

Argyll and Bute Council

Internal Audit Report

November 2022

FINAL

Heritage Assets

Audit Opinion: Substantial

	High	Medium	Low	VFM
Number of Findings	0	1	5	0

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1. Executive Summary

Introduction

1. As part of the 2022/23 internal audit plan, approved by the Audit & Scrutiny Committee in March 2022, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to heritage assets.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Argyll and Bute has a remarkably rich and diverse historic and cultural heritage reflecting thousands of years of historic development.
5. Heritage assets are intended to be preserved in trust for future generations because of their cultural, environmental and historical associations. In common with other Local Authorities, the Council is responsible for caretaking these interesting, rare and unique artefacts. This includes:
 - the records, civic chains and regalia of former parish and burgh councils, Argyll County Council and Bute County Council
 - Anderson Trust Collection of paintings of Helensburgh and District
 - Argyll Collection of prints, paintings, ceramics, textiles, drawings and sculpture
 - McGrory photographic collection of Kintyre 1890 – 1911 (partially reproduced from original glass plates)
 - Other heritage assets including schools, museums, libraries, public art, scheduled monuments and grave yards and historic gardens and landscapes.
6. Sound asset management is crucial if the Council is to make best use of the resources available to it to deliver its overall aims and objectives. Asset management is a structured and systematic approach to managing assets on an ongoing basis to address all phases of its life-cycle. Effective asset management planning means knowing what you own, where it's located, it's value, what it costs you, what it will cost you in the future, whether it will support current and future service delivery and who is responsible for it. Asset management is the process of ensuring that the Council's Assets are:
 - Fit for purpose
 - Used efficiently
 - Maintained on a sustainable basis
 - Matched in investment terms to service needs

7. The Corporate Asset Management Strategy acknowledges that in preparing Service Asset Management Plans, Service Asset Managers must consider sharing assets with Community Partners and Third Sector to maximise public benefit. Heritage assets are therefore managed across Council Services and also in partnership with LiveArgyll and Kilmartin Museum who make arrangements for artwork and historic artefacts to be displayed at various locations throughout Argyll and Bute.
8. Heritage assets are reported in the Council's balance sheet at insurance valuation which is based on market values and are updated periodically. These assets are deemed to have indeterminate lives and a high residual value and it is therefore considered inappropriate to charge depreciation.
9. In February 2022, another local authority reported that 1,330 objects from their art gallery and museums' collection with an aggregate value of just under £200k were missing due to thefts, historic losses or unconfirmed location. It is therefore important that suitable measures are in place for the management and control of such assets.

Scope

10. The scope of the audit was to review the management and record keeping of heritage assets as outlined in the Terms of Reference agreed with the Head of Commercial Services on 30 September 2022.

Risks

11. The risks considered throughout the audit were:
 - SRR02: Condition and suitability of infrastructure & asset base
 - Audit Risk 1: Heritage assets are ineffectively managed leading to damage, loss or theft of items
 - Audit Risk 2: Heritage assets are not catalogued with sufficient information (e.g. description, value, location, condition and ownership)

Audit Opinion

12. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
13. Our overall audit opinion for this audit is that we can take a substantial level of assurance. This means that internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

Recommendations

14. We have highlighted one medium priority recommendations and five low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
- Officers representing the various services involved should meet to discuss the requirements for valuation, insurance and inclusion within the Council's Annual Accounts and nominate responsible officer(s) to take forward any actions identified as a result.
 - The procedure followed to create and maintain archive records should be documented.
 - A list of missing artworks should be provided to schools with a request to check the premises in an effort to locate them.
 - The record of artworks belonging to the Argyll Collection should be updated to include those omitted using details from the 2016 valuation schedule.
 - The condition of civic chains should be documented when issued and returned.
 - A programme of inspections to evaluate the condition of artworks belonging to the Argyll Collection should be implemented.
15. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

16. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
1	Policy and procedures are in place to ensure assets are managed appropriately	SRR02 Audit Risk 1	Substantial	High level asset management documentation is approved by Council each year. Heritage assets are appropriately managed across various services within the Council or by external organisations acting as curators via formal agreement. Artworks and civic chains are included within the Council's All Risks insurance policy however, valuable archive documents are not.
2	A robust cataloguing procedure/system is in place to prevent assets being misplaced, lost or otherwise unavailable for users	Audit Risk 2	Substantial	There are detailed records of assets held within each area of responsibility. Artworks recorded as missing from the museum and libraries collection have been recovered, however only 4 of 11 have been recovered for the Argyll Collection and one has been located in another local authority with whom we share ownership. The details of 6

				artworks were omitted from the Argyll collection record.
3	Heritage assets are displayed or stored securely, appropriately insured and subject to a programme of inspection and maintenance	SRR02 Audit Risk 1	Reasonable	Museum exhibits and artworks on display are available for the public to view during opening hours. Storage areas are secure, however, in some cases the artworks are inappropriately stacked against each other. Civic chains and archive documents are secured in council accommodation and made available for use by prior arrangement. Elements of the collections can be accessed digitally by members of the public from their personal devices, however there is no access to historical archive records by this means. Most of the collections are subject to periodic or ad-hoc inspections, however, these are not always recorded. The Argyll Collection is not currently rotated around schools and is not inspected unless loaned to external organisations who will check the condition of the artwork.
4	Heritage assets are accurately reported in the Council's financial statements	Audit Risk 2	Substantial	Heritage assets are recorded as fixed assets on the Council's AIRS system however there was no inclusion of the civic chains nor any archive documents considered to be of value. The total value of heritage assets recorded on AIRS is correctly reflected on the Council's Annual Accounts.

17. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

Policy and procedures are in place to ensure assets are managed appropriately

18. There is a Corporate Asset Management Strategy and Plan, together with a Capital Plan that are approved by council at its budget setting meeting in February of each year. These strategic documents encompass all asset categories and their need to support and contribute to the corporate objectives in the Argyll and Bute Outcome Improvement plan (ABOIP), they are published on the Council's webpage and are therefore available for public access.
19. Heritage assets are managed across various services within the Council and also by LiveArgyll, Kilmartin Museum and Culture, Heritage & Arts (CHARTS) Argyll & Isles who are appointed curators with line management responsibilities. The asset categories and the service area responsible for their management are detailed in the table below.

Asset	Responsible Service Area
Archaeological Museum Exhibits	Kilmartin Museum (Curator support via SLA)
Social History, Natural History and Fine Arts Collections	CHARTS (Curator support and line management of modern apprentice via SLA)
Archive Documents	LiveArgyll
Anderson Trust Artworks Collection	The Anderson Trust (stored & insured by the Council)
The Argyll Collection	Education Services
Museum and Libraries Artworks Collection	LiveArgyll
War Memorials	Amenity Services
Civic Chains	Members Services

20. Service Level Agreements (SLAs) are in place between the Council and LiveArgyll and also with Kilmartin Museum who are appointed curators for the Council's archaeological museum exhibits. An annual report summarising management of the collection has been provided by Kilmartin Museum as required by the SLA. A further agreement is in place between LiveArgyll and CHARTS, who will provide professional support for the delivery of services at Campbeltown Museum and train a modern apprentice in curator responsibilities.
21. There is guidance in place to manage the museum exhibits, Archives, the Argyll Collection and the Museum and Libraries collection, the Anderson collection is managed by a Trust out with the Council. A security protocol is in place to guide members and officers when civic chains are required to be worn at events.
22. Paintings and museum exhibits are covered in the "All Risks" section of the Council's insurance policy with a value assigned that is consistent with the artworks valuations that took place in 2015 and 2016, there was no valuation provided for the museum exhibits. The civic regalia are also covered in this policy based on the original value and adjustments made accordingly. There is, however, no inclusion of archive documentation within the policy despite some of these being of considerable value, in particular there are original drawings of the Hill House in Helensburgh by Charles Rennie Macintosh.

