



Executive summary

Overall conclusions

We consider that the Council has demonstrated compliance with a number of aspects of the code of practice in relation to its dealings with arms length external organisations (ALEOs).

Main strengths

The Council has a variety of effective arrangements in place. These include:

- standard Grant Application forms and contracts
- detailed service level agreements, of a standard format. These include target outcomes for objectives which are drawn up in respect of higher level funding agreements
- adequate vetting and regular monitoring procedures.

Areas for improvement

We consider, however, that the following areas merit renewed management attention:

- the decision to award funding is purely a “political” one. Our review established that there is no pre-determined, clear or transparent scoring methodology or option appraisal process which ensures that the Council's objectives are best served by a particular organisation or to ensure an optimum balance of funded organisations which serve individual sub-objectives
- officers involved in dealing with ALEOs currently receive no training in this area
- many organisations do not require to adhere to a given timetable for achievement of objectives
- there is no central quality control operated to oversee the monitoring process
- there is no central point of knowledge in relation to grants in the council
- a number of key areas could be clarified through additional policy initiatives. These include :
- the standing orders do not currently outline the approvals process
- there is no policy outlining situations where it is appropriate for officers or members to act on an ALEO
- there is no policy which outlines minimum skills requirements for staff acting on ALEO boards.

Management action

An action plan contained within this report details areas where improvement could be achieved. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The assistance and co-operation we received during the course of our audit is gratefully acknowledged.

David Jamieson
Senior Audit Manager
September 2005

Action plan

Action ref.	Strategic objective	Priority	Responsible officer	Agreed timescale	Council's commitment	For action by (date)
Principle 1: Purpose: the council is clear about its reasons for transferring funds to ALEOs.						
1	The Council should ensure that grant application packs, committee reports and funding approval letters contain reference to the appropriate statutory powers under which the grant is applied for and approved. This will ensure that members, officers and applicants are clear about the statutory authority for funding requests.	Medium				
2	The Council should seek to develop a methodology of scoring grant applications in terms of how best they fit with the Council's overall objectives, in order to provide transparency to the decision making process. Funding amounts for specific sub-objectives should also be predetermined to ensure that an optimum balance of types of organisations is obtained.	High				

Action ref	Recommendation	Priority	Responsibility	Approval	Council Committee	Expiry date (by date)
3	The Council should ensure that the constitution document, presently being developed to replace the standing orders and financial regulations, clearly outlines the approval process in respect of grant funding.	Medium				
	Principle 2: Financial regime: the council has a clear and robust financial management regime in place.					
4	The Council should ensure that all risks relating to voluntary organisations are identified, assessed and taken into account in developing the corporate risk register. This will provide a formal mechanism to ensure that these risks can be appropriately addressed and controlled.	Medium				
5	The Council should consider the inclusion of a clause in the standard contract which states that any liability or claims are the sole responsibility of the funded organisation, in order to prevent any possible financial cost to the Council. (Note duplication with action plan no. 18)	Medium				
6	The Council should consider requesting details of management composition of funded organisations to ensure that an appropriate structure is in place and that known individuals are of sound character.	Medium				

Action ref	Recommendation	Priority	Responsible Officer	Agreed Frequency	Council Commitments	For action by (date)
7	The Council should consider the preparation of a guidance manual for use by officers involved in dealing with ALEOs.	Medium				
Principle 3: Monitoring: the council has robust arrangements for monitoring its relationship with ALEOs.						
8	The Council should provide a mechanism by which organisations are aware of exactly what council policies are in relation to ALEOs.	Medium				
9	A standard template should be devised by the Council for the end of year grant report in order to ensure that organisations supply the required amount of information in a concise format.	Medium				
10	The Council should consider reviewing the monitoring process in place across the Council in order to provide a quality control dimension.	Medium				
11	The Council should consider the creation of a central knowledge database in relation to grant funding, which could be used to record details of approved funding amounts and supervisory contact details. Further fields could also be added to record when monitoring reports, end of grant reports and annual accounts have been received.	High				

Action ref	Recommendation	Priority 1=High 2=Medium 3=Low	Responsible Council	Agreed (Yes/No) 3=Fully 2=Partly 1=No	Council's comments	For action by (date)
	Principle 4: Representation: the council is clear about the purpose of any officer or member representation on ALEOs, and representatives discharge their responsibilities with due regard to the objectives of the council.					
12	The Council should devise a formal policy which details the situations where it would be appropriate for members or officers to be appointed to the management team or board of an ALEO. The policy should clearly outline the exact roles involved and provide restrictions on the amount of support which should be provided.	Medium				
13	Service Level Agreements should be amended to include provision for the Council's requirements to appoint officers or members to the board or management team.	Medium				
14	The Council should devise a formal policy which outlines a minimum requirement of skills, experience and grade which officers responsible for representing the Council on ALEOs should possess.	Medium				
15	Formal training should be provided to all officers involved in dealing with ALEOs to ensure that they understand their respective responsibilities to both the Council and the ALEO.	Medium				

Action ref	Recommendation	Priority: 1 = High 2 = Medium 3 = Low	Responsible officer	Agreed: 1 = Yes 2 = Partly 3 = No	Council's comments	For action by (date)
16	The Council should seek to ensure that all officers involved in dealing with ALEOs are required to sign the register of declaration of interest, in order to ensure that officers are not placed in situations where a clear conflict of interest may arise.	Medium				
	Principle 5: Limitations: in entering into a substantial funding commitment with an ALEO, the council lays down a timetable for the achievement of its objectives.					
17	The Council should seek to ensure that organisations which receive funding to provide specific services are required to achieve objectives within a predetermined agreed timetable in order to ensure that these contribute to the achievement of the Council's corporate objectives.	Medium				
18	The Council should consider the inclusion of a clause in the standard contract which states that any liability or claims are the sole responsibility of the funded organisation, in order to prevent any financial cost to the Council. (Note duplication with action plan no. 5)	Medium				
	Principle 6: Accountability: the council makes arrangements for suitable access by external audit.					
	No recommendations made.					