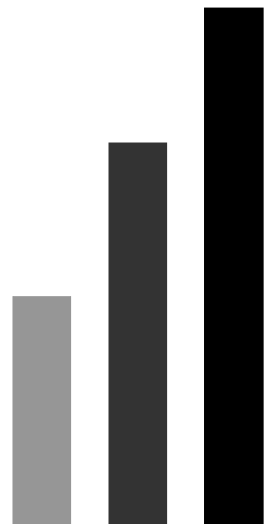


# Agenda 2014

# Audit Committee

For meeting on:

26	August	2014
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Municipal Buildings, Greenock PA15 1LY

Ref: ND/AI

Date: 15 August 2014

**A meeting of the Audit Committee will be held on Tuesday 26 August 2014 at 3 pm within the Municipal Buildings, Greenock.**

GERARD MALONE  
Head of Legal & Property Services

**Business**

**\*\* Copy to Follow**

**1. Apologies, Substitutions and Declarations of Interest**

**PERFORMANCE MANAGEMENT**

2. **External Audit Action Plans - Current Actions**  
Report by Acting Corporate Director Environment, Regeneration & Resources
3. **Internal Audit Progress Report – 31 March 2014 to 1 August 2014**  
Report by Acting Corporate Director Environment, Regeneration & Resources
4. **Internal Audit Annual Report and Assurance Statement 2013/2014**  
Report by Acting Corporate Director Environment, Regeneration & Resources
5. **Annual Review of Risk Management Activity 2013/2014**  
Report by Acting Corporate Director Environment, Regeneration & Resources
6. **Targeted Follow Up to Arms-Length External Organisations (ALEOs): Are You Getting it Right?**  
Report by Acting Corporate Director Environment, Regeneration & Resources
7. **2013/14 Capital Programme Performance: Remit from Policy & Resources Committee**  
Report by Acting Corporate Director Environment, Regeneration & Resources

Enquiries to - **Neil Duffy** - Tel 01475 712147

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<b>Report To:</b>	<b>Audit Committee</b>	<b>Date:</b>	<b>26 August 2014</b>
<b>Report By:</b>	<b>Acting Corporate Director Environment, Regeneration and Resources</b>	<b>Report No:</b>	<b>AC/82/14/AP/APr</b>
<b>Contact Officer:</b>	<b>Andi Priestman</b>	<b>Contact No:</b>	<b>01475 712251</b>
<b>Subject:</b>	<b>External Audit Action Plans - Current Actions</b>		

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## **1.0 PURPOSE**

1.1 The purpose of this report is to advise Members of the status of current actions from External Audit Action Plans at 30 June 2014.

## **2.0 SUMMARY**

2.1 The Chief Internal Auditor co-ordinates follow up reporting on current actions arising from External Audit Action Plans on a monthly basis with regular reporting to the CMT and the Audit Committee.

2.2 There were no actions due for completion by 30 June 2014.

2.3 There are 3 current external audit actions being progressed by Officers.

## **3.0 RECOMMENDATIONS**

3.1 It is recommended that Members note the progress to date in relation to the implementation of external audit actions.

**Alan Puckrin**  
**Acting Corporate Director Environment, Regeneration & Resources**

## 4.0 BACKGROUND

- 4.1 External Audit regularly report findings and action plans to relevant Council Officers and the Audit Committee as part of their annual audit plan.
- 4.2 A follow up process is in place to allow follow up of current external audit actions to be co-ordinated and updated by Internal Audit on a monthly basis with regular reporting to the CMT and the Audit Committee.

## 5.0 CURRENT STATUS

- 5.1 There are 3 current audit actions being progressed by officers. No actions were due for completion by 30 June 2014.

## 6.0 IMPLICATIONS

### 6.1 Finance

There are no direct financial implications arising from this report.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

### 6.2 Legal

There are no direct legal implications arising from this report.

### 6.3 Human Resources

There are no direct HR implications arising from this report.

### 6.4 Equalities

There are no direct equalities implications arising from this report.

### 6.5 Repopulation

There are no direct repopulation implications arising from this report.

## 7.0 CONSULTATIONS

- 7.1 Relevant Officers were asked to provide updates to the report as appropriate.

## 8.0 LIST OF BACKGROUND PAPERS

- 8.1 External Audit reports. Copies available from Andi Priestman, Chief Internal Auditor.

**INVERCLYDE COUNCIL INTERNAL AUDIT**  
**REPORT TO AUDIT COMMITTEE ON**  
**STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**  
**AT 30 JUNE 2014**

**Summary: Section 1 Summary of Management Actions due for completion by 30/06/14**

There were no items due for completion by 30 June 2014.

**Section 2 Summary of Current Management Actions Plans at 30/06/14**

At 30 June 2014 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

**Section 3 Current Management Actions at 30/06/14**

At 30 June 2014 there was a total of 3 current audit action points.

**Section 4 Analysis of Missed Deadlines**

At 30 June 2014 there was a total of 2 audit action points where the agreed deadline had been missed.

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

**SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 30.06.14**

**SECTION 1**

Area	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*	No action proposed
Chief Executive					
Environment, Regeneration and Resources					
Community Health and Care Partnership (CHCP)					
Education, Communities and Organisational Development					
<b>Total</b>					

\* These actions are included in the Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

**SUMMARY OF CURRENT MANAGEMENT ACTIONS AS AT 30.06.14**

**SECTION 2**

**CURRENT ACTIONS BY DIRECTORATE**

<b>Environment, Regeneration and Resources</b>	
Due for completion October 2014	1
Due for completion December 2014	1
<b>Total Actions</b>	<b>2</b>
<b>CHCP</b>	
Due for completion October 2014	1
<b>Total Actions</b>	<b>1</b>
<b>Total current actions:</b>	<b>3</b>

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

**CURRENT MANAGEMENT ACTIONS AS AT 30.06.14**

**SECTION 3**

**Environment, Regeneration and Resources**

<b>Action</b>	<b>Owner</b>	<b>Expected Date</b>
<b>Annual Report to Members on the 2011-2012 Audit (November 2012)</b>		
<b>Risk Management</b> It is anticipated that a full overview report will be presented to members in April 2013.	<b>Chief Internal Auditor</b>	<b>31.10.14*</b>
<b>Annual Report to Members on the 2012-2013 Audit (November 2013)</b>		
<b>Commissioning</b> Officers will undertake a review of current policies/practices against good practice and develop proposals for members to consider by December 2014.	<b>Acting Corporate Director ERR</b>	<b>31.12.14</b>

**CHCP**

<b>Action</b>	<b>Owner</b>	<b>Expected Date</b>
<b>Data Handling Overview (June 2009)</b>		
The information assets register will be implemented in conjunction with the approval of the information classification scheme.	<b>Corporate Director CHCP</b>	<b>31.10.14*</b>

\* See Analysis of Missed Deadlines – Section 4



**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS  
ANALYSIS OF MISSED DEADLINES**

**SECTION 4**

<b>Report</b>	<b>Outstanding Actions</b>	<b>Original Date</b>	<b>Revised Date</b>	<b>Management Comments</b>
<b>Data Handling Overview (June 2009)</b>	The information assets register will be implemented in conjunction with the approval of the information classification scheme.	<b>31.12.12</b>	<b>31.10.14</b>	<p>The information classification system was approved at P&amp;R Committee on 13 August 2013.</p> <p>A progress report was presented to February P&amp;R Committee. A records management sub-group has been formed and will take the remaining action forward.</p>
<b>Members Letter 2011-12 (November 2012)</b>	<b>Risk Management</b> It is anticipated that a full overview report will be presented to members in April 2013.	<b>30.04.13</b>	<b>31.10.14</b>	Existing service risk registers have been reviewed and updated for ERR and EC&OD directorates. In relation to CHCP, meetings have taken place with NHS Risk Management team and joint risk registers have been developed in Q4 2013 and these are currently being finalised to allow aggregated reporting to be undertaken.



### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that Members agree to note the progress made by Internal Audit in the period from 31 March to 1 August 2014.

**Alan Puckrin**

**Acting Corporate Director Environment, Regeneration and Resources**

## 4.0 BACKGROUND

- 4.1 In April 2014, the Audit Committee approved the current Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2014-15.
- 4.2 Internal Audit regularly reports findings and action plans to relevant Council Officers and the Audit Committee as part of the annual audit plan. A follow up process is in place to allow follow up of current internal audit actions to be co-ordinated and updated by Internal Audit on a monthly basis with regular reporting to the CMT and the Audit Committee.

## 5.0 CURRENT POSITION

- 5.1 Four internal audit reports have been finalised since the last Audit Committee meeting in February 2014.
- 5.2 The fieldwork for the 2013/14 plan is now complete and all reports are now finalised.
- 5.3 The fieldwork for the 2014/15 plan is underway and the current status of the plan is as follows:

Stage	Number of Reports
Final Report	0
Draft Report	3
Fieldwork Complete	0
Fieldwork in Progress	2
Planning	1
Not started/Deferred	11
<b>Total</b>	<b>17</b>

- 5.4 There are 19 current action points being progressed by officers. Three actions were due for completion by 30 June 2014 and all items have been reported as completed by management.

## 6.0 IMPLICATIONS

### Finance

- 6.1 There are no direct financial implications arising from this report.

Financial Implications:

#### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

#### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

## **Legal**

6.2 There are no direct legal implications arising from this report.

## **Human Resources**

6.3 There are no direct HR implications arising from this report.

## **Equalities**

6.4 There are no direct equalities implications arising from this report.

## **Repopulation**

6.5 There are no direct repopulation implications arising from this report.

## **7.0 CONSULTATIONS**

7.1 Relevant officers have been consulted in the preparation of this report.

## **8.0 LIST OF BACKGROUND PAPERS**

8.1 File of completed internal audit reports: Available from Andi Priestman, Chief Internal Auditor.



**Audit Committee Report  
Report on Internal Audit Activity from  
31 March to 1 August 2014**

<b>Section</b>	<b>Contents</b>	<b>Page</b>
1	Audit work undertaken in the period	1
2	Summary of main findings from reports issued since previous Audit Committee	2-4
3	Audit Plan for 2014-2015 – progress to 1 August 2014	5
4	Ad hoc activities undertaken since the previous Audit Committee	6

**1 Audit work undertaken in the period**

**Reports issued since last update**

1.1 Detailed findings and recommendations reported to management are currently graded using the following criteria:

<b>Red</b>	<ul style="list-style-type: none"> <li>• In our opinion the control environment is insufficient to address the risk and this could impact the Council as a whole.</li> <li>• Corrective action must be taken and should start immediately.</li> <li>• Overseen to completion by Corporate Management Team.</li> </ul>
<b>Amber</b>	<ul style="list-style-type: none"> <li>• In our opinion there are areas of control weakness which we consider to be individually significant but which are unlikely to affect the Council as a whole.</li> <li>• Corrective action must be taken (some exceptions may be agreed with IA) within reasonable timeframe.</li> <li>• Overseen to completion by Head of Service.</li> </ul>
<b>Green</b>	<ul style="list-style-type: none"> <li>• In our opinion the risk area is well controlled or our audit highlighted areas for minor control improvement and/or areas of minor control weakness.</li> <li>• Process improvements/efficiencies may be actioned at management discretion in consultation with Internal Audit (IA).</li> <li>• Managed by service owner.</li> </ul>

1.2 Four reports have been finalised since the April 2014 Audit Committee, which are identified below, together with a summary of the gradings of the issues identified. In Section 2 we have provided a summary of the main findings from the reviews.

Reports finalised since previous Audit Committee	Grading			Total Number of Issues
	Red	Amber	Green	
<b>2013/2014 plan</b>				
Debt Recovery	0	0	5	5
Property Maintenance	0	0	3	3
Trading Standards	0	0	4	4
Provision of School Meals	0	0	6	6
<b>Total</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>18</b>



**Other activities**

**Risk Management**

1.4 Risk Management is the subject of separate reporting to Audit Committee and a full report is submitted separately on a 6-monthly basis.

**1.5 Internal Audit Action Plan Follow Up**

The current status of Internal Audit Action plans is set out as an attachment at Appendix 2 to this report.

**2 Summary of main findings from reports issued since previous Audit Committee**

2.1 We have provided below a summary of the key findings from the final reports issued after 28 March 2014.

**Debt Recovery**

2.2 The effective management and collection of debt is an essential contributor to the Council's financial resource and maximises income available to provide services. To achieve this, the debt recovery team aims to collect debt promptly, effectively and efficiently while ensuring fair treatment to all debtors. The debt recovery team works in conjunction with the Council's Debt Recovery Partner, Alex M Adamson, who provides an effective service in the collection of Inverclyde Council's Council Tax and Non Domestic Rates.

2.3 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls over the key risks faced by Inverclyde Council in relation to Debt Recovery.

