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REPORT BY THE CONTROLLER OF AUDIT

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**S.R. 99/8**  
**MILLENNIUM COUNTDOWN**  
**YEAR 2000 COMPLIANCE**  
**(AUGUST/SEPTEMBER 1999)**

**A REPORT BY THE CONTROLLER OF AUDIT TO THE ACCOUNTS COMMISSION  
IN TERMS OF SECTION 102(2) OF  
THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973**

**MILLENNIUM COUNTDOWN  
YEAR 2000 COMPLIANCE  
(AUGUST/SEPTEMBER 1999)**

**1. INTRODUCTION**

- 1.1 In June of this year I reported (S.R. 99/2) on the progress which the 32 Scottish councils had made in preparing their computerised systems and equipment for Year 2000. My report was based on an exercise undertaken during May 1999 to identify the state of preparedness of individual councils and, in particular, any councils which had not made sufficient progress at the time the exercise was undertaken.
- 1.2 My report provided information for the work being undertaken by Action 2000 to assess, nationally, the state of preparedness of the essential services. The national position was reported to the National Infrastructure Forum on 13 July 1999.

**2. NATURE OF WORK PERFORMED**

- 2.1 A further exercise has been undertaken during the period end of August/early September 1999 to assess the progress made by councils since the previous review. This again involved the collection of information from councils by auditors, using a questionnaire which was completed in discussion with the relevant officers at each council. Auditors sought evidence from each council, on a selective basis, to support the council's responses to the questionnaire. The information yielded by the exercise has been analysed and assessed by this office. The accuracy of the conclusions drawn on the state of councils' preparedness for Year 2000 is dependent on the accuracy of the information provided by individual councils.

2.2 It is important to emphasise that the work undertaken by auditors and by this office:

- does not imply any responsibility on the part of either for ensuring that councils are Year 2000 compliant; that responsibility rests with the management of each council
- did not comprise any qualitative evaluation or technical appraisal of any individual system, item of equipment or process
- does not provide any assurance about the state of preparedness or the degree of compliance achieved by any council.

### 3. **FOCUS OF CURRENT EXERCISE**

3.1 The current exercise focused specifically on:

- the degree of testing completed and compliance achieved by councils in respect of systems which are critical to major functions and services, distinguishing between computerised systems and equipment with embedded chips
- the action which councils have taken to ensure process continuity in the event of individual systems or items of equipment failing
- the action which councils have taken to ensure the continuity of the business as a whole in the event of significant service failure
- the extent to which councils have contingency plans in place should service break down occur
- the prospects of individual councils completing outstanding preparatory work in adequate time.

The questionnaire used for the exercise covered the prospects for process continuity comprising 19 major IT systems and 16 functions which rely on equipment with embedded chips.

**4. METHOD OF ASSESSMENT AND CLASSIFICATION**

4.1 For the purpose of classifying individual councils the Action 2000 ‘traffic light’ colour coding system has again been used. In assigning colour codings to individual councils account has been taken of their progress as at the date of completion of the questionnaire and of their prospects of completing outstanding preparatory work in adequate time. In assessing the latter account has been taken of the nature and range of outstanding work, the extent to which the council has identified and secured resources to undertake the work and the progress which the council has made since it was last reviewed in May.

4.2 The colour codings used and the relevance of each category is explained in the table below

<b>Category</b>	<b>Description</b>
Red	The assessment indicates that there is a severe risk of material disruption to infrastructure processes and that timely rectification may not be possible.
Amber	The assessment indicates that some risk of material disruption to infrastructure processes exists, but that there is an agreed containment plan to rectify shortcomings.
Blue	The assessment has not identified any risks of material disruption to the infrastructure process.

4.3 It is important to emphasise that a blue coding is not an assurance that every aspect of a council’s operations will be free from problems in the transition to Year 2000 but rather that, on the basis of the information provided by that council, the assessment has not identified any risks of material disruption to the wider infrastructure of the council.

