient room for access for the construction of the buildings.

3.5   Waterman Consultants were appointed in March 2000 to assist with the planning process as there was a new requirement for an environmental impact assessment.

3.6   The design of the access road and mustering area was carried out inhouse by Roads Design. Arch Henderson were appointed for the design and supervision of the marine works. Facility Services were appointed for the design and supervision of the building works

3.7   Preliminary consultations with Scottish Natural Heritage required a complete change to the proposed layouts of the port area as they required the existing pier buildings to be retained against the setting of the cliff faces. This required significant changes to the proposed design of the mustering area.

3.8   A public exhibition of the proposals was held in Bowmore on 24/25 July 2000

3.9   Planning was submitted and approved by the Council on 8 November 2000. There were no formal objections to the planning application. In January 2001 the Scottish Executive called in the application and a public inquiry was held in May 2001. Planning was approved in September 2001.

3.10 In September 2001 the project estimates were revised to £6,201,000. The main reason for the cost increase was due to changes to the design of the mustering area. The new access road and mustering area were estimated to cost £3,640,000, the Terminal building £500,000 and the Marine works £1,785,000

3.11 In April 2002 estimated project costs were continuing to rise and the decision was taken to revise the design of the access road by reducing the design standard and thus the costs. This required changes to the environmental impact assessment and a new planning application was submitted on 20 August 2002 and approved on 24 December 2002

3.12 In October 2002 a marine grant from the Scottish Executive was secured for £970,500. Estimated project costs had risen to £6,896,000. Design and the Phase 1 works were estimated at £4,429,000, Marine works at £1,700,000 and the buildings at £767,000

3.13 Tenders for the phase 1 contract for the parking and mustering were issued on 1 November 2002 and returned on 16 December 2002.

3.14 The phase 1 works had a significant volume of excavated materials to dispose of. Landfill regulations and land fill tax cost implications led to a rethink of how

to dispose of this material and delayed the start of the phase 1 works until 7 July 2003

3.15   In August 2003 ERDF grant of £2,240,000 was confirmed

3.16   The tender value of the Phase 1 contract was £3,101,868.00 after adjustment for the delay of the acceptance beyond the 3 months tender period (This was an increase of £243,000). Allowing 10% for contingencies the estimated cost of the contract works was expected to be £3,400,000 at the construction start. The contractor was I & H Brown.

3.17   The site works were completed by 19 November 2004.

3.18   The final certified payment to the contractor was £3,291,989. The cost of the Gate Lodge House was removed from the contract at a value of £120,000 as was the cost of the road repairs between Port Askaig and Ballygrant at £120,000. Therefore the comparative value should be £3,531,989 when compared to the construction start estimate of £3,400,000. £105,803 was deducted in liquidated damages so the cost to the Council was £3,426,186.

3.19   The contract was completed 98 days late but an extension of time of 58 days was awarded making the contractor 40 days late in completion of an original contract of 56 weeks. A 10 day extension of time was awarded for adverse weather, 7.5 days for delays in moving services and 40.5 days for increases in the volume of rock excavated.

3.20   The complexity of the design, the need for two major redesigns, two planning submissions, two new houses, a petrol station, mitigation of landfill tax costs and a public inquiry increased the design costs for inhouse staff and external consultant to £770,000 from an original estimate of £200,000. The phase 1 contract received a Saltire Society Project Commendation in 2005, confirming the high quality of the design.

3.21   The inability to reuse the dressed stone from the demolished gate house led to significant delays and increased costs for the new gate house from £120,000 to £354,800

3.22   The final cost of the Phase 1 works, including all the design costs was £5,220,000 against an original estimate of £3,200,000 in 1999 and £4,429,000 in October 2002. I & H Brown were considered to have performed well and did not pursue any significant claims after completion of the works.

3.23   Construction of the marine works should have followed on in 2005 after the completion of the phase 1 work but this was delayed as land entry was not available.

3.24   In December 2004 the project estimated costs had risen to £8,353,710 with the marine works estimated to cost £2,800,000 and the pier buildings £672,000. The marine grant was increased to £1,474,000. This gave a total income of £7,464,000

3.25 Tenders for the marine works were issued on 11 January 2006 and returned on 9 March 2006. The tender submitted by Carillion was the lowest at £4,284,078.64. Acceptance was not made within the required 90 days as land entry was not available. The Council had to accept the application of Baxter indicies to cover additional costs attributable to the delay in accepting the tender. The acceptance was issued on 25 August 2006 and the contract start date was 9 October 2006. It was a 48 week contract.

3.26 The tender was 71% higher than the estimated cost of £2,500,000. There was only a difference of £178,000 between the three lowest tenders indicating that the tenders were competitively priced. The increase in cost was attributable to high demand for marine works and costs of steel.

3.27 In recognition of the increasing costs of marine works the marine grant from the Scottish Executive was increased to £3,642,000 in July 2006. The project costs were now estimated at £10,810,000. £5,280,000 for the phase 1 works, £4,780,000 for the marine works and £750,000 for the pier buildings. The income was £9,632,000 making the Council contribution £1,178,000

3.28 Another factor in the decision to continue with the works was that the aligning structure for the Jura ferry was in a state of collapse and the existing linkspan was in a very poor structural condition. The linkspan was in fact closed in early 2007 forcing the diversion of all mainland ferries to Port Ellen. If the works had not been undertaken it is likely that the Jura vehicular ferry service would also have been lost due to failure of the aligning structure.

3.29 Carillion were 11 weeks late in completing the installation of the new linkspan and 23 weeks late in completing all the works. The works were completed on 18 January 2008

3.30 Variations to the works during the contract included additional work to the mainland berth extension due to poor rock conditions, variations to buried features at the location of the linkspan foundations and significant variations to the rock levels for the new Jura ferry berthing structure. These will lead to increased costs and an extension of time. In November 2007 Arch Henderson estimated the final costs to be £5,984,785. In June 2008 Arch Henderson estimated the final cost that may be claimed by Carillion to be £6,167,714 but this was not based on detailed claims from Carillion so has not been included in the budget estimates

3.31 Since completion of the works Carillion have been very slow at substantiating claims for additional costs and extensions of time and many of the staff involved in the works have left Carillion. In late November 2008 Arch Henderson received a substantial claim valued at approximately £2,500,000 taking the construction costs to a possible £6,784,000. This claim is still being examined but it is unlikely that Arch Henderson will agree this value. The current estimate of £5,984.785 has therefore been retained. This includes an estimate of £1,700,000 to cover claims and additional work of which £600,000 has been paid to date.

3.32   There is a concern that the majority of the Carillion staff involved in the project have left and this will make agreement of final measurement and claims difficult. Arch Henderson expect to have asessed the claim early in 2009.

3.33   Under the contract the maximum allowable liquidated damages are £125,000 and these have been deducted from monies due to Carillion

3.34   Arch Henderson fees have risen substantially due to the long delay in issuing tenders, the extended construction time and the complexity of the claims.

3.35   Estimated fees in 2003 were £70,000 and in 2006 £194,000. The current estimate fee cost is £535,000

3.36   2007/08 was the last year in which marine grant was available. In recognition of the increasing costs at Port Askaig the Scottish Government included an additional £1,000,000 in the Council's capital block allocation in 2009/10 for Port Askaig

3.37   The issue of tenders for the Pier Buildings was delayed until Carillion could clear the pier area to allow the pier building contractor access. Tenders were issued on 18 September 2007 and returned on 26 October 2007 as at that time Carillion were indicating completion of the site works by November 2007.

3.38   The lowest tender was submitted by MacInnes Brothers Ltd at £844,663.58 after correction. Before acceptance was issued MacInnes Brothers withdrew their tender so the tender was awarded to the second lowest which was M & K MacLeod Ltd with a corrected value of £904,351.79.

3.39   In December 2007 Hitrans awarded a grant of £300,000 towards the cost of the pier buildings

3.40   The tender was accepted on 24 January 2008 and the start date was to be 10 March 2008. The contract period is 42 weeks. M & K MacLeod were delayed in starting as Carillion had not cleared the pier area. The delay was 6 weeks. The actual start date was 21 April 2008.

3.41   M & K MacLeod are expected to complete the works by March 2009 and within the budget of £995,000

3.42   On completion of the pier buildings a small contract will be let for the road resurfacing and footways between the pier building and the Post Office. Landscaping works in the mustering area are expected to be undertaken in the Spring 2009. Work is in hand to obtain a standby generator for the linkspan.

3.43   The current estimated project cost is £13,146,000. The total income is £10,027,295. The cost to the Council is £3,118,705 of which £1,000,000 is covered by the additional capital block allocation. Claims resolution of the Phase 2 Marine Works contract is still outstanding and could lead to further cost increases.

4. PHASE 2 MARINE WORKS CONTRACT

The section of the report addresses the performance of Arch Henderson, the external consultant appointed to design and supervise the construction of the marine works, Carillion, the contractor appointed to construct the works and the issue of the public expectations from the works.

4.1 Arch Henderson – External Marine Consultant

4.1.1 In April 2000, six consultants with experience in marine work were asked to submit a pre-qualification tender for a feasibility study, final design and preparation of tender documentation for the marine works. Timescales required the planning application information by end July 2000 and tender documentation by the autumn of 2001.

4.1.2 The timescales were very short as it was driven by the need to meet the expenditure profile of the Public Transport Funding award

4.1.3 Three consultants were asked to give a presentation on their proposals on 11 May 2000. Arch Henderson was successful and appointed on 15 May 2000. The appointment was based on hourly costs as it was not possible to fully define the work required at this stage.

4.1.4 For future contracts consideration has been given to appoint a consultant for the design work on a fixed price. This approach would require committed timescales as delays would lead to cost increases. There is also a concern with a fixed price design contract that the quality of the work may diminish if the consultant was nearing his cost limit and there is no incentive for the designers to improve their designs. They would produce the design that was cheapest to design rather then cheapest to build.

4.1.5 Another alternative considered was a target contract where a target price is set and the profits/loss are shared between the Council and the consultant. These are complex to set up and lead to high target prices to ensure a profit rather than a loss. They also do not encourage efficient design.

4.1.6 The preliminary design work was completed and the planning information was submitted on time. However due to the public inquiry planning was not approved until September 2001. The consultant had been appointed with a specific condition that detail design was not to commence until planning approval was received to give the Council the opportunity to terminate the contract if the planning was unsuccessful.

4.1.7 As the works were phased Arch Henderson was under no pressure to complete the design until completion of phase 1 works. No significant final design work was undertaken until 2004 when Arch Henderson again committed resources to completing the design for a 2004 tender issue. The tender issue was delayed until January 2006 by the Council's failure to obtain land entry.

4.1.8 At the time of tender acceptance for construction of the marine works Arch Henderson fees were £142,603 for a contract estimated to cost £2,500,000

(5.7%) However at this time Arch Henderson advised that there was still detail design required on some elements of the work and that this would be undertaken during the construction period. This is normal for marine works to avoid abortive design work if unforeseen conditions are encountered.

4.1.9 Arch Henderson was appointed to undertake the site supervision works as Roads Design did not have the necessary resources available. This was again at cost. It is normal practice to pay for site supervision at cost as the levels of supervision required can vary depending on the site conditions and associated problems and the performance of the contractor.

4.1.10 Arch Henderson supervised the works on site from October 2006 to March 2008 at a supervision cost of £221,774 on a contract tender value of £4,282,078 (5.2%). These are very low supervision costs for a contract that extended from 44 weeks to 81 weeks and which required extensive travelling costs for site staff. Supervision costs are currently estimated at £230,000 to allow for dealing with claims and final measurement.

4.1.11 Arch Henderson undertook the remaining design work during the construction as well as additional design work to deal with unforeseen conditions. This raised the final design fees to £303,140. Arch Henderson charges all non site based staff costs as design costs but some may relate to what we would classify as site supervision costs. The total fee costs are £533,140 which is 12.4% of the tender cost for the marine works.

4.1.12 These fee levels are considered to be high but a significant element is attributable to the contractor's poor performance. The Council extended an 18 month contract into one covering 8 years. The construction period extended from 44 weeks to 85 weeks and we are currently going through protracted claims and final measurement issues. Once the design work commenced it would have been very difficult to change the consultant and at the start of the contract works there was no reason to consider such an action as the fees charged were reasonable.

4.1.13 Had we used a lump sum contract for the design work the Council would have been liable for constant variations due to the long delays during the design period.

4.1.14 With hindsight we should have kept a better control on the completion of the design work and had a better appreciation of the amount of design work that was outstanding at the time of the appointment of a contractor. Overall Arch Henderson have performed well in accepting the long time delays during the design period and have delivered the design work to match the contract requirements. We suspect that at times Arch Henderson were under resourced but considering the extreme timescale changes it would be unfair to make this a significant criticism.

4.1.15 The initial timescales for the project, required by the PTF funding were totally unrealistic for a project of this size and complexity. The introduction of the requirement for Environmental Assessments and the problems raised by the landfill tax regulations contributed to the delays. The biggest cause of delay to the marine works was the Council's inability to secure the required land entry.

4.2 Carillion - Contractor

4.2.1 Tenders were issued for the construction of the marine works on 11 January 2006. The tender could not be accepted within the 90 day period and the Council had to negotiate with the contractor for additional costs before the tender was accepted on 25 August 2006. The position was further complicated by the fact that tenders had been issued to Mowlem but they were taken over by Carillion before the acceptance was issued.

4.2.2 At the time of the tender issue the construction costs were estimated at £2,500,000. The lowest tender was £4,284,078. There was only a difference of £178,000 between the three lowest tenders indicating that the tenders had been competitively priced. Arch Henderson and the Scottish Executive Marine section agreed that there had been substantial increases in the costs of marine works throughout Scotland. There was a considerable pressure to commence the works due to the poor structural condition of the Jura berth aligning structure and the existing linkspan. The tender was therefore accepted.

4.2.3 Carillion's progress on the contract became a concern early in the contract. The mainland ferry was diverted from Port Askaig in January 2007, rather than in March 2007 for a period of only 4 weeks, due to the closure of the linkspan after a structural inspection. Carillion failed to capitalise on this benefit and only completed the linkspan closure some 11 weeks later than required. The progress by Carillion continued to be poor and towards the end of the contract was very poor. The site works were completed on 1 May 2008 some 37 weeks late. Carillion failed to meet their commitment for clearing the pier area and this led to a delay in the start of the pier building contract.

4.2.4 Carillion suffered several failures of their temporary works which caused concern and delayed the completion of the works. There were some necessary variations to the works for which Carillion will be entitled to an extension of time. Evaluation of this extension of time has been hampered by the lack of detail information from Carillion. Intimated variations to the works (but not agreed) are:

Weather delays	£59,000
Additional shipping movements	£17.000
Poor rock at new dolphin extension	£160,000
Fractured rock between dolphin and main pier	£193,000
Delays in completing the link span	£338,000
Replace RNLI mooring	£43,000
Linkspan variations	£54,000
Dowels to piles on Jura berth	£84,000
Misc works	£160,000
23 weeks prolongation costs	£402,500
Additional insurance costs	£20,000
Baxter indicies	£257,000

4.2.5 Carillion had intimated the basis for some claims but did not supply supporting information until November 2008. This information is now being assessed by Arch Henderson. They have intimated a claim value in the region of £2,500,000

4.2.6 The assessment of the claim has to be carried out by Arch Henderson who supervised the construction works. They check the factual content of the claim in relation to their site records and assess the contractual validity to see if the Council is liable for the costs claimed. Roads Design staff will then over view any proposed settlement before authorising payment. If Carillion do not accept the settlement offered they have the right to take the dispute to adjudication and or arbitration.

4.2.7 Many of the Mowlem staff that moved to Carillion at the start of the contract have now left Carillion and this will make agreement of final measurement and settlement of claims more difficult.

4.2.8 This contract was let under the ICE Conditions of Contract, Sixth Edition and the method of measurement was the Civil Engineering Standard Method of Measurement (3rd Edition)

4.2.9 These contracts do not allow for penalties for late completion. Liquidated damages can be applied but they are expressly forbidden to be a penalty and only allow for costs incurred by the late completion. In this contract liquidated damages were set for failure to reopen the linkspan at £10,000 per week with a limit of £100,000 and £2,500 per week for completion of the whole of the works at £2,500 per week with a limit of £25,000. The normal expectation is that a contractor will complete the works as quickly as possible to minimise his site overhead costs.

4.2.10 Once a contractor starts to under perform on a contract there is little the Council can do until it reaches a point where the Council may wish to terminate the contract. This is an extreme measure and would no doubt be contested in court by a contractor.

4.2.11 We have considered introducing penalty clauses for late completion but unless the works can be very strictly defined with little chance of variations to the requirements such clauses would be very difficult to enforce.

4.3 Customer Expectations

4.3.1 The marine works contract has attracted significant adverse reactions from users of the harbour and the Jura ferry. This is unfortunate as it detracts from the significant benefits the project has provided.

4.3.2 The Harbour Users Association have implied that the design of the inner harbour is sub-standard as it does not provide sufficient depth for large fishing vessels, it does not provide all year sheltered berthing and that the new berthing deck level is too low and is flooded by the high tides. None of these items were objectives of the design brief. The main requirement was to provide a new safe berthing structure for the Jura ferry.

4.3.3   An open structure could have been constructed and this would have left the inner harbour fully exposed to all weather conditions, closed off when the Jura ferry was berthed and with no increased capacity. By constructing a solid structure we have been able for little additional cost to meet the objective of a safe berth for the Jura ferry and also to offer significant improvements for the users of the inner harbour. The harbour users have developed expectations that were not requested or offered during the design phase.