2.4 The overall control environment opinion for this audit was **Strong**. Areas of good practice were identified as follows:

- The Debt Recovery Team is an established team where low staff turnover contributes to the high levels of knowledge and performance; and
- The Debt Recovery Partner, Alex M Adamson, demonstrated a strong overall commitment to providing an effective debt recovery service to enable Inverclyde Council to achieve its main objectives.

2.5 The audit identified a total of 5 GREEN issues which, if implemented, will enhance the control environment and an action plan is in place to address all issues by 30 September 2014.

**Property Maintenance**

2.6 The Council owns a number of buildings which are integral to the delivery of local services. These buildings vary in condition, size and public usage. It is therefore important that the Property Maintenance Team and appropriate Service staff apply effective processes for managing repairs, especially those which are health and safety related. To this end the Property Maintenance Team deploys a £1.4m central repairs budget for organising approximately 4,000 repairs each year.

2.7 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks faced by Inverclyde Council in relation to property maintenance.

**2 Summary of main findings from reports issued since previous Audit Committee (Continued)**

2.8 The overall control environment opinion for this audit was **Strong**. Areas of good practice were identified as follows:-

- During the review officers emphasised the priority given to resolving health and safety related property repairs and the good working relationships they have with Property Maintenance Officers; and
- The Property Maintenance Team demonstrated a strong overall commitment to effectively managing property repairs across the Council with cash-limited resources.

2.9 The audit identified a total of 3 GREEN issues which, if implemented, will enhance the control environment. An action plan is in place to address all issues by 30 September 2014.

**Trading Standards**

2.10 The primary objective of the Trading Standards Service is to ensure legislation is complied with. The Service aims to protect the citizens of Inverclyde and ensure as far as possible fair trading between businesses. A comprehensive range of trading standard services are provided which includes fair trading, door stop crime, age-restricted sales, counterfeit goods, business advice, weights and measures and animal health.

2.11 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks faced by Inverclyde Council in relation to trading standards.

2.12 The overall control environment opinion for this audit was **Strong**. Areas of good practice were identified as follows:-

- The Trading Standards Officers have substantial experience in their roles and a detailed knowledge of legislation governing the Service; and
- We observed a strong customer focus and good working relationships with other Services and external agencies.

2.13 The review identified a total of 4 GREEN issues and an action plan is in place to address all issues by 31 May 2015.

**Provision of School Meals**

2.14 Inverclyde Council has a statutory responsibility to provide free school meals and Facilities Management aims to provide all school meals in a safe manner and in accordance with the relevant legislation. The Service also assists with the promotion of the school meals service, with a view to increasing uptake.

2.15 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks faced by Inverclyde Council in relation to the provision of school meals.

2.16 The overall control environment opinion for this audit was **Strong**. Areas of good practice were identified as follows:-

- We observed that the catering staff had a strong customer focus and good working relationships with other members of staff working at the schools; and
- Methodical planning of work is undertaken by experienced staff to deliver a high quality service.

**2 Summary of main findings from reports issued since previous Audit Committee  
(Continued)**

- 2.17 The review identified a total of 6 GREEN issues and an action plan is in place to address all issues by 30 November 2014.

3. Audit Plan for 2013/14 – Progress to 1 August 2014

Planned Audit Cover	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
<b>Risk-Based Reviews</b>							
Property Asset Management	√	√	√				
Environmental Health	√	√	√	√	√		
Libraries and Museums	√	√					
Grounds Maintenance – Whinhill Golf Course	√						
Homecare – CM2000 System	√	√	√				
Complaints Handling - CHCP							
Quality Assurance - CHCP							
Business Support - CHCP							
<b>Limited Scope Financial System Reviews</b>							
Payroll and Expenses							
Treasury Management							
<b>Follow Up Reviews</b>							
Homelessness							
<b>Regularity Audits</b>							
CSA CHCP	√	√	√	√	√		
CSA Education							
<b>Performance Reviews</b>							
SOLACE Indicators	√	√	√	√	√		
Performance Management - ECS							
Technical Services							
<b>Corporate Governance</b>							
Annual Governance Statement 2013-2014	Input provided by CIA.						
<b>Projects/Key Change Initiatives</b>							
Information Governance and Management	Input provided by CIA via Information Governance Steering Group.						

**4 Ad hoc activities undertaken since the previous Audit Committee**

- 4.1 From time to time, management will request the assistance of Internal Audit in certain activities that are in addition to the annual Operational Plan. Examples of such activities include investigations of alleged irregularities, review of changes in system procedures etc.
- 4.2 Contingency has been made available in the Operational Plan for such ad hoc activities. Since the previous Audit Committee, ad hoc activity undertaken in the period is as follows:
- Providing relevant input to the information governance working group.
  - Providing relevant input to inform the Council's approach to the Annual Governance Statement/Local Code of Governance.

**INVERCLYDE COUNCIL INTERNAL AUDIT**  
**REPORT TO AUDIT COMMITTEE ON**  
**STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)**  
**AT 30 JUNE 2014**

**Summary: Section 1 Summary of Management Actions due for completion by 30/06/14**

There were 3 items due for completion by 30 June 2014, and all items have been reported as completed by management.

**Section 2 Summary of Current Management Actions Plans at 30/06/14**

At 30 June 2014 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

**Section 3 Current Management Actions at 30/06/14**

At 30 June 2014 there was a total of 19 current audit action points.

**Section 4 Analysis of Missed Deadlines**

At 30 June 2014 there was a total of 5 audit action points where the agreed deadline had been missed.

**Section 5 Summary of Action Plan Points by Audit Year**

**INVERCLYDE COUNCIL INTERNAL AUDIT  
 REPORT TO AUDIT COMMITTEE ON  
 STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
 SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 30.06.14**

**SECTION 2**

<b>Directorate</b>	<b>No. of Actions Due</b>	<b>No. of Actions Completed</b>	<b>Deadline missed Revised date set*</b>	<b>Deadline missed Revised date to be set*</b>
Environment, Regeneration & Resources	1	1		
Community Health & Care Partnership (CHCP)				
Education, Communities and Organisational Development	2	2		
<b>Total</b>	<b>3</b>	<b>3</b>		

\* These actions are included in the Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT  
 REPORT TO AUDIT COMMITTEE ON  
 STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
 SUMMARY OF CURRENT MANAGEMENT ACTION PLANS AS AT 30.06.14**

**SECTION 2**

**CURRENT ACTIONS BY DIRECTORATE**

<b>Environment, Regeneration and Resources</b>	
Due for completion July 2014	1
<b>Total Actions</b>	<b>1</b>
<b>Community Health and Care Partnership</b>	
Due for completion August 2014	3
Due for completion September 2014	2
Due for completion October 2014	2
Due for completion November 2014	7
Due for completion February 2015	1
Due for completion March 2015	1
<b>Total Actions</b>	<b>16</b>
<b>Education, Communities and Organisational Development</b>	
Due for completion September 2014	1
Due for completion October 2014	1
<b>Total Actions</b>	<b>2</b>
<b>Total current actions:</b>	<b>19</b>



**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
CURRENT MANAGEMENT ACTIONS AS AT 30.06.14**

**SECTION 3**

**Environment, Regeneration and Resources**

Action	Owner	Expected Date
<b>Corporate Purchase Cards Follow Up Review (August 2013)</b>		
<b>Appropriateness of Authorisation Limits (Amber)</b> The Payments & Control Team will: <ul style="list-style-type: none"> <li>• maintain a list of corporate purchase card holders</li> <li>• validate the list of corporate purchase cardholders annually by contacting relevant Service Managers; and</li> <li>• for each cardholder confirm that their purchase card transaction limit does not exceed their FMS creditors' limit. Purchase card transaction limits which are found to exceed creditor limits will be aligned following discussions between all relevant officers, including Service Managers and Corporate Procurement staff when appropriate.</li> </ul>	<b>Principal Accountant (Exchequer)</b>	<b>31.07.14*</b>

**Community Health & Care Partnership**

Action	Owner	Expected Date
<b>Homelessness (January 2010)</b>		
<b>Writing-off irrecoverable rent arrears (Amber)</b> Management will review current arrears position and consider write off.  Management will consider processes and procedures for monitoring bad debts and introduce a system for write offs which will include: <ol style="list-style-type: none"> <li>(a) Submitting cases to Chief Financial Officer for write off approval in order to comply with Council Financial Regulations</li> <li>(b) Seeking advice from the Social Work Accountant on how to create ongoing bad debt provision to fund write offs</li> <li>(c) maintaining adequate records of all write off activity</li> </ol>	<b>Service Manager (Homelessness)</b>	<b>30.09.14*</b>

\* See Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
CURRENT MANAGEMENT ACTIONS AS AT 30.06.14**

**SECTION 3**

**Community Health & Care Partnership (Continued)**

Action	Owner	Expected Date
<b>Information Governance and Management (May 2009)</b>		
<p><b>People (Amber)</b> Security awareness will be promoted using awareness materials such as brochures, posters or web based documents and through structured education/training programmes or computer based training. Training will be made compulsory for all staff to create security positive behaviour.</p>	<b>Corporate Director CHCP</b>	<b>31.10.14*</b>
<p><b>Process (Amber)</b> Processes will be developed and implemented to strengthen the system of internal control over information governance and management. This will include:</p> <ul style="list-style-type: none"> <li>• Identifying owners for critical information and systems</li> <li>• Investing in secure archiving facilities for appropriate hard copy records that must be retained in accordance with relevant legislation.</li> </ul>	<b>Corporate Director CHCP</b>	<b>31.10.14*</b>
<b>Client Accounts – CHCP (March 2014)</b>		
<p><b>Managing client and trust accounts across CHCP teams (Amber)</b> CHCP Management will;</p> <ul style="list-style-type: none"> <li>• develop and apply a single assessment mechanism for creating new clients and trust accounts. The assessment process will be informed by the experience of other Scottish local authorities whilst complying with relevant legislation.</li> <li>• obtain legal advice regarding the validity of the Community Care client account policy and, if appropriate, the drafting of mandates whereby clients consent to support with managing their personal finances. If appropriate, all existing clients will be requested to sign these mandates.</li> <li>• introduce the Access to Funds scheme for new and existing clients along with determining the roles of all relevant staff. Initially, a suitable existing case will be used to pilot the move to in-house administration.</li> <li>• review and update the policy for trust accounts to allow for current processes and the ATF scheme. The review will draw on the findings of this audit and best practice obtained from other Scottish local authorities.</li> </ul>	<b>Service Manager (Mental Health and Wellbeing)</b>	<b>30.11.14</b>
	<b>Team Lead (Community Care)</b>	<b>30.11.14</b>
	<b>Service Manager (Mental Health and Wellbeing)</b>	<b>30.11.14</b>
	<b>Service Manager (Mental Health and Wellbeing)</b>	<b>30.11.14</b>

\* See Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
CURRENT MANAGEMENT ACTIONS AS AT 30.06.14**

**SECTION 3**

**Community Health & Care Partnership (Continued)**

<b>Action</b>	<b>Owner</b>	<b>Expected Date</b>
<ul style="list-style-type: none"> <li>• introduce a specific mechanism for regularly reviewing, recording and reporting to the DWP changes in client circumstances when corporate appointee-ships apply. This mechanism will ensure that the Council fully meets its legal obligations to the DWP in respect of those clients.</li> </ul>	<b>Team Lead – CMH/Team Lead CC</b>	<b>31.08.14</b>
<p>Management will ensure clients and trust accounts where next of kin;</p> <ul style="list-style-type: none"> <li>• are available and co-operate are closed by administrative and frontline staff working together and so continue existing practices;</li> <li>• are available but do not co-operate will be closed using a newly developed procedure which allows for the Council's legal obligations and staff roles; and</li> <li>• cannot be traced accounts will be closed in line with legal guidance on remitting unclaimed estates to the relevant government department. The working group will seek legal advice on this subject and Finance will close individual trust accounts when required.</li> </ul>	<b>Service Manager (Mental Health and Wellbeing)</b>	<b>30.11.14</b>
<p>CHCP management will;</p> <ul style="list-style-type: none"> <li>• ensure that implementation of policy for clients and trust accounts is fully co-ordinated across relevant CHCP teams. This will include fully specifying and agreeing staff roles across and within teams;</li> </ul>	<b>Service Manager (Mental Health and Wellbeing)</b>	<b>30.11.14</b>
<ul style="list-style-type: none"> <li>• ensure that all relevant officers are fully trained in the revised processes for managing clients and trust accounts.</li> </ul>	<b>Service Manager (Mental Health and Wellbeing)</b>	<b>28.02.15</b>
<p>Following implementation of the recommendations arising from this review the Working Group will agree a timetable for examining the costs and benefits of using electronic client account management services.</p>	<b>Service Manager (Mental Health and Wellbeing)</b>	<b>31.03.15</b>
<p>Where appropriate the above recommendations will be implemented following consultation with Finance staff and Legal &amp; Democratic Services.</p>		

