

ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	DEVELOPMENT AND INFRASTRUCTURE SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	EDAPS - Economic Development Action Plans
AUDIT DATE	FEBRUARY 2016

2015/2016



1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of Economic Development Action Plans within the Economic Development and Strategic Transportation Service, Development and Infrastructure as part of the 2015/16 Internal Audit programme.

Argyll and Bute Council has developed a five-year Economic Development Action Plan (EDAP). The plans are aimed at economic development activities that will have the greatest beneficial impact on the sustainable economic growth of its communities and Scotland as a whole. This Plan articulates the council's corporate priorities for developing the Argyll and Bute economy, thereby facilitating focus, effective resource planning and partnership working at local, national and European levels.

The guiding vision outlined in the plan is: "Realising our potential together, Argyll and Bute will unlock the opportunities offered by its significant, sustainable economic assets for the benefit of its communities and the competitiveness and security of the Scottish and EU economies."

Area-based Economic Development Action Plans (EDAPs) for 2015/16 have been agreed by each of the area committees in August 2015. They focus the Council's resources on the economic development activities that are designed to have the greatest beneficial socio-economic impact on the area's local communities as well as across Scotland as a whole. In addition they outline the actions required by the Council in regard to focusing its resources on delivering across the key sectors (tourism, renewables, forestry and food and drink) in order to contribute to the outcomes outlined in the Single Outcome Agreement (SOA).

Area-based EDAP's are integrated with the SOA, Corporate Plan and the Economic Development and Strategic Transportation Service Plan and aligned with the Local Development Plan and other community based plans as appropriate.

2. AUDIT SCOPE AND OBJECTIVES

The main objective of the audit:

- Review actions are in place at area level that relate to the priorities and objectives outlined in the overarching EDAP, 2013-18.
- Progress and performance is reported and monitored and actions reflect SMART objectives.
- Actions are prioritised and escalation processes are in place

Control objectives will include:

Authority –	Roles and delegated responsibilities are documented in policies and procedures and are operating well in practice.
Occurrence –	Sufficient documentation exists to evidence compliance with policies, procedures.
Completeness –	Policies and procedures are aligned and required documentation is fully maintained.
Measurement –	Policies and procedures are in line with requirements.
Timeliness –	Policies and procedures are regularly reviewed and updated as necessary.
Regularity –	Documentation is complete, accurate and not excessive; it is stored securely and made available only to appropriate members of staff.

3. RISKS CONSIDERED

- Population and economic decline;
- Actions are not monitored, measured and reported effectively leading to a failure to recognise or action lack of progress resulting in an inability to achieve desired outcomes;
- Actions are not prioritised appropriately leading to inefficient resource allocations resulting in a failure to achieve desired outcomes; and
- Actions are not aligned to the outcomes within the SOA leading to ineffective use of resources resulting in failure to achieve the desired outcomes

4. AUDIT OPINION

The level of assurance given for this report is Substantial

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

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

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

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

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

5. FINDINGS

The following findings were generated by the audit:

Actions are in place at area level that relate to the priorities and objectives outlined in the overarching EDAP

- It was evidenced from a review of the overarching EDAP that priorities and objectives have been specified namely to :
 - Take actions that unlock the potential of our renewable assets.
 - Assist the regeneration of our main towns, building on the CHORD programme and our smaller rural island communities.
 - Continue to develop successful partnerships working with our key industries to create sustainable growth.
 - Work with new and existing businesses to help them start, grow and prosper.
 - Prioritise and promote infrastructure investment essential for the areas growth (transport, grid, utilities, mobile phone coverage).
 - Attract economically active individuals and families to Argyll and for whom living in rural Scotland is a lifestyle ambition.
- It was evidenced that each of the four area-based EDAPs had a delivery plan in place which identifies the key partners and actions. Each of the area delivery plans has the following headings:
 - Reference to relevant single outcome action
 - Outcome expected
 - Action to achieve outcome
 - Success Measure
 - Lead Organisation
 - Key Partners

- A review of the four area-based EDAPs, as presented and agreed by each of the four Area Committees, showed the following findings :

Bute and Cowal Area (B&C) EDAP 2015/16

- It was evidenced that “three main overarching actions” are outlined in the plan. These can be summarised as follows :
 - To undertake a mapping of the tourism industry in order to rebalance focus on economies of scale and focus on growth aspirations;
 - To increase provision of premises for small businesses; and
 - To increase the tenant base for newly refurbished properties on Rothesay.
- It was evidenced from a review of the actions included within the Bute and Cowal area EDAP for 2015/16 that supporting the three overarching actions were 54 discrete actions which addressed the priorities and objectives outlined in the overarching EDAP