4.3.4   The Jura ferry users suffered considerable disruption during the works and this was prolonged by the long delays in completion by Carillion. The new linkspan was increased in size specifically to allow the Jura ferry to be able to use it through all states of the tide. The design objective was to create a safer method of loading the Jura ferry and this has been achieved. The fixed ramp at the berthing structure was retained to allow Jura ferry sailings if the linkspan was out of use and for the eventual extension, if required, to a 1 in 8 fixed ramp in the future.

4.3.5   Since the design was completed the mainland ferry has started berthing overnight at Port Askaig preventing access for the Jura ferry. This has led to increased use of the fixed ramp and highlighted its inability to be used at low water. There are also conflicts with the afternoon sailings of the mainland ferry and the Jura ferry.

4.3.6   These disruptions are relatively minor and can be dealt with by minor changes to the timetabling to avoid the conflict while still providing the same number of Jura ferry sailing. Any design within such a restricted area and dealing with two distinct ferry services will require compromise or significantly increased funding.

4.3.7   Many of the items raised that are causing discontent are in fact requests for further improvements and additional work over and above the current contract. These have to be considered in the light of available budgets and the requirements for all the marine infrastructure owned by the Council. With the current level of predicted expenditure on the original project there is no scope for additional capital expenditure on the project

5.   Project Management Issues

5.1   It is important from the start of any project to have realistic timescales and to understand the complexity of the project to be undertaken. This project was driven by the unrealistic timescales of the Public Transport Funding and was further delayed by the Environmental Impact Assessment requirements, resolving landfill tax regulations, the unexpected planning inquiry and the Councils own failure to obtain land entry within the required timescales.

5.2   Prince 2 project management has now been introduced for major projects. This ensures good definition and planning of the project from an early stage with any risks being highlighted. The project board also have the necessary power to ensure all services meet required timescales.

5.3   The marine work was further delayed by the poor performance of the contractor. Once a contractor is appointed there is little the Council can do to

prevent poor performance. We can and do enforce the specification requirements. Our standard contracts do not contain penalty clauses. Introducing such clauses would push up the price of contracts as contractors would build in the additional risk of a potential penalty to their rates. Penalty clauses would be difficult to enforce as contractors would seek to lay the blame for any delays on the Council and we would still be in a dispute position. A penalty clause would only be enforceable if all the risks were passed to the contractor by having a design and build contract. However because of the risks involved the tender prices for such contracts tend to be very high. In this instance the delayed land entry would have led to significant cost increases had we had such a contract.

5.4   Project estimates are always very difficult at the start of a project when many of the potential issues and problems have not been identified. This project was particularly complex and required significant major redesigns to reflect the outcome of the preliminary design works. There was an unexpected and significant increase in the cost of marine works throughout Scotland at the time the marine contract was let. The major factor in the increased costs was the uncontrolled timescales where the project extended from an expected 3 years to 9 years.

5.5   With this project the Council bore all the cost risks for delays as the PTF and ERDF funding was fixed at the start of the project. These cost increases were significantly mitigated by increased marine grants secured by the design team. At present the project costs have increased by £7,646,000 but the Council's contribution has increased by only £1,600,000.

5.6   Significant changes to the marine works were required because of unexpected poor ground conditions. There is a balance to be struck between the cost of advanced investigation work and the potential costs of unforeseen conditions not identified at the start of the works. With hindsight it is easy to say the ground investigation was inadequate but during the design phase it was considered that sufficient ground investigation and seabed inspection had been carried out. The cost of three boreholes was £25,500. To have guaranteed to have identified the extent of the poor ground conditions found we would have had to increase this by a factor of 10

6.   IMPLICATIONS

6.1   Policy - None.

6.2   Financial – There are significant claims from Carillion for the Phase 2 Marine Works contract. If these are successful the Council will be required to fund them from the capital budget

6.3   Personnel – None

6.4   Equalities Impact Assessment - None

6.5   Legal – None.

For further information, please contact Peter Ward (Tel: 01546 604651).

Stewart Turner
Head of Roads & Amenity Services
30 January 2009

Appendix 1 – Mid-Argyll, Kintyre and the Islands Area Committee Questions

1. **What were the terms of reference to the harbour works designers?** - An outline brief describing the desired improvements was issues to several marine consultants. They were asked to give a presentation of what they thought was possible and on the basis of the presentation a consultant was appointed to develop the proposals

2. **What is the specified performance capability (vessel size, wave height, tide level) and compliance with current system failure reserve standards of the public linkspan terminal?** – This question is not fully understood and clarification has been sought from the Area Committee. Vessel size for the Jura ferry was the existing ferry and the normal standby vessel (Loch Class). The proposed improvements were discussed with Calmac who advised that they were suitable for any future vessels they may use on this route. Tide levels were as per tide tables. There was no specified wave height.

3. **What is the specified performance capability of the Jura/PA terminal and tie up berth?** - Deck levels were to match the existing pier deck. The vessel size was up to a Loch Class vessel. The linkspan was to be capable of allowing the Jura ferry to operate at all states of the tide

4. **What is the specified performance capability of the other berths?** - The proposed depth of water in the inner harbour and North harbour was determined by funding limitations and practical issues as to what was possible within that budget

5. **What is the break down of the 40% harbour works cost over run?** - Final costs have not been agreed so it is not possible to give a final cost or a breakdown of the increased costs at this point in time. The report details the main elements currently under discussion with the contractor.

6. **What has been the cost of professional fees from public funds, if confidential, on what authority?** – Arch Henderson fees are currently estimated at £535,000. Waterman fees were £318,000. Internal staff costs are £565,000

7. **Was the extra cost involved in providing the present Jura boat berth additional to the small boat harbour protective quay more than £5,000?** – This question is not understood. We provided a Jura ferry berthing face which allowed improvement of the inner harbour. Clarification of this question has been sought from the Area Committee

8. **What is the projected cost of a dedicated linkspan for the Jura boat which the Council officials undertook to determine and report back on at the Jura public meeting on 1ˢᵗ July?** - The meeting was held on 8 December 2008. Estimated costs are £900,000 - £1,500,000

9. **What is the projected cost of a wave suppresser to safeguard the Councils vessel as previously existed for the Jura berth?** – The previous berth had no wave suppressor and no commitment has been made to install one on the new berth. No work has been undertaken on such a system

10. **Will the Council now apply the £1,000,000 windfall extra grant windfall to restoring the integrity of the Jura link?** - The additional £1,000,000 was an allocation of capital funding towards the costs of the existing works. There is no spare funding

11. **What is the current and projected annual traffic to and from Jura?** –

	2005/06	2006/07	2007/08
Passengers	71800	73800	72000
Cars	24200	24000	24000
Commercials	4500	4900	4200

Traffic remains steady and the predicted levels are similar to the existing

12. **What is the current and projected annual traffic to and from the mainland?** - Calmac are being asked to supply this information

13. **Is the Jura ferry loading commercial traffic at the PA/Jura berth?** – We have advised that all commercial traffic should load via the linkspan as it is much safer

14. **What are the statistics for Jura crossings delayed or frustrated by berth issues?** – ASP have examined the records in the year before the marine works commenced and have not been able to identify any disruptions caused by low tide levels. There was considerable disruption during the berth construction

15. **Why is there no nominated harbour master, as laid down on the Government 2002 code of practice, resident on Islay?** – The code states there should be a harbour master not must be a harbour master. The cost of a full time harbour master cannot be justified. The technical officer based on Islay is able to undertake any necessary functions of the harbour master

16. **Will the Council be liable for negligence if there is an avoidable marine or personnel accident?** – The Council would be liable for an accident caused by negligence of its employees. Clarification of the rest of the question has been sought from the Area Committee

17. **What is the status of EU grant and does this require the works to be on ground with good title?** – The final amount of the ERDF grant has been claimed.

18. **Does the Council have good title to the built on the sea bed and the road and car park?**- The Council has acquired all the private land on which the works are constructed and obtained the necessary lease from the Crown Estates

19. **Has the elected Council overseen this major £13,000,000 plus project with a clear understanding of the objective to achieve an efficient interface for the islands' sea link?** –The Council has created an effective interface for vehicles

and passengers utilising the ferry services from Port Askaig. It has constructed what was agreed through the planning application.

20. **Who will carry out an on the spot audit to determine the extent to which the works are operationally satisfactory, and so value for public money, and when?** - The works as constructed have allowed the Jura ferry to continue to operate from Port Askaig and for the mainland ferry to continue operations. There is no proposal for an audit.

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ARGYLL & BUTE COUNCIL　　　　　　　　　　　　　　**AUDIT COMMITTEE**
STRATEGIC FINANCE　　　　　　　　　　　　　　　　**18 SEPTEMBER 2009**

INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2009 - 2010

1. **SUMMARY**

   The Code of Practice for Internal Audit in Local Government (the Code) issued by CIPFA in 2000 sets out good practice in delivering internal audit services. The Code was revised in 2006 and Grant Thornton UK LLP, in May 2007 carried out a Code compliance review resulting in a report. One resultant recommendation required that internal audit reports be reported to the Audit Committee. Attached are final report summaries and action plans from recent audits to be submitted to the June Audit Committee. See attached appendices.

2. **RECOMMENDATIONS**

   2.1　The contents of this report are noted and are to be followed up by Internal Audit.

3. **DETAILS**

   3.1　A list of the audit reports being presented to the Audit Committee for review has been provided. The reports have been issued prior to the circulation of the committee papers.

   3.2　In the attached Appendices are the Executive Summaries and Action Plans where applicable from finalised audit work (these have been issued separately from the committee papers) 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. **CONCLUSIONS**

   The Audit Committee is requested to note the contents of this report.

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 Alex Colligan, Internal Audit Manager (01546 604271

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Appendix1

List of Internal Audit Reports for Audit Committee 18 September 2009

No.	Report Title	Draft Issue	Management Response	Final Issue
1.	Non Domestic Rates	09 July 2009	10 August 2009	10 August 2009
2.	Year end stock 2008/09	14 July 2009	19 August 2009	19 August 2009
3.	European Grants	19 August 2009	20 August 2009	20 August 2009
4.	General Ledger 2008/09	23 June 2009	21 August 2009	21 August 2009
5.	Tendering Procedures	14 July 2009	26 August 2009	1 September 2009

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Internal Audit Report

Final

CORPORATE SERVICES DEPARTMENT

Review of Non-Domestic Rates

August 2009

Argyll & Bute Council
Internal Audit Review of Council Tax and Non-Domestic Rates

1   INTRODUCTION

This report has been prepared as a result of the Internal Audit review of Non-Domestic Rates as part of the 2009/10 Internal Audit programme.

Non - Domestic Rates (NDR) are charged on commercial properties based on a rateable value fixed by the Assessor (Dunbartonshire and Argyll & Bute Valuation Joint Board). In certain circumstances, reliefs are available for charitable organisations, disabled persons, empty properties, rural properties and small businesses.

Direct Debit is the Council's preferred method of payment for Non- Domestic Rates and may be paid in instalments. Payments can also be made by post, at any Post Office and at Council offices. Payment by debit/credit card can be arranged by telephone or via the internet.

2   AUDIT SCOPE AND OBJECTIVES

The scope of this review is limited to the Internal Control Questionnaire (ICQ) issued to the Revenues and Benefits Manager for completion.

The broad objectives were to review the following areas using CIPFA SBA control matrices for Non Domestic Rates. This will ensure that procedures and processes are in place through sampling and walk through testing in the following areas.

- **Sheriff Officer Holds**
- **Performance**
- **Income Collection**
- **Credits and refunds**
- **Checks and reconciliation**

3   RISK ASSESSMENT

As part of the audit process and in conjunction with our Systems Based Auditing, ICQ approach, the Risk Register was reviewed to identify any areas that needed to be included within the audit.

There were no areas found on the Risk Register to be included within the audit.

4   CORPORATE GOVERNANCE

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

5 MAIN FINDINGS

There were no significant findings resulting from the walk through tests and many sample tests, which were completed during the course of the audit. The Non Domestic Rate resource team continue to provide a well controlled service, however 1 minor finding has been generated and a recommendation made to further enhance controls and the operational efficiency of the service.

The main findings resulting from this audit are as follows:

- All sample and walk through testing were deemed by the auditor to have satisfactory evidence.

- Sheriff Officer Hold's recovery reports were not being adequately documented by management.

6 RECOMMENDATIONS

The audit generated 1 recommendation that has been agreed with management. This is detailed in the Action Plan set out below in Appendix 2.

7 AUDIT OPINION

Internal Audit is satisfied that the NDR section has answered the ICQ in an appropriate manner.

Based on audit findings we can conclude that Non-Domestic Rates staff were able to provide evidence of their adherence to current controls. That in both sampling and walk through tests 1 minor matter was identified and this has been discussed with management.

Recommendations arising from the audit work should be implemented by the nominated responsible officer 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 Non Domestic Rates Supervisor and her team for their co-operation and assistance during the Audit and the preparation of the report and action plan.

Argyll and 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.

APPENDIX 2   ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	Reviews of the Sheriff officer holds recovery reports were not being adequately documented	LOW	**The debt recovery staff should sign the suppression recovery reports before filing them.**	**NDR Arrears Supervisor**	28 July 2009

Internal Audit Final Report

Operational Services Department

Review of Year End Stock and Work in Progress

July 2009

CONTENTS

1.   BACKGROUND

1.1   As part of our annual audit programme for 2009 - 2010 Internal Audit carried out a review of 2008 - 09 year-end stock. The review covered Operational Services year-end stock taking procedures, stock counts, quantities and pricing along with work in progress. The findings generated by the audit were discussed with management and resulted in an agreed action plan at Appendix 1.

1.2   Within Operational Services, there remains only one store holding stock records, all others making purchases as required and booked directly to jobs. The Headquarters for the Lighting store is located in Lochgilphead with stock also being held in Campbeltown, Oban, Dunoon and Helensburgh.

2   AUDIT SCOPE AND OBJECTIVES

2.1   The broad objectives of the review were to ensure that:

- departmental procedures for the year end stock take were adequate as agreed with Internal Audit;

- sample count of stock held at the store is accurate;

- a sample of stock lines are correctly recorded in the stock system; and

- a sample test of contract works in progress (WiP) values to ensure accuracy in calculation.

3   AUDIT APPROACH

3.1   The following approach was used to satisfy the objectives of the audit:

- A copy of the instructions sent out for the year-end stock take was requested from the Finance Manager – Operational Services.

- As Lighting is the only remaining store carrying stock, Internal Audit visited this store on 31 March 2009. A sample of stock lines was reviewed and quantities found on the shelves were compared to the stock cards held by the Operational Services Department.

- Internal Audit obtained a copy of the stock certificate for lighting store from Operational Services along with the relevant working papers and reviewed these for accuracy.

- Internal Audit also met with the Assistant Operations Manager – Roads and Grounds, to test a sample of work in progress valuation calculations

produced for the year-end.

4   AUDIT FINDINGS

Stock Take Procedures

4.1   The Audit review found that the stock take procedures were comprehensive.

Stock Check

4.2   The lighting store is the only store that holds stock, this store was visited by Internal Audit. It was found that the stock count was in progress when Internal Audit arrived.

4.3   Twenty commodities were selected for review, 3 of which were later excluded as irrelevant due to them being either obsolete stock or treated as consumables. Thirteen of the remaining 17 items resulted in differences between the stock card and shelf quantities. Once the cards were updated following stock take, only 6 very small quantity differences remained. This resulted in a total stock value difference of £783.85 equating to 2.11% of the total value and therefore an immaterial difference.

4.4   Management should ensure that stock records are accurately updated on an ongoing basis to avoid further differences at next and subsequent stock checks. This will reduce the number of adjustments required in order to produce an accurate stores valuation figure for the annual accounts and may highlight any discrepancies at an early stage.

Refer to Action Plan Point 1

4.5   Prices used in calculating the stock value were found to be accurate when comparing with prices recorded on the stock cards taken from most recent invoice values.

Departmental Working Papers

4.5   Checks were conducted on the stock valuation Spreadsheets to ensure that they adequately supported the stock certificates issued to the Corporate Accounting Manager. Figures provided were found to be accurate.

Work in Progress

4.6　Internal Audit was passed a copy of the spreadsheet used to calculate the figure for the 2008 – 09 year-end Work-in-Progress. A sample of 4 items was selected from the 34 entries on the spreadsheet for review and further documentation requested for these items. Documentation was reviewed and the figures provided by Operational Services were found to be satisfactory.

5　OVERALL CONCLUSION AND ASSESSMENT AGAINST OBJECTIVES

5.1　Operational Services demonstrated that they had procedures in place for ensuring stock figures were correctly stated in the financial statements.

6　ACKNOWLEDGEMENTS

6.1　Internal Audit would like to thank Operational Services staff for their assistance in conducting the audit and producing this report.

6.2　Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the scope in paragraph 2.1 of this report. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

6.3　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.

APPENDIX 1

ACTION PLAN

ACTION PLAN NO.	PARA	GRADE	FINDING	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
1	4.3 – 4.4	Material	Prior to stock taking adjustments being marked on the stock cards, Internal Audit found that 13 of the 17 commodities reviewed resulted in quantity variances between cards and store. Although the differences were small, this resulted in adjustments having to be made to provide accurate figures for the annual accounts.	Management should ensure that stock movements are accurately recorded on an ongoing basis thus reducing the need for year-end adjustments and highlighting any discrepancies at an early stage.	Margaret Moncur Operational Services Finance Manager	

Internal Audit Report

Final

Review of Grants 2009/10

Operational Services & Development Services

August 2009

1 INTRODUCTION

This report has been prepared as a result of the Internal Audit review of grants received by Development Services and Operational Services from the Scottish Government and Strathclyde Passenger Transport (SPT).

- Cycling, Walking and Safer Streets (CWSS) from the Scottish Government.

- Concessionary Travel, from Strathclyde Passenger Transport (SPT)

2 REVIEW OBJECTIVES

This review is in response to requests from the Scottish Government and SPT that Internal Audit confirm the amounts claimed were accurate.