\* See Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
CURRENT MANAGEMENT ACTIONS AS AT 30.06.14**

**SECTION 3**

**Community Health & Care Partnership (Continued)**

<b>Action</b>	<b>Owner</b>	<b>Expected Date</b>
<p><b>Reconciling Community Care client accounts (Amber)</b> Community Care administration staff will ensure that daily input into the clients account spreadsheet is checked by a separate officer in order to promptly identify and correct any input errors. This will include a sign-off as “prepared by” and “checked by”.</p>	<b>Business Support Co-Ordinator</b>	<b>31.08.14</b>
<p><b>Reconciling trust bank accounts (Amber)</b> As a one-off exercise Finance staff will work with relevant administration staff and Business Support Co-ordinators to ensure that all trust bank accounts are regularly reconciled against newly created cashbook records.</p>	<b>Finance Supervisor</b>	<b>30.09.14</b>
<p><b>Security arrangements over clients cash held by Community Mental Health (Amber)</b> Management will review the security arrangements over clients’ cash held by Community Mental Health (CMH) administration staff within Crown House and comply with the Audit Guidance Circular on the security of keys.</p>	<b>Business Support Co-Ordinator</b>	<b>31.08.14</b>
<p>Clarification will be obtained from the Council’s Insurance Officer that insurance cover applies to clients trust account cash balances held within Crown House. If necessary, arrangements will be made to supply the Council’s insurer with technical details of the safe used to hold clients monies. In addition, this subject will be examined to ensure that all safes operated in similar circumstances across the CHCP are covered by insurance.</p>	<b>Head of Administration</b>	<b>30.11.14</b>

\* See Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
CURRENT MANAGEMENT ACTIONS AS AT 30.06.14**

**SECTION 3**

**Education, Communities and Organisational Development**

<b>Action</b>	<b>Owner</b>	<b>Expected Date</b>
<b>Travel and Subsistence (June 2010)</b>		
The anomaly in the mileage rates where teachers are paid a higher rate will be further investigated and a common approach adopted which uses the Inland Revenue rate of 45p per mile to ensure that all employees are treated fairly and equitably.	<b>HR Manager (Organisational Development)</b>	<b>31.10.14*</b>
<b>Control Self-Assessment – Education (April 2013)</b>		
<p><b>Managing Pupil Transport (Amber)</b> Education management will convene a short life working group to fully identify and actively manage the issues involving contract buses. The working group will:</p> <ul style="list-style-type: none"> <li>• examine greater use of Strathclyde Passenger Transport's complaints procedure;</li> <li>• clarify the role of Schools Support Managers and Headquarters staff in managing pupil transport, including the production of appropriate action plans; and</li> <li>• ask Head Teachers to advise the working group of any other unresolved issues associated with contract buses.</li> </ul>	<b>Policy &amp; Commissioning Team Leader</b>	<b>30.09.14</b>

\* See Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
ANALYSIS OF MISSED DEADLINES**

**SECTION 4**

Report	Action	Original Date	Revised Date	Management Comments
<b>Homelessness (January 2010)</b>	<p><b>Writing-off irrecoverable rent arrears (Amber)</b> Management will review current arrears position and consider write off.</p> <p>Management will consider processes and procedures for monitoring bad debts and introduce a system for write offs.</p>	<p><b>30.09.10</b> <b>31.12.10</b> <b>31.05.11</b> <b>30.09.11</b> <b>31.01.12</b> <b>30.06.12</b> <b>31.01.13</b> <b>31.10.13</b> <b>01.04.14</b></p>	<b>30.09.14</b>	The new rent accounting system will allow for the management of rent arrears and write-offs.
<b>Information Governance and Management (May 2009)</b>	<b>People (Amber)</b> Security awareness will be promoted using materials such as brochures, posters or web based documents and through structured education/training programmes and computer based training. Training will be compulsory for all staff to create security positive behaviour.	<p><b>31.03.11</b> <b>31.12.12</b> <b>01.04.14</b></p>	<b>31.10.14</b>	<p>A number of Data Protection workshops have been facilitated by Legal Services which have been attended by a number of Services across the Council. Further workshops have been organised for the remainder of 2014.</p> <p>A communication briefing was issued in March and April 2014 to sign-post staff to relevant e-learning modules on Brightwave.</p> <p>New start induction checklist is being reviewed and updated to ensure that new employees do not get access to corporate information systems until they have completed the e-learning training.</p>

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
ANALYSIS OF MISSED DEADLINES**

**SECTION 4**

Report	Action	Original Date	Revised Date	Management Comments
<b>Information Governance and Management (May 2009)</b>	<p><b>Process (Amber)</b> Processes will be developed and implemented to strengthen the system of internal control over information governance and management. This will include:</p> <ul style="list-style-type: none"> <li>• Identifying owners for critical information and systems</li> <li>• Developing an options appraisal in relation to secure archiving facilities for appropriate hard copy records that must be retained in accordance with relevant legislation.</li> </ul>	<p><b>31.03.11</b> <b>31.12.12</b></p>	<b>31.10.14</b>	<p>The information classification system was approved at P&amp;R Committee on 13 August 2013.</p> <p>A records management sub-group has been formed and will take the remaining actions forward. A progress report was presented to the February P&amp;R Committee and the February Audit Committee.</p>
<b>Travel and Subsistence (June 2010)</b>	<p><b>Value for Money – Mileage Claims (Amber)</b> The anomaly in the mileage rates where teachers are paid a higher rate will be further investigated and a common approach adopted which uses the Inland Revenue rate of 45p per mile to ensure that all employees are treated fairly and equitably.</p>	<p><b>31.12.10</b> <b>31.03.11</b> <b>30.04.11</b> <b>30.09.11</b> <b>31.03.12</b> <b>31.03.14</b></p>	<b>31.10.14</b>	A local agreement will be presented to the LNCT in September and to P&R thereafter.
<b>Corporate Purchase Cards – F/Up Review (August 2013)</b>	<p><b>Appropriateness of Authorisation Limits (Amber)</b> The Payments &amp; Control Team will:</p> <ul style="list-style-type: none"> <li>• maintain a list of CPC holders</li> <li>• validate the list of corporate purchase cardholders annually by contacting relevant Service Managers; and</li> <li>• for each cardholder confirm that their purchase card transaction limit does not exceed their FMS creditors' limit.</li> </ul>	<p><b>31.01.14</b> <b>31.03.14</b></p>	<b>31.07.14</b>	Work is underway to address this issue but has been delayed due to requests for cardholder transaction limits from the back and year end deadlines.

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
SUMMARY OF ACTION PLAN POINTS BY AUDIT YEAR**

**SECTION 5**

The following table sets out the total number of agreed actions raised by audit year together with their completion status as at 30 June 2014.

<b>Audit Year</b>	<b>Total Agreed Actions</b>	<b>Total Actions Completed</b>	<b>Total Current Actions</b>		
			<b>Red</b>	<b>Amber</b>	<b>Green</b>
2006/2007	26	26	0	0	0
2007/2008	174	174	0	0	0
2008/2009	214	212	0	2	0
2009/2010	194	191	0	2	1
2010/2011	118	118	0	0	0
2011/2012	62	62	0	0	0
2012/2013	76	74	0	1	1
2013/2014	116	63	0	14	39
<b>Total</b>	<b>980</b>	<b>920</b>	<b>0</b>	<b>19</b>	<b>41</b>





## 4.0 BACKGROUND

- 4.1 Government Internal Audit Standards (“GIAS”) require that the Chief Internal Auditor provides a written statement to the Section 95 Officer to support the Annual Governance Statement. This report should present an opinion as to the overall adequacy and effectiveness of the organisation’s internal control environment.
- 4.2 The report should also:
- Disclose any qualifications to that opinion, together with reasons for the qualification;
  - Present a summary of the audit work undertaken to formulate the opinion including reliance placed on the work by other assurance bodies;
  - Draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the statement on internal control; and
  - Compare the work undertaken with work planned.
- 4.3 The Accounting Code of Practice (“ACOP”) requires that the Section 95 Officer produces a signed Annual Governance Statement as part of the Council’s Annual Report. This report is subject to External Audit scrutiny as part of the year-end audit process.

## 5.0 CURRENT POSITION

- 5.1 The Internal Audit Annual Report 2013/2014 is attached as an Appendix to this report for consideration by the Committee. The report concludes that the majority of Inverclyde Council’s established internal control procedures operated as intended to meet management’s control requirements for each area reviewed by Internal Audit.
- 5.2 It is also highlighted that, based on the results of the ongoing audit follow up process during 2013/2014, management has continued to make good progress in implementing agreed action plans arising from Internal Audit reviews.

## 6.0 IMPLICATIONS

- 6.1 There are no direct financial implications arising from this report.

Financial Implications:

### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

### Legal

- 6.2 There are no direct legal implications arising from this report.

### Human Resources

- 6.3 There are no direct HR implications arising from this report.

### Equalities

6.4 There are no direct equalities implications arising from this report.

### **Repopulation**

6.5 There are no direct repopulation implications arising from this report.

## **7.0 CONSULTATIONS**

7.1 Not applicable. This report summarises the work carried out during 2013-2014 which have been included in separate progress reports to Audit Committee.

## **8.0 LIST OF BACKGROUND PAPERS**

8.1 Internal Audit Progress Reports to Audit Committee in August and October 2013, and January, February and April 2014.



**Internal Audit Annual Report and Assurance Statement 2013/2014**

**30 June 2014**

<b>CONTENTS</b>	<b>Page</b>
SECTION 1 – INTRODUCTION	1
SECTION 2 – ASSESSMENT OF RISK MANAGEMENT, CONTROLS AND GOVERNANCE	2
SECTION 3 – INTERNAL AUDIT WORK CONDUCTED	2-4
SECTION 4 – SCOPE, RESPONSIBILITIES AND ASSURANCE	5-7

**SECTION 1 – INTRODUCTION**

**Purpose of this report**

- 1.1 Government Internal Audit Standards (“GIAS”) require that the Chief Internal Auditor provides a written statement to the s95 Officer timed to support the Annual Governance Statement. This report constitutes the required statement. As required by GIAS, this report presents the opinion of the overall adequacy and effectiveness of Inverclyde Council’s risk management, control and governance processes, based on the work Internal Audit has performed. The scope of internal audit work, the responsibilities of Internal Audit, and the assurance given on the adequacy and effectiveness of the Internal Control System of Inverclyde Council are explained further in Section 4 of this report.

**Main objectives of Inverclyde Council’s Internal Audit Team**

- 1.2 Internal Audit is an assurance function that primarily provides an independent, objective opinion to the Council on the control environment. The overall objective of Internal Audit is to review, appraise and report on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. A secondary objective is to advise management on improvements in internal control systems.

**Scope of Inverclyde Council’s Internal Audit Team**

- 1.3 The scope of Internal Audit allows for unrestricted coverage of the Council’s activities and unrestricted access to records and assets deemed necessary by auditors in the course of an audit.

**Acknowledgements**

- 1.4 The assistance provided by Council staff in the course of the work undertaken by Internal Audit during 2013/2014 is gratefully acknowledged.

## **SECTION 2 – ASSESSMENT OF RISK MANAGEMENT, CONTROLS AND GOVERNANCE**

### **Scope**

- 2.1 The work undertaken by Internal Audit in 2013/2014 is summarised in Section 3 of this Report.
- 2.2 The overall assessment arising from work undertaken is summarised in paragraphs 2.3 to 2.4 below. In interpreting this assessment, consideration needs to be given to the respective responsibilities of Management and Internal Audit and the related limitations on the assurance that Internal Audit can provide (as explained in Section 4).

### **Overall assessment**

On the basis of Internal Audit work carried out in 2013/2014, the majority of Inverclyde Council's established internal control procedures appeared to operate as intended to meet Management's requirements for the individual systems reviewed by Internal Audit. On the basis of selective testing of key controls, it can be concluded that, in the main, controls were generally operating as expected during the period under review, although it does need to be recognised that a number of recommendations were made by Internal Audit to improve controls.

### **Other matters**

- 2.3 Summaries of the issues arising in relation to each system or activity covered by Internal Audit work in 2013/2014 have been reported separately to the Audit Committee. Appropriate responses to the recommendations made in internal audit reports have been obtained. When actioned, the recommendations made in the Internal Audit reports should provide management with additional comfort that the system of control operates as intended. It is therefore imperative that the agreed actions are implemented by management.
- 2.4 A monthly follow up process was put in place in January 2008 and continues to operate effectively. All actions arising from internal and external audit reviews are captured within a follow up database and are subject to follow up and validation by the CMT and the Chief Internal Auditor on a regular basis, with reporting on progress to the Audit Committee.

