

The Highland Council
City of Inverness Area Committee
28.1.15

Agenda Item	4
Report No	CIA/2/16

Governance of Inverness Old Town Arts (IOTA) and Inverness City Arts Group (ICArts)
Report by Head of Policy and Reform

Summary

This report updates the City of Inverness Area Committee (CIAC) on the outcome of the internal audit report on the governance of Inverness Old Town Arts (IOTA) and Inverness City Arts Group (ICArts) which was reported to the Audit and Scrutiny Committee on 30th September 2015. The audit found there were insufficient governance arrangements in place for IOTA; although one finding regarding payment of invoices has since been corrected. The audit found that the new governance arrangements for ICArts are satisfactory and provide a proper framework. Eight remedial or improvement actions were identified. All have been progressed with six completed and two with extended timescales. The annual review of ICArts is presented separately to the Committee.

1. Background

- 1.1 In December 2012 the CIAC requested a review into how public art in Inverness had been financed and delivered through the Inverness Common Good Fund. This was agreed and included in the Council's internal audit plan for 2013/14.
- 1.2 The objectives of the review were:
 1. To examine the concerns raised by Members over the governance of IOTA; and
 2. To review the new governance arrangements in place for ICArts and ensure these are complied with.
- 1.3 The audit findings were reported to the Audit and Scrutiny Committee on 30th September 2015. The Committee agreed that the report be taken in private because it involved the likely disclosure of exempt information as defined in Paragraphs 6 and 9 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 and to allow a full and detailed scrutiny by Members.
- 1.4 It is normal practice, and a requirement of the Code of Corporate Governance, that following consideration of an audit report at the Audit and Scrutiny Committee the action plan arising from the audit is reported to the relevant Committee. For Members' information, a copy of the full report, along with an addendum, is circulated confidentially and separately to Members. The main findings of the report are described below and an up-date on the action plan containing eight recommendations is provided for Members.

2. Audit findings IOTA (2006-2013)

- 2.1 IOTA was in operation from 2006 to 2013. The audit identified there were insufficient governance arrangements in place for IOTA. This was found because of the concerns summarised below.
- 2.2 There was a lack of clarity on the constitution and remit of IOTA leading to confusion among Members about the type of organisation it was, the job titles of those aligned with it and the wrong perception that it was a formally constituted organisation or legal entity. The audit concluded that the best description for IOTA is 'an un-constituted work group which operated under the brand name of IOTA'. As such there were no separate financial accounts for it, or required for it.
- 2.3 The Council's arrangements for contracting were not fully complied with or enforced in three areas:
1. When personnel were appointed for IOTA. The main issues were that contracts were awarded by HI-Arts (£35,100 in 2006) and the Inverness City Partnership (£28,500 in 2008), but the contracts should have been issued by the Council and tendered for, or with exemptions to tendering sought from and approved by the Director of Finance. The Inverness City Partnership contract was later extended to 2013, bringing the contract sum paid up to £217,434. The audit also found that there was a lack of clarity on the contract arrangements for an administrative post between 2011 and 2013 and for which the Council paid £33,003.
 2. For paying invoices, they were not submitted within timescales agreed, often late and lacking detail. Two invoices require clarification to ensure there was no over-billing amounting to £4,500. Where additional work was done and paid for it was not clear on what basis this had been agreed; although payments were made only where work was completed.
 3. The 'IOTA' brand continued to be used by contractors after their contract ended.
- 2.4 On reporting to committee there were two main concerns:
1. Reports seeking approval or continuation of funding to the CIAC were in some cases co-authored by the project manager whose post was dependent on funding approvals.
 2. Reports on the public art programme associated with the Streetscape Project (2006-2010) were mainly considered at the former Transport, Environment and Community Services (TECS) Committee as part of the capital monitoring reports rather than the CIAC and with no reporting back on project costs.
- 2.5 On the payment of invoices, the audit team had difficulties in establishing individual project costs as no separate codes were in use. They looked at three separate projects: the Ramada Hotel (for which no agreement was in place at the project development stage); Sublime; and The Three Virtues and

Launch Event.