The broad objectives of the review were to ensure:

- All Grants are identified and applications made in accordance with grant requirements;
- Grants are only applied to the purposes provided;
- Amounts receivable / received are complete;

3 SCOPE

Internal Audit met with the staff responsible for monitoring the grants to establish the terms and conditions of the grants. Sample checks were carried out to verify the accuracy of the claims.

3.1 Development Services

Scottish Government – Cycling, Walking and Safer Streets. The Auditor received a grant claim form with a breakdown of works carried out by the contractors employed. The claim covered a number of projects undertaken by the council. Invoices were provided as back up for the claim. Each invoice was checked to ensure accuracy and a spreadsheet was completed to ensure that totals being claimed were correct. The auditor was satisfied as to the accuracy of the claim. The claim form was signed by the Internal Audit Manager.

3.2   Operational Services

Concessionary Travel, from Strathclyde passenger Transport (SPT). The Auditor received Monthly and Quarterly returns April to June 2009 for Cuan, Easdale and Lismore Ferries. Individual shift sales summary sheets for each ferry were provided and checked against the returns. After review by Internal Audit some of the returns had to be amended for any errors found. The returns were then signed as being accurate by the Internal Audit Manager.

4   ACKNOWLEDGEMENTS

The assistance and co-operation received during the course of the grant reviews is gratefully acknowledged.

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.

APPENDIX 1   DETAILED FINDINGS

1   Cycling, Walking and Safer Streets

1.1   The amounts claimed were found to be for the purpose of undertaking a programme of works for local cycling, walking and safer streets projects and complied with the grant conditions. Sufficient documentation was provided to support the claim.

2   Concessionary Travel, from Strathclyde Passenger Transport (SPT)

2.1   It was found that the figures for the Cuan Ferry had been initially overstated. Internal Audit investigated this matter and upon querying the differences with Operational Services staff, it was found that errors had occurred. The figures were subsequently changed and a new quarterly return issued, which was deemed satisfactory.

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Internal Audit Report

FINAL

Strategic Finance

Review of General Ledger Operations

August 2009

Prepared by: Charles M.Soane B.Com., C.A.

MAIN FINDINGS

From this review, and the results gained from earlier reviews, it is recognised that the Main Accounting System is soundly based and there are effective controls operating over underlying feeder systems. However, there are still problems with fully integrating the PECOS system.

5.1 A progress report on the savings achieved through eProcurement should be prepared to demonstrate the benefits of using the PECOS system. This will assist in motivating users to resolve processing problems, encourage increased usage, and ensure that all savings achieved are recognised in future budgets.

5.2 A formal eProcurement User Group should be set up as soon as possible to address perceived failings with PECOS by the current users, to share knowledge, and to ensure that all users are made aware of changes to the system which impact on the functionality and the usability of the system.

5.3 The follow-up report to the SMT on the impact of forced settlements, should also assess the overall processing position to identify whether there are any underlying problems that may have accounting impact.

5.4 The role and responsibilities of the Finance Managers / Accountants in addressing operational issues, and the clearance of unmatched entries on PECOS requires to be fully resolved.

6   RECOMMENDATIONS

Seven recommendations were identified as a result of the audit, Five medium risk and two low risk. The recommendations are shown in the action plan below.

APPENDIX 2   ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	**eProcurement User Group** It was noted that an eProcurement User Group was to be set up with representatives from each department from September 2008. A formal structure for this has yet to be achieved with separate communication continuing with separate user departments.	Medium	A formal eProcurement User Group should be set up as soon as possible to address perceived failings with PECOS by the current users, to share knowledge, and to ensure that all users are made aware of changes to the system which impact on the functionality and the usability of the system.	Exchequer Services Manager	31st October 2009
2	**Reporting to SMT** The emphasis on achieving faster settlement of invoices is clearly of benefit to suppliers in the current recession. However, there are underlying issues regarding the clearance of unmatched or mismatched entries on PECOS, and therefore also on Oracle, which require to be resolved by the user departments.	Medium	The follow-up report to the SMT on the impact of forced settlements, should also assess the overall processing position to identify whether there are any underlying problems that may have accounting impact.	Exchequer Services Manager	30th September 2009

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No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
3	**PECOS Reporting Tools** We noted that the reports being generated, prior to the force settlement of invoices, are being distributed to Finance Managers/Accountants who do not have management responsibility for the staff operating the PECOS system.	Medium	The role and responsibilities of the Finance Managers / Accountants in addressing operational issues, and the clearance of unmatched entries on PECOS requires to be fully resolved.	Exchequer Services Manager	31st October 2009
4	**Benefits realised through PECOS implementation** Progress on achieving the cost savings identified in the original eProcurement business case has not yet been fully reported.	Medium	A progress report on the savings achieved through eProcurement should be prepared to demonstrate the benefits of using the PECOS system. This will assist in motivating users to resolve processing problems, encourage increased usage, and ensure that all savings achieved are recognised in future budgets.	Exchequer Services Manager	31st October 2009

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2

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
6	**Access controls to PECOS system** Certain reports cannot currently be run on the PECOS system from the Council's computers due to a time-out security facility. To generate these reports the system interrogation is currently being run on a staff member's home computer.	Medium	I.T. should be consulted regarding enabling a suitable, secure access arrangement from within the Council's premises to minimise any risk of corruption or loss of data.	Exchequer Services Manager	Referred to I.T.

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Internal Audit Report

Operational Services

Review of Tendering Procedures

August 2009

1   INTRODUCTION

This report has been prepared as a result of the Internal Audit review of Operational Services - Tendering Procedures as part of the 2009/10 Internal Audit programme.

The Property Section based in Argyll House, Dunoon and forming part of Facility Services provide a maintenance service for all Council property and in addition offer a design and project management service for new building for all Council Services but excluding Community Services. The Section recovers its costs by way of fees charged to client services. The project selected for audit is the upgrade to Helensburgh Swimmimg Pool for Leisure Services.

2   AUDIT SCOPE AND OBJECTIVES

The broad objective of the review was to verify that the pre tender process culminating in the selection of contractors requested to submit a tender complied with Contract Standing Orders and EU directives and regulations.

In addition to the Internal Control Questionnaire (ICQ) issued to the relevant department contact for completion the scope of this review encompassed verifying that:

- The business gateway process has been operated and an appropriate IBC/OBC has been prepared
- The details included in the Capital Plan have been subject to the business gateway process
- The project has been assessed against EU directive requirements and the selection of tenderers complied with EU regulations
- Procedures for evaluating tenders, pre-qualification submissions and successful tenders are properly controlled

3   CORPORATE GOVERNANCE

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

4   MAIN FINDINGS

The findings generated by the Internal Audit review of Tendering Procedures are in fact largely identical to those found by the Service as a result of a challenge to specification and selection procedures by a contractor on a previous project which resulted in the introduction of a new process for the project reviewed. The main findings are:
Prior to this project Tendering Procedures did not ensure compliance with the principals of transparency, non-discrimination and equal treatment which guarantee that tenders are assessed in conditions of effective competition (see Appendix 1 Item 1).
The Capital Programme Planning and Management Guide gateway process has not been fully understood and applied in approving the project and the

appropriate budget resulting in Facility Services having to clarify a concern that future year project spend is not approved prior to the tender process (see Appendix 1 Item 2).

5   RECOMMENDATIONS

Four recommendations were identified as a result of the audit, 1 high, 2 medium, and 1 low priority. The recommendations are shown in the action plan below.

6   AUDIT OPINION

The auditor is satisfied that the section has answered the ICQ in an appropriate manner.

Based on the findings we can conclude that the Section has an excellent understanding of tendering procedures and the ancillary processes but as in all cases needs to be alive to statutory changes as and when they occur.

Recommendations arising from the audit work should be implemented by the nominated responsible officer 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.

7   ACKNOWLEDGEMENTS

Thanks are due to the Property Section staff in Argyll House 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.

APPENDIX 2   ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	Tendering Procedures did not ensure compliance with the principals of transparency, non-discrimination and equal treatment which guarantee that tenders are assessed in conditions of effective competition.	Medium	All consultants contracts, and building contracts less than £349,731, continue to be tendered as per the status quo. All other public works contracts in excess of £349,731 will be advertised in www.Publiccontractsscotland.gov.uk the Scottish Government's official national portal for Public sector contract opportunities and contracts in excess of £3,497,313 will also be advertised in the OJEU. In order to determine the appropriate award procedure a checklist and assessment matrix will be required to assist the decision between open and restricted procedure and thereafter to assess the pre-qualification bids and tender bids. It would be prudent if the Council sought clarity as to whether the circular also applied to works	Asset Management Strategic Board	30 November 2009

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
			contracts.		
2	The project has effectively been approved but a budget has been set for about a third of the project value thus the assumption is that future block allocations will cover the balance.	High	There is a need for clarification of the approval process as it relates to Outline Business Cases and Final Business Cases and project approval for Capital Plan and Capital Budget inclusion.	Asset Management Strategic Board	30 November 2009
3	The responses were issued to the assessment personnel in non editable electronic format. In this way the assessors could in no way influence the responses received.	Medium	The process of the E-procurement Team placing adverts and ensuring un-editable electronic files being issued to the questionnaire assessors provides a necessary internal control and should be continued for all future projects.	Exchequer Manager	30 November 2009

Agenda Item 13

ARGYLL AND BUTE COUNCIL	AUDIT COMMITTEE
CHIEF EXECUTIVE's	SEPTEMBER 2009

PERFORMANCE MANAGEMENT – PROGRESS REPORT

Summary
The Planning and Performance Management Framework (PPMF) and the Improvement Plan set out the structure and timescale for reporting the Council's performance to Elected Members on a quarterly cycle.

On 26th August, the Chief Executive and Strategic Directors presented the Council Scorecard and Departmental Scorecards to the Executive, using the Council's performance management system, Pyramid. The presentation focused on performance during the period April to June 2009, including a review of Successes, Areas for Improvement and an outline of improvement actions for the following period.

The Chief Executive's and Directors' reports and Scorecards are attached for information and as evidence of the successful delivery of the performance management process.

Recommendation
It is recommended that the Audit Committee notes the attached reports and Scorecards as evidence of the successful delivery of a robust performance management process.

For further information, please contact

David Clements
Performance Manager

Chief Executive's Scorecard (Strategy Map)

Chief Executive's Scorecard

FQ1 09/10   A →

OUTCOMES

Customer feedback CE

	Actual	Status	Trend
No. of Surveys in period	1.00	G	⇧
No. with Satisfaction above target	1.00		

Key Service Performance

	Target	Actual	Status	Trend
% of Press Releases issued that were used	70.00 %		G	⇧
Exercise Short Sermon	Sep 2009	On course	G	⇧
PS04 - Performance management & improvement		Amber	A	→
Submission of Unaudited Annual Accounts	Jun 2009	Completed	G	⇦
No. of Qualifications				
% Audits Completed Compared to Planned	100.00 %	75.00 %	R	→
Efficiency Savings Plan	Jun 2009	Completed	G	⇦
Fire Risk Assessments - % of Premises Assessed	100.00 %	100.00 %	G	⇧
Delegates evaluation of training	70.00 %	76.45 %	G	→
Revenue Budget Preparation Timetable	Feb 2010	On course	G	⇧
Capital Budget Preparation Timetable	Feb 2010	On course	G	⇧

Service Plans CE   G

	Total No	On track
Outcomes	20.00	13.00
Actions	60.00	52.00

SUMMARY

	Status	Trend
Outcomes CE	G	→
Resources CE	G	⇧
Improvement CE	R	→

RESOURCES

	Target	Actual	Status	Trend
People...				
Sickness absence	1.90 Days	0.52 Days	G	→
PDRs % complete (year to date)	20.00 %	21.59 %	G	
Leavers as % of employees		1.225 %		→

	Budget	Forecast	Status	Trend
Financial...				
Finance Revenue totals CE	£K 3,876	£K 3,876	G	→
Capital forecasts - current year CE				
Capital forecasts - total project CE				
Efficiency Savings CE	click for details of 2009-10 savings...	£K 114		

IMPROVEMENT

	Actions due	On track	Status	Trend
Service reviews CE				
External inspections CE				
Internal and external audits CE	15.00	10.00	R	

Risk CE   R = 1.00   A = 42.00   G = 31.00

Departmental performance report for Chief Executive's Scorecard **period** April – June 2009

Key Successes

1. Efficiency Savings Plan 09/10 complete.

2. Departmental sickness absence low and PDRs are on track.

3. Scorecards for delivery of the PPMF (Planning and Performance Management Framework) are now developed and on course for reporting to the public.

4. Community Engagement Strategy agreed by CPP and full Council.

5. Leadership development programme currently being delivered to 140 senior managers.

Key Challenges

1. The appointment of the new Head of Improvement and Strategic HR, and development of a revised HR Strategy, is critical to addressing various HR topics including employee communication and motivation.

2. Development and delivery of core competencies for managers will further the progress already made by the leadership development programme.

3. Although % Audits Completed is below target for this quarter, Internal Audit are on track to rectify this in quarter 2, with no concerns.

4. Improved performance reporting and more detail, particularly concerning risks and mitigating actions, will assist in assessing performance. Better information regarding Customer Feedback, Reviews and Inspections is needed across the Department.

2

Action Plan to address the Challenges

Ref	Outcome	Actions to achieve outcome	Success measures	Key dates	Lead	Source of outcome	Risks
CE 01.09.01	Revised HR Strategy delivered	Agree programme of delivery	HR Strategy delivery method and dates agreed	Oct 09	JF	Imp Plan	Reduced employee motivation
CE 01.09.02	Core competencies delivered	Chief officers' and senior officers' development programme	High attendance at events which develop management core competencies	Nov 09	JF	Imp Plan	
CE 01.09.03	Improved performance reporting	Identify method and schedule for achieving customer feedback	Customer Feedback process and schedule for all service areas	Nov 09	JF / BW	Imp Plan	
		Identify and schedule appropriate service reviews	Programme of reviews for all service areas				
		Develop standard approach to recording Risk information	Risks recorded consistently in all areas				

Changes to the Corporate Plan or Service Plans

Plan	Changes required	Lead	Date of change
	No changes required		

Community Services Scorecard (Strategy Map)   Page

Community Services Scorecard FQ1 09/10   A ⬆

OUTCOMES

Customer feedback CM		G
No. of Surveys in period	6.00	
No. with Satisfaction above target	6.00	

Key Service Performance	Target	Actual	Status	Trend
Primary attainment – Maths	88.00 %	89.00 %	G	⬆
% SCQF English & Maths Level 3	95.00 %	95.36 %	G	⬆
HMIE School Evaluations	75.00 %	75.00 %	G	⬆
CA13 - No of Foster Carers	43.00	43.00	G	⬆
CA14 - % LAAC Cared for by a Foster Carer	52.00 %	53.13 %	G	➡
CJ57 - % of Community Service Orders Successfully Completed	73.65 %	71.43 %	G	⬅
CP7 - % of Children On CPR With A Current RA	100.00 %	100.00 %	G	⬆
SCRA43 - % of IAR's & SBR's Submitted Within Timescale	75.00 %	62.37 %	G	⬅
08 - ASW4C1 % of homecare clients receiving personal care				
A&B - No of People Awaiting FPC within their Homes	0.00	2.00	G	➡
AS03M11 - % of Older People receiving Care in the Community	50.00 %	59.78 %	G	⬅
No of DD Clients Delayed Over 6 Weeks	0.00	7.00	R	➡
LITS.PD1: No. of Adults Accessing Literacy & Numeracy	120.00	146.00	G	➡
% Increase Homeless Priority Need Determinations	80.000 %	80.000 %	G	⬅
CI04 4B % Incr in Sport & Physical Activity via Active Schools		Green	A	⬆
Number of visits to Libraries per 1000 population	800.00	731.19	G	⬆
Amount of income generated by Welfare Rights	£ 150,000.00	£ 213,793.00	G	⬅
% of Social Care contracts where providers achieved compliance	95.00 %	95.00 %	G	⬆

Community Services Scorecard   FQ1 09/10   A ⬆

SUMMARY

	Status	Trend
Outcomes CM	G	⬆
Resources CM	R	⬆
Improvement CM	A	⬇

RESOURCES

People...

	Target	Actual	Status	Trend
Sickness absence	1.90 Days	2.38 Days	R	⬆
PDRs % complete (year to date)	20.00 %	4.53 %	R	
Leavers as % of employees		0.666 %		⬅

Financial...

	Budget	Forecast	Status	Trend
Finance Revenue totals CM	£K 155,427	£K 156,871	A	⬆
Capital forecasts - current year CM	£K 11,895	£K 12,623	A	⬆
Capital forecasts - total project CM	£K 44,596	£K 45,657	G	⬆
Efficiency Savings CM	click for details of 2009-10 savings...	£K 2,185		⬆

IMPROVEMENT

	Actions due	On track	Status	Trend
Service reviews CM	42.00	37.00	G	⬆
External inspections CM				
Internal and external audits CM	16.00	7.00	R	

Risk CM	R = 8.00	A = 32.00	G = 42.00

Service Plans CM	Total No	On track
Outcomes	29.00	11.00
Actions	138.00	45.00

Departmental performance report for: Community Services   **Period:** April – June 2009

Key Successes

All indicators showing "green" except Delayed Discharges over 6 weeks (red) and number of visits to libraries (amber).

Key Challenges

Maintaining/improving performance
- Ongoing management of delayed discharges – this will happen as part of the general operation of Adult Services Social Work and does not require any specific action plan.
- No. of visits to libraries is a seasonal variation, to be expected. No specific action plan required.