## **SECTION 3 – INTERNAL AUDIT WORK CONDUCTED**

### **Internal audit approach**

- 3.1 The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards and the agreed Internal Audit annual audit plan.

**Progress on the 2013/2014 internal audit plan**

- 3.2 The Annual Internal Audit Operational Plan 2013/2014 was discussed and agreed with the Audit Committee on 4 April 2013.
- 3.3 Progress against planned audit work for the year to 31 March 2014 can be summarised as follows:-

<b>Planned audit coverage</b>	<b>Status</b>
<b>Risk Based Reviews</b>	
Property Maintenance	Completed
Trading Standards	Completed
Maintenance of Client Accounts	Completed
Provision of School Meals	Completed
Waste Contract Management	Completed
Homecare	Deferred to 2014-2015
<b>Limited Scope Finance Reviews</b>	
Debt Recovery	Completed
Creditors	Completed
<b>Follow Up Reviews</b>	
Corporate Purchase Cards	Completed
Corporate Complaints	Completed
<b>Regularity Reviews</b>	
CSA – CHCP	Completed
CSA – Education	Completed
<b>Performance Reviews</b>	
Statutory Performance Indicators	Completed

- 3.4 The total number of issues raised is set out in the following table:

<b>Report</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Overall Grading</b>
Property Maintenance	0	0	3	Strong
Trading Standards	0	0	4	Strong
Maintenance of Client Accounts	0	4	3	Satisfactory
Provision of School Meals	0	0	6	Strong
Waste Contract Management	0	2	1	Satisfactory
Debt Recovery	0	0	5	Strong
Creditors	0	1	6	Satisfactory
Corporate Purchase Cards	0	1	4	Satisfactory
Corporate Complaints	0	0	5	Satisfactory
CSA – CHCP	0	2	2	Satisfactory
CSA – Education	0	2	2	Satisfactory
Statutory Performance Indicators	0	1	5	Satisfactory
<b>Total</b>	<b>0</b>	<b>13</b>	<b>46</b>	



**Progress on Implementation of Action Plans**

3.5 A number of action plans were agreed in relation to the reports generated for the 2013/2014 annual audit plan. The following table sets out the number of actions agreed for each report issued and the status of completion at 30 June as follows:

<b>Report</b>	<b>No of Actions Agreed</b>	<b>No of Actions Complete at 30/6/14</b>	<b>No of Actions Revised at 30/6/14</b>	<b>No of Actions Not Due at 30/6/14</b>
Property Maintenance	7	1	0	6
Trading Standards	7	3	2	2
Maintenance of Client Accounts	26	2	0	24
Provision of School Meals	10	4	0	6
Waste Contract Management	7	7	0	0
Debt Recovery	5	2	0	3
Creditors	12	12	0	0
Corporate Purchase Cards	6	5	1	0
Corporate Complaints	7	1	5	1
CSA – CHCP	15	12	0	3
CSA – Education	7	7	0	0
Statutory Performance Indicators	7	7	0	0
<b>Total</b>	<b>116</b>	<b>63</b>	<b>8</b>	<b>45</b>

3.6 It is very encouraging to note that, of the 71 agreed actions subject to follow-up procedures, 63 out of 71 (89%) which were due for completion by 30 June 2014 have now been fully implemented. All actions are subject to ongoing follow up by Internal Audit and are included within the Internal Audit action plan follow up reports to the Corporate Management Team and the Audit Committee on a regular basis.

**Ad hoc assignments**

3.7 Internal Audit undertook the following ad hoc assignments during 2013/14:

<b>Ad hoc assignment</b>	<b>Status</b>
Co-ordination of Annual Governance Statement and supporting self-assessment processes for 2013/2014.	Completed
Providing input to FOI requests as appropriate.	Completed
Audit input to Information Governance and Management Working Group.	Completed
CWSS Grant Claims	Completed

**Reliance by external audit**

3.8 During the year under review, liaison has taken place with the Council's External Auditors through joint attendance at the Audit Committee, meetings, ad hoc discussions and the sharing of audit plans and reports. External audit have indicated that they intend to place reliance on specific areas of Internal Audit work for the purposes of their external audit where appropriate.

## **SECTION 4 – SCOPE, RESPONSIBILITIES AND ASSURANCE**

### **Approach**

- 4.1 The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Internal Audit Standards and the agreed annual audit plans. The overall scope of the internal audit work encompasses Inverclyde Council's risk management practices, governance practices and internal controls.
- 4.2 The Annual Audit Plan is based on a formal risk assessment which is revised on an ongoing basis to reflect evolving risks and changes within the Council. The Internal Audit Annual Audit Plan 2013/2014 was discussed and agreed at the Audit Committee on 4 April 2013. In addition, consultation on the content and coverage of the audit plan took place with Corporate Directors, and the Chief Executive.

### **Responsibility and reporting lines of the Chief Internal Auditor**

- 4.3 The Chief Internal Auditor reports functionally to the Council's Monitoring Officer and has a right of access and freedom to report in her own name to all officers and members and particularly those charged with governance. The adoption of these arrangements enables the Council to conform with the reporting line requirements of the International Standard on Auditing ("ISA") (UK and Ireland) 610 and the Public Sector Internal Audit Standards which were adopted by Local Government in the United Kingdom on 1 April 2013.
- 4.4 The Chief Internal Auditor also has a specific responsibility to the Council's s95 Officer to provide assurances which informs the preparation of the Annual Governance Statement for inclusion in the Council's Annual Accounts.

### **The work of Internal Audit**

- 4.5 Internal Audit is an independent appraisal function established by the Council for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 4.6 In accordance with the principles of Corporate Governance, the Chief Internal Auditor reports with independence and impartiality to the Council's Audit Committee on a regular basis. The Chief Internal Auditor prepares an annual report containing a view on the adequacy and effectiveness of the systems of internal controls.
- 4.7 The Internal Audit team operates in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual programme of work approved by the Council's Audit Committee. The Annual Audit Plan is based on a formal risk assessment, which is revised on an ongoing basis to reflect emerging risks and changes within the Council. The Internal Audit Annual Audit Plan for 2013/2014 was discussed and agreed at the Audit Committee on 4 April 2013.

- 4.8 All Internal Audit reports identifying system improvements or non-compliance with expected controls are brought to the attention of management and include recommendations for improvement and agreed Action Plans. It is management's responsibility to give proper consideration to Internal Audit reports and take appropriate action on audit recommendations. The Chief Internal Auditor is required to confirm that appropriate arrangements are made to determine whether action has been taken on Internal Audit recommendations or that management has understood and accepted the risks of not taking action. Management progress on implementing significant actions, which have been categorised as Red or Amber, is reported to the Corporate Management Team on a bi-monthly basis, and to the Council's Audit Committee on each committee cycle.

### **Responsibilities of Management and Internal Audit**

- 4.9 It is Management's responsibility to maintain systems of risk management, internal control and governance.
- 4.10 Internal Audit is an element of the internal control framework established by management to examine, evaluate and report on accounting and other controls over operations. Internal Audit assists management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal Audit cannot be held responsible for internal control failures.
- 4.11 Internal Audit's role includes assessing the adequacy of the risk management, internal controls and governance arrangements put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review.

### **Basis of the internal audit assessment**

- 4.12 In accordance with the Good Practice Guidance supporting the Government Internal Audit Standards, the assessment on risk management, control and governance is based upon:
- Internal Audit work undertaken by the Internal Audit Team during the year to 31 March 2014 (in accordance with the annual audit plan approved by the Audit Committee);
  - The assessments of risk completed during the preparation and updating of the annual audit plan;
  - Reports issued by Grant Thornton, the Council's External Auditors; and
  - Internal Audit's knowledge of the Council's governance, risk management and performance monitoring arrangements.

### **Limitations on the assurance that Internal Audit can provide**

- 4.13 It should be noted that the assurance expressed within this report can never be absolute. It is not a guarantee that all aspects of risk management, control and governance are adequate. The most that internal audit can provide to the Acting Corporate Director Environment, Regeneration and Resources, s95 Officer and Audit Committee is reasonable assurance based on the work performed.

- 4.14 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from this engagement. These limitations include the possibility of faulty judgment in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.
- 4.15 Organisations and their internal control needs differ by type, size, culture and management philosophy. One organisation's internal control system may be very different from another's in relation to similar processes. Also, decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

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<b>Report To:</b>	<b>Audit Committee</b>	<b>Date:</b>	<b>26 August 2014</b>
<b>Report By:</b>	<b>Acting Corporate Director Environment, Regeneration &amp; Resources</b>	<b>Report No:</b>	<b>AC/85/14/AP/APr</b>
<b>Contact Officer:</b>	<b>Andi Priestman</b>	<b>Contact No:</b>	<b>01475 712251</b>
<b>Subject:</b>	<b>Annual Review of Risk Management Activity 2013/2014</b>		

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### 1.0 PURPOSE

- 1.1 The purpose of this report is to present to the Committee progress made in 2013/2014 in developing and monitoring a strategic approach to managing risks faced by the Council.
- 1.2 This approach forms part of the Council's overall Corporate Governance Framework and will be integral to the approach for BV2.

### 2.0 SUMMARY

- 2.1 During 2013/2014 the Council continued to value the importance of maintaining the momentum on risk management and progress has been made in the following areas:
  - Ongoing review and update of strategic and operational risk registers and the development of Directorate Heatmaps;
  - Maintaining a risk register for the Financial Strategy which allows management to consider the risks to the overall financial position arising from matters contained within the Financial Strategy;
  - Maintaining risk management as a key aspect of the Strategic Planning and Performance Management Framework;
  - Continuing the advancement of emergency planning, crisis management and business continuity within the Council and fulfil the Council's legislative requirements under the Civil Contingencies Act 2004 in conjunction with the Joint Civil Contingencies Service;
  - Developing Service Risk Registers for the Inverclyde Community Health and Care Partnership;
  - Developing an e-learning module on Risk Management for employees as part of the Brightwave corporate training platform; and
  - Facilitating insurance awareness sessions for employees across all Directorates, which were well attended. More focussed sessions will be organised during 2014/2015.
- 2.2 It is considered important to actively progress the risk management process to achieve further improvement. We continue to review progress against the Audit Scotland Best Value toolkit relating to Risk Management and a number of initiatives will be undertaken in 2014/2015 to ensure the Council meets the requirements of the guidance.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that Members note the progress made in 2013/2014 in developing, implementing and monitoring a coherent corporate approach to managing risks faced by the Council.

**Alan Puckrin**

**Acting Corporate Director Environment, Regeneration and Resources**

## 4.0 BACKGROUND

- 4.1 The role of Internal Audit in Risk Management is defined as contributing to the management of risk by evaluating and providing assurance on risk management processes. The assurance extends principally to two main areas, firstly that major business risks are being managed and secondly that the Risk Management and Internal Control Framework is operating effectively.
- 4.2 The responsibility for managing risk lies not with Internal Audit but with service management, with corporate consistency being supported through the Corporate Risk Management Group.
- 4.3 Internal Audit allocated time within the 2013/2014 Internal Audit Plan to undertake detailed Risk Management work in the undernoted areas:-
- Progression of Council Wide Risk Management Initiatives; and
  - Continuous development work on Risk Registers and Business Continuity Plans.

## 5.0 CURRENT POSITION

- 5.1 During 2013/2014 the Council continued to value the importance of maintaining the momentum on risk management and progress has been made in the following areas:
- Ongoing review and update of strategic and operational risk registers;
  - Ongoing training of members in Corporate Governance arrangements, including risk management;
  - Maintaining a risk register for the Financial Strategy which allows management to consider the risks to the overall financial position arising from matters contained within the Financial Strategy;
  - Maintaining risk management as a key aspect of the Strategic Planning and Performance Management Framework;
  - Continuing the advancement of emergency planning, crisis management and business continuity within the Council and fulfil the Council's legislative requirements under the Civil Contingencies Act 2004 in conjunction with the Joint Civil Contingencies Service.
  - Service Risk Registers have been developed for the Inverclyde Community Health and Care Partnership;
  - An e-learning module on Risk Management has been developed for employees as part of the Brightwave corporate training platform; and
  - Insurance awareness sessions, facilitated by Zurich, were organised for employees across all Directorates and were well attended. More focussed sessions will be organised during 2014/2015.
- 5.2 It is considered important to actively progress the risk management process to achieve further improvement. We have reviewed the Audit Scotland BV toolkit relating to Risk Management and a number of initiatives will be undertaken in 2014/2015 to ensure the Council meets the requirements of the guidance.

