# Finance and Resources Committee

**10.00am, Friday, 27 October 2017**

# Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017 – referral from the Governance, Risk and Best Value Committee

| | |
|---|---|
| **Item number** | 8.1 |
| **Report number** | |
| **Wards** | All |

## Executive summary

The Governance, Risk and Best Value Committee on 26 September 2017 considered a report which detailed the Internal Audit progress for the period 1 January 2017 to 30 June 2017.

The report has been referred to the Finance and Resources Committee on the recommendation that high risk findings from audit reports be submitted to their parent Committee for information. These relate to the internal audit reports for the:

- Leavers Process
- Property Maintenance
- Health and Safety – Contractor Management
- IT Disaster Recovery
- Review of External Security

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# Terms of Referral

## Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017

### Terms of referral

1.1 On 26 September 2017, the Governance, Risk and Best Value Committee considered a summary of the findings and status of work from the Internal Audit plan of work. The plan is updated throughout the year with additional reviews and any emerging risks.

1.2 The report by the Chief Internal Auditor highlighted the progress made along with 13 reports, categorised by level of risk.

Details of the action plans with implementation dates to mitigate any findings were also contained within the report. Any action which remained outstanding after the agreed implementation date would be reported back to the Governance, Risk and Best Value Committee.

1.3 The Governance, Risk and Best Value Committee agreed:

1.3.1 To note the progress of Internal Audit in issuing 11 Internal Audit reports during Quarter 4 of the 2016/17 plan year and 2 Internal Audit reports during Quarter 1 of the 2017/18 plan year.

1.3.2 To note the areas of higher priority findings for reviews issued during this six month period.

1.3.3 To refer the 6 reports noted in Appendix 1 as potentially being of interest to the Audit and Risk Committee of the Edinburgh Integration Joint Board (IJB) to that Committee.

1.3.4 To note the 6 audit in progress during Quarter 1 of the 2017/18 plan year as detailed in Appendix 1 of the report.

1.3.5 To request information on:

- the total spend on homelessness provision
- the checks in place for recovering money from the Government.
- the governance of the Homelessness Taskforce.

1.3.6 To request a report on the operation of homelessness services which included costs and a map of facilitates in the city to the Housing and Economy Committee and Homelessness Taskforce

## For Decision/Action

2.1 The Finance and Resources Committee is asked to note the attached audit reports with high risk findings concerning:

- Leavers Process
- Property Maintenance
- Health and Safety – Contractor Management
- IT Disaster Recovery
- Review of External Security

## Background reading / external references

Webcast of Governance, Risk and Best Value Committee – 26 September 2017

**Laurence Rockey**
Head of Strategy and Insight

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## Links

| | |
|---|---|
| **Appendices** | Appendix 1 – Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017 – report by the Chief Internal Auditor |

# Governance, Risk and Best Value Committee

**10.00am, Tuesday 26 September 2017**

# Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017

**Item number**

**Report number**

**Executive/routine**

**Wards**

**Council Commitments**

## Executive summary

Internal Audit has made reasonable progress in the last quarter of the 2016/17 plan year and the first quarter of the 2017/18 plan year.

This report provides details of the activity from 1 January – 30 June 2017.

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# Report

# Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017

## Recommendations

1.1 Committee is requested to note the progress of Internal Audit in issuing 11 Internal Audit reports during Quarter 4 of the 2016/17 plan year and 2 Internal Audit reports during Quarter 1 of the 2017/18 plan year.

1.2 Committee is requested to note the areas of higher priority findings for reviews issued during this six month period.

1.3 Committee is requested to refer the 6 reports noted in Appendix 1 as potentially being of interest to the Audit and Risk Committee of the Edinburgh Integration Joint Board (IJB) to that Committee.

1.4 Committee is requested to note the 6 audit in progress during Quarter 1 of the 2017/18 plan year as detailed in Appendix 1.

## Background

2.1 Internal Audit is required to deliver an annual plan of work, which is scoped using a risk-based assessment of Council activities. Additional reviews are added to the plan where considered necessary to address any emerging risks and issues identified during the year, subject to approval from the relevant Committees.

2.2 Status of work and a summary of findings are presented to the Governance, Risk and Best Value Committee for consideration on a quarterly basis.

## Main report

**Audit Findings for the period**

3.1 Internal Audit has made reasonable progress in the final quarter of the 2016/17 plan year with 13 reports being issued for the quarter. These reports contain a total of 11 High, 18 Medium and 4 Low rated findings.

3.2 Reasonable progress was also evident in the first quarter of the 2017/18 plan year with 2 audits completed and 6 in progress. The 6 audits in progress include a thematic review performed across the Council's 10 care homes which has involved circa 120 audit days. Detailed outcome reports and management action

plans have been issued to individual care homes and the overarching report that outlines the consolidated outcomes and findings will be issued in September 2017.

3.3 The current status of all outstanding recommendations from reports issued prior to this period is discussed in the report 'Internal Audit follow-up arrangements: status report' presented separately to the Committee.

3.4 No reports were referred by the Edinburgh Integration Joint Board (EIJB) Audit and Risk Committee at their meeting in June 2017. It is recommended that the Committee refers 4 of the reports issued in Quarter 4 2016/17 to the next EIJB Audit and Risk Committee meeting (refer Appendix 1). None of the reports completed in Quarter 1 2017/18 are recommended for referral.

3.5 Appendix 1 provides a summary of reports and the classification of findings in the period. A full copy of all final reports is available to members upon request.

3.6 Appendix 2 provides a summary of the High-Risk findings and associated management actions.

## Measures of success

4.1 Once implemented, the recommendations contained within these reports will strengthen the Council's control framework.

## Financial impact

5.1 None.

## Risk, policy, compliance and governance impact

6.1 If Internal Audit recommendations are not implemented, the Council will be exposed to the risks set out in the relevant detailed Internal Audit reports. Internal Audit recommendations are raised as a result of control gaps or deficiencies identified during reviews therefore overdue items inherently impact upon compliance and governance.

6.2 To mitigate the associated risks, the Committee should review the progress of Internal Audit and the higher classified findings, and consider if further clarification or immediate follow-up is required with responsible officers for specific items.

## Equalities impact

7.1 No full ERIA is required.

## Sustainability impact

8.1 None.

## Consultation and engagement

9.1 None.

## Background reading/external references

10.1 None.

**Lesley Newdall**

Chief Internal Auditor

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## 11. Appendices

Appendix 1 – Summary of Internal Audit report findings issued for period of 1 January 2017 – 31 March 2017.