Action Plan 1

[A robust cataloguing procedure/system is in place to prevent assets being misplaced, lost or otherwise unavailable for users](#)

23. Heritage assets are managed by various officers across the Council and with third-party organisations appointed as custodians. These assets are included within the Council's annual accounts in accordance with accounting standards.
24. Detailed catalogues or a register of artworks are maintained for each of the collections.
25. There is detailed guidance on how to maintain the records for the museum collections and this is planned to be updated in the near future. The catalogues for the archives are maintained in a structured format on the Council's shared drive area and whilst there is an acquisition policy and collecting agreement explaining what may be accepted, the process to create and maintain these records has not been documented.

Action Plan 2

26. Records held for the artworks collections and war memorials are maintained in list formats and require little updating. Copies of all records were provided and found to be comprehensive with appropriate fields available for completion.
27. The 2015 and 2016 valuation schedules were reviewed, it was found that there were no artworks recorded as missing at the time of the valuation for the Anderson Collection, however, there were six items recorded as missing in the valuation schedule for the Museum and libraries collection, these have all now been located and updated on the custodian's collection record provided. Additionally, there are 54 entries on the Museum and Libraries collection record that are not included within the valuation schedule as they had been added after the valuation exercise took place. These artworks will be included in any future valuation exercise conducted.
28. There were 11 artworks recorded as missing in the valuation document for the Argyll Collection, five of these have been located and six remain missing, the value of these artworks is unknown, they are as follows:
- Unknown artist, Round Bowl, Ceramic, Green, 195mm diameter (no record)
 - Anne Gillie, Drawing, 43 X 56cm (location unknown)
 - Charles Mitchell, winged skull, mixed media, 64 X 64cm (location unknown)
 - William Birnie, "Mains Farm, Buchlyvie", watercolour, 55 X 72cm (no record)
 - Rock Samples, Rocks, granite, pumice, black rock, beige pebble and beige rock with water worn holes(reference no. missing from list)
 - Unknown (Anita Man), Penguins and two chicks, Wood carving, 210mm tall (no record)

Action Plan 3

29. A sample of 36 artworks including the 17 recorded as missing on the valuation documents and an additional 19 with the highest values was selected from across the three collections and records were compared with the valuation schedules of 2015 and 2016, these were found to contain similar fields for storing information. There was a small number of differences in sizes recorded across the collections, however these are considered to be immaterial.
30. The review of the Argyll Collection record revealed that four of the five recovered artworks were included, however the remaining artwork is located at another local authority with whom the Council shares ownership and the record has not been updated to reflect this. Additionally, there was no detail entered against the reference number for 4 of the artworks that remain missing and one was omitted from the record (both reference and detail). One further entry for an artwork that has been recovered but has a duplicate reference was not included on the record provided.

Action Plan 4

[Heritage assets are displayed or stored securely, appropriately insured and subject to a programme of inspection and maintenance](#)

31. The 6 missing items noted above, one located at another local authority and one located remotely were removed from the sample of 36 artworks leaving 28 for viewing.

Location	Artworks Expected	Artworks Found	Comments
Helensburgh Library	2	2	One located in Library storage room, the other on display in Campbeltown Marriage Room.
Helensburgh Library Anderson Collection	5	5	All items were located in the storage area.
Castle House Museum	2	2	Both on display to the public near the main entrance.
Library HQ	2	2	Both are displayed although visits are by appointment only, one is situated on an easel and the other on the floor against a cabinet.
Campbeltown Museum/ Marriage Room	7	7	Three were displayed in the Marriage room, 2 in the museum and 2 in storage.
Schools	10	10	All 10 artworks were located although one was at a different school from that recorded.