- 2.6 During the audit some invoices could not be located and could not be compared to the payments made. Across the three projects above this was reported to be £97,701 out of £515,159 paid (or 19% of amount paid).
- 2.7 However, since the audit has concluded further invoices were located within the original files researched by the auditor. This verifies payments of £456,872 out of the £515,149 (89%) and reduces the amount paid without locating historic invoices to £58,276 (or 11% of payments made).
- 2.8 It should be noted that the Council's retention policy requires us to keep invoices for 6 years. Those unverified and within the retention period amount to £36,895 or 7% of the invoices paid. Most of the invoices that cannot be verified were processed within the former ECS Service. It should be noted that the change in the Council's financial systems from Oracle to Integra (in April 2015) means that further investigations are not possible.
- 2.9 Surplus materials relating to the promotion of IOTA were found (e.g. leaflets, posters, CDs and T shirts) and are no longer of use.

3. Audit findings ICARTs

- 3.1 The audit found that the new governance arrangements for ICARTs are satisfactory and provide a proper framework. The ICARTs Working Group was established by the CIAC in December 2012, with membership and remit confirmed. The Audit acknowledges that the framework that was agreed in April 2013:
- Clarified the roles of officers (including responsibility for budget management and in accordance with Contract Standing Orders and Procurement policy);
 - Clarified the relationship with the City of Inverness Area Committee (CIAC);
 - Clarified the role of the CIAC in scrutiny and governance;
 - Improved budget monitoring; and
 - Approved an action plan.
- 3.2 The audit did highlight the importance of adhering to the governance framework and to ensure there are annual review reports produced for the working group to consider.
- ### **4. Conclusion and action plan**
- 4.1 While the audit opinion was that limited assurance could be provided regarding IOTA, it also acknowledged that new arrangements were in place through ICARTs and that a number of improvements had been made since 2013.
- 4.2 The 8 improvement actions identified in the audit are detailed on the appendix. They are graded as high (x3), medium (x4) and low (x1). An up-date of progress across the 8 actions is provided. To date 6 are already completed and one of these can be pursued further through ICARTs (action no.5). Action has been taken for the remaining two areas but they require more time to

explore options for conclusion, including legal redress. Revised target dates of 31.3.16 have been agreed with the Head of Audit and Risk Management for action no. 1 and action no. 2. In addition the responsible officer for action no. 2 is to be changed from the City Manager to the Head of Corporate Governance.

5. Implications

5.1 Resource, risk and governance implications are highlighted in the report and in the action plan. There are no equalities; climate change/carbon clever; Gaelic or rural implications to highlight.

6. Recommendation

6.1 Members are asked to note the internal audit findings and that they were discussed in full and in private at the Audit and Scrutiny Committee on 30th September 2015.

6.2 Members are asked to note the corrected information regarding invoices located and matched to payments made.

6.3 Members are asked to consider the progress with the action plan as appended and to:

- Note 6 of the 8 actions are completed;
- Note that for the 2 actions already underway, they have revised target dates of 31.3.16 for completion (action no. 1 and action no. 2).
- Note that the responsible officer for action 2 will be the Head of Corporate Governance.
- Note that one of the actions for an annual report on ICArts is presented separately to this meeting of the Committee.

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Action plan

The Action Plan contains **8** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	3
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	4
Minor issues that are not critical but managers should address.	Low	1
Total recommendations		8

NO.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE and UPDATE
1	High	<p>The IOTA Project Manager submitted an invoice for the hours worked on a project for her own hours and the Administrative Assistant. The legitimacy of this questioned as both individuals were sub-contractors and submitted their own invoices. In addition, the Administrative Assistant submitted her own invoice for working on this project.</p> <p>On the basis of the information provided, it is appears that the Project Manager may have overbilled the Council for £4,500.</p>	<p>Details of the relevant invoices have been provided to the City Area Manager who has agreed to investigate the audit concern. An explanation should be obtained, and any sum overpaid promptly recovered.</p>	<p>Email request for clarification sent to the former Project Manager on 10/08/15.</p> <p><i>* Options for pursuing this with the contractor have been discussed with Head of Corporate Governance. Most recent contact from the contractor received 8.1.16. This is inadequate and further information has been requested and further action with legal services will be kept under review.</i></p>	City Area Manager	<p>30/09/15</p> <p>Initial action completed.</p> <p><i>New target date of 31.3.16.*</i></p>
2	High	<p>The IOTA brand name has continued to be used by the two sub-contractors despite this being the Council's intellectual property.</p>	<p>Action should be taken to formally close down the "IOTA brand" as this has now ceased and has been superseded by ICArts. This should include consideration to either close down the website and or include the information that this has now ceased. Alternatively this could be changed to</p>	<p>City Area Manager to discuss options with Head of Corporate Governance.</p>	City Area Manger	<p>30/09/15</p> <p>Head of Corporate Governance has written to the relevant contractor.</p> <p><i>To be amended to Head of Corporate Governance</i></p>