## 6.0 IMPLICATIONS

- 6.1 There are no direct financial implications arising from this report.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

<b>Cost Centre</b>	<b>Budget Heading</b>	<b>With Effect from</b>	<b>Annual Net Impact</b>	<b>Virement From (If Applicable)</b>	<b>Other Comments</b>
N/A					

**Legal**

6.2 There are no direct legal implications arising from this report.

**Human Resources**

6.3 There are no direct HR implications arising from this report.

**Equalities**

6.4 There are no direct equalities implications arising from this report.

**Repopulation**

6.5 There are no direct repopulation implications arising from this report.

**7.0 CONSULTATIONS**

7.1 Not applicable. This report summarises the work carried out during 2013-2014 which have been included in separate progress reports to Audit Committee.

**8.0 LIST OF BACKGROUND PAPERS**

8.1 Risk Management Progress Reports to Audit Committee in August and October 2013, and April 2014.



**Report To:** Audit Committee **Date:** 26 August 2014  
**Report By:** Acting Corporate Director Environment, Regeneration & Resources **Report No:** FIN/36/14/JB/LA  
**Contact Officer:** Jan Buchanan **Contact No:** 01475 712223  
**Subject:** Targeted Follow Up to Arm's-Length External Organisations (ALEOs):  
Are You Getting it Right?

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to update Committee on the findings of the 'Targeted follow up to Arm's-Length Organisations (ALOEs) – are you getting it right?'

## **2.0 SUMMARY**

- 2.1 Audit Scotland have issued several 'are you getting it right?' reports in recent years and have asked the Council's external auditors: Grant Thornton, to undertake a review of how the Council has responded to the report issued in June 2011 titled Arm's-Length Organisation: are you getting it right?
- 2.2 Appendix 1 contains the report issued by Grant Thornton and highlights their assessment of how the Council has performed in line with the Audit Checklist on the Governance and Accountability arrangements of ALEOs recommended in the original report.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Audit Committee consider the contents of the Grant Thornton report and thereafter note the update.

**Jan Buchanan**  
**Head of Finance**

## **4.0 BACKGROUND**

- 4.1 The Council's external auditors Grant Thornton have submitted a progress report on 'Arm's-Length Organisations: Are We Getting It Right?' as part of their responsibilities as the Council's external auditors.

## **5.0 FURTHER INFORMATION**

- 5.1 Audit Scotland have issued several 'are you getting it right?' reports in recent years and in line with normal practice have asked the Council's external auditors: Grant Thornton, to undertake a review of how the Council has responded to the report issued in June 2011 titled Arm's-Length Organisation: are you getting it right?'
- 5.2 The report which is attached at Appendix 1 contains updates on the performance of the Council against the five areas on the checklist on Governance and Accountability arrangements where they have assessed the Council as basic and better practice in all areas. This is detailed at Appendix 2 of the report.
- 5.3 The Committee is asked to note that there are no specific concerns raised by Grant Thornton in this update, but that officers from Grant Thornton will be present at Committee to answer any questions.

## **6.0 FINANCIAL IMPLICATIONS**

- 6.1 There are no financial implications arising from this report

### **6.2 Legal**

There are no legal implications arising from this report.

### **6.3 Human Resources**

There are no HR implications arising from this report.

### **6.4 Equalities**

There are no equalities implications arising from this report.

### **6.5 Repopulation**

There are no repopulation implications arising from this report

## **7.0 CONSULTATION**

- 7.1 None

## **8.0 BACKGROUND PAPERS**

- 8.1 None

## Inverclyde Council

Targeted follow-up to *Arm's-length* external organisations (ALEOs): are you getting it right?

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June 2014



## Contents

1. Introduction	3
2. Inverclyde Council Arm's Length External Organisations	5
3. Inverclyde Council ALEOs Governance Arrangements	6
Appendix 1: Details of Inverclyde Council ALEOs	10
Appendix 2: Audit Checklist Governance and Accountability Overall Arrangements	11
Appendix 3: The Council's Governance Scoring Matrix for Externally Funded Organisations	14
Appendix 4: Governance Oversight Requirements	15

# 1. Introduction

Audit Scotland requires us to provide core information on how the Council has responded to national performance reports. To promote impact at a local level, a number of national performance reports are subject to more targeted follow up each year. For 2013-14, we have been asked to follow up the *Arm's Length Organisations: are you getting it right?* which was published in June 2011.

## *Arm's-length external organisations: are you getting it right?*

*Arm's-length external organisations: are you getting it right?* was published in June 2011. The report was aimed at Councils considering setting up Arm's-length external organisations (ALEOs) to deliver services as well as those with existing ALEOs.

ALEOs are now an established part of local government in Scotland and play an increasing role in service delivery. Councils across Scotland use ALEOs to deliver a wide range of activities such as leisure services, economic development and property maintenance.

Increasing budget pressures and service demands mean that councils must review their services and consider options that may better meet the needs of service users and citizens, and offer improved value for money. ALEOs may provide an option to help reduce costs or to improve services. ALEOs may qualify for business rates relief, attract grants or may be able to trade to generate income. ALEOs can also offer different and better ways of providing services and can make services more accessible.

While the ALEO takes on responsibility for service delivery, the council remains responsible for ensuring that the ALEO uses the public funds the council provides to the ALEO properly and can demonstrate best value. It is therefore important for the council to be able to 'follow the public pound' to the point where it is spent. This requires well thought through governance arrangements from the outset and action to

ensure those arrangements are applied effectively in practice.

The work conducted by Audit Scotland in 2011 did not highlight widespread problems, but did highlight concerns over the management of ALEOs in specific cases. Some cases were found where poor governance resulted in risks to public money, service performance and the reputation of councils.

The report also noted that there is increasing public interest in ALEOs, particularly the impact on services and council finances where ALEOs fail to deliver.

The report recognised the issues highlighted and set out to promote and encourage good practice in the way ALEOs are set up. Key messages were centred around two main themes:

- Getting it right from the start
- Keeping it right.

## Follow up requirements

Audit Scotland has asked us to complete a follow up review of the June 2011 report. This work has been scheduled in time to learn lessons from a recent follow up statutory report into the Caithness Heat and Power ALEO ([http://www.audit-scotland.gov.uk/docs/local/2014/sr\\_140109\\_chap.pdf](http://www.audit-scotland.gov.uk/docs/local/2014/sr_140109_chap.pdf)) where the Controller of Audit highlighted a substantial loss of public money caused by significant deficiencies in the governance of the project. This follow up review is therefore intended to provide the Commission with information on the

extent and nature of the use of ALEOs across local government in Scotland, and a review of the effectiveness of governance arrangements.

## Our Methodology

For consistency, the follow up work across Scotland is targeted at companies, trusts and other bodies that are separate from the local authority, but are subject to local authority control, and will therefore normally be disclosed within the Council's group accounts.

Our follow up work has been focused on four questions based on the key issues for councils identified within the report:

- How clear is the council about its reasons for delivering services through ALEOs?
- How well does the council understand the financial commitment and risk to which it is exposed through ALEOs?

- How effective are the council's arrangements for monitoring the financial and service performance of ALEOs, maintaining accountability and for ensuring audit access?
- Where members or senior officers are appointed to the board or equivalent of ALEOs, how clear are they about their role?

Our work was performed by interviewing officers and reviewing documentation including minutes and agenda papers. We also completed a questionnaire provided by Audit Scotland (Appendix 1), to ensure consistency of approach across councils.

## Acknowledgements

We would like to record our appreciation for the assistance and cooperation provided to us during our audit by Inverclyde Council.

## 2. Inverclyde Council Arm's Length External Organisations

Inverclyde Council took steps to improve the governance and oversight of ALEOs in advance of the Audit Scotland national report. The Council has two ALEOs with a controlling interest, but monitors the performance of a number of bodies who receive significant financial support from public funds.

### Defining an ALEO

The Audit Scotland report presented in 2011 defined an ALEO as a body that is separate from the local authority but is subject to local authority control or influence. This control or influence can be through the council having representation on the board of the organisation, and/or through the council being a main funder or shareholder of the organisation.

ALEOs are designed to deliver services, such as leisure facilities, property development and care services, on behalf of local authorities and can take many forms.

### Inverclyde ALEOs

The Inverclyde Council 2012-13 accounts identify two bodies that are considered to have a 'close relationship' with the Council:

- Inverclyde Leisure Limited, and
- Riverside Inverclyde Limited.

A further company, Sail Inverclyde Limited, was dissolved in 2012-13.

Inverclyde Leisure Limited was established as a leisure trust in 2001 and involved the transfer of around 200 employees. The Council subsequently transferred community facilities to the Trust, and plans are in place to transfer outdoor leisure facilities in 2014-15. The Council currently provides funding of around £1.8 million to the Trust to deliver leisure services.

Riverside Inverclyde Limited is an urban regeneration company, established in 2006 to develop and regenerate sites blighted by heavy industry and decades of

economic decline. The company is a joint initiative between the Council, Scottish Enterprise and the private sector, with support from the Scottish Government.

A mid-term review in 2013 identified significant challenges for the company in delivering its targets, principally as a result of the economic downturn. In response, in March 2014, the Board approved a new approach to the regeneration and economic development. A joint enterprise with Inverclyde Council's Regeneration Team was approved, based on closer partnership working, shared priorities and objectives, pooling resources and efforts to maximise the economic potential of the area, and achieve better outcomes for the community.

Council members also form a joint committee with Renfrewshire and North Ayrshire Councils on the Clyde Muirshiel Park Authority. This Authority is not included within the Council's group accounts as the interest is not material.

The Council is also represented on the Board of River Clyde Homes, which was formed using a housing stock transfer in 2007. Around 300 employees from the housing and building services transferred to the new body. Four members out of twelve on the Board of River Clyde Homes are elected members from Inverclyde Council, to ensure that the organisation's strategy is consistent with the wider community planning objectives.

Three out of nine board members on the Inverclyde Community Development Trust are elected members, and the council provides funding of around £2 million per year.

### 3. Inverclyde Council ALEOs Governance Arrangements

In May 2011, the Council's Policy and Resources Committee adopted an approach to determine the level of scrutiny applied to each ALEO and council-funding body, based on a scoring matrix.

Officer and member governance roles have been defined, and supported by a programme of training. The Council did not directly respond to the national report, but the approach developed is in line with the key recommendations of the *Are you getting it right?* report.

#### The Council's ALEO governance arrangements

In October 2010, one of the Council's pre-school education providers, the Ladybird Nursery, closed suddenly as a result of financial difficulties. The Council faced a challenge in delivering nursery places for around 90 children who attended the centre, and in supporting the nursery's 26 members of staff.

The Corporate Management Team established a short-life working group to develop a Council policy on dealing with external organisations. The working group was chaired by the Chief Financial Officer and included Head of Legal and Democratic Services, the Head of Regeneration and Planning, the Head of Planning, Health Improvement & Commissioning, the Corporate Procurement Manager and the Early Years Manager.

The group met on a number of occasions to review the arm's length bodies providing services for the Council, to ensure that lessons were learned from the financial failure, and develop an action plan to ensure that service provision was not affected in the same way again.

Consideration was given to all organisations where "following the public pound" guidelines apply, not limited to ALEOs where the Council has a controlling interest.

The working group developed a scoring matrix using four indicators to evaluate the Council's required level of scrutiny:

- the level annual payment to the organisation;
- the proportion of the organisation's turnover which comes from the Council;
- the nature of the payment e.g. grant, commissioning payment or contractual payment; and
- the level of Council representation on the Board.

A scoring system was drawn up which would allow for an overall final score to be given over the need for governance oversight. The latest scoring matrix, presented to Policy & Resources Committee on 19th November 2013, is attached at Appendix 3.

The total score indicates the level of scrutiny required for each body, with minimum requirements outlined at Appendix 4.

The Council has regularly reviewed the matrix and associated governance guidelines after its initial presentation at the Policy & Resources Committee on 24th May 2011, and made minor adjustments to simplify and increase transparency.



The working group also outlined the respective governance roles of officers and members when dealing

with externally funded bodies (Table 1, below).

**Table 1: Respective Member and Officer Roles relating to externally funded organisations**

<b>Members' roles</b>	<b>Officers' roles</b>
<ul style="list-style-type: none"> <li>a. To receive Committee Reports from Officers and following scrutiny and challenge, receive overall assurance that Organisations are meeting their contractual obligations and are operating within their Governance Frameworks.</li> <li>b. Receive assurance from Officers that payments to Organisations do not exceed approved Council Budgets.</li> <li>c. Supply relevant meeting papers to the key officer contact in advance of the organisation meetings to allow briefings to be prepared.</li> <li>d. Ensure Officers are fulfilling their Governance roles.</li> </ul>	<ul style="list-style-type: none"> <li>a. To be the key contact for an Organisation and ensure that Organisation meets their Governance responsibilities.</li> <li>b. To ensure receipt and review of the relevant Governance information including Annual Audited Accounts, Interim Management Accounts and Minutes of Board Meetings and utilising professional support as required.</li> <li>c. Highlight to relevant Senior Officers if organisations are not fulfilling their Governance responsibilities</li> <li>d. To prepare reports to Committee in line with Council Financial Regulations and other agreed policies</li> <li>e. To provide briefings to Elected Members where Elected Members are on the Board of the Organisation.</li> </ul>

Source: Inverclyde Council

In addition members will have specific responsibilities as Trustees, including legal duties under the Charities and Trustee Investment (Scotland) Act 2005 and Companies Act (where constituted as a company).