32. All but one of the artworks viewed on display were appropriately fixed to a wall or mounted on an easel, the remaining one was placed on the floor leaning against a cabinet. The locations allow either members of the public or school pupils to view the artworks within opening hours and are secured within the buildings when closed.
33. The purpose of the Argyll Collection is to provide a learning resource for the young people of Argyll and Bute that will enable them to experience fine art in an area with little access to museums and galleries. The artworks were formerly rotated around schools to provide a variety of artist's works for young people to view, however, there has been no full rotation since May 2013 and following the valuation exercise in 2016, art teachers are no longer prepared to be responsible for transporting valuable artworks in private vehicles and no budget is currently available to fund the professional packaging and transportation required. The Cultural Co-ordinator, Education is working with CHARTS to identify and apply for external funding to reinstate the rotation of the artworks.
34. The artworks in storage belonging to the Anderson Collection and those located at Campbeltown Museum were located in numbered racks in purpose designed, climate controlled locked storage rooms. The remaining artworks were located in secure storage areas, wrapped in protective coverings and stacked upright against other artworks at floor level. This situation is not ideal as it is difficult to locate specific items and damage may result from the accumulated weight of multiple artworks or movement to gain access to other items in the storage areas. A potential storage solution at Council Headquarters in Kilmory had been identified for the Argyll Collection and is expected to progress under the "Our Modern Work Space" project.
35. The Council's Members Services Officers are responsible for managing the Civic Chains. Seven of these are retained at Kilmory Castle in a suitable protective environment. All seven were present, stored in protective casing and appeared to be in good condition at the time of the review. The remaining two are located at Mull Museum and Inveraray Castle. Chains are issued by the Council Officers following authorisation from the Executive Director.

36. Archive records are retained in Council office accommodation in a climate controlled storage area. Access to records by the public is by prior arrangement and officers are present at all times.
37. War memorials are located across the Argyll and Bute area, 16 of these were viewed and found to be located according to the record provided, appeared to be in good condition with surrounding grounds maintained and accessible by members of the public at any time.
38. There is no specific reference of heritage assets within the ICT Digital Strategy 2021/24, however, the document encompasses all services with an aim to create efficiencies, savings and improve services for both staff and customers. Elements of the collections can be viewed on the internet with further links provided to social media sites to obtain additional information. Committee records from 1995 and other information is available to the public on the Council's website, however, historical archive records cannot be accessed digitally by members of the public as the system used is not able to replicate the structured format of files from the shared drive area. There has been some consideration of creating a new digital archive facility that would be accessible by the public, however, this was deemed to be cost prohibitive.
39. The artworks and museum collections are marketed via websites and social media platforms operated by the various appointed curators. These items are non-income generating to encourage the public to enjoy the content, there is a small charge, however, to those who wish some research to be conducted by the archivist team on their behalf and any associated printing of documents. LiveArgyll are currently exploring an opportunity to generate income via the installation of donation receptacles in some of their facilities.
40. Heritage assets are not generally disposed of due to their historical and cultural significance, however, they may be loaned to other areas of the Council or external organisations by use of a formal terms of agreement which is completed in each instance.
41. The museum and library exhibits are inspected prior to and following exhibitions with the condition noted on records and dated. Periodic artefact checks are undertaken by the museum curator in compliance with the SLAs in place.
42. Archive documents are inspected as part of the stock-taking process and whenever extracted for use. The Anderson collection is managed independently by the Trust who carry out their own inspections. Civic chains are carefully checked by a Council Officer prior to and following every issue for use at events, however, this is not documented.

Action Plan 5

43. The Argyll Collection is not currently subject of any programme of inspection, when artworks are loaned, the condition is checked by the external organisations.

Action Plan 6

44. There is no budget nor schedule for maintenance or preservation of heritage assets, any needs would be of an ad-hoc nature and identified during inspections or at time of use. Any funding required to address identified needs for maintenance or preservation would be requested via the appropriate channels.

Heritage assets are accurately reported in the Council's financial statements

45. Heritage Assets are recorded as fixed assets on the Council's AIRS system which holds details of two museums, two monuments, two clock towers, 57 war memorials and 270 works of art in this category. One of the works of art from the sample selected for review had the incorrect value applied on AIRS, however, the overall effect of this error is immaterial. The values of the remaining items correspond with those provided on the 2015 and 2016 valuation records and excludes those that were recorded as missing at that time. There is no inclusion of any museum exhibits, valuable archive documents owned by the Council nor the Civic chains.