Action Plan to address the Challenges

Ref	Outcome	Actions to achieve outcome	Success measures	Key dates	Lead	Source of outcome	Risks

Changes to the Corporate Plan or Service Plans

Plan	Changes required	Lead	Date of change

4

Corporate Services Scorecard (Strategy Map)   Page

Corporate Services Scorecard
FQ1 09/10   A ⇧

OUTCOMES

Customer feedback CP	
No. of Surveys in period	
No. with Satisfaction above target	

Key Service Performance	Target	Actual	Status	Trend
CTAX % income received to date	29.4000 %	29.3952 %	G	➡
Housing & Council Tax Benefits - new & changes - avg days	18.00 Days	18.29 Days	G	
Procurement - % Contracted Spend				
Average Time to Resolve Incidents	6.00 Hours	8.95 Hours	G	➡
% Actions Mandates Issued Central Committees	100.00 %	93.00 %	A	⇧
% FOI responses within timescales	88.00 %	74.80 %	R	➡
Enquiry dealt with at first point of contact	80.00 %	90.52 %	G	⇧
% of Civic Licence applications processed within 28 days	90.00 %	100.00 %	G	
% of Licensing Enquiries dealt within same working day	95.00 %	97.14 %	G	
Trading Standards - % High Risk Visits Completed on time	55.00 %	55.52 %	G	⇧
Food Hygiene High Risk - % Inspections undertaken on time	100.00 %	100.00 %	G	⇧

Service Plans CP	Total No.	On track	
Outcomes	20.00	14.00	G
Actions	53.00	38.00	

SUMMARY

	Status	Trend
Outcomes CP	G	⇧
Resources CP	A	⇧
Improvement CP	A	⇧

RESOURCES

People...

	Target	Actual	Status	Trend
Sickness absence	1.90 Days	1.95 Days	G	➡
PDRs % complete (year to date)	20.00 %	25.78 %	G	
Leavers as % of employees		0.807 %		⇧

Financial...

	Budget	Forecast	Status	Trend
Finance Revenue totals CP	£K 11,622	£K 11,636	G	➡
Capital forecasts - current year CP	£K 893	£K 1,003	R	⇧
Capital forecasts - total project CP	£K 4,797	£K 4,797	G	⇧
Efficiency Savings CP	click for details of 2009-10 savings...	£K 268		

IMPROVEMENT

	Actions due	On track	Status	Trend
Service reviews CP	51.00	42.00	A	⇧
External inspections CP				
Internal and external audits CP	13.00	4.00	R	

Risk CP	R = 7.00	A = 67.00	G = 8.00

Departmental performance report for Corporate Services period Apr/Jun 2009

Key Successes
Completion of or good progress in the key Corporate Outcomes of the Customer Service Centre, Broadband Pathfinder, Process for Change and the Council's Political Management. Arrangements and Review of Community Councils Scheme; completion of European Elections

Key Challenges
1. Continuing to improve Housing and Council Tax Benefits service. A number of changes to the DWP's reporting requirements highlighted some weaknesses in our system.
2. Taking forward the implementation of revised political management arrangements and revisions to Constitution – on target
3. The work to establish Local Area Community Planning Groups and Thematic Groups along with incorporation of Community Engagement Strategy – on target
4. Completion of review of Community Councils – on target

Action Plan to address the Challenges

Ref	Outcome	Actions to achieve outcome	Success measures	Key dates	Lead	Source of outcome	Risks
Corp 1/09/01	Improved performance of Benefits Administration	Improve information to claimants at first contact, leading to applications being presented with all necessary information	Reduce application turnaround time for new applicants	By 30/09/09	JO	DWP standards	Failure to meet DWP standards could lead to the service being delivered by others
		Improved assessment model adopted with peer review	Increased accuracy of calculated benefits	By 31/09/09	JO		
		Benefits Manager to review outstanding claims and implement improved procedures	Reduce number of claims outstanding	Report to DMT Aug 09	JO		
Corp 1/09/02	New Constitution	Changes to the Constitution presented to Council for adoption in tranches	Council approves revised Constitution	By 31/12/09	NS	Council Decision	
Corp 1/09/03	Establish LACPGS and Thematic Groups	Define roles in Constitution, appoint partners, establish arrangements	LACPGS and Thematic Groups established and operating	By Nov 2009	SML/ LS	Review of Political Mgt Arrangements	
Corp 1/09/03	New Community Councils Established	Complete Review	New Scheme Adopted; elections held	Adopt Scheme August; elections end Oct	KMD	Council Decision	

Development Services Scorecard (Strategy Map)

Page

Development Services Scorecard
FQ1 09/10 — Status: R, Trend →

SUMMARY

	Status	Trend
Outcomes DS	G	⬆
Resources DS	R	⬆
Improvement DS	R	➡

OUTCOMES

Customer feedback: DS	Target	Actual	Status	Trend
No. of Surveys in period				
No. with Satisfaction above target				

Key Service Performance

	Target	Actual	Status	Trend
Increase in Council subsided Bus Services use	253,017.12	172,393.00	R	➡
Fatal/Serious Casualties	28.75	22.00	G	➡
Job outcomes for long term unemployed for Argyll and Bute	45.00 %	51.52 %	G	⬆
Grants awarded to LEADER projects in rural areas of Argyll and the Islands	£ 2,699,000.00	£ 2,637,579.00	G	⬆
ABC08xM2/PL07aM1 - CHORD PIDs have Executive approval		On course	G	
Business start ups supported	0.00	0.00	G	
% of All Planning Apps Processed in 2 months in A&B	65.00 %	69.75 %	G	⬆
% of Building Warrants Apps Responded to within 20 Days - ABC	80.00 %	85.77 %	G	⬆
Adoption of Argyll and Bute Local Plan	100.00 %	100.00 %	G	
Shandon/Helensburgh/Cardross Green Belt Review	40.00 %	20.00 %	R	
Create Core Path Plan	35.00 %	35.00 %	G	
Argyll and Bute Open Space Strategy	80.00 %	80.00 %	G	
Forest Strategy	50.00 %	50.00 %	G	
Integrated coastal zone management plan for Loch Fyne	85.00 %	80.00 %	G	

Service Plan DS	Total No.	On track	Status	Trend
Outcomes	14.00	10.00	G	⬆
Actions	24.00	23.00		

RESOURCES

People...

	Target	Actual	Status	Trend
Sickness absence	1.90 Days	2.67 Days	R	➡
PDRs % complete (year to date)	20.00 %	40.81 %	G	➡
Leavers as % of employees		0.000 %		➡

Financial...

	Budget	Forecast	Status	Trend
Finance Revenue totals DS	£K 12,102	£K 12,246	R	⬆
Capital forecasts - current year DS	£K -294	£K -293	G	➡
Capital forecasts - total project DS	£K -1	£K 0	R	➡
Efficiency Savings DS	click for details of 2009-10 savings...	£K 209		

IMPROVEMENT

	Actions due	On track	Status	Trend
Service reviews DS				
External inspections DS				
Internal and external audits DS	5.00	1.00	R	
Risk DS	R = 2.00 A = 41.00 G = 1.00			

Departmental performance report for Development Services   **period** April - June 2009

Key Successes

Development Services wishes to highlight progress made during the first quarter of 2009/10 particularly in the following respects:

Planning Services

- There has been an improvement in the level of service provided by the Development Management team; planning application processing times are improving.
- The Core Path Plan is progressing well and on track to enable the draft plan to go out for public consultation in November 2009.
- The Open Space Strategy is also on track for a finalised strategy to be adopted in November 2009.
- The draft Forestry Strategy is on schedule to enable publication of the consultation strategy in October 2009.
- The Integrated Coastal Zone Management Plan for Loch Fyne is marginally behind schedule; nevertheless the finalised plan for approval is on target for November 2009.

Additionally, and at the time of writing

- A major milestone was reached on the 6th August 2009, when the Argyll and Bute Local Plan was formally adopted. A review of the plan is now underway.

Economic Development and Strategic Transportation

- All CHORD PIDs are approved and now progressing to development of Full Business Cases.
- The Business Gateway Service was established and a full team were recruited.

Key Challenges

Planning Services

- The Green Belt Review was slightly delayed due to staff being directed towards the preparation of the Local Plan to assist with the plan's timely adoption.

Economic Development and Strategic Transportation

- Maintaining economic development outcomes during a time of recession.

Action Plan to address the Challenges

Ref	Outcome	Actions to achieve outcome	Success measures	Key dates	Lead	Source of outcome	Risks
PL04a	Green Belt review slightly behind target of issues paper published for public consultation in September 2009. (Service Plan 2009 Target.)	Appoint consultants to undertake landscape analysis of green belt including opportunities for release of land. Additional staff resources to assist lead officer.	Issues Paper Published - October 2009. Finalised Masterplan /Strategy adopted	January 2010	FM	Corporate Plan/ Service Plan	Other work priorities taking up resources. Poor public engagement
ET01	Maintaining economic development outcomes	Maintaining interface with local business community	Business start-ups and long-term unemployed entering employment	Within 2009	RP	Business Gateway and Employ-ability Service	Economic uncertainty

Changes to the Corporate Plan or Service Plans

Plan	Changes required	Lead	Date of change
	n/a		

Operational Services Scorecard (Strategy Map)

Operational Services Scorecard
FQ1 09/10 — G →

OUTCOMES

Customer feedback OS — G

Key Service Performance	No. of Surveys in period	5.00		
	No. with Satisfaction above target	4.00		G

Key Service Performance	Target	Actual	Status	Trend
% of Cat 1 road defects repaired within one working day	100.00 %	98.23 %	G	⇑
Swimming Pool Usage	42,404.00	43,934.00	G	→
% of Waste Composted	19.000 %	19.231 %	G	→
% of Waste Recycled	19.000 %	19.273 %	G	→
Asset maintenance - budget variance	10.00 %	3.83 %	G	→
Secondary School Meal Numbers/Day	1,300.00	1,818.00	G	→
Primary School Meal Numbers/Day	1,300.00	3,159.00	G	→
% Free Meal Uptake on Survey Day			G	⇑
Street lighting - % faults repaired within 7 days	95.00 %	97.37 %	G	⇑
Car Parks - % income relative to annual budget figure - A&BC	25.00 %	24.20 %	A	→
Income from Piers and Harbours	£ 753,238.15	£ 712,312.03	R	→

Service Plans OS		Total No	On track
	Outcomes	17.00	6.00
	Actions	46.00	35.00

SUMMARY

	Status	Trend
Outcomes OS	G	⇑
Resources OS	A	→
Improvement OS	A	⇑

RESOURCES

People...	Target	Actual	Status	Trend
Sickness absence	1.90 Days	3.55 Days	R	⇑
PDRs % complete (year to date)	20.00 %	6.83 %	R	
Leavers as % of employees		0.476 %		→

Financial	Budget	Forecast	Status	Trend
Finance Revenue totals OS	£K 33,239	£K 33,465	A	⇑
Capital forecasts - current year OS	£K 15,856	£K 17,809	R	⇑
Capital forecasts - total project OS	£K 82,260	£K 85,308	G	⇑
Efficiency Savings OS	click for details of 2009-10 savings...	£K 704		

Assets	Target	Actual	Status	Trend
% road network to be considered for maintenance - SRMCS Red				
% road network to be considered for maintenance - SRMCS Amber				
CM8A1 Percentage Of Council Buildings in satisfactory condition	82.100 %			
CM8B1 Percentage of Council Buildings suitable for current use	64.200 %			
No. of defects per 100km roads reported during inspections	120.00			
Columns - % street lighting columns over 30 years old	25.00 %	25.19 %	G	⇑
Standards - % bridges with a weight or width restriction	2.53 %			
Standards - % bridges failing the European standard				
Reactive road repairs as % of Revenue Budget	39.00 %			

IMPROVEMENT

	Actions due	On track	Status	Trend
Service reviews OS	25.00	22.00	A	
External inspections OS				
Internal and external audits OS				
Risk OS				

R = 1.00   A = 45.00   G = 17.00

Departmental performance report for Operational Services **period** Apr/Jun 2009

Key Successes:-

1. Asset maintenance, properties – revenue budget spend in line with plan.
This is important to ensure suitable flexibility in meeting users' needs and ensuring that statutory and health and safety requirements are met.

2. Swimming Pool Usage;
The first quarter figures show an increase compared to the same period last year due to the Service adding the usage of the Health Suite to their Swim Only package, in order to give greater value for money and increase usage. This has also been reflected in Swim Only membership sales which have risen by 13%. There has also been a greater emphasis on family fun sessions, and free swimming has been given to every child and 1 adult who books a block of 10 lessons for the duration of the block sold. Confirms the trend of excellent performance which contributes (along with our community partners) to Argyll & Bute being in 3rd position for this PI across Scotland.

3. % age of Waste composted and recycled – continuing improvement, particularly same quarter comparison.
A focus of service planning for next year is to improve on this by ensuring new services continue to offer more kerbside collection opportunities and that we take greater steps at our Recycling Centres and Civic Amenity Sites to ensure separation of materials such as wood waste and rubble. This in addition to the clarity required on the Shanks PPP contract mentioned below.

4. No of Secondary School Meal Numbers per day – continuing excellent performance.
A comparison with target figures show us running well ahead. Comparative data from APSE show us to be one of the best Scottish performers in school meal provision.

Key Challenges: -

1 Further increase %age composting & recycling figures.

2. Increase %age income from Car Parking

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3. Reactive road repairs as %age of Revenue Budget

4. % Road Network to be considered for Maintenance, especially A class roads 5. Asset Maintenance – budget variance

5. In the operation of our PDR system seek to smooth out the peaks and troughs of completion, which is currently showing us as underperforming for the first quarter of 2009/10 in spite of having met our targets last financial year.

6. Completion of missing data in Departmental Scorecard/Pyramid System.

Action Plan to address the Challenges

Ref	Issue/Outcome	Actions to achieve issue/outcome	Success measures	Key dates	Lead	Source of outcome	Risks
OS 01.09.01	Increase in Recycling and Composting Figures	Ensuring negotiations with Shanks on PPP contract are brought to successful conclusion.	Increase in measured achievement to over 40% of recycling or composting of original waste production figure	October 2009	Head of Facility Services	Ongoing Negotiations Service Changes	SEPA refusal to allow some measured diversion from composting plants. Contractual dispute if no agreement between Shanks & Council.
		Introduction of further recycling collections.					
OS 01.09.02	Increase %age income in Car Parking	Use of G4S to collect and bank cash	Increase in income	End Aug 09	Central Services Manager (CSM)	Departmental Procedures	Failure of G4S contract; Failure to properly utilise database
		Use of common database in OS	Increase in income	End July 09	CSM		
		Regular audit of procedures	Increase in income	End Dec 09	CSM & Finance Manager		Failure to carry out audits

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Ref	Issue/Outcome	Actions to achieve issue/outcome	Success measures	Key dates	Lead	Source of outcome	Risks
		Proper Enforcement and Collection from sites	Increased income – budget monitoring, better traffic management	Sept 09	Network & Environment Manager		
OS 01.09.03	Reactive road repairs as %age of Revenue Budget	Good planning of work programmes	Decrease in reactive road repairs as %age of RB	End of April 2010	Head of Roads and Amenity Services HRAS	Measurement of reactive repairs against RB	Failure to properly programme planned works from the Roads Asset Management Plan, leading to over-reliance on reactive repairs. Major adverse weather events.
OS 01.09.04	% road network to be considered for maintenance - SRMCS Red	Agree with Council in 2010/11 budget process as to importance of 'A' class roads being improved	Decrease in road conditions requiring maintenance/improvement	Annual Measure – early spring 2010	HRAS	Agreement on spend of rev & cap budgets against measured conditions. Refer to Roads Asset Man. Plan	Absolute network failure leading to road closures or restrictions.

Ref	Issue/Outcome	Actions to achieve issue/outcome	Success measures	Key dates	Lead	Source of outcome	Risks
OS 01.09.05	PDRs	Discussion to be held at DMT success measures a gradual shift towards PDRs being completed on a phased basis throughout the financial year.		Measure at February 2010	Director and Heads of Service	Measured results	Too late in financial year to address 1st quarter performance. Difficult to achieve 2nd quarter performance given previous PDRs have been done in 4th qtr mainly, but discussion with managers to ensure this is gradually smoothed over year.
OS 01.09.06	Full completion of relevant pyramid measures.	Departmental pyramid staff to co-ordinate with Corporate Policy	Non completed measures either to have targets applied or reconsider their use and out of date information to be clearly monitored	15 September 2009	Head of Facility Services and Staff	Report to Departmental Management Team	Having information input on time. Complexity of system. Inability to agree targets.