Appendix 2 – Summary of High Risk Findings and Management Actions for period of 1 January 2017 – 31 March 2017

**Appendix 1**

# Summary of Internal Audit reports issued during Quarter 4 2016/17 (1 January 2017 – 31 March 2017)

| **Internal Audit reports** | | | | |
|---|---|---|---|---|
| Title of Review | High Risk Findings | Medium Risk Findings | Low risk Findings | Advisory Comment |
| # Leavers Process (RES1603) | 4 | 1 | - | - |
| # Property Maintenance – (RES1615) | 2 | 2 | 1 | - |
| Health and Safety – Contractor Management (RES1601) | 1 | 2 | - | - |
| Complaints (CF1619) | - | 3 | 1 | - |
| # Information Commission Officer Audit Follow Up (RES 1606) | - | 3 | 1 | - |
| Royal Edinburgh Military Tattoo – Stock Management and Anti-Fraud procedures (JB1604) | - | 2 | 1 | - |
| Lothian Valuation Joint Board (JV1601) | - | 1 | - | 1 |
| # Contentious Testing – Working Time Regulations (RES1618) | - | 1 | - | - |
| Prevent Strategy (CF1618) | - | 1 | - | - |
| Lothian Borders Community Justice Authority (JB1603) | - | - | - | - |
| SesTrand (JB1602) | - | - | - | - |
| * # IT Disaster Recovery (CW1602) | 1 | - | - | - |
| * # Review of External Security (CW1603) | 3 | 2 | - | - |
| *Total* | 11 | 18 | 4 | 1 |
| **Audit report referred by the Edinburgh Integration Joint Board Audit and Risk Committee** | | | | |
| Management Information | 1 | 3 | - | - |

# These reviews may be of interest to members of the Audit and Risk Committee of the Edinburgh Integrated Joint Board and it is proposed that these reviews are referred to that Committee.

* These audits were included in the 2016/17 plan. Whilst work had commenced prior to year end, reports were not finalised until May 2017.

## Summary of Internal Audit reports issued during Quarter 1 2016/17 (1 April – 30 June 2017)

| **Internal Audit reports** | | | | |
|---|---|---|---|---|
| Title of Review | High Risk Findings | Medium Risk Findings | Low risk Findings | Advisory Comment |
| Short Term Homelessness Housing Provision (SSC1701) | 2 | 3 | 1 | - |
| Edinburgh Shared Repairs Service (RES1701) | - | - | 2 | 1 |
| *Total* | 2 | 3 | 3 | 1 |
| **No Audit reports were referred by the Edinburgh Integration Joint Board Audit and Risk Committee from their June meeting.** | | | | |

## Summary of Internal Audits in progress during Quarter 1 2016/17 (1 April – 30 June 2017)

| **Internal Audit reports** | | |
|---|---|---|
| Title of Review | Start Date | Estimated Completion Date |
| Property Conservation Lessons Learned (RES17) | February 2017 | Final report issued August 2017 |
| Care Homes (HSC1701) | March 2017 | Final overarching report expected by end September 2017 – individual reports have been issued to each of the 10 care homes reviewed. |
| HR and Payroll – Starters Process (RES1704) | April 2017 | Final report issued July 2017 |
| Ross Bandstand (PR1701) | May 2017 | Final report expected by end August 2017 |
| Treasury (RES1703) | June 2017 | Final report issued August 2017 |
| Local Development Plan (PL1705) | August 2017 | Final Report expected by end August 2017 |

*Appendix 2*

*City of Edinburgh Council*

# Internal Audit

# Summary of Critical/High Risk Findings and Management Actions

## (1 January 2017 – 30 June 2017)

# Contents

# Section 1 – Leavers Process

**Total**

**RES 1603**

**number of findings**

| | Critical | High | Medium | Low |
|---|---|---|---|---|
| **Total** | - | 4 | 1 | 1 |

## Background

An extended audit of the leavers process which reported in December 2014 raised concerns over the tracking of Council assets and the management of non-payroll staff.

Following this report, Internal Audit was asked to perform a 'review recommend' of the end-to-end leavers process to assess key controls and recommend control design enhancements. Internal Audit mapped the full process and considered the controls in place to address 5 key risks associated with the leavers process:

- Overpayment to individuals for services rendered;
- Inappropriate access to Council data, systems and property;
- Council assets being retained by leavers;
- Council assets not being utilised in the most effective way; and
- Issues regarding staff morale and satisfaction not being identified and rectified.

Both payroll and non-payroll leavers processes were considered. Non-payroll leavers include fixed term contractors and agency workers from Adecco and ASA.

The review identified 5 potential weaknesses in the payroll leavers process, and 3 further weaknesses in the non-payroll leavers process. Internal Audit made 15 recommendations in total as a result of this review.

The Review Recommend report was considered by GRBV in June 2015. Management made a commitment to GRBV at that time that they would implement the recommendations made by Internal Audit, primarily through provisions made the new ICT contract and service redesign under the Council's Transformation Programme. In the interim, a group from the HR Service Centre, HR and ICT Solutions 'would collaborate to mitigate the identified risks'.

This review was undertaken to measure progress made in addressing the weaknesses identified by the Review Recommend.

**Scope**

The scope of this review was to assess the design and operating effectiveness of the Council's controls relating to the leavers process, with a focus on action taken to respond to weaknesses identified in the 2014 internal audit and 2015 'review recommend'.

The sub-processes and related control objectives included in the review are:

- System Access;
- Payroll
- Return of mobile assets
- Completion of exit checklists
- Exit interviews; and
- Follow up of Review Recommend findings.

**Summary of High Risk Findings**

Outstanding Actions from the Review Recommend

Internal Audit carried out a 'Review Recommend' of the end-to-end leavers process which was reported to GRBV in June 2015. There were 8 potential weaknesses identified in this review.

Despite a commitment to GRBV that management would implement the 15 recommendations made in this review, there has been limited progress made in the past 18 months and the weaknesses identified 2 years ago remain.

System Access

From a sample of 45 employees who left the Council in August 2016. 11 (25%) still had an open Active Directory account at the time of our audit in November 2016.

An Active Directory account permits access to core Council IT systems including computer terminals, email and the intranet. User accounts for other Council systems such as Oracle (finance), Swift (social work), iTrent (HR and payroll) and Seemis (schools) are linked to the user's Active Directory account.

Note that we did not review access to other Council systems, or systems hosted by third parties. However, we observed that there is no record of which systems any one employee has access to. Leavers' accounts are therefore only closed if the leaver or their line manager contacts the relevant systems administrator.

Email Redirection

Email redirect rules can be set up on any Outlook account. This allows emails sent to a Council email address from any source to be automatically forwarded to any internal or external email address.

In the case of leavers, this means that the leaver may still have access to Council emails and potentially sensitive data as long as their Active Directory account remains open (see finding 2).