## 5. **FINDINGS**

- 5.1 From the information collected by auditors and from contact with individual councils it is clear that councils have reacted positively to the matters identified by the last review as requiring action. A summary of these matters was included in Appendix 1 to S.R. 99/2. Comparison of the position at the end of August 1999 with that at May 1999 shows that all councils have made significant progress since the last review was carried out. The respective positions at May and August 1999 are shown in Appendix 1 to this report.
- 5.2 Analysis of the questionnaire data received showed that in respect of IT systems many authorities have already completed the bulk of their testing, achieved compliance and have plans in place to ensure continuity of process. The remaining councils are well advanced with their preparations with most working to a 30 September or, in a few cases, a 31 October completion date. Progress in relation to equipment with embedded chips is broadly similar to that for IT systems.
- 5.3 Based on their own assessment of the degree of compliance which they have achieved 29 councils indicated that 90% - 100% of their critical processes are already compliant; the remaining 3 councils indicated that they had achieved 70% compliance by the end of August 1999.
- 5.4 Ten councils claim to have contingency plans already in place for all critical processes; 19 councils plan to reach this stage by 30 September and the remaining 3 councils have 31 October as their target date.
- 5.5 Most councils have already identified and reached agreement with those staff who they will require to work over the millennium period. Councils generally expect to reach agreement with staff, by 30 September, on the working arrangements and conditions which will apply. A few councils are operating to a 31 October deadline.
- 5.6 All councils recognise the need to have a Millennium Operating Regime (MOR) in place and most are well advanced in their preparations. Twenty-nine councils already have a designated MOR officer in place and in 30 councils the duties of this person have already been agreed and approved, formally or informally, by the management team. There is

considerable variation among councils in the period over which the MOR will operate but all Councils plan to cover the critical period from 31 December through early January 2000.

5.7 Councils plan to complete their outstanding preparatory work either relying solely on their internal resources or, in the case of 22 councils, by augmenting these with external assistance. Where the latter applies all but one of the councils had quantified and secured the external resources which they require.

5.8 All councils have indicated they have arrangements in place to ensure the continuity of all critical processes which they have identified as being susceptible to medium or high risk from either internal or external failures and are confident that they can ensure business continuity in the event of any failures actually occurring.

## 6. CONCLUSIONS

6.1 All councils have been planning for Year 2000 for a considerable time. Their current position reflects a sustained period of preparation culminating in the focused efforts of the past 4 months. As a result all councils are well advanced with their Year 2000 preparations albeit some still have outstanding work to complete. If councils maintain their commitment and effort of the past 4 months they should achieve the target dates which they have set for the completion of Year 2000 work. They should monitor their progress pro-actively and take prompt and effective action if any events threaten the achievement of the target dates. Having taken account of the progress which councils have achieved in recent months and their current position, and provided they maintain their present commitment and effort, I consider that it is appropriate to categorise all councils as blue.



ROBERT W BLACK

Controller of Audit

30 September 1999

**Summary Of Progress Since May 1999**

Activity	Position at August 1999	Position at May 1999	
		Positive Achievements to date	Matters requiring Action
Target Dates	29 councils have 30/9/99 or earlier as the target date to be fully compliant and to have effective contingency plans in place	22 councils have set 30/9/99 or earlier as the target date by which they aim to be fully compliant and to have effective contingency plans in place	10 councils are operating to a target date later than 30/9/99; this leaves little margin for slippage
Awareness	all councils are providing their Chief Executives and staff with regular Year 2000 updates	most councils are providing their Chief Executives with regular Year 2000 updates and 17 councils are reporting regularly to their staff	15 councils need to improve the level of awareness of their staff by regular reports
Project Formation	all councils have prepared a Year 2000 budget and most of these are monitoring costs against budget	31 councils have prepared a Year 2000 budget and most of these are monitoring costs against budget	one council has not prepared a budget to cover Year 2000 activity
Project Scope	all councils have completed inventories of critical hardware, software, equipment with embedded chips and for support and maintenance contracts	31 councils have completed inventories of critical hardware and software and 23 councils also have prepared inventories for equipment with embedded chips and for support and maintenance contracts	one council has still to prepare inventories for its critical hardware and software and 9 have not completed the task for equipment with embedded chips or for support and maintenance contracts
	all councils have contacted suppliers to establish the compliance status of their products; most of these councils have assessed suppliers' responses	26 councils have contacted suppliers to establish the compliance status of their products; most of these councils have assessed suppliers' responses	5 councils have only partially completed this process and one council has still to commence