Changes to the Corporate Plan or Service Plans

Plan	Changes required	Lead	Date of change
	N/A		

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Council Scorecard (Strategy Map)

OUTCOMES

Key Performance Indicators	Target	Actual	Status	Trend
% Increase Homeless Priority Need Determinations	80.000 %	80.000 %	G	⇧
No of DD Clients Delayed Over 6 Weeks	0.00	7.00	R	⇨
AS03M11 - % of Older People receiving Care in the Community	50.00 %	99.78 %	G	⇦
% SCQF English & Maths Level 3	95.00 %	95.35 %	G	⇧
Primary attainment - Maths	86.00 %	89.00 %	G	⇨
CP7 - % of Children On CPR With A Current RA	100.00 %	190.00 %	G	⇧
Trading Standards - % High Risk Visits Completed on time	65.00 %	65.52 %	G	⇦
Housing & Council Tax Benefits - new & changes - avg days	13.00 Days	18.29 Days	G	⇧
Food Hygiene High Risk - % Inspections undertaken on time	100.00 %	100.00 %	G	⇧
% of Civic Licence applications processed within 28 days	90.00 %	100.00 %	G	⇨
Total School Meals per day	3,500.00	4,987.00	G	⇨
Swimming Pool Usage	42,404.00	43,694.00	G	⇨
Standards - % bridges with a weight or width restriction	2.50 %		G	⇦
% of Cat 1 road defects repaired within one working day	100.00 %	98.23 %	G	⇨
% of Waste Recycled or Composted	38.000 %	38.585 %	G	
AS03&H3;FLIT3&H1 - CMCRC PIDs have Executive approval	On course	On course	G	
Business start ups supported	0.00	0.00	G	
% of Planning Apps Processed in 2 months in AKB	65.00 %	69.25 %	G	⇦
% of Building Warrants Apps Responded to within 20 Days - ABC	83.000 %	85.97 %	G	⇧

Council Scorecard — G ⇧

FQ1 09/10

SUMMARY

Outcomes ABC	G	⇧
Resources ABC	A	⇨
Improvement ABC	G	⇧

OUTCOMES

Customer Delivery

		Status	Trend

	No. of Surveys in period	12.00	
Customer feedback ABC	No. with Satisfaction above target	11.00	G ⇧

Corporate Plan	Outcomes	Total No	On track	G ⇧
		14.00	10.00	

(Single Outcome Agreement)	Outcomes	Total No	On track	
		15.00	0.00	

IMPROVEMENT

Strategic Risk Register	R ⸱	A ⸱	G ⸱

Improvement Plan 2009-2010	Outcomes	Total No	On track	G ⇧
		7.0	7.0	

All SPIs - % Better minus % Worse

RESOURCES

People	Target	Actual	Status	Trend
Sickness absence	1.90 Days	2.98 Days	R	R
PDRs % complete (year to date)	20.00 %	12.17 %	R	R
Leavers as % of employees		0.614 %		⇨

Financial	Budget	Forecast	Status	Trend
Revenue Budget data ABC - Met	£K 0	£K 1,827	R	⇧
Revenue Budget data ABC - Income	£K 406,768	£K 406,875	G	⇧
Revenue Budget data ABC - Expenditure	£K 406,768	£K 408,702	G	⇧
Capital forecasts - current year ABC	£K 28,350	£K 31,142	A	⇧
Capital forecasts - total project ABC	£K 131,652	£K 135,762	G	⇧
CTAX % income received to date	29.4500 %	29.3952 %	G	⇨
Borrowing Rate	4.500 %	0.000 %	G	⇧
% Investment Returns	0.489 %	0.731 %	G	⇨
Efficiency Savings action plan 2009-10		£K 3,481		

Assets		
Asset Suitability ABC		
Asset Condition ABC		

Performance report for   Council Scorecard   **period** April – June 2009

Key Successes

1. The Key Performance Indicators are covered by Directors through the Departmental Scorecards
2. Some useful customer feedback from a range of services in Community Services and Operational Services
3. The Corporate Plan is progressing broadly on track.
4. The Improvement Plan is delivering a package of systems and processes, underpinning Council-wide improvements.
   a) Consultants have been engaged for the next phase of Process for Change.
   b) SMT approved the new Asset Management plan.
   c) The outline business case for Helensburgh office rationalisation has been approved by the Council Executive.
   d) Service reviews now include benchmarking activity as standard.
   e) Strategic and Operational Risk Registers now incorporate service planning risks.
5. The performance of over 40% of SPIs improved in the year 08/09, compared with the Scottish average of 35%.

Key Challenges

1. Personnel matters – sickness and Performance Development Review (PDR) rates need to be improved.
2. Revenue expenditure is nearly £2 million over budget. This will be addressed through normal budget monitoring processes.
3. Capital spend is forecast to be £2.6 million over budget this year, nearly £2 million of which is attributable to Roads & Amenity Services, and £600K to Education. Total Capital spend (all future years) is forecast to be £4.1 million over budget, which includes nearly £3 million to Roads & Amenity Services, £500K to Education and £300K to Adult Care. This will be addressed through normal budget monitoring processes.
4. The SPIs show that we have significant issues with Trading Standards and Inspections. This will be addressed by the review of Protective Services.
5. An increased focus on gathering Customer Satisfaction data across the Council will provide better performance information.

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Action Plan to address the Challenges

Ref	Outcome	Actions to achieve outcome	Success measures	Key dates	Lead	Source of outcome	Risks
ABC 01.09.01	Reduced sickness absence	Improved processes (e.g. return to work interviews) Additional training and support for managers Improved sickness monitoring	To be taken from HR Strategy			HR Strategy	
ABC 01.09.02	Improved PDR rates	Departmental PDR delivery plans Additional training and support for PDR reviewers and line managers Improved PDR monitoring	To be taken from HR Strategy			HR Strategy	
ABC 01.09.03	Improved customer satisfaction data	Area Committees and Local Area Community Planning Groups will engage with local communities	To be taken from the Community engagement strategy			Community engagement strategy	

Changes to the Corporate Plan or Service Plans

Plan	Changes required	Lead	Date of change
	No changes required		

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Agenda Item 14

ARGYLL AND BUTE COUNCIL   **Audit Committee**

CORPORATE SERVICES   **18 September 2009**

Risk Management and Business Continuity Strategy

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1 INTRODUCTION

1.1 The Governance and Risk Manager has been instructed to provide an updated report on the progress being made with the implementation of the Council's Risk Management and Business Continuity Strategy.

2. RECOMMENDATIONS

2.1 The Committee note the terms of this report.

3. DETAIL

3.1 Risk Registers

The Governance and Risk Manager will prepare a presentation to the Committee giving an insight into the ongoing development of the Strategic and Operational Risk Registers within Pyramid.

3.2 Business Continuity

The IT department has developed an email based action management system which will be tested during the training for Incident Room Administration staff to be undertaken by Glen Abbot, the proposed date for which is likely to be late September although the date has not been finalised.

Iain Jackson
Governance and Risk Manager

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ARGYLL AND BUTE COUNCIL   **AUDIT COMMITTEE**

                                               18 September 2009

Draft Code of Corporate Governance

1.   **Summary**

       CIPFA and SOLACE published a revised Framework for 'Delivering
       Good Governance in Local Government' in 2007. The Framework was
       intended to define the principles that should underpin the governance of
       local authorities and provides a structure to assist authorities with their
       own approach to governance. The Framework has taken the six core
       principles, from the 'Good Governance Standard for Public Services'
       (2004), and adapted these principles for local government, identifying
       eighteen supporting principles.

       In May 2008 a CIPFA/Solace guidance note for Scottish Local
       Authorities was published. This identified local code requirements
       underlying the principles and provides for self assessment of the Local
       Authority governance arrangements.

2.   **RECOMMENDATIONS**
       That the Audit Committee notes the contents of this report and more
       specifically that they;

       2.1   Approve the proposed arrangements for preparing and
                maintaining the framework;

       2.2   Approve the Draft Code of Corporate Governance and Draft
                Statement of Governance and Internal Control, subject to
                refinements over the remainder of 2009.

3.   **DETAIL**

3.1   **Arrangements for 2009/10:**

       This paper sets out the arrangements for the preparation of the Local
       Code of Corporate Governance, together with a draft annual
       governance statement, for the approval of the Audit Committee. The
       following documents are enclosed:

       - Draft Local Code of Corporate Governance 2009/10 - Appendix 1
       - Draft Statement of Governance and Internal Control – Appendix 2
       - Outline Timetable – Appendix 3
       - Chart of Responsibilities – Appendix 4

Annual Governance Statement

Scottish authorities are required by the local authority Statement of Recommended Practice ('SORP') to include a statement of internal financial control with their Annual Accounts.

However, the CIPFA framework document recommends that the review of effectiveness of the system of internal control should be reported in an annual governance statement.

Subject to the approval of the Audit Committee it is proposed that the Annual Governance Statement will be published in the Annual Accounts from 2009/10 and will incorporate the Statement of Internal Control.

Executive Responsibilities

The Director of Corporate Services, who is also the Council's Monitoring Officer, has responsibility for the preparation of the Local Code of Corporate Governance, together with the Annual Governance Statement.

He chairs a Governance Group which includes:
- Head of Strategic Finance (s95 Officer)
- Governance & Risk Manager
- Internal Audit Manager

It is recommended that this group should be augmented with the Head of Improvement & HR for 2009/10. An outline chart of responsibilities is included as Appendix 4.

Corporate Approval Process

It is anticipated that on an annual basis, the Director of Corporate Services will formally submit the following items to the Audit Committee for approval:

- The Local Code of Corporate Governance
- Arrangements for ensuring its ongoing application and effectiveness (Action Plan)
- Annual Governance Statement (including Statement of Internal Control from 2009/10)

The local Code developed by the Council should have examples of systems, processes and documentation to demonstrate compliance with the principles, along with a self evaluation, the results from which will form the basis of an improvement or action plan.

The Council's review of the effectiveness of its governance framework is informed by the work of the Executive Directors, who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager's annual report, the Governance & Risk Manager's annual report, and also comments made by the external auditors and other review agencies and inspectorates.

Following approval by the Audit Committee, the documents will be submitted for consideration by the Executive.

For further information contact:
Iain Jackson
Governance and Risk Manager
Ex: 4188

Rikki Young
Management Trainee
Ex:4170

Argyll and Bute Council – Draft Code of Corporate Governance 2009/2010

Evidence Action Plan 2009/2010

Evaluation Key
1. Not compliant with local code requirements
2. Partially compliant with local code requirements
3. Fully compliant with local code requirements
4. Exceeds the requirements of the local code

	Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
**Principle 1: Focussing on the purpose of the Authority and on the Outcomes for the Community and Creating & Implementing a Vision for the Local Area.**						
1.1	**Supporting Principle: Exercising Strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcome for citizens and service users.**						
1.1.1	Develop and promote the Authority's purpose and vision	The Council's strategic objectives are reflected in the Corporate Plan and Single Outcome Agreement	Chief Executive and SMT	3	Corporate Plan approved by Council. Single Outcome Agreement approved by Council	Head of Improvement and HR	In Place
		Clear terms of reference are set for the preparation of service plans to ensure fit with the Corporate Plan.	All Directors	3	Service Plans / Revenue Budget 2010-11 and Capital Plan approved by Council	Head of Improvement and HR	
		Service Plans clearly reflect corporate objectives	All Directors	2	Service Plans / Revenue Budget 2010-11 and Capital Plan approved by Council	All Heads of Service	
		Corporate Plan and Single Outcome Agreement approved by Council and published on the Council's website	Chief Executive and SMT	3	Corporate Plan approved by Council and published on the Council's website	Head of Improvement and HR	In Place
		Documented meetings have taken place across services to discuss key objectives in Corporate and service plans	All Directors	3	Departmental Management Team minutes	All Directors	In Place
		A Communications Strategy has been approved and is being implemented.	Chief Executive	2	tbc	Head of Improvement and HR	tbc
1.1.2	Review on a regular basis the Authority's vision for the local area and its implications for the Authority's governance arrangements	Annual review of the Corporate Plan through implementation of the Council's Planning & Performance Management Framework (PPMF)	Council and SMT	3	Corporate Plan approved by Council	Head of Improvement and HR	In Place

Argyll and Bute Council – Draft Code of Corporate Governance 2009/2010

Evidence Action Plan 2009/2010

Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
	Annual review of service plans in line with PPMF	All Directors	3	Service Plans / Revenue Budget 2010-11 and Capital Plan approved by Council	Head of Improvement and HR	tbc
	Local Governance Code has been developed in line with CIPFA/SOLACE guidelines	Director of Corporate Services	3	Annual review of the Local Governance Code. Statement of Governance and Internal Control included in 2009-10 Accounts	Director of Corporate Services / Head of Strategic Finance	tbc
1.1.3	Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	Chief Executive	3	Annual Report published on CPP website	Head of Improvement and HR	tbc
	Develop a corporate framework for all partnerships	tbc	tbc	tbc	tbc	tbc
1.1.4	Publish an Annual Report on a timely basis to communicate the Authority's activities and achievements, its financial position and performance	Head of Strategic Finance	3	Annual Accounts agreed by Council and published to the Council's website	Head of Strategic Finance	June 2009
	Prepare and publish Annual Accounts	Chief Executive	3	Annual Efficiency Statement published on the Council's website.	Head of Strategic Finance	tbc
	Prepare and publish Annual Efficiency Statement	Chief Executive	3	Annual Statutory Performance Indicator Report published on the Council's website	Head of Improvement and HR	tbc
	Prepare and publish Statutory Performance Indicator Report	Chief Executive	1	tbc	Head of Improvement	tbc
	Prepare and publish an Annual Report					

Argyll and Bute Council – Draft Code of Corporate Governance 2009/2010

Evidence Action Plan 2009/2010

	Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
1.2	**Supporting Principle: Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning**						
1.2.1	Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	A robust performance management system (Pyramid) has been developed which enables all operations to be reported on in terms of meeting performance standards targets and levels of customer satisfaction.	Head of Improvement and HR	2	Further development of Pyramid.	Head of Improvement and HR	Ongoing
		Prepare and publish Statutory Performance Indicator Report	Chief Executive	3	Annual Statutory Performance Indicator Report published on the Council's website	Head of Improvement and HR	tbc
		Documented meetings have taken place across services to discuss performance at service level	All Directors	2	Departmental Management Team minutes	All Directors	In Place
		Customer satisfaction surveys					
1.2.2	Put in place effective arrangements to identify and deal with failure in service delivery	An Audit Committee has been established. Terms of Reference include governance and risk in addition to financial matters.	Director of Corporate Services	3	Terms of Reference included in Council Constitution	Governance and Risk Manager	In Place
		The Council is proactive in reviewing its services through the internal audit team and external auditors	Internal Audit Committee		Report all Internal and External Audit reports to SMT and Audit Committee	Internal Audit Manager	In Place
		The Council has a formally established complaints policy and procedure	Governance and Risk Manager		Details of procedure available to public on the Council's website. Guidance notes for staff updated regularly and	Governance and Risk Manager	In Place

Argyll and Bute Council – Draft Code of Corporate Governance 2009/2010

Evidence Action Plan 2009/2010

Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
				available in Outlook Public Folders and Intranet		
	The complaints system records actions taken to prevent complaints recurring, and evidence that complaints inform positive service improvement.	Governance and Risk Manager		Changes in complaints process reported to SMT and DMTs. Guidance notes for staff updated regularly and available in Outlook Public Folders and Intranet	Governance and Risk Manager	In Place
	Staff have been trained in dealing with complaints and empowered and supported to deal with complaints	Governance & Risk Manager		Guidance notes for staff updated regularly and available in Outlook Public Folders and Intranet	Governance and Risk Manager	In Place
	Unified approach to complaints handling across the organisation with a common point of entry (this extends to include the Community Planning Partnership)	Governance and Risk Manager	3	Guidance notes for staff updated regularly and available in Outlook Public Folders and Intranet. Access to complaints process via Council website. Single point of entry within each service (via Complaints Officers) for stage 2 complaints. Single point of entry for stage 3 complaints (via Chief Executives office).	Governance and Risk Manager / Departmental Complaints Officers	In Place
	Regular testing of the complaints handling system to ensure it meets consumer needs and expectations	Internal Audit Manager	2	Review to be scheduled	Internal Audit Manager	tbc

Argyll and Bute Council – Draft Code of Corporate Governance 2009/2010

Evidence Action Plan 2009/2010

1.3	Supporting Principle: Ensuring that the Authority makes best use of resources and that tax payers and service users receive excellent value for money.					
Local Code	**Demonstrating Compliance**	**Responsible**	**Evaluation**	**Evidence Required**	**Lead Officer**	**Target Date**
1.3.1 Decide how value for money (VFM) is to be measured and make sure the Authority has the information needed to review VFM and performance effectively. Measure the environmental impact of policies, plans and decisions.	The authority responds positively to and acts upon the findings and recommendations of external scrutiny – Improvement Plan following BV Audit; SWIA Social Work Improvement Plan; HMIE	Council and SMT	3	Improvement Plans agreed and published on the Council's website	SMT	In Place and Ongoing
	Clear corporate instructions on how to measure VFM and a clear corporate commitment to monitor VFM	Chief Executive	tbc	tbc	Head of Strategic Finance	tbc
	Benchmarking: comparing economy, efficiency and effectiveness of services	All Directors	tbc	tbc	All Heads of Service	Ongoing
	The Council is proactive in reviewing its services through the internal audit team and external auditors	Internal Audit Manager	3	Report all Internal and External Audit reports to SMT and Audit Committee	Internal Audit Manager	In Place
	A robust performance management system (Pyramid) has been developed which enables all operations to be reported on in terms of meeting performance standards targets and levels of customer satisfaction.	Head of Improvement and HR	2	Further development of Pyramid.	Head of Improvement and HR	Ongoing
	Prepare and publish Annual Efficiency Statement	Chief Executive	3	Annual Efficiency Statement published on the Council's website.	Head of Strategic Finance	tbc

Argyll and Bute Council – Draft Code of Corporate Governance 2009/2010

Evidence Action Plan 2009/2010

Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
	Council carried out Best Value Reviews of Council services to ensure best value principles adhered to	All Directors	3	Programme of Best Value Reviews	All Directors	Ongoing

Argyll and Bute Council – Draft Code of Corporate Governance 2009/2010

Evidence Action Plan 2009/2010

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Argyll and Bute Council – Draft Code of Corporate Governance 2009/2010

Evidence Action Plan 2009/2010

Principle 2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles.						
2.1	Supporting Principle: Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.					
Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
2.1.1 Set out a clear statement of the respective roles and responsibilities of Members generally and of senior officers	Formal job descriptions for the Leader and Chief Executive have been prepared and will be reviewed annually.	tbc	tbc	Job descriptions exist for the Council Leader and Chief Executive	tbc	tbc
	The Council Constitution includes Standing Orders for Meetings, Scheme of Administration and Delegations, and an Ethical Framework	Director of Corporate Services	3	Council Constitution available on the Council's Website and Outlook Public Folders	Director of Corporate Services	In Place
	Local Governance Code has been developed in line with CIPFA/SOLACE guidelines	Director of Corporate Services	3	Annual review of the Local Governance Code. Statement of Governance and Internal Control included in 2009-10 Accounts	Director of Corporate Services / Head of Strategic Finance	Ongoing
	An updated Constitution and Partnership Agreement has been approved for the Community Planning Partnership	Chief Executive	3	Annual Report published on CPP website	Head of Improvement and HR	tbc