Action Plan 1

46. The total value of heritage assets recorded on AIRS has been correctly reflected in the Council's Audited Accounts as at 31 March 2021.

Appendix 1 – Action Plan

	No.	Findings & Recommendations	Risk	Agreed Action	Responsibility/ Due Date
Medium	1	<p>Valuations, Insurance & Fixed Assets Register Finding: Civic chains, archive documents and museum exhibits are not included within the Council’s programme of valuations.</p> <p>Finding: There is no inclusion of valuable archive documentation within the Council’s All Risks insurance policy.</p> <p>Finding: Civic chains, Museum exhibits and valuable archive documents are not included within the Council’s Fixed Asset Register, AIRS.</p> <p>Recommendation: Officers representing the various services involved should meet to discuss the requirements for valuation, insurance and inclusion within the Council’s Annual Accounts and nominate responsible officer(s) to take forward any actions identified as a result.</p>	<p>Valuable heritage assets may not be appropriately covered by the Council’s All Risks insurance policy should they be lost, stolen or damaged.</p> <p>The value of assets stated on the Council’s annual accounts may be incorrect.</p>	<p>Officers representing the various services involved will meet to discuss the requirements for valuation, insurance and inclusion within the Council’s Annual Accounts and nominate responsible officer(s) to take forward any actions identified as a result.</p>	<p>Head of Legal and Regulatory Support</p> <p>31 March 2023</p>
Low	2	<p>Archives cataloguing procedure Finding: Whilst there are some policies surrounding the management of archives, there is no documented procedure in place regarding creation and maintenance of records.</p> <p>Recommendation: The procedure followed to create and maintain archive records should be documented.</p>	<p>Failure to document formal policies, procedures and processes may lead to the loss of skill and/or knowledge when staff members leave.</p>	<p>Procedure notes will be reviewed and updated.</p>	<p>Archives Officer</p> <p>31 March 2023</p>

	No.	Findings & Recommendations	Risk	Agreed Action	Responsibility/ Due Date
Low	3	<p>Argyll Collection – Missing Assets Finding: Six missing artworks at the time of the valuation in 2016 have not been located.</p> <p>Recommendation: A list of missing artworks should be provided to schools with a request to check the premises in an effort to locate them.</p>	Assets may have been lost or stolen.	A list of missing artworks will be provided to schools with a request to check the premises in an effort to locate them.	Cultural Co-ordinator, Education 31 December 2022
Low	4	<p>Argyll Collection – Record Keeping Finding: There were no entries on the record provided for 4 of the missing artworks, one shared with other local authorities nor one with a duplicate reference number.</p> <p>Recommendation: The record of artworks belonging to the Argyll Collection should be updated to include those omitted using details from the 2016 valuation schedule.</p>	Incomplete or incorrect records may lead to inefficient management of assets.	The record will be updated to include missing artworks identified in the 2016 valuation.	Cultural Co-ordinator, Education 31 December 2022
Low	5	<p>Civic Chains Finding: Civic chains are carefully checked by a Council Officer prior to and following issue for use at events, however, this is not recorded.</p> <p>Recommendation: The condition of civic chains should be documented when issued and returned.</p>	The condition of civic chains would not be available should the information be required.	The record of issue of chains will be updated to include date checked and condition of chain at that time.	Members Services Officer 31 December 2022
Low	6	<p>Argyll Collection – Artworks Inspections Finding: There is currently no programme of inspections taking place to evaluate the condition of artworks held.</p> <p>Recommendation: A programme of inspections to evaluate the condition of artworks belonging to the Argyll Collection should be implemented.</p>	The condition of artworks would not be available should the information be required e.g. insurance claim.	Programme of inspections will be agreed by Education Services	Cultural Co-ordinator, Education 31 December 2022

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.