Activity	Position at August 1999	Position at May 1999	
		Positive Achievements to date	Matters requiring Action
Prioritisation	<p>all councils have identified systems which are to receive priority from a corporate perspective</p> <p>all councils have assessed the possible consequences of systems and equipment failure and most of these have evaluated the probability and likely timing of such failure</p>	<p>all councils have identified systems which are to receive priority</p> <p>29 councils have assessed the possible consequences of systems and equipment failure and most of these have evaluated the probability and likely timing of such failure</p>	<p>2 councils have still to identify and prioritise equipment which is at risk</p> <p>one council has not yet evaluated the consequences of systems failure and a further two have only covered IT systems</p>
Procurement Practice	<p>all councils have contacted and received information from suppliers whom it considers critical, to determine their Year 2000 preparations</p>	<p>19 councils have contacted and received information from suppliers whom it considers critical, to determine their Year 2000 preparations</p>	<p>12 councils have only made initial contact with suppliers and received few responses; one council has still to take action</p>
Testing	<p>all councils now have a documented testing strategy in place</p> <p>all councils have made provision in their testing plans for systems and equipment provided by third parties</p> <p>all councils involve users in the testing process for all critical systems</p>	<p>24 councils have a corporate testing strategy in place</p> <p>27 councils have made provision in their testing plans for systems and equipment provided by third parties</p> <p>28 councils involve users in the testing process for all critical systems</p>	<p>4 councils are still developing their testing strategy and a further 4 do not yet have a strategy</p> <p>5 councils have no plans or do not plan to test supplies from third parties</p> <p>4 councils do not involve users in their testing, or only do so to a limited extent</p>



Activity	Position at August 1999	Position at May 1999	
		Positive Achievements to date	Matters requiring Action
	<p>all councils have assessed whether they have sufficient testing capacity</p> <p>all councils have included their key IT systems in their testing programme</p>	<p>28 councils have assessed whether they have sufficient testing capacity</p> <p>30 councils have included their key IT systems in their testing programme</p>	<p>3 councils are still undertaking assessments and one council has not yet undertaken any assessment</p> <p>2 councils have not included all key IT systems</p>
Contingency Planning	<p>29 authorities aim to have identified risks and have contingency plans in place by 30/9/99</p> <p>all authorities are meeting regularly with the utility suppliers, emergency services and neighbouring authorities as part of their contingency plans preparations</p> <p>to date 19 councils have tested their contingency plans and 14 of these have been updated following testing</p> <p>all councils are in course of reaching agreement with their staff about working arrangements over the millennium period</p>	<p>25 authorities aim to have identified risks and have contingency plans in place by 30/9/99</p> <p>approximately 2/3 of authorities are meeting regularly with the utility suppliers, emergency services and neighbouring authorities as part of their contingency plans preparations</p> <p>to date 9 councils have tested their contingency plans and 6 of these have been updated following testing</p> <p>16 councils are in course of reaching agreement with their staff about working arrangements over the millennium period</p>	<p>7 authorities have a target date of 30/11/99 for this work</p> <p>the remaining authorities have had no contact or only limited contact with these organisations</p> <p>2 councils do not yet have contingency plans and 21 councils have not yet tested their plans</p> <p>10 councils have commenced discussions with staff about working arrangements and 6 are scheduled to commence in the autumn</p>



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