However, this is also a risk for current employees. Employees are able to automatically forward to a business or personal email account. The Council has no guarantee that external email accounts are secure, and no control over or access to information held there.

We note that the Council decided to close web-based email accounts due to concerns over security some years ago. The current Outlook accounts are intended to be accessed only from encrypted Council-managed devices. Email redirect rules allow users to bypass these controls.

Mobile Assets Register

CGI have a list of all laptops and desktops allocated a BTED reference number. However, there is no record of the location or user of each device.

There are no central records of who holds Council-owned iPads and other mobile devices as these are managed locally by service areas and teams.

This means the central IT hub does not know if leavers have returned all Council-owned assets.

**Recommendations and Agreed Management Action for High Risk Findings**

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| **Outstanding Actions from Review Recommend** | | | |
| Management should honour the commitment made to GRBV in June 2015 and implement the recommendations made by Internal Audit in connection with leavers. | A process review workshop will be held on 29 March when issues and improvements in the leavers process (including HR, Customer Services and ICT) will be mapped and identified. | 30 April 2017 | Complete |
| | HR guidance available to managers and staff on the Orb will be refreshed to reflect the new process and to give managers accurate information about their responsibilities when an employee leaves. | 30 September 2017 | Not Due. |
| | We seek to gain insight re: staff morale and satisfaction from a number of different methods, some of which are short term timely interventions with others seeking insight into longer term cultural change we are seeking to achieve. This includes activities ranging from team and service area surveys, staff focus groups and events such as talk with Andrew Kerr. Exit interview template and guidance are available for line managers to use if required, but they are not mandatory. We do however encourage exit interviews for 'regretted' leavers and the Orb guidance will be updated to reflect this. | 30 September 2017 | Not Due. |
| | ***Responsible Officers:*** Head of Human Resources/Head of ICT/ Head of Customer | | |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| | | | |
| **System Access**<br><br>Active Directory accounts must be closed when a member of staff (whether payroll or non-payroll) leaves the Council.<br><br>Access to other Council IT systems, including those hosted by third parties such as eIRD (which holds child protection records and is hosted by NHS Lothian), must be terminated when the member of staff leaves the Council, or moves to a role where access to that system is no longer required. | Responsibility for the closing down of all account/access for leavers remains with the line manager, the reason amongst other things, to give consideration to any data retrieval/ retention of content that is legislative or required before accounts are deleted. However:<br><br>1) ICT Solutions receive weekly leaver reports from HR to close specific system accounts, ITrent, IWorld, Swift etc.<br>2) ICT will suspend leaver's Active Directory accounts (so the leaver no longer has access to Active Directory and linked systems) once the weekly report is received from HR. ICT will consult with the business on the appropriate period to keep leavers' accounts 'suspended' before deleting them.<br>3) ICT has now checked the Active Directory accounts of all employees who left in 2016/17, and has deleted any accounts that were still open.<br>4) ICT will investigate setting an expiry date on all temporary AD accounts covering agency, contractors & partners.<br>5) Processes have now been tightened to suspend any inactive account where there is an exception 'not known' for 90 days. Accounts will | Immediate<br><br>Immediate<br><br>Immediate<br><br>30 April 2017<br><br>Immediate | Complete<br><br>Complete<br><br>Complete<br><br>Outstanding<br><br>Complete |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| | subsequently be deleted after 180 days of inactivity.<br>6) ICT will investigate the possibility of reporting on a subset of temporary accounts (i.e. those beginning with '990' which are assigned to agency staff, contractors and partners) with a view to further investigation with the business areas to validate them.<br><br>As per the previous finding, a process review workshop will be held on 29 March when issues and improvements in the leavers process (including HR, Customer Services and ICT) will be mapped an identified. HR guidance will then be refreshed. This will include mechanisms to notify administrators of systems hosted by third parties.<br><br>***Responsible Officers:*** Head of ICT/ Head of Customer/Head of Human Resources | 30 September 2017<br><br>30 June 2017 | Not Due<br><br>Not Due |
| **Email redirection**<br><br>Email redirect rules which allow the forwarding of email to a non-Council account should be disabled. | This will be discussed at the Joint Council & CGI Security working group (1st March 2017). CGI will be requested to progress and investigate all potential auto forwards currently active on our network. With the understanding gained from this process, ICT will propose a policy on the use of auto forwards. Current options include, do nothing, disable auto forwards completely, or restrict the functionality to certain individuals or addresses.<br><br>Once the above action has been completed and a | 30 September 2017<br><br>31 October 2017 | Not Due<br><br>Not Due |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| | decision reached on the appropriate option, this may need to go to CLT to get agreement to the ICT proposed policy on auto forwards.<br><br>***Responsible Officers:*** Head of ICT/ Data Services Manager | | |
| **Mobile Assets Register**<br><br>1) All Council-owned and managed devices should be allocated to a named user.<br>2) Final salary payments should be withheld until the employee has returned all Council-owned and managed devices to the IT central hub. | This will be addressed fully once the Device refresh programme is completed. All assets issued will be tagged, allocated to a named user and recorded.<br><br>In the interim:<br>1) CEC partially holds information on unique asset reference, user name and details of user, last log on etc. for currently active devices. Unfortunately, we don't know the specific site detail where the machines are connecting from within the network. There is an action on CGI to address the level of detail down to site location, a follow up is expected.<br>2) All managers have been asked to return unused assets to the ICT Hub.<br>3) HR guidance on the Orb will be refreshed to instruct line managers that assets must be returned to the ICT Hub.<br><br>Final salary payments withheld or payroll deduction for assets not returned – concept understood however we will reinforce change of process before revisiting for consideration as this would require a significantly | 31 December 2017<br><br>30 September 2017<br><br>Immediate<br><br>30 September 2017<br><br>Review 31 December 2017 | Not Due.<br><br>Not Due.<br><br>Complete<br><br>Not Due<br><br>Not Due |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| | robust process and extensive communication with all staff prior to taking such action. This recommendation will only be considered should the new processes not close out this issue.<br><br>***Responsible Officers:*** Head of ICT/ Head of Customer/Head of Human Resources | | |

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

# Section 2 – Property Maintenance

**RES 1615**

**Total number of findings**

| | Critical | High | Medium | Low |
|---|---|---|---|---|
| **Total** | - | 2 | 1 | 1 |

## Background

It is widely recognised that much of the Council estate is in a poor condition and that the Council does not have a complete understanding of the current state of its operational property portfolio. There is an extensive exercise underway to carry out condition surveys of all buildings owned and operated by the Council, and to use that data to inform the redesign of the Facilities Management service and the development of the Asset Management Strategy.