Helensburgh and Lomond (H&L) EDAP 15/16

- It was evidenced that within the 15/16 EDAP there was outlined “3 main overarching actions” summarised as following :
 - To undertake a mapping of the tourism industry in order to rebalance focus on economies of scale and focus on growth aspirations,
 - To develop a positive tourism proposition with a focus on short breaks; and
 - To develop an understanding of the needs to be gained on the type and level of employment opportunities to be realised by civilians and supply chain businesses to the Clyde Naval Base.
- It was evidenced from a review of the actions included within the Helensburgh and Lomond area EDAP for 2015/16 that supporting the three overarching actions were 57 discrete actions which addressed the priorities and objectives outlined in the overarching EDAP

Mid Argyll, Kintyre and the Islands (MAKI) EDAP 15/16

- It was evidenced that within the 15/16 EDAP there was outlined “three main overarching actions”, summarised as following :
 - To undertake a mapping of the food and drink industry;
 - To a mapping of the forestry sector with input from Argyll and Bute transport group and other relevant partners; and
 - To promote the food and drink sector within the area coupled with tourism/heritage.
- It was evidenced from a review of the actions included within the Mid Argyll, Kintyre and the Islands area EDAP for 2015/16 that supporting the three overarching actions were 59 discrete actions which addressed the priorities and objectives outlined in the overarching EDAP.

Oban, Lorn and the Isles (OLI) EDAP 2015/16

- It was evidenced that within the 2015/16 EDAP there was outlined “three main overarching actions”, namely :
 - To give greater focus to digitally integrated transport;
 - To undertake a mapping of the food and drink industry in the area; and
 - To work with partners to promote the food and drink industry coupled with activity tourism.
- It was evidenced from a review of the actions included within the Oban, Lorn and the Isles area EDAP for 2015/16 that that supporting the three overarching actions were 57 discrete actions which addressed the priorities and objectives outlined in the overarching EDAP
- It was noted that each Area Committees agreed that EDAPs should be considered as a working document and that actions should be amended accordingly if economic opportunities arise.

Progress and performance is reported and monitored and actions reflect SMART objectives

- Reporting monitoring procedures for EDAP's differ from area to area. It was noted that in relation to the reporting of EDAPs members of the B&C and MAKI area Committee agreed, in December 2015, a revised reporting procedure that "written quarterly update reports would be provided to the Area Committee and that an officer from Economic Development and Strategic Transportation Service would attend annually to speak on an annual update report". Control weaknesses were identified in relation to occurrence and timeliness as there was no reference to revised reporting procedures by the OLI or H&L Area Committees. In addition a review of the December MAKI Area Committee refers to the requirement for only annual updates with no reference to quarterly updates
- It was evidenced that an update report on progress on EDAPs has been prepared for the MAKI Area Committee in February 2016 and that the report was presented by officers from Economic Development. A review of the update report showed that a commentary on progress to date on each of the actions within the area EDAP had been given. There was no evidence of similar update reports having been presented to the other Area Committees.
- There was no evidence of a procedural document being available specifying the monitoring/tracking requirements as well as the reporting timetable to Area Committees for progress on actions within area-based EDAPs.
- In relation to performance reporting and monitoring the actions in place are limited when compared to other types of performance reporting e.g. single outcome reporting.
- The August 2015 Area Committee papers showed that members agreed that actions and success measures should be SMART i.e. specific, measurable, achievable, realistic and time bound. A review of the actions for each of the four area EDAPs found that the majority of actions did accord with the SMART principles, however there were examples where actions were not time bound or measurable. A summary of these actions are shown in the table below :

B&C EDAP – 54 Discrete actions included in EDAP

<u>Number of Discrete Actions</u>	<u>Description of Action</u>	<u>Deemed not to be Time Bound</u>	<u>Deemed not to measurable</u>
54	Assisting with the refurbishment of Blairmore village hall		Not measurable
	Assisting with development of Dunoon Community Sports centre		Not measurable
	Assisting with the development of Argyll Museum		Not measurable
	Establishment of reliable 1hr 13 min journey from Dunoon to Glasgow	Not Time bound	
	Upgrade of 6 mobile phone masts to 4g	Not Time bound	

H&LEDAP – 57 Discrete actions included in EDAP

<u>Number of Discrete Actions</u>	<u>Description of Action</u>	<u>Deemed not to be Time Bound</u>	<u>Deemed not to measurable</u>
57	Develop partner actions plans	Not Time bound	
	Argyll and Bute interests are safeguarded regarding digital	Not Time bound	Not Measurable

	infrastructure projects		
	Influence mobile phone operators to provide coverage across Helensburgh and Lomond	Not Time bound	Not Measurable