NO.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE and UPDATE
			publicise the new ICArts projects.			Contractor challenges audit finding and claims right to use the brand. <i>New target date of 31.3.16.</i>
NO.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3	Medium	A number of items are held in the Town House which relates to previous IOTA projects.	The items held should be thoroughly examined to establish what can be used/ reused and what should be disposed of in order to free up storage space within the Town House.	Inventory to be established along with any value and items disposed of.	City Area Manager	31/12/15 Completed. All redundant materials from the IOTA projects are disposed of.
4	Medium	There is scope to assist the City Area Manager in monitoring the ICArts budget by creating project codes for each individual arts project.	Discussion should take place with the relevant Accountant to establish if project codes can be created for each arts project. If so, the relevant expenditure should then be coded to the appropriate project.	Agreed with Director of Finance support now in place through dedicated Accountant support team.	City Area Manager	Completed
5	High	Creative Scotland has agreed to consider a fresh application from the Council for the work to improve the external façade of the Encore Hotel (previously the Ramada).	If the application to Creative Scotland is successful, it should be ensured that a formal agreement is in place with the Hotel owners before the project commences.	Application submitted July 2015. <i>* The application submitted in July was for recovery of funds. Creative Scotland has returned the £28k claimed for the Ramada project.</i>	City Area Manager	31/12/15 Complete*. Any new application relating to the property is being considered as part of the ICArts process as

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					RESPONSIBLE OFFICER	TARGET DATE and UPDATE
						match funding would need to be identified.
6	Medium	The invoices for the current Project Manager are not provided on a monthly basis.	As the weekly hours provided can vary it is recommended that monthly invoices should be requested. This would assist in both checking of the work undertaken and in monitoring the actual expenditure against budget.	To be implemented with effect from 1st September.	City Area Manager	01/09/15 Completed HLH invoice monthly.

NO.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
7	Low	The ICArts framework referred to an action plan for the delivery of projects which would be reviewed annually. However, no further references have been made to the delivery of the action plan.	The reports to the Working Group on the delivery of projects should be revised to clearly state how these relate to the action plan. As required by the framework, this should then be reviewed annually.	Reports to the CIAC will be reviewed accordingly.	City Area Manager	Immediate - completed Annual review reported 28.1.16 and annually thereafter.
8	Medium	There have been on-going issues where the Chair of the Working Group has been unhappy with the management of the public arts programme. These issues indicate that there are on-going tensions and a need for all involved in the project to be aware of their respective roles and responsibilities and comply with this whereby governance lies with Members and responsibility for operational matters and professional advice rests with officers	Relevant officers meet with the Chairman every two weeks which allows for regular communication on the public arts programme. However, where the Chairman or any other member of the Working Group feels that what was agreed by the Group was not taken forward by officers or agreed actions are not followed through then this should be raised in the Working Group in the first instance and if not resolved, there should be a process for escalating these concerns with the appropriate Senior officers.	At each Working Group meeting the minutes of previous meetings are agreed and recorded as such and progress against an agreed action plan is reported so that Members can be assured that all actions are being taken forward as agreed by them. The Chair of the Working Group and any other Members raise any concerns about progress in the working group meetings.	City Area Manager Chair and Working Group members	Immediate Complete – process now in place Immediate Complete - Process in

NO.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
				Where concerns remain or where mediation is required, this is escalated to the Head of Policy and Reform with further redress to the Director of Corporate Development if required.		place No escalation of issues to date.