### Financial monitoring

The Council's Policy and Resources Committee receives details of over 60 organisations, including the two ALEOs, who received funding and support from the Council.

Under one of the recent improvements to governance processes, where the Council's scoring matrix indicates a high level of scrutiny is necessary, an Annual Committee report will be prepared to highlight performance and quality issues associated with the body.

### Our assessment of the actions taken by the Council

We have reviewed the actions taken following the Audit Scotland report against the criteria in the national report in Table 2.

We have concluded that in all instances the Council is meeting basic and better practices using the criteria within Audit Scotland's toolkit in the Are you getting it right? report.

Further detail on the evidence supporting our conclusions is included in Appendix 2.

Table 2: Our Assessment of the Governance and Accountability Arrangements

We use the table below to summarise our assessment of the Council's arrangements for the governance and accountability of ALEOs against Audit Scotland's toolkit provided in Appendix 2 of the *Are you getting it right?* report. Further detail and supporting evidence is included in Appendix 2 to this report.

How well does the Council ensure that effective governance and accountability is maintained when the council delivers services through ALEOs, including companies and trusts?			
	Basic practice	Basic and better practice	Advanced practice
1. How clear is the council about its reasons for delivering services through ALEOs?	<p>The decision to set up or engage with ALEOs is within the council's powers, follows an appraisal of options for service delivery and is linked to its strategic aims/policy.</p> <p>The council establishes from the start clear limits to its involvement, a timetable for achieving objectives and the circumstances in which the agreement will be terminated.</p>	<p>An overall statement of purpose is expressed in key documents.</p> <p>A regular review is carried out to ensure that the services provided by the ALEO remain aligned with the council's current objectives.</p> <p>The council identifies specific circumstances that will trigger a review of its involvement, eg changes in key personnel in the ALEO.</p>	<p>Where services are delivered through ALEOs, the council has a well-developed and soundly based strategy for the delivery of services in this manner which is clearly linked to the council's wider strategic objectives and priorities.</p>
2. How well does the council understand the financial commitment and risk to which it is exposed through ALEOs?	<p>The council defines the nature of the financial relationship, its commitment to the ALEO (shareholding, grant, loan, guarantee, etc) and contributions are not open ended in duration or amount.</p> <p>There is a written agreement about the transfer of public assets which safeguard their title and use.</p> <p>Minimum accounting and auditing arrangements are stated in the agreement.</p>	<p>Before entering into an agreement with an ALEO, the council assesses risks and documents the results.</p> <p>Service Level Agreements or equivalent are in place which specify the financial arrangement.</p> <p>A corporate register of all financial commitments to ALEOs allows the council to assess its overall commitment to its ALEOs.</p>	<p>Risk assessment extends beyond financial risks to other areas, eg reputational risk.</p> <p>The council identifies specific governance, finance and performance indicators that give early warning of potential problems and acts when required.</p> <p>Contingency plans are in place to ensure that service delivery is maintained if the agreement ends.</p>

**How well does the Council ensure that effective governance and accountability is maintained when the council delivers services through ALEOs, including companies and trusts?**

	Basic practice	Basic and better practice	Advanced practice
<p>3. How effective are the council's arrangements for monitoring the financial and service performance of ALEOs, maintaining accountability and ensuring audit access?</p>	<p>The council stipulates how and at what intervals it intends to monitor financial and service performance.</p> <p>The council has identified members of staff who will monitor the ALEO's performance.</p> <p>The council ensures its external auditors have right of access to key records of the ALEO and to any explanations they consider necessary from representatives of the ALEO.</p> <p>There are no significant performance or financial concerns about the ALEO that are not being actively managed.</p>	<p>Targets (SMART) and methods of measurement are agreed and documented at the start.</p> <p>Monitoring reports provide timely and good-quality information about the ALEO's performance in delivering services and impact.</p> <p>The council scrutinises monitoring reports and follows up where performance does not meet agreed standards.</p> <p>Staff of the council responsible for monitoring the ALEO are clear about their role and are supported in it; those involved in monitoring financial performance are suitably qualified.</p>	<p>Monitoring extends beyond financial and service performance to employment practices, equality requirements, purchasing policies and sustainability.</p> <p>The council receives and scrutinises forward plans. The council takes a risk-based approach to monitoring and targets resources accordingly.</p> <p>Where the council is one of a number of public organisations involved in the ALEO, it ensures that liaison and monitoring of the ALEO is coordinated.</p> <p>The reasons for providing services through an ALEO and the impact are clear in reports to stakeholders, including the public.</p>
<p>4. Where members or senior officers are appointed to the board or equivalent of ALEOs, how clear are they about their role?</p>	<p>The council has considered the question of representation and is clear about why it wants representation and is transparent in its decision about which members or senior officers will be involved and why.</p> <p>The council has a clear policy for any payments to board members.</p> <p>Members and senior officials are properly advised of their responsibilities to the council and the ALEO, including questions of declaration of interests. They exhibit this understanding through their behaviour and performance.</p>	<p>Training and support is provided to council representatives so they are clear about their responsibilities to the council and the ALEO.</p> <p>The council has a register of interests which records potential conflicts of interest that may arise from member or senior officer involvement in the ALEO.</p> <p>Members and senior officials are effective in performing their role as board members.</p>	<p>The council safeguards itself from risks incurred by members/senior officers in their dealings with the ALEO, eg liability insurance.</p> <p>Specialist training is provided to members/senior officers, eg on company or trust law. Training continues over the period of the member/ senior manager involvement and impact of training is measured.</p> <p>The council reviews representation in ALEOs, makes changes in light of experience and considers rotating representation.</p>

# Appendix 1: Details of Inverclyde Council ALEOs

Name of ALEO	Legal status	Services delivered	Turnover	Net assets	Workforce	Source of data
<b>Associates</b>						
Inverclyde Leisure	Private Limited Company	Fitness/Recreation	£5,486,985	£(352,873)	245	2012-13 Accounts
Riverside Inverclyde	Private Limited Company	Urban Regeneration	££2.756m	£9,380,664	9	2012-13 Accounts

# Appendix 2: Audit Checklist Governance and Accountability

## Overall Arrangements

	Sub-question	Evidence	Our Conclusion
1	Has the council formally considered the Commission's How Councils Work report on ALEOs. If so did it develop an action plan and have also actions been addressed?	The national report was not formally presented to Committee. However, the Council had already taken steps to improve arrangements for the governance of their external organisations. A plan was put in place to enhance their arrangements. This included the Council formally undertaking meetings with major external service providers and developing a scoring matrix to identify the influence of the Council on bodies.	Basic and better practice: the action plan has helped deliver a comprehensive monitoring framework. The approach has been reviewed and the scoring matrix has been refined since its initial development.
2	How clear is the council about its reasons for delivering services through ALEOs?	There is a clear rationale for the two ALEOs that the Council currently has in place. Each of the ALEOs is reviewed to ensure that they continue to perform effectively, and that the services remain aligned with the Council's objectives.  Riverside Inverclyde was subject to an external review commissioned by the Council, which gave rise to further consideration of the operating plan and working relationship between the ALEO and the Council.	Basic and better:  A regular review is carried out to ensure that the services provided by the ALEO remain aligned with the Council's current objectives.
3	How well does the council understand the financial commitment and risk to which it is exposed through ALEOs?	3 of the 4 matrix measures adopted by the Council directly consider the Council's financial involvement in external organisations. Key indicators include the annual payment to the organisation, proportion of turnover funded by Council and the nature of the payment to organisation.  Council officers review ALEO financial statements as part of the governance arrangements. Finance Services have provided significant input within the CHCP governance, which included attendance at governance meetings as	Basic and better:  Service Level Agreements are in place which specify the financial arrangement.  The matrix system in effect records and monitors the overall commitment

	Sub-question	Evidence	Our Conclusion
		<p>required and discussing matters relating to the organisation's financial position.</p> <p>Financial information has been provided to both Commissioning and Contracts Officers regarding the financial status of organisations which, if required, has resulted in further engagement with Finance Services to ensure financial governance requirements have been achieved.</p>	<p>to ALEOs and other external organisations. This could be improved by outlining key financial performance indicators, and therefore the level of risk associated with each body.</p> <p>As a result of the external report and subsequent publicity received regarding Riverside Inverclyde, the Council has a heightened awareness of the reputational risk involved, and a stronger working partnership has been implemented to ensure quality of output.</p>
4	<p>How effective are the council's arrangements for monitoring the financial and service performance of ALEOs, maintaining accountability and for ensuring audit access?</p>	<p>The Council consider their approach to governance of external organisations to be working well. Actions have been taken to ensure that the governance arrangements approved by the Policy and Resources Committee are fully implemented. The scoring matrix model has been reviewed and simplified in order to provide greater transparency and understanding.</p> <p>Riverside Inverclyde required further scrutiny due to the level of investment and public interest, and a perception that targets were not being delivered. Following an external review, leadership changes were made at the ALEO, with Inverclyde Council's Corporate Director for Regeneration and Environment taking on the role of Interim Chief Executive and, following a report to the Board, key changes were implemented, including:</p> <ul style="list-style-type: none"> <li>■ Review of Riverside Inverclyde board composition</li> </ul>	<p>Basic and Better Practice:</p> <p>Monitoring reports provide timely and good-quality information about the ALEO's performance in delivering services and impact.</p> <p>The Council scrutinises monitoring reports and follows up where performance does not meet agreed standards.</p> <p>Staff of the Council responsible for monitoring the ALEO are clear about</p>

	Sub-question	Evidence	Our Conclusion
		<ul style="list-style-type: none"> <li>■ The development of a three-year Inverclyde regeneration operating plan created jointly by Riverside Inverclyde and Inverclyde Council</li> <li>■ Staff working more closely between Riverside Inverclyde and the Council's economic development service</li> <li>■ The management structure of Riverside Inverclyde would be reviewed, and</li> <li>■ A common monitoring and review process would be implemented.</li> </ul>	<p>their role and are supported in it; those involved in monitoring financial performance are suitably qualified.</p>
5	<p>Where members or senior officers are appointed to the board or equivalent of ALEOs, how clear are they about their role?</p>	<p>Support and guidance for roles is provided through a comprehensive members training programme. This has included a specific training session with Grant Thornton on partnership working to elected members.</p> <p>The Inverclyde Council Governance Group also provided guidance on the different roles and responsibilities of Members and Officers in 2011.</p>	<p>Basic and Better practice:</p> <p>Training and support is provided to council representatives so they are clear about their responsibilities to the Council and the ALEO.</p> <p>The Council has a register of interests which records potential conflicts of interest that may arise from member or senior officer involvement in the ALEO.</p> <p>Members and senior officials are effective in performing their role as board members.</p>

# Appendix 3: The Council's Governance Scoring Matrix for Externally Funded Organisations

<b><u>Annual Payment to the Organisation (Ex-VAT)</u></b>	<b><u>Points</u></b>
Payment over £250k	6
Payment £50k to £250k	4
Payment £20k to £49,999	2
Payment £19,999 and below	0
<b><u>Proportion of turnover funded by Council</u></b>	<b><u>Points</u></b>
51% to 100%	8
26% to 50%	6
10% to 25%	4
Below 10%	2
<b><u>Nature of Payment to Organisation</u></b>	<b><u>Points</u></b>
Grant-No SLA	8
Grant-With SLA	6
Commissioned-No Tender	6
Tendered	4
<b><u>Council Representation at Meetings</u></b>	<b><u>Points</u></b>
No Council Presence	6
Member on Board	4
Officers attendance allowed	2



# Appendix 4: Governance Oversight Requirements

Points Total	Minimum Governance Requirements
20+	<ol style="list-style-type: none"> <li>1. Annual Accounts received by Service and reviewed by Finance</li> <li>2. Briefing prepared where appropriate for Council Board Member in advance of any Board Meetings</li> <li>3. Post Board meeting briefing notes prepared by attendee for Corporate Director, Head of Service, Finance and Procurement</li> <li>4. Half-yearly documented Governance meetings with organisations</li> <li>5. Annual Committee report covering performance and quality issues</li> </ol>
16-19	<ol style="list-style-type: none"> <li>1. As above</li> <li>2. Optional</li> <li>3. Optional</li> <li>4. Annual documented Governance meetings</li> <li>5. As above</li> </ol>
0-15	No action

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<b>Report To:</b>	<b>Audit Committee</b>	<b>Date:</b>	<b>26 August 2014</b>
<b>Report By:</b>	<b>Acting Corporate Director Environment, Regeneration and Resources</b>	<b>Report No:</b>	<b>ND/LP/034/14</b>
<b>Contact Officer:</b>	<b>Neil Duffy</b>	<b>Contact No:</b>	<b>01475 712251</b>
<b>Subject:</b>	<b>2013/14 Capital Programme Performance: Remit from Policy &amp; Resources Committee</b>		

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to request that the Audit Committee consider a remit from the Policy & Resources Committee.