Argyll and Bute Council – Draft Code of Corporate Governance 2009/2010

Evidence Action Plan 2009/2010

	Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
2.2	**Supporting Principle: Ensuring that a constructive working relationship exists between Authority members and Officers and the responsibilities of the Authority members and Officers are carried out to a high standard.**						
2.2.1	Determine a scheme of delegation and reserve powers within the constitution, including a formal scheme on those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.	The Council Constitution includes Standing Orders for Meetings, Scheme of Administration and Delegations, and an Ethical Framework	Director of Corporate Services	3	Council Constitution available on the Council's Website and Outlook Public Folders	Director of Corporate Services	In Place
		There are Terms of Reference and reporting arrangements for all sub-committees of the Authority	Director of Corporate Services	3	Terms of Reference and reporting arrangements agreed by Council	Director of Corporate Services	In Place
2.2.2	Make the Chief Executive responsible and accountable to the authority for all aspects of operational management.	tbc	tbc	tbc	tbc	tbc	tbc
2.2.3	Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	tbc	tbc	tbc	tbc	tbc	tbc
2.2.4	Make a senior officer (the Section 95 Officer) responsible to the authority for ensuring that appropriate advice is given	Section 95 Officer role identified in the Council Constitution and included as a member of the Strategic Management Team	Head of Strategic Finance	3	Section 95 Officer role identifiable in the Council Constitution and included as a member of the Strategic Management	Head of Strategic Finance	In place

Argyll and Bute Council – Draft Code of Corporate Governance 2009/2010

Evidence Action Plan 2009/2010

Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
for all financial matters, for keeping proper financial records and accounts, and for maintaining effective systems of internal financial control.	Standing Orders and financial regulations contained in the Council Constitution	Director of Corporate Services	3	Standing Orders and financial regulations reviewed regularly. Constitution available on the Council's website and in Outlook Public Folders	Head of Strategic Finance	In Place
	Council Accounts comply with statutory and professional reporting standards and are prepared and approved in accordance with a preset timetable	Head of Strategic Finance	3	Annual Accounts approved by Council; External Audit report	Head of Strategic Finance	In Place
2.2.5 Make a senior officer (usually the Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.	Director of Corporate Services designated as Monitoring Officer. Roles and responsibilities set out in the Council Constitution	Director of Corporate Services	3	Director of Corporate Services designated as Monitoring Officer. Roles and responsibilities set out in the Council Constitution	Director of Corporate Services	In place

| 2.3 | Supporting Principle: Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other | | | | | |

Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
2.3.1 Develop protocols to ensure effective communication between members and officers in their respective roles	Protocols of Member / Officer relations detailed in the Council Constitution	Director of Corporate Services	3	Council Constitution available on the Council's website and Outlook Public Folders	Head of Democratic Services and Governance	In Place
	The Council has fully endorsed the Councillor's Code of Conduct introduced under the Standards In Public Life etc	Director of Corporate Services	3	All new Councillors provided with a copy of the Councillors Code of Conduct; copies available	Head of Democratic Services and Governance	In Place

Argyll and Bute Council – Draft Code of Corporate Governance 2009/2010

Evidence Action Plan 2009/2010

Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
	(Scotland) Act 2000 and has provided a copy of the Code to all Members together with appropriate training			to all Councillors on request		
2.3.2 Ensure that an established scheme for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel (if applicable) are in place.	A scheme for Member remuneration and allowances is in place; Personnel polices and Conditions of Service for employees which tie in with the national scheme in place	Director of Corporate Services / Head of Improvement and HR	3	A scheme for Member remuneration and allowances is in place; Personnel polices and Conditions of Service for employees which tie in with the national scheme in place	Head of Improvement and HR	In Place
	Structured pay scales reflecting competence for Officers in place and available on Council website. Core conditions of service available on Council website	Head of Improvement and HR	3	Structured pay scales reflecting competence for Officers in place and available on Council website. Core conditions of service available on Council website	Head of Improvement and HR	In Place
	There is a process for hearing and concluding Single Status Appeals	Head of Improvement and HR	3	Core Conditions of Service available on Council website in addition to the Scottish Council's Job Evaluation Scheme and Practice Manual	Head of Improvement and HR	In Place
2.3.4 When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.	tbc	tbc	tbc	tbc	tbc	tbc

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Local Code		Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
2.3.5	When working in partnership ensure that there is clarity about the legal status of the partnership; and ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.	tbc	tbc	tbc	tbc	tbc	tbc

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	Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
Principle 3: promoting values for the Authority and demonstrating the values of Good Governance through upholding high standards of conduct and behaviour							
3.1	**Supporting principle: Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective Governance**						
3.1.1	Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	The Council Constitution contains Standing Orders for meetings, a Scheme of Administration and Delegations, an Ethical Framework and a Code of Conduct	Director of Corporate Services	3	Council Constitution available on the Council's website and Outlook Public Folders	Director of Corporate Services	In Place
		Council business only held in private if required by legislation e.g. Section 50A(4) of the Local Government (Scotland) Act 1973	Director of Corporate Services	3	Minutes and Committee reports are published on the Council's website	Head of Democratic Services and Governance	In Place
		The Council has a formally established complaints policy and procedure	Governance and Risk Manager	3	Details of procedure available to public on Council website. Guidance notes for staff updated regularly and available in Outlook Public Folders and Intranet	Governance and Risk Manager	In Place
		Minutes and Committee reports are published on the Council's website	Director of Corporate Services	3	Minutes and Committee reports are published on the Council's website	Head of Democratic Services and Governance	In Place
		Compliance with the Data Protection and Freedom of Information Acts	Director of Corporate Services		Compliance with the Data Protection and Freedom of Information Acts	Governance and Risk Manager	In Place and Ongoing
3.1.2	Ensure that standards of conduct and personal	Protocols of Member / Officer relations detailed in the	Director of Corporate	3	Council Constitution available on the Council's	Head of Democratic	In Place

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Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
	Council Constitution	Services		website and Outlook Public Folders	Services and Governance	
behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.	The Council has fully endorsed the Councillor's Code of Conduct introduced under the Standards In Public Life etc (Scotland) Act 2000 and has provided a copy of the Code to all Members together with appropriate training	Director of Corporate Services	3	All new Councillors provided with a copy of the Councillors Code of Conduct; copies available to all Councillors on request	Head of Democratic Services and Governance	In Place
3.1.3 Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	The Ethical Framework contains the Councillors Code, Audit Committee Terms of Reference, guidelines on the conduct of employees, protocol on Member / Officer relations, Public Interest Disclosure Policy	Director of Corporate Services	3	Council Constitution available on the Council's website and Outlook Public Folders	Head of Democratic Services and Governance	In Place
	Register of Members Interests is maintained	Director of Corporate Services	3	Register of Members Interests is maintained	Director Of Corporate Services	In place

3.2 Supporting Principle: Ensuring that organisational values are put into practice and are effective

Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
3.2.1 Develop and maintain shared values for both the organisation and staff reflecting public expectations, and communicating these with members, staff, the community and partners	The Council's strategic objectives are reflected in the Corporate Plan and Single Outcome Agreement	Chief Executive and SMT	3	Corporate Plan approved by Council on **. Single Outcome Agreement approved by Council on **	Head of Improvement and HR	In Place

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Local Code		Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
3.2.2	Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.	The Council Constitution includes Standing Orders for Meetings, Scheme of Administration and Delegations, and an Ethical Framework	Director of Corporate Services	3	Council Constitution available on the Council's Website and Outlook Public Folders	Director of Corporate Services	In Place
		The Ethical Framework contains the Councillors Code, Audit Committee Terms of Reference, guidelines on the conduct of employees, protocol on Member / Officer relations, Public Interest Disclosure Policy	Director of Corporate Services	3	Council Constitution available on the Council's website and Outlook Public Folders	Head of Democratic Services and Governance	In Place
3.2.3	Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.	tbc	tbc	tbc	tbc	tbc	tbc
3.2.4	In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	tbc	tbc	tbc	tbc	tbc	tbc

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Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and risk							
4.1	**Supporting Principle: Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny**						
	Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
4.1.1	Develop and maintain an effective scrutiny function which encourages constructive challenges and enhances the authority's performance overall and that of any organisation for which it is responsible.	The role of scrutiny has been established through a scheme of delegation and committee structures.	Director of Corporate Services	3	Council Constitution available on the Council's website and Outlook Public Folders	Head of Democratic Services and Governance	In Place
4.1.2	Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	Minutes and Committee reports are published on the Council's website	Director of Corporate Services	3	Minutes and Committee reports are published on the Council's website	Head of Democratic Services and Governance	In Place
		Council business only held in private if required by legislation e.g. Section 50A(4) of the Local Government (Scotland) Act 1973	Director of Corporate Services	3	Minutes and Committee reports are published on the Council's website	Head of Democratic Services and Governance	In Place
4.1.3	Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	Protocols of Member / Officer relations detailed in the Council Constitution	Director of Corporate Services	3	Council Constitution available on the Council's website and Outlook Public Folders	Head of Democratic Services and Governance	In Place
		The Council has fully endorsed the Councillor's Code of Conduct introduced under the Standards In Public Life etc (Scotland) Act 2000 and has provided a copy of the Code to all Members together with appropriate training	Director of Corporate Services	3	All new Councillors provided with a copy of the Councillors Code of Conduct; copies available to all Councillors on request	Head of Democratic Services and Governance	In Place

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Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
	The Ethical Framework contains the Councillors Code, Audit Committee Terms of Reference, guidelines on the conduct of employees, protocol on Member / Officer relations, Public Interest Disclosure Policy	Director of Corporate Services	3	Council Constitution available on the Council's website and Outlook Public Folders	Head of Democratic Services and Governance	In Place
	Register of Members Interests is maintained	Director of Corporate Services	3	Register of Members Interests is maintained	Director Of Corporate Services	In place
	The Council Constitution contains Standing Orders relating to Contracts	Director of Corporate Services	3	Standing Orders and financial regulations reviewed regularly. Constitution available on the Council's website and in Outlook Public Folders	Head of Strategic Finance	In Place
4.1.4	Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other arrangements for the discharge of the functions of such a committee.	An Audit Committee has been established. Terms of Reference include governance and risk in addition to financial matters.	Director of Corporate Services	3	Terms of Reference included in Council Constitution	Governance and Risk Manager	In Place

Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
4.2	**Supporting principle: Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/ needs**					
4.2.1	Ensure that those making decisions, whether for the Authority or the partnership,	**Prince2 adopted as project management methodology to be employed on all projects	All Directors		Training undertaken for staff at Third-Tier level and above; project	Head of Improvement and HR	Ongoing

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Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
are provided with information that is fit for purpose, relevant, timely, and gives clear explanations of technical issues and their implications.	and associated documents**			documentation follows standard approach utilising Prince2		
4.2.2 Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and is used appropriately.	Minutes and Committee reports are published on the Council's website	Director of Corporate Services	3	Minutes and Committee reports are published on the Council's website	Head of Democratic Services and Governance	In Place

4.3	**Supporting Principle: Ensuring that an effective risk management system is in place**					
Local Code	**Demonstrating Compliance**	**Responsible**	**Evaluation**	**Evidence Required**	**Lead Officer**	**Target Date**
4.3.1 Ensuring that risk management is embedded into the culture of the Authority with members and managers at all levels recognising that risk management is part of their jobs.	A risk based approach is a key component of the Council's Planning and Performance Management Framework (PPMF)	Chief Executive	3	**Corporate Plan, Service Plans, other plans, all demonstrate risk based approach	Head of Improvement and HR	Ongoing
	Ongoing development of Strategic and Operational Risk Registers	All Directors	3	Strategic and Operational Risk Registers maintained and available in Outlook Public Folders	Governance and Risk Manager	Ongoing
	Prince2 adopted as project management methodology to be employed on all projects and associated documents	All Directors	**	Training undertaken for staff at Third-Tier level and above; project documentation follows standard approach utilising Prince2	Head of Improvement and HR	Ongoing

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Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
	Risk Management Policy Statement and Strategy in place	Governance and Risk Manager	2	Risk Management Policy Statement and Strategy in place	Governance and Risk Manager	tbc
	Corporate Risk Management Group in place to oversee risk management process	Governance and Risk Manager	3	Risk Management Group meets regularly and reports *** to the Audit Committee	Governance and Risk Manager	In Place
	The Audit Committee has been given specific responsibilities including risk management	Director of Corporate Services	3	Terms of Reference included in Council Constitution	Governance and Risk Manager	In Place
4.3.2	Whistle blowing policy?** Public Interest Disclosure Policy in Council Constitution	Director of Corporate Services	tbc	tbc	tbc	tbc
	Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access.					

4.4 | **Supporting principle: Using their legal powers to the full benefit of the citizens and communities in their area**

Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
4.4.1	Council Constitution reflects the legal requirements placed upon the authority	Director of Corporate Services	3	Council Constitution available on the Council's website and Outlook Public Folders	Director of Corporate Services	In Place
	Director of Corporate Services designated as Monitoring Officer. Roles and responsibilities set out in the Council Constitution	Director of Corporate Services	3	Director of Corporate Services designated as Monitoring Officer. Roles and responsibilities set out in the Council Constitution	Director of Corporate Services	In place
4.4.2	Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on	Head of Democratic Services and Governance / Head of Improvement	3	Training provided during regulatory changes, such as Licensing (Scotland) Act 2003 implementation, new planning system within the Council	Head of Democratic Services and Governance / Head of Improvement	Ongoing

Also (Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.) and (Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on)

Training provided to relevant Members and Officers in areas of identified need, for example Planning and Licensing matters

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Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
local authorities by public law		and HR			and HR	
	Advice from the Director of Corporate Services or his nominated Officer is available at all decision making meetings	Director of Corporate Services	3	Advice from the Director of Corporate Services or his nominated Officer is available at all decision making meetings	Director of Corporate Services	In Place
	Legal advice is available to all departments from the Council's Legal Services department	Head of Legal and Protective Services	3	Legal advice is available to all departments from the Council's Legal Services department	Head of Legal and Protective Services	In Place
	Partnership agreement is in place with Brodies LLP for matters requiring specialist legal advice	Head of Legal and Protective Services	3	Partnership agreement is in place with Brodies LLP for matters requiring specialist legal advice	Head of Legal and Protective Services	In Place
	Any legal advice or legal implications are recorded under the 'legal implications' section of relevant reports. Any subsequent decision is thereafter recorded in the minute of the meeting	All Directors	3	Minutes and Committee reports are published on the internet	Head of Democratic Services and Governance	In Place
4.4.3 Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice, into their procedures and decision making processes.	Council Constitution reflects the legal requirements placed upon the Council	Director of Corporate Services	3	Council Constitution available on the Council's website and Outlook Public Folders	Director of Corporate Services	In Place
	Director of Corporate Services designated as Monitoring Officer. Roles and responsibilities set out in the Council Constitution	Director of Corporate Services	3	Director of Corporate Services designated as Monitoring Officer. Roles and responsibilities set out in the Council Constitution	Director of Corporate Services	In Place

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Principle 5: Developing the capacity and capabilities of members and officers to be effective

5.1	**Supporting principle: Making sure that members and officers have the skills, knowledge and experience and resources they need to perform their roles well**						
	Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
5.1.1	Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.	Induction training provided to all new Members	Director of Corporate Services	3	Induction training provided to any new Members as a result of a by-election	Head of Democratic Services and Governance	In Place
		The Council has fully endorsed the Councillor's Code of Conduct introduced under the Standards In Public Life etc (Scotland) Act 2000 and has provided a copy of the Code to all Members together with appropriate training	Director of Corporate Services	3	All new Councillors provided with a copy of the Councillors Code of Conduct; copies available to all Councillors on request	Head of Democratic Services and Governance	In Place
		Corporate Induction Programme in place for all new employees	Head of Improvement and HR	3	Corporate induction training provided to all new members of staff	Learning and Development Manager	In Place
		PDR process in place for all employees, with training and development plans	Head of Improvement and HR	2	PDRs for staff take place; training and development plans produced	All Heads of Services	Ongoing
5.1.2	Ensure that statutory officers have the skills, resources and support necessary to perform actively in their roles and that these roles are properly understood throughout the authority.	PDR process in place for all employees, with training and development plans	Head of Improvement and HR	2	PDRs for staff take place; training and development plans produced	All Heads of Services	Ongoing
		Job descriptions and Person Specifications in place for all employees	Head of Improvement and HR		Job descriptions and Person Specifications in place for all employees	All Heads of Service	Ongoing

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5.2	**Supporting principle: Developing the capability of people with Governance responsibilities and evaluating their performance, as individuals and as a group**						
	Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
5.2.1	Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.	PDR process in place for all employees, with training and development plans	Head of Improvement and HR	2	PDRs for staff take place; training and development plans produced	All Heads of Services	Ongoing
5.2.2	Develop skills on a continuing basis to improve the performance, including the ability to scrutinise and challenge and to recognise when outside advice is needed.	PDR process in place for all employees, with training and development plans	Head of Improvement and HR	2	PDRs for staff take place; training and development plans produced	All Heads of Services	Ongoing
5.2.3	Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might for example, aim to address any training or development needs.	PDR process in place for all employees, with training and development plans	Head of Improvement and HR	2	PDRs for staff take place; training and development plans produced	All Heads of Services	Ongoing
		Leader's Report to the Executive	Leader of the Council		Leader's Report on the agenda at each meeting of the Executive	Head of Democratic Services and Governance	Ongoing