MAKI EDAP – 59 Discrete actions included in EDAP

Number of Discrete Actions	Description of Action	Deemed not to be Time Bound	Deemed not to be measurable
59	Undertake study to report conversion of business for mid Argyll start-ups enquiries to actual start-ups	Not Time bound	
	Advance proposal for delivery of Dalriada arts and culture project	Not Time bound	
	Delivery of Islay Colonsay tourism business survey	Not Time bound	
	Argyll and Bute to develop a clear marketing proposition for mid Argyll , Kintyre and the islands	Not Time bound	
	Maximise the £5m funding available from Community Broadband Scotland		Not Measurable
	Influence mobile phone providers to upgrade coverage across mid Argyll and the Islands	Not Time bound	Not Measurable
	Continue to influence National Grid thru ABRA to	Not Time bound	Not Measurable

	increase capacity on the network		
	Assist with preservation of Dalintober pier for attracting funding	Not Time bound	Not Measurable
	Assist with attracting funding for redevelopment of Inveraray Community hall	Not Time bound	Not Measurable

OLI EDAP – 57 Discrete actions included in EDAP

Number of Discrete Actions	Description of Action	Deemed not to be Time Bound	Deemed not to be measurable
57	Delivery of capacity building support to Oban Lorn Tourism association	Not Time bound	
	Increase no. of visitor numbers to Oban , Lorn and the Isles by 5%	Not Time bound	
	Maximise the £5m available from Community Broadband Scotland		Not Measurable
	Influence mobile phone operators to upgrade coverage to OLI	Not Time bound	Not Measurable
	Road asset and maintenance strategy aligned to Infrastructure action plan	Not Time bound	
	Establish a sailing from Mull to Oban at 7.00am	Not Time bound	
	Secure a regular commercial air link between Oban and	Not Time bound	

	Glasgow and Oban and Barra		
	Secure a 5% increase in rail passenger numbers	Not Time bound	
	Assist with the 3 rd sector asset transfer with Council owned Dervaig site on Mull	Not Time bound	

Actions are prioritised and escalation processes in place

- There was no evidence that actions included within each of the EDAPs have been prioritised.
- There was no evidence of escalation protocols being in place in relation to upward reporting through Council structures or in regard to redirection of resources where necessary.

6. CONCLUSION

This audit has provided a substantial level of assurance. There were a number of recommendations for improvement identified as part of the audit and these are set out in Appendix 1. There were 4 medium recommendations set out in Appendix 1 which will be reported to the Audit Committee. Appendix 1 set out the action management has agreed to take as a result of the recommendations, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to the Economic Development staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.

APPENDIX 1 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
1. SMART Actions		High/ Medium or Low		
Some actions within area-based EDAPs were not time bound or measurable.	Failure to have actions that are SMART may lead to lack of clarity adversely impacting on success of objectives.	Medium	Some actions cannot be time bound due to the nature of the item i.e. they are linked to external factors outwith the direct control of the Economic Development and Strategic Transportation Service staff. However, where possible items are time bound and monitored. This will be taken forward during the preparation of the area-based EDAPs for 2016/17 in May 2016 (discrete workshops will be held in May in each area with elected members and members of the local Community Planning Groups).	Ishabel Bremner, Economic Growth Manager. The 2016/17 area-based EDAPs are due to be approved by the Area Committees in June 2016.

2. Reporting to Area Committees				High/ Medium or Low
Control weaknesses were identified in relation to occurrence and timeliness as there was no reference to revised reporting procedures by the OLI or H&L Area Committees.	Failure to have consistent regular reporting across areas may lead to ineffective decision making adversely impacting desired outcome.	Medium	All EDAPs will now follow the same monitoring procedure as B&C/MAKI and are updated quarterly to indicate progress. Through liaising with the Chair of the OLI and H&L Area Committees it is the intention for all the progress reports on the area-based EDAPs to be published on the Council's website.	Ishabel Bremner, Economic Growth Manager. 31 st March 2016.
3. Reporting Procedures				High/ Medium or Low
There was no evidence of a procedural document or being available in regard to monitoring/tracking, escalation protocols and timetable for progress on actions within area EDAPs.	Failure to have reporting procedures documented may lead to inconsistencies in reporting resulting in ineffective decision making	Medium	All EDAPs will now follow the same monitoring procedure and are updated quarterly to indicate progress. Protocols for monitoring/tracking and escalating actions for all area-based EDAPs will be agreed with all Area Committees in April.	Ishabel Bremner, Economic Growth Manager. Area Committee meetings in April 2016.

4. Prioritisation				High/ Medium or Low
There was no evidence that actions included within each of the EDAPs have been prioritised	Failure to identify critical actions may lead to inefficient resource allocations resulting in inefficient delivery of outcomes.	Medium	Many actions cannot be prioritised as they are subject to external factors which are beyond the control of Economic Development and Strategic Transportation Service staff. However, where actions can be prioritised this will be taken forward during the preparation of the area-based EDAPs for 2016/17 in May 2016 (discrete workshops will be held in May in each area with elected members and members of the local Community Planning Groups).	Ishabel Bremner, Economic Growth Manager. The 2016/17 area-based EDAPs are due to be approved by the Area Committees in June 2016, complete with prioritised actions, as appropriate.



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