An in-house survey team was established in 2015 to undertake a 5 year rolling programme of visual condition surveys to identify latent defects in operational property. These surveys would supplement information from more regular surveys such as statutory inspections, insurance inspections and routine maintenance inspections. Following a recommendation to the Finance and Resources Committee as part of the Asset Management Strategy, a decision was made in 2016 to accelerate the initial 5 year condition survey programme by appointment of external consultants to work in tandem with the in-house survey team. The accelerated survey programme is expected to be completed by the Autumn of 2017. A programme of “rope access” surveys will also precede and supplement the results of the condition surveys.

The Findings surveys will inform the future 5 year Asset Management Works capital programme, any future Planned Maintenance programme and the prioritisation of works.

## Scope

The scope of this report is to review the design and operating effectiveness of the Council’s framework and controls for identifying repairs required and prioritizing both capital and revenue works.

The sub-processes and related control objectives included in the review are:

- Identification of repairs;
- Management Information; and
- Prioritisation of work.

## Summary of High Risk Findings

Maintenance Budget Shortfalls

The Asset Condition & Maintenance Strategy issued in March 2016 and subsequent quarterly reports to the Finance and Resources Committee have highlighted the significant funding gap between the estimated cost of addressing backlog capital repairs and introducing a planned preventative maintenance programme, and the current Property Maintenance budget.

The Asset Condition & Maintenance Strategy sets out a high level, medium-term strategic budget forecast for the capital and revenue expenditure required over a 5-year period to 2020/21. This estimates a backlog of capital works of £110m over 5 years, as well as the costs of a planned preventative maintenance programme using a benchmark of £26.75 per square meter per year.

This results in a shortfall (clearly reported to the Finance & Resources Committee) of £8m per year on the capital budget (a cumulative shortfall of £40m over 5 years), and £15m per year by 2020/21on the revenue budget (cumulative shortfall of £61m). There is a risk that, once capital works have been completed and operational buildings retained by the Council have been brought up to an acceptable condition, the buildings again deteriorate due to the lack of funding for ongoing maintenance.

In-house surveyors have begun a programme of condition surveys, covering 27.8% of the Council's operational estate to date. £29.6m of backlog capital works have been identified so far. Extrapolated across the remaining estate this gives a cost of £108.7m to carry out backlog capital works. This would indicate that the £110m backlog capital maintenance budget is reasonable if the surveys performed to date are reflective proportion of the population as a whole.

However, this £29.6m does not include revenue backlog costs identified as part of the surveys. Based on three surveys reviewed, revenue spend identified to date was identified as £32k per property. If extrapolated across the full operational estate, this suggests work to carry out backlog revenue works could amount to £32.8 million. This is not included in the £110m identified works, or ongoing planned preventative maintenance.

High Risk Items Identified in Conditional Surveys

It is expected that any health and safety (priority 1), wind and watertight (priority 2) or service disruption (priority 3) issues identified during the condition surveys will be reported to the Facilities Management helpdesk for immediate action.

*Condition surveys*

We reviewed condition surveys for 3 properties. 3 'Priority 1' health and safety issues were identified at 2 of the properties.

One of these three issues was identified appropriately on the survey, communicated directly to the Facilities Management helpdesk by the

surveyor, and actioned accordingly.

On the second property, two health & safety issues were identified in the narrative of the report issued in June 2016:

- Cracks to a boundary wall
- No finger guards on hinged edges of nursery doors.

The boundary wall was highlighted as a 'Priority 1' issue in the condition survey report. It was reported to the area facilities manager (not the Facilities Management helpdesk) in an email and resolved in August 2016. The lack of finger guards was not highlighted as a 'Priority 1' issue in the condition survey report, but was reported to the area facilities manager by email. It was not actioned. Finger guards have now been procured through the Facilities Management helpdesk as a result of this audit.

*Health & Safety issues*

We selected a further seven additional high risk items identified across 10 condition surveys to confirm that appropriate action had been taken. We found three issues which were not reported to the Facilities Management helpdesk.

- One issue has not been actioned;
- One issue was actioned by janitorial staff on-site; and
- One action was ultimately deemed unnecessary by the facilities manager.

It was noted during our testing that issues arising from the condition surveys are not consistently reported to the Facilities Management helpdesk, and, if reported, it is not noted that they were identified through a condition survey. This means it is difficult to verify that issues identified in condition surveys have been addressed.

**Recommendations and Agreed Management Action for High Risk Findings**

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| **Maintenance Budget Shortfalls**<br><br>We emphasise the need for the Corporate Leadership Team to consider remedial revenue works and future planned preventative maintenance as part of Asset Management Strategy. | The Corporate Leadership Team (CLT) recognises the maintenance shortfalls noted above. It also recognises that the current situation will likely lead to continued deterioration of the property portfolio with corresponding impacts on service provision and increased whole life costs of individual properties. The CLT recognises the long term benefits of addressing this backlog but given the current financial climate, the priorities of the Council's ruling coalition and the competing demands on the Councils' finite financial resources, does not consider that clearing the backlog is realistically achievable at this time.<br><br>CLT are proposing to allocate additional resources to the extent feasible and a report to the Finance & Resources Committee in January 2017 includes an option for an additional £1m of expenditure to help ensure that the Council can continue to ensure that its buildings remain in a stable condition, and that they met the Council's Health & Safety and Wind & Watertight criteria. | N/A | N/A |
| **High Risk Items Identified in Conditional Surveys**<br><br>1) We recommend that condition survey reports are reviewed by a second surveyor to verify that Priority 1-3 issues have been correctly identified and reported. | 1. Recommendation 1 is now in place. | Immediate | Complete |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| 2) Formalise process for responding to issues identified in condition surveys. We recommend that Priority 1-3 issues are reported to the Facilities Management helpdesk. | 2. This process has been agreed by Strategic Asset Management and will be implemented during the external condition survey. | 28 February 2017 | Complete |
| 3) Issues identified during condition surveys and reported to the Facilities Management helpdesk should be given a unique identifier to allow monitoring of actions | 3. The items reported to the helpdesk are separately to be recorded and forwarded to the Technical Operations Manager<br><br>Note that any urgent items (priority 1, 2 or 3) identified during condition surveys will be reported to the helpdesk but also recorded on the said condition survey and separately noted on an action tracker spreadsheet between SAM and FM. This process is an interim process until the CAFM condition module is fully operational and will allow tracking of items within the system.<br><br>***Responsible Officer:*** Capital Asset Planning Manager | 28 February 2017 | Complete |

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

# Section 3 – Health & Safety – Contractor Management

**RES 1601**

**Total number of findings**

| | Critical | High | Medium | Low |
|---|---|---|---|---|
| **Total** | - | 1 | 2 | - |

## Background

The Council recognises that in order to deliver its targets and objectives, the health and safety of its staff, contractors and customers is key. Furthermore, in order to keep its employees, contractors and service users safe, it is important to have a robust health and safety management system and strategy in place. Non-compliance with Health & Safety requirements remains a significant risk to the Council.