## **2.0 SUMMARY**

- 2.1 The Policy & Resources Committee, at its meeting of 12 August 2014, considered the attached report by the Acting Corporate Director Environment, Regeneration and Resources advising of the performance of the 2013/14 Capital Programme, seeking approval for proposed actions.
- 2.2 The Committee decided:-
- (1) that the 2013/14 Capital Out-turn Position be noted;
  - (2) that the Committee support the actions identified in Section 7 of the report and note that actions have already been progressed; and
  - (3) that the report be remitted to the Audit Committee for consideration.

## **3.0 RECOMMENDATIONS**

- 3.1 The Committee is asked to consider the remit from the Policy & Resources Committee

**Alan Puckrin**  
**Acting Corporate Director Environment, Regeneration & Resources**

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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>12 August 2014</b>
<b>Report By:</b>	<b>Acting Corporate Director Environment, Regeneration &amp; Resources</b>	<b>Report No:</b>	<b>2014/P&amp;R/AP/12</b>
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b>	<b>712764</b>
<b>Subject:</b>	<b>2013/14 Capital Programme Performance</b>		

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### 1.0 PURPOSE

- 1.1 The purpose of this report is to update Committee on the performance of the 2013/14 Capital Programme and to seek approval for proposed actions.

### 2.0 SUMMARY

- 2.1 Capital slippage has been an issue which has arisen over a number of years within the Council. This issue, however, is not confined to Inverclyde Council and annual surveys carried out by Directors of Finance would indicate that the majority of Councils experience difficulties in this area.
- 2.2 Following a high level of slippage in 2011/12, robust action was taken led by the Corporate Director Environment, Regeneration & Resources to significantly improve matters and a major improvement was achieved in 2012/13. However, in 2013/14 slippage increased albeit in percentage terms it represents less than half the level of slippage experienced in 2011/12.
- 2.3 Appendix 2 provides a summary of the main areas of slippage with reasons for the slippage being provided by Lead Officers. This Appendix has been reviewed by the Asset Management CIG. As has previously been the case, it is clear that slippage is not attributable to either a single project or a single reason.
- 2.4 Areas for improvement proposed by the Corporate Management Team centre around earlier identification of slippage and greater support and challenge by DMTs during the consultation on Capital Reports to Committee. This earlier identification will give more time for the identification of substitute expenditure or remedial action to be taken.
- 2.5 It is clear that some of the slippage is attributable to a lack of capacity within the Council to progress projects in the originally envisaged timescales. Heads of Service have a clear role in identifying where there are capacity issues in order that this can be addressed via either the appointment of temporary resource or external consultants to assist in project delivery, with these costs funded from the Project budget.
- 2.6 There is a specific issue within Property Services where there is an ongoing reduction in staffing numbers based on the future core level of Capital Spend envisaged. There has however been the addition of ancillary projects funded by Prudential Borrowing and Earmarked Reserves. There is also an increase in the number of projects which now require liaison with other Partners, the Third Sector or Community Groups where project formulation, design and delivery will take longer and this requires to be factored into both Capital Projections and Member expectations.

- 2.7 Corporate Directors have been set an upper limit of 10% for slippage in 2014/15 as part of their appraisal process. Clearly the intention is to minimise any slippage rather than view 10% as a target.
- 2.8 The Audit Committee raised the issue of capital slippage as part of the review of the 2013/14 Unaudited Accounts and requested that this report be remitted to the Audit Committee.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee note the 2013/14 Capital Out-turn Position.
- 3.2 It is recommended that the Committee support the actions identified in Section 7 of this report and note that actions have already been progressed.
- 3.3 It is recommended that the Committee agree to the report being remitted to the Audit Committee for consideration.

**Alan Puckrin**  
**Acting Corporate Director Environment, Regeneration & Resources**

## **4.0 BACKGROUND**

- 4.1 The issue of Capital Slippage has been one which has been regularly identified and reported on by the Council's External Auditors for many years. This situation is not unique to Inverclyde Council and based on the results of annual surveys carried out by Directors of Finance, it would indicate that the majority of Councils have difficulties in this area.
- 4.2 In 2012, following a significant level of slippage reported as part of the 2011/12 accounts, the Corporate Director Environment, Regeneration & Resources undertook action as part of the budget setting process to significantly reduce slippage and this was highly successful in 2012/13 when slippage reduced to less than 10%. Appendix 1 shows a breakdown of Capital Slippage levels over the last six years within Inverclyde Council.

## **5.0 2013/14 CAPITAL DELIVERY PERFORMANCE**

- 5.1 Subject to the audit of the Final Accounts, the Capital Slippage for 2013/14 has increased from 9% in 2012/13 to 14.5% in 2013/14. Whilst this is an increase in slippage from 2012/13 performance, the CMT is asked to note that this still is a level of slippage which is less than half that experienced in 2011/12. However this has been highlighted both in Committee reports and by Audit Scotland as part of the AIP process.
- 5.2 Appendix 2 provides an analysis prepared by Officers and approved by the Asset Management CIG of the main areas of slippage. This analysis contains a commentary by the Lead Officer and a categorisation of the type of slippage. This latter issue is not an exact science, but does give an indication of what the main reason for the slippage are.
- 5.3 It can be seen that whilst there is no single reason or single project which caused the increase in slippage in 2013/14, most relate to internal delays, delays due to external factors or poor initial estimates. There were a relatively small number of major projects which contributed to the majority of the slippage.
- 5.4 The Committee is asked to bear in mind that the slippage in 2013/14 has a knock on impact to the potential performance in 2014/15, as it has increased the size of the 2014/15 required spend. As such, it is imperative that action is taken now to identify 2014/15 slippage and take appropriate action. Within the Environment, Regeneration & Resources Directorate an exercise identified slippage within the 2014/15 Capital Programme and as such a report seeking acceleration of spend originally planned for 2015/16 was approved by Committee in June.

## **6.0 PROPERTY SERVICES**

- 6.1 A specific issue is in relation to capacity. It has previously been agreed that there will be a significant reduction in Property Services personnel to reflect the anticipated reduction in Capital Funding from 2016. Some Officers have already been released with more due to leave in March 2015 and March 2016. The current level Capital Slippage will put an increased Capital Spend burden on a reduced number of Officers.
- 6.2 In addition to the above, the continued identification of new projects funded by either Prudential Borrowing, Earmarked Reserves or Partner / External Funding was not factored in to the reduced employee levels and as such there is undoubtedly a capacity issue within Property Services in the medium term (2014/17).
- 6.3 Whilst the logical answer would be to make better use of consultants or bring in temporary employees, the practicalities of this can present challenges. In terms of consultants, then these require management and direction. Both the Head of Service and a Senior Manager on the Technical side have left the Council in recent months as part of the wider management restructure. There is therefore limited capacity to manage an increase in consultants by the remaining two Managers who are having to adjust workloads to absorb the work of their two

colleagues.

- 6.4 In terms of temporary employees, it is not always easy to attract the right type of employees especially for the professional disciplines. It takes time for any new employees to get up to speed on projects and there it remains the risk that the temporary employees will move on if a permanent job offer arises. Finally, there are certain disciplines where the offer of a temporary contract is not attractive and as such the Council requires to utilise consultants.
- 6.5 The Acting Corporate Director Environment, Regeneration & Resources and Head of Legal & Property Services have already taken steps to increase capacity funded from fee income and this will be kept under close review.

## **7.0 PROPOSED ACTION**

7.1 The Corporate Management Team have agreed improvements as follows:

- a) Early notification of slippage – the main area of concern regarding the 2013/14 slippage was the late notification reporting of slippage to Committee. It can be seen from Appendix 3 that the level of Capital Slippage reported to Committee increased significantly between the late October Committee cycle and the January Committee cycle. Discussions at the CIG have confirmed that the slippage had been building up from the start of the financial year, but had not been highlighted or reported. The key role in making improvements here lies with the budget holder. The CMT have agreed that Corporate Directors need to robustly review the phasings with relevant Officers before signing off Committee Capital reports.
- b) 2014/15 Performance Targets - the Chief Executive has set an upper limit of 10% slippage for each Corporate Director as part of the Performance Appraisal process and performance against this will be closely monitored. The clear expectation is that actual slippage will be under 10%.
- c) Identify possible acceleration – allied to the early identification of slippage is the potential to identify alternative projects which could be accelerated. Roads investment in particular lends itself to this approach where projects can be developed and delivered in a far shorter timescale than many other capital projects. An example of this has been the recent request to accelerate £600,000 of carriageway projects from 2015/16 to 2014/15 to absorb slippage in others parts of the RAMP.
- d) Anticipate delays due to external factors – more projects require working with other Partners, the Third Sector or the Community. These issues are often linked to the potential to apply for external funding which will lead to delays, some of which can be substantial. A more realistic view of the timescales for the delivery of projects has to be taken at the time of agreeing phasing as aspects of the project will be outwith the Council's direct control.

## **8.0 IMPLICATIONS**

### **Finance**

- 8.1 Whilst there are no direct financial implications which can be quantified arising from general slippage, there can be an opportunity cost to the Council from the late delivery of projects. An increase in resources within Property Services to address the increase in projects within the existing Capital Programme would be off-set by increased fee income.

## Financial Implications:

### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

## **Legal**

8.2 There are no legal implications arising from this report.

## **Human Resources**

8.3 The issues highlighted in respect of Property Services have been supported by HR.

## **Equalities**

8.4 There are no direct equalities implications arising from this report.

## **Repopulation**

8.5 Delivery of projects on time and within budget helps increase public confidence in the Council and will improve the perception of Inverclyde. As such, reducing Capital Slippage and improving delivery performance will make the area more attractive to residents and potential incomers.

## **9.0 CONSULTATIONS**

9.1 This report has been produced in consultation with the Corporate Management Team.

## **10.0 LIST OF BACKGROUND PAPERS**

10.1 None.

## Annual Slippage Summary

## Appendix 1

<u>Year</u>	<u>Budget</u> <u>£000's</u>	<u>Slippage</u> <u>£000's</u>	<u>%age</u>
2008/09	29,739	5,466	18.4%
2009/10	24,878	9,342	37.6%
2010/11	33,626	14,633	43.5%
2011/12	45,730	14,130	30.9%
2012/13	54,302	5,072	9.3%
2013/14	38,975	5,632	14.5%
6 year average	37,875	9,046	23.9%