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5.3	**Supporting Principle: Encouraging new talent for membership of the authority so that best use can be made of individuals skills and resources in balancing continuity and renewal**						
	Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
5.3.1	Ensure that effective arrangements are in place designed to encourage individuals from all section of the community to engage with, contribute to and participate in the work of the Authority.	Community Engagement Strategy; Access panels; equality scheme		tbc	tbc	tbc	Tbc
		Consultation procedures		tbc	tbc	tbc	tbc
		Forums – Local Licensing Forum for example		tbc	tbc	tbc	tbc
5.3.2	Ensure that career structures are in place for members and officers to encourage participation and development.	Growing Our Own programme	Head of Improvement and HR	tbc	tbc	Head of Improvement and HR	In Place
		Emerging HR Strategy outlining recruitment and retention	Head of Improvement and HR	tbc	tbc	Head of Improvement and HR	tbc

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Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability							
6.1	Supporting principle: Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.						
	Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
6.1.1	Make clear to themselves, all staff and the community to whom they are accountable and for what	PPR Strategy; communications strategy; Community Engagement Strategy	Chief Executive		tbc	Head of Improvement and HR	tbc
		Single Outcome Agreement; Community Plan; Corporate Plan; SPI Report; annual accounts etc.			tbc	tbc	tbc
6.1.2	Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.	Community Planning; Community Councils;			tbc	tbc	tbc
6.1.3	Produce an annual report on the activity of the scrutiny function.	Annual Audit Committee report			Annual Audit Committee report published	tbc	tbc
		Audit committee reports and minutes available on the Council's website	Head of Democratic Services and Governance	3	Audit committee reports and minutes available on the Council's website	Head of Democratic Services and Governance / Internal Audit Manager	Ongoing

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	Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
6.2	**Supporting Principle: Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority or in partnership.**						
6.2.1	Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively.	Communications Plan; PPR Strategy; Community Engagement Strategy; Equality and Diversity Scheme	Chief Executive		tbc	Head of Improvement and HR	tbc
6.2.2	Hold meetings in public unless there are good reasons for confidentiality.	Council business only held in private if required by legislation e.g. Section 50A(4) of the Local Government (Scotland) Act 1973	Director of Corporate Services	3	Minutes and Committee reports published on the Council's website	Head of Democratic Services and Governance	In Place
		Minutes and Committee reports are published on the internet	Director of Corporate Services	3	Minutes and Committee reports published on the Council's website	Head of Democratic Services and Governance	In Place
		Compliance with the Data Protection and Freedom of Information Acts	Director of Corporate Services	3	Compliance with the Data Protection and Freedom of Information Acts	Governance and Risk Manager	In Place
6.2.3	Ensure that arrangements are in place to enable the authority to engage with all sectors of the community effectively. These arrangements should recognise that different sections of the community have different priorities and established explicit	Communications Plan; PPR Strategy; Community Engagement Strategy; Equality and Diversity Scheme	Chief Executive		tbc	Head of Improvement and HR	tbc

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Local Code		Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
	processes for dealing with these competing demands.						
6.2.4	Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.	tbc	tbc		tbc	tbc	tbc
6.2.5	On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and satisfaction of service users in the previous period.	The Council's strategic objectives are reflected in the Corporate Plan and Single Outcome Agreement	Chief Executive and SMT	3	Corporate Plan approved by Council. Single Outcome Agreement approved by Council	Head of Improvement and HR	In Place
		Prepare and publish Annual Accounts	Head of Strategic Finance	3	Annual Accounts agreed by Council and published to the Council's website	Head of Strategic Finance	June 2009
		Prepare and publish Annual Efficiency Statement	Chief Executive	3	Annual Efficiency Statement published on the Council's website.	Head of Strategic Finance	tbc
		Prepare and publish Statutory Performance Indicator Report	Chief Executive	3	Annual Statutory Performance Indicator Report published on the Council's website	Head of Improvement and HR	tbc
6.2.6	Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including	Council business only held in private if required by legislation e.g. Section 50A(4) of the Local Government (Scotland) Act 1973	Director of Corporate Services	3	Minutes and Committee reports published on the Council's website	Head of Democratic Services and Governance	In Place
		Minutes and Committee reports are published on the internet	Director of Corporate Services	3	Minutes and Committee reports published on the Council's website	Head of Democratic Services and Governance	In Place

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Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	Compliance with the Data Protection and Freedom of Information Acts	Director of Corporate Services	3	Compliance with the Data Protection and Freedom of Information Acts	Governance and Risk Manager	In Place

6.3	**Supporting Principle: making best use of Human resources by taking an active and planned approach to meet responsibility to staff**					

Local Code	Demonstrating Compliance	Responsible	Evaluation	Evidence Required	Lead Officer	Target Date
6.3.1	Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	The Employee Joint Consultative Committee (EJCC) meets at least twice a year and consists of representatives of both the Council and its employees	Chief Executive / Leader of the Council	3	The minutes of the EJCC are reported to the Executive committee and are available on the Council's website	Head of Improvement and HR	In Place
	PDR process in place for all employees , with training and development plans	Head of Improvement and HR	2	PDRs for staff take place; training and development plans produced	All Heads of Services	Ongoing

Appendix 2

ARGYLL & BUTE COUNCIL

DRAFT STATEMENT OF GOVERNANCE AND INTERNAL CONTROL 2009/10

1. Background

1.1 Argyll and Bute Council conducts its business in accordance with the law and proper standards. The Council has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to the economic, efficient and effective use of public money.

1.2 In discharging these responsibilities, the Council has put in place proper arrangements for the governance of its affairs and the stewardship of the resources at its disposal. The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Note for Scottish Authorities – Delivering Good Governance in Local Government (2007).

1.3 A copy of the Code may be obtained from the Governance and Risk Manager, Kilmory, Lochgilphead, PA31 8RT.

2. The Governance Framework

2.1 The Code of Corporate Governance details how the Council will demonstrate compliance with the fundamental principles of Corporate Governance for public sector bodies to the following six headings:

- Focusing on the purpose of the Authority and on outcomes for the community, and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

3. Governance Roles and Responsibilities

3.1 Argyll and Bute Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. The Director of Corporate Services as Monitoring Officer has responsibility for:
- Overseeing the implementation of the Code of Corporate Governance and monitoring its operation;
- Reporting annually to the Council on compliance with the Code and any changes required to maintain it and ensure its effectiveness

Appendix 2

3.2 Account has been taken of the results of reviews of internal control that have been carried out within each Council Service. Specific responsibilities are assigned to the Head of Strategic Finance to ensure that public funds are properly accounted for.

4. Internal Financial Control

4.1 In ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned this statement also covers the other bodies whose activities are incorporated into our Group Accounts, i.e.
- Strathclyde Joint Police board
- Strathclyde Fire and Rescue Joint Board
- Dunbartonshire and Argyll & Bute Valuation Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee

4.2 The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

4.3 The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council and the above named bodies. In particular the system includes:
- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Council and the above named bodies;
- Regular reviews by the Council and the above names bodies of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance; and
- The preparation of regular financial reports which indicate actual expenditure against the forecasts.

5. Risk Management

5.1 The Council's Risk Management and Business Continuity Strategy continues to be developed and the Governance and Risk Manager reports regularly to the Audit Committee to assist in their assessment of internal control, risk and governance arrangements.

6. Internal Audit

6.1 Argyll and Bute Council and the above named bodies have an internal audit function, which operates to standards defined in the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom. The work of internal audit is informed by an analysis of the risk to which the Council and the above named bodies is exposed, and annual internal audit plans are based on the analysis. The Council's and the named bodies' Audit Committees endorse the analysis of risk and the internal audit plans. At least annually, the Internal Audit Manager provides the Audit Committee with a report on internal audit

Appendix 2

activity in the Council. The report includes the Internal Audit Manager's independent opinion on the adequacy and effectiveness of the Council's systems of governance and internal control.

7. Issues for Further Development

7.1 The review of governance and internal control has identified the following areas for further development:

To be identified during 2009/10

8. Assurance

8.1 The review of the effectiveness of the system of governance and internal financial control is informed by:
- The work of Directors and Managers within the Council;
- The work of Internal Auditors as described above;
- The work of External Auditors;
- The Statements of Governance and Internal Control provided by the bodies mentioned at paragraph 4.1;
- External review and inspection reports; and
- Recommendations from the Audit Committee.

8.2 It is the Council's view that the systems for governance and internal control are operating effectively within Argyll and Bute Council and the aforementioned bodies during 2009/10 and that there are no significant weaknesses. This assurance is limited, however, to the work undertaken during the year and the evidence available at the time of preparing this statement.

Cllr Dick Walsh
Leader

Sally Loudon
Chief Executive

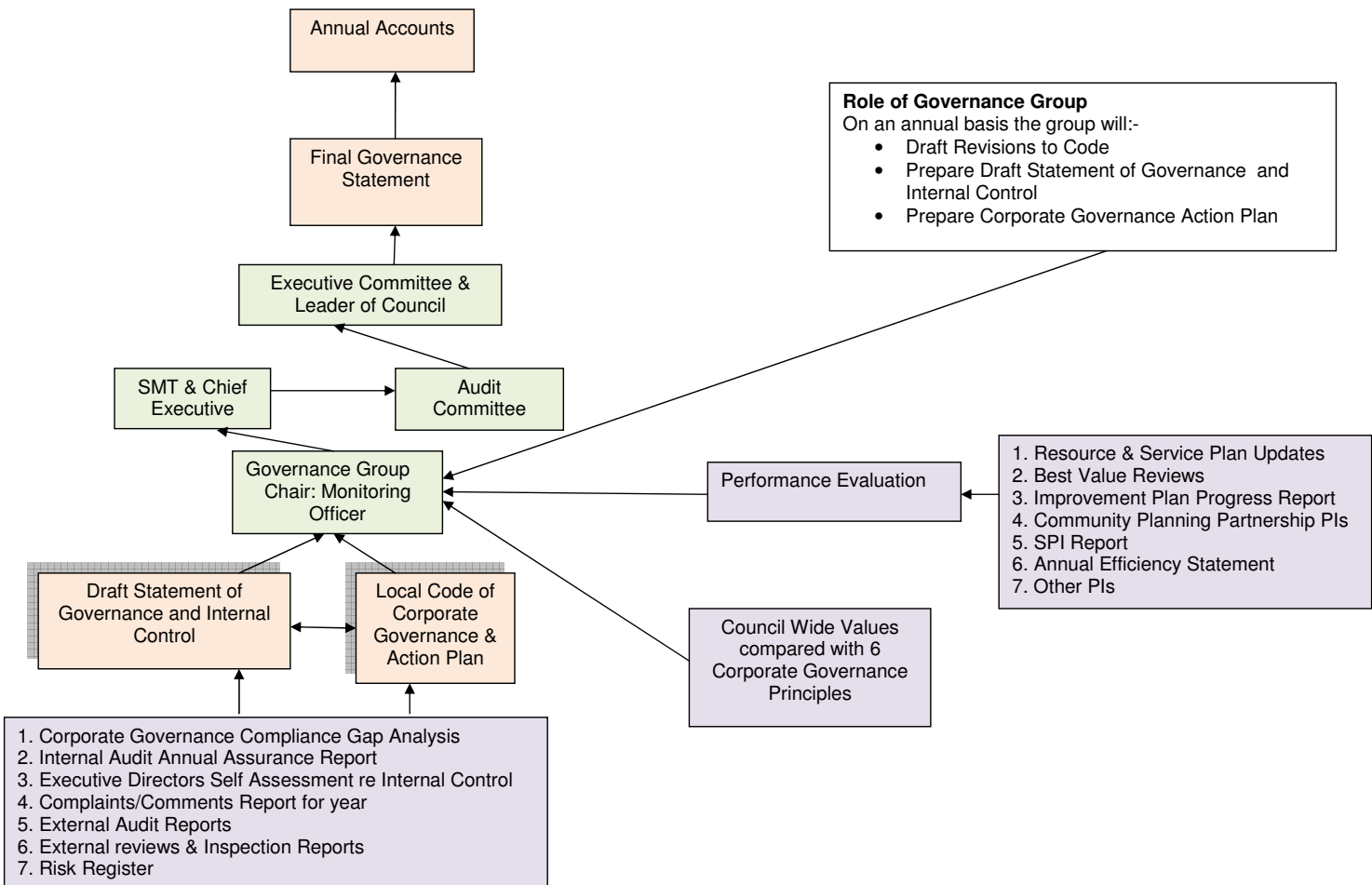Bruce West
Head of Strategic Finance

Appendix 3

Argyll & Bute Council
Corporate Governance

OUTLINE TIMETABLE

Aug. 2009　　　　**Framework Report to SMT**
- **Draft Code and Action Plan**
- **Draft Statement of Governance & Internal Control**
- **Chart of Responsibilities**

Sept.2009　　　　**Framework Report to Audit Committee**
- **Draft Code and Action Plan**
- **Draft Statement of Governance & Internal Control**
- **Chart of Responsibilities**

Sept. 2009　　　　**Amend in light of SMT and Audit Committee representations**

Oct. 2009　　　　**Framework Report to Executive**
- **Draft Code and Action Plan**
- **Draft Statement of Governance & Internal Control**
- **Chart of Responsibilities**

Oct. 2009 -
Jan. 2010　　　　**Review and refine format and content of the above.**
Evidence initial compliance activity

Jan. 2010　　　　**Undertake Review of Code and Action Plan by Governance**
Group

Feb.2010　　　　**Internal Audit Review of Code to assess adequacy of**
arrangements in support of Corporate Governance
Statement in accounts

Mar. 2010　　　　**Code and Action Plan and Internal Audit Report to SMT**

June 2010　　　　**Code and Action Plan and Internal Audit Report to**
Audit Committee, together with draft Statement of
Governance and Internal Control

Aug. 2010　　　　**Statement of Governance & Internal Control to**
Executive for Approval & signature

APPENDIX 4
Argyll & Bute Council
Corporate Governance

Annual Accounts

Final Governance Statement

Executive Committee & Leader of Council

SMT & Chief Executive → Audit Committee

Role of Governance Group
On an annual basis the group will:-
- Draft Revisions to Code
- Prepare Draft Statement of Governance and Internal Control
- Prepare Corporate Governance Action Plan

Governance Group
Chair: Monitoring Officer

Performance Evaluation

1. Resource & Service Plan Updates
2. Best Value Reviews
3. Improvement Plan Progress Report
4. Community Planning Partnership PIs
5. SPI Report
6. Annual Efficiency Statement
7. Other PIs

Draft Statement of Governance and Internal Control

Local Code of Corporate Governance & Action Plan

Council Wide Values compared with 6 Corporate Governance Principles

1. Corporate Governance Compliance Gap Analysis
2. Internal Audit Annual Assurance Report
3. Executive Directors Self Assessment re Internal Control
4. Complaints/Comments Report for year
5. External Audit Reports
6. External reviews & Inspection Reports
7. Risk Register

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Agenda Item 17

Grant Thornton

Argyll and Bute Council - External Audit Progress Update

to 21 August 2009

Audit Area	Target Delivery	Outturn
Financial statements audit		
Interim report	30 June 2009	Draft issued on 9 June 2009, first management comments received on 29 June 2009, final draft to be issued w/c 24 August 2009
Accounts report (ISA260)	early September 2009	Clearance meeting to be held with the Head of Strategic Finance on 31 August 2009 and Draft ISA260 to be issued thereafter (w/c 31 August 2009).
Governance		2 reports were issued:
Interim report	30 June 2009	**Governance** Draft issued on 14 May 2009, management comments received on 22 May 2009, final draft issued 3 June 2009 **IT** Draft issued on 5 May 2009, management comments received on 26 May 2009, final draft issued 3 June 2009
Performance		
Best Value- follow up review	30 October 2009	Scoping meeting planned with the Chief Executive on 3 September 2009
SPIs- return to Audit Scotland	31 August 2009	Fieldwork commenced on w/c 20 July 2009 and return to Audit Scotland to be submitted on 31 August 2009
Grant claims		
Housing and Council Tax Benefit	30 November 2009	Planning meeting held with the benefits team on 17 August 2009, with audit work to commence w/c 14 September 2009. Timetable to completion agreed to ensure audit certificate is submitted by 30 November 2009
Education Maintenance Allowance	31 July 2009	Audited claim submitted to the Scottish Government on 31 July 2009
Non-domestic rates	8 February 2010	Audit fieldwork planned for early January 2010
Overall audit		
Annual Audit Report	30 October 2009	Agreed with Chief Executive and Head of Strategic Finance that the report will be issued by 30 October to accommodate the best value review.

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Agenda Item 18

Argyll and Bute Council

Interim Management Report

June 2009

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Appendices

Executive Summary

1.1 Introduction

Argyll and Bute Council (the Council) is required to have arrangements in place to ensure propriety, regularity and best value in its stewardship of public funds. It is the responsibility of management to have adequate systems of internal control in place to ensure that resources are applied to the activities intended, fraud is prevented and detected, and resources used economically, efficiently and effectively.

As part of our interim audit, we have reviewed:

- financial management and budgetary control
- core financial systems including fixed assets, treasury management, cash and bank and procedures for journals.

1.2 Findings

Core financial systems

Our overall conclusion is that the core financial systems continue to operate effectively. Our audit identified 7 performance improvement recommendations, none are categorised as high risk. Our key findings are outlined below:

- the fixed assets register is not updated or reconciled to the general ledger during the year, with all transactions processed at the year end. This increases the risk that errors or discrepancies will not be identified in a timely manner
- the Council should ensure all financial institutions that it is prepared to lend to are included on the counterparty list
- the Council has strong treasury managements to manage loans, borrowings and investments. The Council should review its treasury management policy to take account of interim CIPFA guidance following the collapse of the Icelandic banks

Financial management and budgetary control

Financial pressures within the sector will place an increasing premium on effective financial management, and it will be important that budgets are subject to robust challenge, remain affordable and reflect corporate priorities. As part of our 2008-09 audit, we followed up the Council's progress in implementing agreed recommendations from our 2007-08 audit report.