In February 2015, during PwC's independent review of the proposed changes to the Health and Safety management system, a key finding around contractor management was identified. This finding noted that there were no safety expectations/requirements provided to contractors or included in contract negotiations. On occasions, contractors were found to have begun work without an agreed H&S plan.

This current review was commissioned to check progress against recommendations for improvement of contractor management as well as to carry out a more detailed review of the process of tendering, prequalification, on-boarding and ongoing monitoring of contractors.

## Scope

The scope of the review will be to consider the design and operating effectiveness of the arrangements within the Council to manage contractors from a Health & Safety perspective.

The sub-processes included in the review are:

- Procurement of Contractors; and
- Management of Contractors.

**Summary of High Risk Finding**

Supplier Management

While the Council has a number of standing orders in place to provide guidance on Contractor procurement, there is no overarching strategy and/or policy in place for the control and management of contractors/suppliers. The standing orders in existence have been developed to meet various needs that are being identified as the procurement process becomes more robust. There is a need for a Contractor Management Policy to give structure to the whole process. There are three particular areas of weakness, we have identified:

**1. Unclear roles and responsibilities**

The lack of a structured contractor/supplier management process has led to a lack of clarity around roles and responsibilities with the majority of attention/responsibility reverting back to procurement. Procurement accepts that the initial phase of procuring contractors, is its responsibility but it does not accept that the ongoing monitoring should lie with Procurement. Contract owners are named under each framework, but the individuals are not currently mandated to do anything in regards to H&S and, moreover, there is no guidance provided as to how they should discharge their duties. Contract owners are therefore unsure what is required of them which contributes to inconsistency across the Council with regards to how it manages contractors. For example, it is good practice to request health and safety documentation such as risk assessments, method statements and training certificates prior to commencing with safety critical works. However, all contract owners and contractors interviewed during the audit process reported that this is not currently taking place.

**2. Lack of contractor performance reporting/review process**

There is no quarterly or annual review of contractor performance, covering topics such as Safety but also financial and quality aspects of contract performance. The council is therefore missing potentially valuable management information which could provide benefits such as cost saving and performance feedback. In certain cases, KPIs are set for contractors but there is no evidence that this information is requested and followed through to check how contractors are performing against agreed targets. Some contractors are providing this on a monthly basis but this is often being driven by the contractor rather than being specifically requested by the Council.

**3. Over-reliance on initial prequalification**

There is an over-reliance on the initial prequalification of contractors as a safety risk control measure. The prequalification process can only provide a snapshot in time and should be supplemented by ongoing monitoring of contractors. For example, Procurement may request a sample of risk assessments and method statements to review during the tendering stage but that does not mean that this review should be relied upon for all on-going activities by contractors. Further review should be undertaken by Contract Owners within the Council.

**Recommendations and Agreed Management Action for High Risk Findings**

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| **Supplier Management** | | | |
| 1. (a) Create a central team that has cross departmental oversight and is responsible for driving the different facets (Financial, Operational and Risk, plus Policy owners for H&S, data protection, resilience, etc.) of the control and management of contractors/suppliers. In the interest of consistency, we recommend that the current procurement team is augmented to be able to perform this additional oversight role. In order to effectively carry out this function, there would need to be an increase in resource and possible changes to responsibilities within CPS.<br><br>(b) The monitoring of contractors and subcontractors will remain within the service areas as per the Contract Standing Orders. Where contractors are subcontracting work, a monitoring mechanism must be agreed to ensure that subcontractors are held to the council's performance standards.<br><br>2. Create a policy for the control and management of contractors and suppliers that aligns to recognised standards, leveraging sources of contractor management good practice. This policy should specify responsibilities for the | It is proposed that the findings will be addressed through the implementation of a Council-wide approach to Contract Management. The establishment of a dedicated team to facilitate the development of an overarching strategy and architecture to define common processes, best practice and to support management and reporting on a tiered basis was previously approved by CLT and will support the delivery of some of the recommendations within the report.<br><br>1. a.) Establish a team within CPS to work in partnership with service areas to facilitate the development of overarching processes, information, advice and guidance for Service Areas and Contract Owners.<br><br>b.) Monitoring of Contractors and subcontractors remains the responsibility of service areas as part of the Contract Standing Orders. A reminder will be sent to service areas in this regard. Contract owners need to ensure that Contractors and Suppliers operate to acceptable standards in all aspects of their performance including quality of work, financial cost and safety standards.<br><br>2. CPS will work closely with Service Areas and the H&S and other teams to create a policy for the control and management of contractors & | 1a.) 31 December 2017<br><br>1b.) Ongoing<br><br>2.) 31 December 2017 | Not Due<br><br>N/A<br><br>Not Due |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| different stakeholders involved in the contractor management process.<br>3. Schedule and maintain regular reviews of contractor performance that consider the financial, operational, quality and H&S performance of the contractor. The frequency of these reviews should be determined by such factors as the significance of the safety risk, the amount of spend, etc.<br>4. A communication plan for contractor management should also be determined by the Chief Procurement Officer, specifying the reporting arrangements to the central team in charge of contractor management.<br>5. Develop a training programme for those with responsibilities within the contractor management process, especially for Contract Owners and users. A contractor management 'roles and responsibilities' training plan should be developed with specific focus on Contract Owners, Contract Users, Contractors, as well as Managers and any other specific staff as agreed by the Council. | suppliers that aligns to recognised standards and good practice. The policy will specify responsibilities for the different stakeholders involved in contract management process.<br>3. CPS will work with Service Areas, CPS, Risk and Policy owners for key risks (incl H&S, data protection, resilience) to identify key measures and KPIs required to ensure consistency around contractors performance and review including guidance on good practice for Contract Owners and Service Areas. Using this appropriate measurement, a process on reporting, and escalation will be developed for use by Service Areas adopting a risk based approach.<br>4. Service Areas and CPS to develop a communication plan which will specify the escalation, reporting and feedback arrangements to the central Contract Management team and/or other relevant team on risks, poor performance or contract breaches.<br>5. Chief Procurement Officer to determine generic principles of contract management with specific focus on Contract Owners, Contract Users, Contractors, as well as Managers and any other specific staff as agreed. Specific and relative skills training for contract owners will need to be assessed and implemented by Directors. Directors should ensure that suitably skilled staff are identified as Contract Owners. Head of HR will be | 3.) 31 December 2017<br>4.) 31 December 2017<br>5.) 31 December 2017 | Not Due<br>Not Due<br>Not Due |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| | responsible for the establishment of a Training Programme for those with responsibilities within the contractor management process.<br><br>***Responsible Officers: Directors of Resources, Place, Communities & Families, Health & Social Care, Chief Procurement Officer, Head of HR*** | | |

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

# Section 4 – IT Disaster Recovery

**Total number of findings**

| | Critical | High | Medium | Low |
|---|---|---|---|---|
| **Total** | - | 1 | - | - |

## Background

Until 31 March 2016, BT were responsible for the provision of Edinburgh Council's DR capability. BT had access to a recovery site that held backups but there were no clear plans for how these would be used to re-establish service following a major disruptive incident. DR plans had never been reviewed or tested.