	Approved Budget 2013/14 £000's	2013/14 Final Position £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget %age	1 Project Cost Reduced £000's	2 Internal Slippage £000's	3 Delay involving 3rd Party £000's	4 Accelerated Projects £000's	5 Minor Slippage	Variation Category	Comments
<b>Policy &amp; Resources</b>											
Storage/Backup Devices	132	68	(64)	(48.5)%		(64)				2 Internal Slippage	Primarily this budget is used for network storage and backup upgrades. This spend needs to be phased over a number of years as there is an ongoing requirement for additional storage.
Minor Works & Projects	81	30	(51)	(63.0)%		(51)				2 Internal Slippage	This is a budget line that was consolidated from several others a number of years ago. It is used to support small projects throughout the year that require ICT input (eg Network infrastructure) as well as the annual ICT health check for PSN etc. The spend needs to be phased over a number of years.
Rolling Replacement of PC's	502	425	(77)	(15.3)%		(77)				2 Internal Slippage	The original estimate is based on indicative figures. The actual spend varies with annual price changes as well as differences highlighted in site audits.
2013/15 Indicative Allocation	89	0	(89)	(100.0)%		(89)				2 Internal Slippage	This was from 13/14 Core Allocation due to timing of refresh project.
Modernisation Fund	117	62	(55)	(47.0)%		(55)				2 Internal Slippage	Budget was a general estimate which was not achieved.
Various Projects	286	230	(56)	(19.6)%					(56)	5 Minor Slippage	
<b>TOTAL Policy &amp; Resources</b>	<b>1,207</b>	<b>815</b>	<b>(392)</b>	<b>(32.5)%</b>	<b>0</b>	<b>(336)</b>	<b>0</b>	<b>0</b>	<b>(56)</b>		
<b>Environment &amp; Regeneration</b>											
<b>Environmental Services - Roads</b>											
SPT	481	230	(251)	(52.2)%	(251)					1 Project Cost Reduced	Delays in getting agreement with land owner on cycle track (N743). Actual projects costs (including design) coming in well below projected estimates and funding was returned to SPT at their request. New funding in line with current estimates approved by SPT for FY14/15.
Various Projects	519	381	(138)	(26.6)%					(138)	5 Minor Slippage	
<b>Roads Asset Management Plan</b>											
Carriageways	2,817	2,997	180	6.4%			180			4 Accelerated Projects	Spend was accelerated although essential drainage work requirements on the B788 has postponed the bringing forward £140k from 14/15 programme for resurfacing works on this road.
Structures	150	3	(147)	(98.0)%		(147)				2 Internal Slippage	Temporary reduction in staffing due to technical transferring to Roads Network due to recruitment process timescales. Inspector post still remains unfilled as a result of previous inspector taking up vacated post of Technician. Hold put on Resident Engineers post from RAMP funding. Review required on Nittingshill bridge design calculations (2005) to ensure that it meets current structural standards.
Lighting	460	113	(347)	(75.4)%		(347)				2 Internal Slippage	Shared service strategy and move to column survey works, with deferral of main programme pending survey and business case outcome. Increased resource required on maintenance contract following non-performance of contractor and claims situation.
Capitalised Staff Costs	330	269	(61)	(18.5)%		(61)				2 Internal Slippage	See recruitment/turnover above.
Various Projects	230	248	18	7.8%					18	5 Minor Slippage	
<b>Environmental Services</b>											
Knocknairshill Cemetery Ph5c	65	0	(65)	(100.0)%		(65)				2 Internal Slippage	Budget slipped into 14/15 & 15/16 for cemetery feasibility studies.
Zero Waste Fund	87	29	(58)	(66.7)%		(58)				2 Internal Slippage	
Vehicles - Prudentially Funded per Transport Review (incl	380	542	162	42.6%			162			4 Accelerated Projects	
Play Areas (includes £76k of Supported Borrowing & £22k	363	71	(292)	(80.4)%			(292)			3 Delay involving 3rd Party	The slippage relates to Skatepark + Sir Michael St + Jacobs Drive (on-site at present) Delay has been with consultations with skatepark design and St Michael St, land use agreement between play area group and network rail.
Various Projects	100	80	(20)	(20.0)%					(20)	5 Minor Slippage	
<b>Regeneration and Planning</b>											
Gourock Pier & Railhead Development Area (includes £3	722	94	(628)	(87.0)%			(628)			3 Delay involving 3rd Party	Delay in issuing tenders due to scheme redesign & discussions with 3rd parties.
Broomhill Regeneration	96	1	(95)	(99.0)%			(95)			3 Delay involving 3rd Party	Slippage in 3rd Party spend.
Parklea Pavilion and Juniors Facility	17	128	111	652.9%				111		4 Accelerated Projects	
Leisure & Pitches Complete on site	99	4	(95)	(96.0)%	(95)					1 Project Cost Reduced	Contingency not used
SV Comet	134	18	(116)	(86.6)%		(116)				2 Internal Slippage	Delay in tendering & final design.
Regeneration of Port Glasgow Town Centre	184	88	(96)	(52.2)%			(96)			3 Delay involving 3rd Party	Slippage in project being progressed via ri
Various Projects	1,361	1,271	(90)	(6.6)%					(90)	5 Minor Slippage	
<b>Property Assets and Facilities Management</b>											
Battery Park Sea Defences	170	26	(144)	(84.7)%		(144)				2 Internal Slippage	Delay in commencing due to debate about detail of scheme
Various Rewiring Projects	175	24	(151)	(86.3)%		(151)				2 Internal Slippage	Fewer projects progressed than planned, only £100k committed. These projects were on site in March but spend delayed due to on site problems.
DDA Works	60	0	(60)	(100.0)%	(60)					1 Project Cost Reduced	Budget reallocated
Complete on Site Allocation	98	31	(67)	(68.4)%	(67)					1 Project Cost Reduced	Final accounts not settled
Greenock Municipal Buildings Customer Service Centre	71	4	(67)	(94.4)%		(67)				2 Internal Slippage	Final account not yet settled.
Greenock Municipal Buildings Balance	133	54	(79)	(59.4)%		(79)				2 Internal Slippage	Delay in commencing District Court detail design
Wellington Academy/Highholm Primary Demolition	54	4	(50)	(92.6)%	(50)					1 Project Cost Reduced	
Central Library Conversion	1,731	1,671	(60)	(3.5)%		(60)				2 Internal Slippage	slight slippage against original programme.
Lease Expiry	100	0	(100)	(100.0)%			(100)			3 Delay involving 3rd Party	Allowance unused due to negotiation of favourable lease termination conditions.
Replacement Depot	1,709	312	(1,397)	(81.7)%		(1,397)				2 Internal Slippage	Delay in commencing civic amenity site - had to be retendered which worsened position allied with unrealistic initial estimate
Kirn Drive Civic Amenity Site	145	1	(144)	(99.3)%		(144)				2 Internal Slippage	Delay in progressing design - debate about layout plus redesign of building due to reduced staff numbers.
Various Projects	1,109	888	(221)	(19.9)%					(221)	5 Minor Slippage	
<b>TOTAL Environment &amp; Regeneration</b>	<b>14,150</b>	<b>9,582</b>	<b>(4,568)</b>	<b>(32.3)%</b>	<b>(523)</b>	<b>(2,836)</b>	<b>(1,211)</b>	<b>453</b>	<b>(451)</b>		

	Approved Budget 2013/14 £000's	2013/14 Final Position £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget %age	1 Project Cost Reduced £000's	2 Internal Slippage £000's	3 Delay involving 3rd Party £000's	4 Accelerated Projects £000's	5 Minor Slippage	Variation Category	Comments
<b>Education &amp; Lifelong Learning</b>											
<b>Non-SEMP</b>											
<b>Inclusive Education, Culture &amp; Corporate Policy</b>											
Pitch Upgrading	0	31	31	#DIV/0!				31		4 Accelerated Projects	
<b>Cultural &amp; Sports</b>											
New Community Facility Broomhill	50	123	73	146.0%				73		4 Accelerated Projects	
Watt Complex Refurbishment (includes £1,000K CFCR)	171	47	(124)	(72.5)%			(124)			3 Delay involving 3rd Party	Funding application resulted in delays.
Inverkip Community Facility	264	25	(239)	(90.5)%			(239)			3 Delay involving 3rd Party	Planning application not submitted due to SEPA assessment. In addition a potential benefactor donation offering scope to increase the project size arose during the year.
<b>Housing</b>											
Scheme of Assistance (previously PSHG)	1,833	1,199	(634)	(34.6)%			(634)			3 Delay involving 3rd Party	slippage is due to authorised grants not being taken up within the financial year.
<b>TOTAL Education &amp; Lifelong Learning (excl School E</b>	<b>2,318</b>	<b>1,425</b>	<b>(893)</b>	<b>(38.5)%</b>	<b>0</b>	<b>0</b>	<b>(997)</b>	<b>104</b>	<b>0</b>		
<b>SEMP</b>											
Sacred Heart Decant School Upgrade	264	375	111	42.0%				111		4 Accelerated Projects	
Gourock HS - Refurb for St Columba's HS	4,367	5,619	1,252	28.7%				1,252		4 Accelerated Projects	
Demolish St Stephens HS	150	3	(147)	(98.0)%		(147)				2 Internal Slippage	Project on hold as school now being used as decant facility
Demolish Lilybank	77	3	(74)	(96.1)%		(74)				2 Internal Slippage	Delay in commencement due to later opening of Port Glasgow Community Campus
Primary School Accelerated Programme	628	562	(66)	(10.5)%		(66)				2 Internal Slippage	
Ardgowan PS Refurbishment	1,657	464	(1,193)	(72.0)%		(1,193)				2 Internal Slippage	Pre contract delays due to redesign, planning issues and resourcing issues
Balance of Contingency	489	0	(489)	(100.0)%	(489)					1 Project Cost Reduced	Unspent contingency greater than anticipated due to underspends
Complete on site	226	542	316	139.8%				316		4 Accelerated Projects	
Port Glasgow Community Campus Secondary School	8,565	8,831	266	3.1%				266		4 Accelerated Projects	
Lomond View Academy	483	656	173	35.8%				173		4 Accelerated Projects	
Prudential Funding - Capital Project Contributions	0	393	393	#DIV/0!				393		4 Accelerated Projects	
Complete on Site	105	0	(105)	(100.0)%	(105)					1 Project Cost Reduced	
Various Projects	4,106	4,048	(58)	(1.4)%					(58)	5 Minor Slippage	
<b>TOTAL SEMP</b>	<b>21,117</b>	<b>21,496</b>	<b>379</b>	<b>1.8%</b>	<b>(594)</b>	<b>(1,480)</b>	<b>0</b>	<b>2,511</b>	<b>(58)</b>		
<b>Health &amp; Social Care Committee</b>											
Kylemore Childrens Home	123	8	(115)	(93.5)%		(115)				2 Internal Slippage	Final account in dispute.
Various Projects	60	17	(43)	(71.7)%					(43)	5 Minor Slippage	
<b>Total Health &amp; Social Care</b>	<b>183</b>	<b>25</b>	<b>(158)</b>	<b>(86.3)%</b>	<b>0</b>	<b>(115)</b>	<b>0</b>	<b>0</b>	<b>(43)</b>		
<b>Council Total</b>	<b>38,975</b>	<b>33,343</b>	<b>(5,632)</b>	<b>(14.45)%</b>	<b>(1,117)</b>	<b>(4,767)</b>	<b>(2,208)</b>	<b>3,068</b>	<b>(608)</b>		
<b>%age Variation</b>					<b>(2.87)%</b>	<b>(12.23)%</b>	<b>(5.67)%</b>	<b>7.87%</b>	<b>(1.56)%</b>		

Slippage Categories:

- 1 Project Cost Reduced
- 2 Internal Slippage
- 3 Delay involving 3rd Party
- 4 Accelerated Projects
- 5 Minor Slippage

**Summary of Reported Slippage by Period**

**Appendix 3**

	<u>Aug'13 - Period 3</u>		<u>Sept'13 - Period 4</u>		<u>Nov'13 - Period 6</u>		<u>Feb'14 - Period 7</u>		<u>March'14 - Period 9</u>		<u>May'14 - Period 11</u>		<u>Outturn</u>	
	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>
Policy & Resources	265	22.0%	262	21.7%	276	22.9%	301	24.9%	361	29.9%	347	28.7%	392	32.5%
Environment, Regeneration & Resources	12	0.1%	294	2.1%	470	3.3%	2,710	19.2%	3,640	25.7%	4,453	31.5%	4,568	32.3%
Education & Lifelong Learning	(204)	-9.0%	71	3.1%	71	3.1%	895	38.6%	814	35.1%	1,092	47.1%	943	40.7%
School Estate	0	0.0%	0	0.0%	0	0.0%	2	0.0%	3	0.0%	27	0.1%	(379)	(1.8)%
Health & Social Care	0	0.0%	116	38.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	158	86.3%
<b>Total</b>	<b>73</b>	<b>0.2%</b>	<b>743</b>	<b>1.9%</b>	<b>817</b>	<b>2.1%</b>	<b>3,908</b>	<b>10.0%</b>	<b>4,818</b>	<b>12.4%</b>	<b>5,919</b>	<b>15.2%</b>	<b>5,682</b>	<b>14.6%</b>

	<u>Movement Nov'13</u> <u>(Period 6) v Outturn</u>	
	<u>£000's</u>	<u>%</u>
Policy & Resources	116	9.6%
Environment, Regeneration & Resources	4,098	28.9%
Education & Lifelong Learning	872	37.6%
School Estate	(379)	(1.8)%
Health & Social Care	158	86.3%
<b>Total</b>	<b>4,865</b>	<b>12.5%</b>

**INVERCLYDE COUNCIL  
AUDIT COMMITTEE**

**AGENDA AND ALL PAPERS TO:**

Councillor MacLeod	1
Provost Moran	1
Councillor Brennan	1
Councillor Campbell-Sturgess	1
Councillor Clocherty	1
Councillor Jones	1
Councillor Ahlfeld	1
Councillor Loughran	1
Councillor Dorrian	1
Councillor Nelson	1
Councillor Rebecchi	1
All other Members (for information only)	9

**Officers:**

Chief Executive	1
Corporate Communications Manager	1
Corporate Director Community Health & Care Partnership	1
Corporate Director Education, Communities & Organisational Development	1
Chief Financial Officer	1
Acting Corporate Director Environment, Regeneration & Resources	1
Head of Legal & Property Services	1
G Murphy, Principal Solicitor	1
N Duffy, Legal & Property Services	1
Chief Internal Auditor	1
Gary Devlin, Grant Thornton	1
File Copy	1

**TOTAL** **32**

**AGENDA AND ALL NON-CONFIDENTIAL PAPERS TO:**

Community Councils	10
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**TOTAL** **42**