We found that the Council continues to have good arrangements in place for financial management and budgetary control and has significantly improved its arrangements for linking corporate priorities into the budget setting process. However, there remains scope for greater challenge within the budget setting process overall.

The Council has fully implemented agreed actions relating to our two high risk observations. Of the remaining five recommendations, three remain outstanding with two partially implemented. A summary of our follow up review findings is contained at Appendix B.

1.3 Way Forward

The findings and recommendations from our review are summarised in an Action Plan that accompanies this report. The Action Plan has been agreed with management and incorporates the management response to audit recommendations.

This report includes some specific recommendations to strengthen internal controls. It is the responsibility of management to decide the extent of the internal control system appropriate to the Council.

1.4 Acknowledgements

We would like to take this opportunity to thank Council staff who have been involved in this review for their assistance and co-operation.

This report is part of a continuing dialogue between the Council and Grant Thornton UK LLP and is not, therefore, intended to cover every matter which came to our attention. Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses or inefficiencies in systems and work practices.

The report is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it.

Grant Thornton UK LLP
June 2009

1 Core financial systems

1.1 Introduction

As part of our interim audit, we have reviewed the systems of internal control for the following core financial systems and accounting processes:

- fixed asset management
- treasury management
- cash and banking
- journal preparation and authorisation

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We reviewed the work of internal audit for key controls tested covering the debtors system, expenditure and accounts payable, payroll, council tax and non domestic rates, and housing benefit. We are able to place reliance on the work of internal audit and have not raised any control weaknesses in these areas.

We have noted the following key points arising from our audit in the sections below.

1.2 Fixed assets management

Findings

The fixed asset register is not updated or reconciled with the ledger until the end of the financial year. This increases the risk that errors or discrepancies in the processing of capital transactions are not identified in a timely manner.

Action plan point 1

1.3 Treasury Management

Introduction

The Council's treasury management system is not only designed to ensure that sufficient cash is available on a day to day basis to support revenue and capital commitments it also ensures that the costs of borrowing are minimised within an appropriate risk based strategy, whilst optimising returns from investing surplus cash within risk constraints. The Council is expected to maintain appropriate key controls to ensure that the system is designed and operating effectively.

Following the collapse of the Icelandic Banks in Autumn 2008, treasury management at public bodies has come under increasing scrutiny. The Accounts Commission for Scotland undertook a high level review of treasury management arrangements at local authorities in Scotland, including Argyll and Bute during the financial year. This review raised no material matters in relation to the Council's arrangements.

Counterparty limits

The Council has monitoring arrangements in place to assess credit risk for banks and building societies that it is prepared to lend to. In addition a register of agreed counterparty limits is maintained for each approved bank and building society which sets out the

maximum amount that can be deposited by the Council in any single institution and the maximum term of any deposit. The register is based on advice provided to the Council by their treasury management advisors and is formally approved by the Head of Strategic Finance.

During our 2007-08 audit, we noted that a counterparty limit had not been set for the Council's bankers. The Council does not place a formal counterparty limit on its own bankers as they consider it difficult to estimate what the limit should be as it needs to be sufficient to allow for movement of cash when carrying out debt rescheduling exercises and large receipts in respect of central government funding. As part of the daily treasury management activities, the available cash is reviewed and sums are invested with other institutions to spread the risk as appropriate.

During our audit, we noted that the credit reference agencies have placed a 'negative watch' outlook on this institution. We consider that a counterparty limit should be established for deposits in investment accounts outwith the Council's main current accounts. This would contribute to the existing risk management systems employed by the Council to minimise counterparty risk for deposits exceeding overnight.

Action plan point 2

CIPFA guidance on treasury management arrangements

CIPFA issued an interim guidance note on treasury management arrangements, *Treasury Management in Local Authorities- Post Icelandic Bank collapse*, in March 2009. The guidance note provides advice to local authorities in updating their treasury management arrangements following the financial crisis in the banking sector and the collapse of the Icelandic banks.

As part of our audit we reviewed the Council's treasury management arrangements against the good practice guidelines set out by CIPFA. Our key findings are noted below:

Recommendations	Council position
Elected members should be involved in key decisions for the treasury management function	The Council has discussed with their treasury advisors how best to address this issue and a training session is being planned. Members continue to approve the treasury management strategy, and receive quarterly reports on treasury management.
The Council should report the difference between net debt and gross debt to members on a regular basis	A quarterly report is issued to members as part of treasury management monitoring procedures. The report highlights the net and gross debt positions.
The Council should formally review training requirements for key officers and members involved in treasury management	The Council has a team of experienced officers in the treasury management section, and training is provided on an ad-hoc basis by the Council's treasury advisors.
The Council should consider sector and country limits of financial institutions	The Council considers sector and country counterparty risks, but these are not formally

when setting counterparty limits	documented in the counterparty list.
All three credit rating agencies should be used to assess financial risk and the lowest rating should be used when making lending decisions	The Council currently use two of the three credit rating agencies, which provides adequate coverage of the institutions on the counterparty list.

Our review noted that the Council already incorporates elements of the interim guidance in their treasury management strategies but should consider formally incorporating suggested best practice when treasury management policies are next updated.

Action plan point 3

1.4 Cash and bank

Bank reconciliations

We found that the income bank account reconciliations for April and May 2008 had not been performed or reviewed in a timely manner, however, management have taken action to ensure all subsequent reconciliations are completed and reviewed on a timely basis.

The complicated manual process the Council employs to reconcile the income bank account has introduced additional complexity into the reconciliation process and resulted in un-reconciled items each month. A new automated bank reconciliation process has now been implemented which should correct this matter going forward and we will audit the new reconciliation arrangements as part of our 2009-10 audit.

Our audit also found that deposit bank account reconciliations are not always reviewed by an independent officer increasing the risk that fraud or error may go undetected.

Action plan point 4

Dormant bank accounts

In our 2006-07 and 2007-08 audits, we reported that several bank accounts were not recorded in the Council's ledger. During 2008-09, the Council carried out a review of its banking arrangements and identified a number of bank accounts as surplus to requirements. Arrangements have now been made to close these accounts.

CHAPS transfers

The Council process same day bank transfers using the CHAPS system on a regular basis. Procedures are in place to ensure CHAPS transfers are signed off by a member of the treasury management team and subject to independent review. We identified 2 weaknesses with the current arrangements:

- the system allows for the development finance manager to both prepare and authorise CHAPS transfers, although this has never happened in practice

- internal audit managers are included in the list of CHAPS authorisers and this may compromise their independence.

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The Council plan to review CHAPs authorisation procedures when a new web based banking system is introduced during 2009-10.

Action plan point 5

2 Financial management and budgetary control

2.1 Introduction

Our 2007-08 audit found that there had been significant changes to the Council's approach to financial management and budgetary control driven mainly by the move to a three budget cycle. This was in response to the changes in the funding settlements implemented by the Scottish Government with the introduction of the Local Authority Concordat, and the Single Outcome Agreement.

Our 2007-08 audit made a number of recommendations to improve financial planning and control arrangements. As part of our 2008-09 audit, we followed up the Council's progress in implementing the agreed recommendations.

2.2 Budget setting

The Council have made progress in improving the transparency of the linkage between corporate priorities and budget setting. Budgetary requirements for strategic objectives are incorporated in the draft 2009-12 Corporate Plan and service department budgets are now more clearly linked to strategic objectives.

Best value improvement plan

In addition, a best value review of Strategic Finance was carried out during the year resulting in the creation of a 2 year action plan covering the period to June 2011. With regards to financial management and budgetary control, the Council plans to improve the quality and effectiveness of current arrangements and has set key tasks to achieve this, including:

- development of a long term financial model
- review of the current financial strategy
- review of the budget setting process, including the use of rolling forecasts and a challenge process for budget assumptions
- development of a new policy for year end flexibility for unspent budget allocations
- development of a policy on income generation

Achievement of the best value action plan represents an ambitious and challenging target for Strategic Finance, but should result in significant improvement in the Council's overall financial management arrangements.

We will continue to monitor the Council's progress of achievement during the 2009-10 audit year.

2009-10 Budget

Service departments were allocated their 2008-09 budget with a 1% uplift. Inflationary factors were analysed separately for key cost drivers such as salary and utility costs. Departments then drafted their budgets in line with their revised allocation. The draft budgets were reviewed by the senior management team (SMT), who considered the impact on the corporate plan and the strategic risk registers. In addition service department bids for new budget allocations were reviewed against the corporate priorities and risk registers by SMT prior to approval.

The revenue budget continues to be set on an historical basis uplifted for inflation or to take account of new expenditure commitments. A key task going forward for the Council will be to ensure existing budget assumptions are subject to rigorous review, continue to remain affordable, and reflect corporate priorities.

Action Plan Point 6

2.3 Budget virements

Our 2007-08 audit found a weakness in the audit trail supporting approval of budget virements by the Head of Strategic Finance. As part of our 2008-09 audit, we tested a sample of five virements and noted that only one had evidence of notification in line with the requirements of the virement policy.

We also noted that there are a significant amount of budget transfers within service departments processed throughout the year. These transfers are also covered by the virements policy and require authorisation by the Head of Service. However, in many cases the transfer form is signed off by the officer who processed the transfer with no evidence of authorisation or review. In addition, the paperwork for these transfers are retained in each department and there is no central record held in Strategic Finance.

Action plan point 7

2.4 Reserves

For the year ending 31 March 2008, the Council had a total general fund reserve balance of £31 million, of which £26.1 million was earmarked for specific purposes, and £4.9 million was unearmarked. Table 1 shows the breakdown of the main general fund balances at 31 March 2008.

Table 1: General Fund balances as at 31 March 2008

	Balance as at 31 March 2008 £'000
Total General Fund	**31,006**
of which: Earmarked	
PPP Smoothing Funds	11,719
Social Housing	4,916
Grant Income carried forward	1,951
Budget carried forward	5,915
Funding committed to 2007-08	1,597
Total Earmarked	**26,098**
Unearmarked	**4,908**

Source: Argyll and Bute Council

Our 2007-08 audit, found that:

▪ there is scope for greater transparency in the plans the Council has to utilise reserves currently earmarked within departmental budgets
▪ the decision to reduce the target for available un-earmarked reserves to 1.5% of net operating expenditure was not based on a full risk assessment of future financial requirements. The revised target is unlikely to be achieved for the 2008-09 financial year, which could present a risk to the achievement of corporate objectives.

During 2008-09, the Council revised its reserves policy and developed parameters for the general fund and a risk assessment for the determined level of unearmarked reserves held for contingencies. The risk assessment supported the proposal to set the level of unearmarked reserves at 1.5%.

A separate paper has been produced to increase the transparency of the plans to utilise earmarked reserves, and this will be presented with the draft financial statements in June 2009. We will review this paper and conclude on this audit point in our final report on the 2008-09 audit.

A Action plan

Core financial systems

No	Finding	Risk	Recommendation	Management Response	Implementation Date
1	The fixed asset register is not updated and reconciled with the general ledger until the year end. This increases the risk that errors or discrepancies will not be identified in a timely manner.	Medium	The Council should consider updating the fixed asset register throughout the year.	The Council consider that its approach to updating the fixed asset register minimises the risk of discrepancies occurring as input to the system is done in a controlled manner after having checked the nature of the capital expenditure and the assets on which spend has taken place.	N/A
2	There is no counterparty limit established for the Council's banker. We consider that a counterparty limit should be established for investments placed with the bank for periods greater than overnight. Credit reference agencies have recently downgraded their outlook for this bank.	Medium	The Council should establish counterparty for sums invested with its banker. This reduces the risk of lending to risky financial institutions.	A limit of £30 million has been agreed for investment deposits with the Council's banker.	Immediate
3	CIPFA have recently introduced interim guidance on treasury management for local authorities.	Medium	The Council already incorporates elements of this best practice in their treasury management strategies but should consider formally incorporating suggested best practice when treasury	The Council constantly keeps its Treasury Management policies and practices under review and will update these to reflect best practice as appropriate.	Treasury Management policies are reviewed once each year. This will be picked up once formal guidance issued

Argyll and Bute Council - 2008-09 Audit
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No	Finding	Risk	Recommendation	Management Response	Implementation Date
			management policies are next updated.		
4	We noted that bank reconciliations for deposit accounts are not always authorised by a senior officer.	Medium	All bank account reconciliations should be reviewed and signed off by a senior officer.	Agreed	Immediate
5	We noted minor weaknesses in the procedures for authorising CHAPS payments:	Low	The Council should consider amending its CHAPS procedures to ensure only appropriate officers can authorise payments.	Agreed	Immediate
Financial management and budgetary control					
6	The revenue budget continues to be set on an historical basis uplifted for inflation or to take account of new expenditure commitments.	Medium	The Council should review departmental budget assumptions to ensure they are subject to rigorous review, continue to remain affordable, and reflect corporate priorities.	The ongoing development of PPMF and in particular the programme of service reviews supported by a more structured challenge process for service plans and budgets will address this point. This will be commenced for 2010/11 budget but will be developed on an ongoing basis	February 2010
7	Transfers of budgets between departments are not currently subject to authorisation. In addition, there is no central list of budget virements processed by service departments.	Medium	The Council should introduce procedures to ensure all transfers between budgets in service departments. A central list of all virements should be retained by Strategic	Agreed	Immediate

Argyll and Bute Council - 2008-09 Audit
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No	Finding	Risk	Recommendation	Management Response	Implementation Date
			Finance to ensure there is corporate oversight over significant budgetary changes.		

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B Progress in implementation of prior year recommendations

No	Original Finding and Risk	Original Recommendation	Management response and implementation date	Position at May 2009
Financial management and budgetary control				
1	There is scope to make the linkage between corporate priorities and budget setting more transparent. Risk: Medium	The Council should undertake a further review of its budget setting arrangements to better demonstrate how corporate priorities are prioritized within the budget.	Planning and budgeting arrangements will be further developed in the coming planning and budgeting exercise. Head of Strategic Finance February 2009	**Partially implemented** The Council improved the process for linking budget setting to corporate priorities. The best value review highlighted actions to further improve budget setting arrangements.
2	Budget monitoring reports may not be fully effective in highlighting potential budget variances sufficiently early in the financial year for corrective action to be taken. Risk: Medium	The Council should adopt commitment accounting principles when preparing budget monitoring reports.	An approach to addressing this recommendation will be developed as part of the implementation of the Best Value review of Strategic Finance. Head of Strategic Finance Ongoing	**Not yet implemented** The best value review highlights action plans to address this recommendation. Budget monitoring arrangements will be reviewed by September 2009.
3	There was a lack of evidence of review of Budget virements by the Head of Strategic Finance as required by the Council's Financial and Security	The Council should ensure that all budget virements are authorised and reviewed in accordance with established procedures. A report of	A report of budget virements will be prepared each month and reviewed to ensure proper authorisation.	**Partially implemented** The Council is planning to implement a new system for

No	Original Finding and Risk	Original Recommendation	Management response and implementation date	Position at May 2009
	Regulations. Risk: Medium	budget virements processed should be prepared for review by the Head of Strategic Finance on a monthly basis to provide evidence that procedures are being followed.	October 2008	recording the authorisation of transfers and virements as noted in Appendix A, point 7.
4	There is scope to improve arrangements to provide greater transparency around departmental plans to apply all earmarked reserves. Risk: Medium	The Council should ensure there are clear plans to apply all earmarked reserves.	The report submitted to the Council with the unaudited accounts lists the department, description and reason for carry forward for each element of unspent grants, unspent contribution and budgetary underspends to be carried forward. Whilst consideration will be given to what form of challenge there should be on proposed carry forwards the Council should avoid a situation whereby it is setting the budget on a 3 year basis but enforcing annuality in terms of allowing the carry forward of underspends (or overspends). Further consideration will be given to how this recommendation might or might not be implemented. Head of Strategic Finance February 2009	**Not yet implemented** A separate paper will be brought before the Executive before the 2008/09 accounts will be finalised.

No	Original Finding and Risk	Original Recommendation	Management response and implementation date	Position at May 2009
5	The revised target for unearmarked reserves has been calculated to reflect available funds as part of the budget setting process, rather than as part of a risk based assessment of the reserves balance required to be held to meet contingencies and respond to effectively to unforeseen events. Risk: High	The Council should develop a policy for determining the level of unearmarked reserves based on past experience and an evaluation of risk.	The current approach is based around general consideration of inflation and interest rate risk and historic budgetary performance and is laid out in a report to members as part of the budget pack each year. In view of the audit recommendation a more specific set of criteria will be developed for 2009-10. Head of Strategic Finance February 2009	**Implemented**
6	The Council has not yet set out how it will measure and report efficiency savings generated and performance systems are not yet in place to measure outputs and outcomes to support the measurement of efficiency. Risk: High	The Council should put in place mechanisms to record efficiency savings generated from the plan. Progress against the efficiency savings target should be reported on a regular basis to management and members.	This will be addressed Head of Strategic Finance December 2008	**Implemented** Service plans highlight efficiency savings and relevant success measures. These now feed into the Pyramid performance management system.
7	Efficiency savings targets are not yet linked to corporate priorities and incorporated within the budget setting process and this may not provide sufficient challenge to Council departments to achieve planned savings.	The Council should embed planned efficiency savings within budget setting arrangements.	Efficiency savings are currently budgeted in services but a review of the efficiency savings plan as part of the coming planning and budgeting round will review how it can be linked to corporate priorities. Head of Strategic Finance	**Implemented** Efficiency savings are now included in the Service plans. These are incorporated into the budget. As part of the budget setting process proposed efficiency plans are

Argyll and Bute Council - 2008-09 Audit
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No	Original Finding and Risk	Original Recommendation	Management response and implementation date	Position at May 2009
	Risk: Medium		February 2009	reviewed by the Executive and alternative saving/ funds identified if the efficiencies are not accepted.

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