On 1 April, CGI replaced BT as the Council's IT service provider and responsibility of the provision of DR capability transferred to CGI. As part of the new contractual arrangements, CGI agreed to test the effectiveness of this capability on a timely basis, based on the criticality of ICT systems.

The CGI Head of Services is responsible for ensuring the following take place:

- Plan the test and share the plans with the Council;
- Obtain approval of test data to be used, test plan, specification and schedules prior to test execution and for the test to proceed;
- Ensuring that the DR tests are carried out according to the contracted schedules;
- Reporting back to the Council with the results of the tests including recommended actions and monitoring of these actions;
- Providing notice of testing and agree witnessing with the Council; and
- Perform retests where necessary.

The design of the DR programme proposed by CGI has only recently been agreed by the Council and testing on its effectiveness has yet to be performed. It is expecting that testing will commence at some point in 2017.

## Scope

The scope of this review was to:

- Assess the design and operating effectiveness of processes to identify critical systems; and
- Assess the current roadmap, action plans and governance activity to embed IT DR capability for council systems managed by CGI.

**Summary of High Risk Finding**

The current DR capability is not sufficiently robust to allow confidence that ICT services across the Council can be fully recovered in a prioritised and timely manner following a significant ICT incident.

Following the transition of IT managed services to CGI, a DR programme has been established which, it is anticipated, would allow the Council to recover critical services and data in the event of major disruption or loss of IT infrastructure. However, enhancements are required to allow confidence that the DR programme will meet the recovery requirements of the Council and its stakeholders.

The weaknesses in the DR programme, set out below may adversely impact upon the ability of the Council to recover critical systems effectively:

- Robust testing in line with the CGI contractual requirement, of the Council's recovery processes has not been performed to determine whether the recovery solution is fit for purpose and to validate the effectiveness of the current design of recovery provisions and processes.
- The approach to classifying critical systems, as either P1, P2 or P3 (High, Medium, Low), is not consistent and does not consider other prioritisations within the Council. The application of these ratings are determined by business owners and is a subjective process, which may result in systems being misclassified from a Council wide perspective.
- The inventory of system dependencies between critical Council systems is not regularly reviewed or maintained. Management review this on an ad hoc basis or when CGI identify any weaknesses in infrastructure.
- There is no mandatory requirement for, or oversight of, DR provisions or testing for IT systems that are procured, managed or maintained either outside the CGI contract or without oversight from ICT.
- Business owners and stakeholders for IT systems and services have not been updated, which may result in delays in implementing improvements and establishing business requirements.

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| Management should ensure that ICT systems within the Council have been identified and classified appropriately. Disaster recovery processes should be vigorously tested to validate the ability of the Council to successfully recover systems and data within the defined timescales set by stakeholders.<br><br>For systems that are identified which are not managed by central ICT (Shadow IT), Management should consider how they could | Differing implementation dates are proposed for the distinct elements of the recommendation as follows:<br>• 'Management should ensure that ICT systems within the Council have been identified and classified appropriately' – This will be conducted for all centrally managed IT. See below for consideration of 'Shadow IT'.<br>• 'Disaster recovery processes should be vigorously tested to validate the ability of the Council to successfully recover systems and date within the | 30 June 2017<br><br>31 March 2018 | IA Validation<br><br>Not Due |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| work with the system owners in ensuring that that these systems are resilient and can recover following a major incident. | defined timescales set by stakeholders' – DR plan in place covering 8 keys systems to be executed by end 2017, thereafter DR plan/testing will be re-programmed in line with the status of the transformation. A prioritised DR plan incorporating the testing of systems as per their classification will be in place by 31 March 2018.<br>• 'For systems that are identified which are not managed by central IC (Shadow IT), Management should consider how they could work with the system owners in ensuring that these systems are resilient and can recover following a major incident' - Please refer to recommendation No 3 of the 'Review of External Security Internal Audit Report (CW1603).<br>***Responsible Officers:*** Enterprise Architect, ICT Solutions | 30 November 2017 | Not Due. |

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

# Section 5 – Review of External Security

**Total number of findings**

| | Critical | High | Medium | Low |
|---|---|---|---|---|
| **Total** | - | 3 | 2 | - |

## Background

The Council is operating in an increasingly connected world and is adopting digital technologies to provide more effective and responsive services to citizens. With the proliferation of the use and sharing of data through digital channels, significant risks arise in storing, processing and moving this data securely. To help facilitate a growing and complex operating environment, there is a reliance on third party suppliers, which in itself, creates additional challenges and risks to organisations who choose to source IT services externally.

In 2016 responsibility for the provision of managed IT services and infrastructure for the Council transitioned from BT to CGI. As part of this arrangement, CGI has taken responsibility for IT security services and maintaining an IT environment that protects the confidentiality, availability and integrity of the Council's information.

The Council relies on an ICT environment that includes a large number of legacy systems (i.e. those that are no longer supported by the third parties that develop core components). Improving and securing legacy systems can be challenging, particularly where the third party no longer exists or the software and infrastructure of systems are outdated.

Remediation activities to improve the security of Council infrastructure, network and systems include Public Sector Network (PSN) reaccreditation, which is required to demonstrate that the Council's security arrangements are sufficiently rigorous to access the UK Government's public sector network. In order to achieve this, 26 high and 32 medium risk items were remediated within the Council's IT estate that were identified by CGI during IT health checks in late 2016. While certification was successfully obtained in February 2017, there remain a large number of risk items that still need to be addressed including significant vulnerabilities inherited from the former IT services provider tenure.

We reviewed the coverage and oversight of controls that protect the Council's systems from external threat. In particular, this review focuses on the level of oversight provided by CGI to Council Management of the operational effectiveness of the controls that secure the Council systems.

## Scope

The review focuses on the following sub-processes and control objectives:

- Risk Management;
- Control Coverage;

- Oversight; and
- Education and Awareness

**Summary of High Risk Findings**

The Council have not embedded a security programme to coordinate security improvement activities across the organisation

Following the transition of IT managed services from BT to CGI in early 2016, there have been remediation activities across the Council's estate to improve the security across infrastructure, networks and systems. Remediation plans to recertify for Public Sector Network (PSN) accreditation and ongoing progress with the Security Management Plan (which defines the baseline security measures CGI will implement) have helped to further secure the Councils defences since this time.

The Council have attempted to define an overarching security programme to coordinate these security improvement efforts. However Management have been constrained by a need to remediate current control issues. As a result, this overarching programme has not been progressed. Security improvement activities are not being carried out as part of a wider programme (joining together the SMP as well as other security activities such as user education and identification of shadow IT elements) to ensure that efforts are coordinated and prioritised in such a way that would allow the most significant risks to the organisation to be addressed.

Furthermore, the lack of security programme means that there is not a consolidated approach that would inform Senior Management of progress, provide oversight over the status of enterprise security and allow visibility over significant security gaps within the Council. It is therefore challenging for ICT Management to obtain the required engagement from stakeholders to make meaningful progress.

A security programme would also help to provide additional oversight over CGI's contractual obligations, in particular those stated within the Security Management Plan. We also note that security measures that would help to secure the Council's enterprise security have not yet been implemented by CGI, for example:

- An Information Security Management System (ISMS), that would detail CGI's policies and processes to manage information risk, has not been shared with the Council despite Management requesting assurance that this is in place and operational.
- Inventories that detail the Council's external facing systems (and network ingress/egress points) have not been completed.
- Registers have not been completed that detail which third parties services are employed, the connections that exist and the security measures that protect Council data when transacting with these suppliers. Council Management have requested this from CGI however this is still outstanding.

The Council does not have assurance over the design or operating effectiveness of controls in place over its infrastructure, data and systems

CGI, a third party IT service solutions provider, maintains the Council's systems, infrastructure, networks and controls that safeguard these technologies. While a contract is in place that determines what CGI will do, and a Security Management Plan that details the security activities to be delivered and managed, there are no processes in place that allow Management to obtain comfort that these controls are meeting the security requirements of the Council.

We note that Management have provided challenge to third party suppliers and have requested evidence of effective operation of control. Despite this effort, they have yet to obtain sufficient assurance and evidence of whether baseline security controls operated by CGI are:

- Appropriate for the data or systems they safeguard;
- In place, operating effectively and have not been compromised;
- Consistently updated to remove known exploits or vulnerabilities; or
- Configured in line with best practice

Furthermore, evidence has not consistently been provided by CGI to Management over the following IT security activities:

- Penetration testing over Council projects and new technologies;
- Continuous vulnerability scanning over the Council's IT estate;
- Intrusion Detection Systems (IDS) are in place and operating effectively;
- Restricting privileged roles and access over critical systems that contain sensitive or PII data; and
- Compliance activities that ensure that third party services have sufficient controls in place to handle and protect Council data and systems

Without suitable assurance and management information, the Council is unable to form a view of the security or integrity of its IT infrastructure, systems and services. Management, without such evidence, cannot gain comfort over whether the "crown jewels" of the organisation (i.e. data on vulnerable persons) have the appropriate controls in place to safeguard it, or assess whether additional controls are required.

There is limited control and oversight over areas of 'Shadow IT' within the Council

In discussion with Management, it was noted that there are areas of 'shadow' IT (where technology is implemented and maintained without knowledge or oversight from central IT Services) in operation at the Council. This poses an unquantifiable risk to the Council as it is unknown what types of data are stored, what security measures and processes are in place, who has access to this data and what if any Disaster Recovery provision is in place.

Management have recognised these vulnerabilities in IT and information security however and are actively trying to remediate these areas. A new process has been implemented that requires all Council IT purchases made out with of standard CGI adoption processes to be applied via a procurement waiver, which will enable ICT to assess the adoption of new technologies prior to their acquisition.

Areas of shadow IT that are currently in operation range from:

- Schools which implement their own hardware without being risk assessed or configured to a security baseline by Council IT Services. Desktops or laptops that are used to store and process sensitive or personable identifiable information (PII) may not have appropriate controls in place to safeguard this data.
- Departments within the Council that operate their own IT infrastructure or databases that are independent of central ICT services. As some departments operate autonomously and with little dependence on central ICT, there is limited oversight over the maintenance of information systems or the robustness of security controls in place. For example, traffic light management systems run on legacy operating systems that are no longer vendor supported and limited consideration has been given to the secure architecture or protection of these systems.
- Council websites (Management have noted over 200 instances) that are not administered through CGI or Council ICT services. Some instances are hosted with third party suppliers that have not considered security arrangements within the contract. Similarly many have not been subject to security testing (for example penetration testing to identify vulnerabilities or weaknesses). Management have identified the websites in operation and a programme is ongoing to consolidate these within the Council, however it is important that sufficient governance be applied to ensure that websites processing personal or sensitive data are managed securely.

| **Recommendations** | **Agreed Management Actions** | **Target Date** | **Status of Actions Due** |
|---|---|---|---|
| <u>The Council have not embedded a security programme to coordinate security improvement activities across the organisation</u><br><br>The Council, with the support of CGI, should implement a formal programme of security that would consolidate the security improvement and remediation activities across the organisation. | A security programme will be prepared by CGI, reviewed by the ICT Security Manager and subject to approval by the Head of ICT. CGI will be responsible for the implementation of the Security plan<br><br>***Responsible Officers:*** ICT Security Manager | 30 June 2017 | IA Validation |
| <u>The Council does not have assurance over the design or operating effectiveness of controls in place over its infrastructure, data and systems</u><br><br>It is recommended that the Council define with CGI the security metrics, KPIs and reporting | The ICT security manager will derive suitable security metrics, KPI's and reporting mechanisms. Agreement will be sought from CGI prior to the implementation of these metrics<br><br>An assurance review process will then be put in place. | 31 August 201<br><br>30 September | IA Validation<br><br>Not due |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| mechanisms that would provide Management assurance over the:<br>• controls in place over their systems, infrastructure and staff<br>• management of these controls<br>• operating effectiveness of these controls<br>Additionally, positive assurance reviews should be carried out by the Council to give comfort over the effectiveness of ICT controls embedded by CGI. | ***Responsible Officers:*** ICT Security Manager | 2017 | |
| <u>There is limited control and oversight over areas of 'Shadow IT' within the Council</u><br>It is recommended that a risk assessment be performed to scope the technologies and systems in operation across the Council that are not managed by central ICT services.<br>Following this, Senior Management should determine, on a case by case basis, whether to:<br>• accept the risk that these systems pose to the Council's security and allow them to operate autonomously; or<br>• 'on-board' these systems to allow them to be administered by Central ICT services.<br>An 'on-boarding' process should be developed, with sufficient oversight and governance, to facilitate the transition of systems and technologies to central management. | The four elements to this recommendation are agreed. These actions also address the 3rd action in Finding 1 of the 'IT Disaster Recovery' Internal Audit Report (CW1602)<br>The proposed implementation dates are as follows:<br>• Risk assessment<br>• Senior management decisions on technologies and systems<br>• 'On-boarding' process incorporated within decision making stage above<br>• Procurement route(s) and appropriate risk assessment process embedded within the first two stages above.<br>***Responsible Officers:*** CIO/Head of ICT Solutions | 30 September 2017<br>31 March 2018<br>31 March 2018<br>31 March 2018 | Not Due<br>Not Due<br>Not Due<br>Not Due |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| Management should also consider how they can work with the functions and departments that are able to procure IT autonomously, to ensure that shadow IT systems are appropriately identified and risk assessed prior to acquisition. | | | |

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

# Section 6 – Short Term Homelessness Provision

**Total number of findings**

| | Critical | High | Medium | Low |
|---|---|---|---|---|
| **Total** | - | 2 | 3 | 1 |

## Background

The Council has a statutory obligation to provide temporary accommodation to any person who presents as homeless. Temporary accommodation is provided either in furnished flats (via the private sector leasing scheme), supported accommodation, Council-staffed units, bed and breakfast facilities or hostels.

The number of people presenting as homeless has decreased substantially, from 3,649 in 2015/16 to 2,912 in the 11 months to end February 2017. This represents a decrease of 13% pro rata. Meanwhile, the average length of stay in temporary accommodation has increased from 120 days in 2015/16 to 139.7 days in 2016/17. This is in large part because Edinburgh has an acute shortage of housing in the social rented sector so there is a shortage of suitable accommodation for people living in temporary accommodation to move on to.

Around 400 Bed and Breakfast ("B&B") places are provided by guesthouses under a framework contract. The framework covers the period from August 2015 to August 2017. In the 18 months since the contract framework began, demand for short-term accommodation has increased, and around 100 places are now procured as 'off contract' spot purchases.

The current providers of the private sector leasing scheme are Link Housing Association. They procure and manage private rented accommodation on behalf of the Council under a 3 year contract which runs until 31 March 2018. Link Housing Association is contracted to supply up to 1,750 flats and houses.

## Scope

This review focused on contract management of bed and breakfast accommodation and the private sector leasing scheme, considering the following areas:

- Service Provision;
- Finance; and
- Forward planning

**Summary of High Risk Findings**

Off-contract purchasing

A significant element of expenditure on B&Bs is on off-contract properties that are consistently used and in some cases fully occupied by the council for the whole year.

In 2016/17, 15,362 bed nights were purchased in off-contract B&Bs for a total of £953,006.51. The detailed table included in the Finding in the main report following table shows a total of 11 frequently used off-contract B&Bs in 2016/17.

There are no contracts in place with these providers and there was no competitive tendering. Rates are often more than equivalent on-contract provision, and in a number of cases the Council pays these providers more than their advertised rate.

These providers are not subject to the same contractual obligations and contract monitoring as contracted providers, which include annual inspections of the property and health & safety certification.

The level of off-contract spend suggests that the current contract framework was based on inaccurate estimates of future need. The Bed & Breakfast contracts expire in August 2017. The procurement exercise for new Bed & Breakfast contracts has begun, but at present future service demand has not been forecast, and there is no clearly articulated plan for the provision of this type of accommodation as part of a wider strategy to tackle homelessness.

Invoices are not checked for accuracy of prices

B&B providers submit invoices (usually weekly) detailing the individual's name, the length of the stay, the price for the stay and any other costs such as flex rates.

The rate per room and flex rates on the invoice are not checked before approving the invoice for payment.

We inspected a sample of 25 invoices:

- 12 invoices were from contracted B&Bs. We were unable to agree any of these to contract rates.
- 9 invoices were from off-contract B&Bs. We were only able to agree 2 of these invoices to rates recorded on the HIS database.
- We were unable to obtain documentation in support of 4 invoices.

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| Off-contract purchasing<br>The Service should work with the Corporate | For future contract delivery, a forecast analysis will be completed. Although the service is demand-led and at times subject to external influences, for example, | Completed | IA Validation |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| Procurement Office to develop a service specification which will meet the needs of the Service and service users over the next 3-4 years. We recommend that this work includes:<br>• A forecast of future service demand;<br>• Evaluation of the potential impact of external factors such as Welfare Reform;<br>• Consideration of supplier capacity/appetite and alternative service models;<br>• Analysis of where numbers of units in a ward are breached; and<br>• A 'lessons learned' review of the current contract framework.<br>If under the new contract there is a need for spot purchasing or an increased demand for temporary accommodation, the Service should seek to comply with Contract Standing Orders.<br>The Service should also seek to satisfy itself that 'spot' purchase and off-contract accommodation hold the necessary licenses and meet the appropriate Health & Safety standards. | welfare benefits changes, the service holds enough information on historic and current provision for a realistic forecast of contract requirements to be completed.<br>To ensure city-wide provision to meet the needs of our customers and minimise community impact, there has been a cap on the number of contracted properties in each ward (currently 8). Given the increase in demand, following future procurement, it is likely that some wards will have more bed and breakfast provision than others. Based on the demand projections, this cap may need to be reviewed and increased by agreement with elected members.<br>Use of non-contracted properties will be kept to a minimum, only being used in short-term emergency situations, and service users will be transferred to contracted properties as soon as practicable.<br>A process will be implemented to ensure that use of non-contracted properties is in line with the Council's Contract Standing Orders. Cumulative cost per supplier will be monitored to ensure £3000 threshold is not breached and waivers are put in place if necessary. Regular review meetings will be conducted to ensure that records are kept and that everything possible is being done to minimise use of these properties.<br>***Responsible Officers:*** Homelessness and Housing Support Senior Manager | 31 July 2017<br>30 June 2017 | IA Validation<br>IA Validation |
| Rates should be checked against contracted or agreed rates before invoices are approved for payment. | We will ensure there is a process in place to provide bed costs accurately at the point of initial contact and record this on the system. This will happen for each placement to ensure that every placement has the correct price. Invoices will be checked against these | 30 June 2017 | IA Validation |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| A quality assurance process over the invoice check should be introduced. | prices before being approved for payment.<br><br>A pro-forma will be developed for audit purposes and a 2% audit check of all invoices will be undertaken monthly to ensure accuracy of price, occupancy and invoice checking.<br><br>***Responsible Officers:*** Temporary Accommodation Team Leader and Business Support Manager aligned to Homelessness and Housing Support Service | 31 October 2017 | Not Due |

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

# Section 7 – Management Information – Referral from the Edinburgh Integration Joint Board Audit & Risk Committee

**Total number of findings**

| | Critical | High | Medium | Low |
|---|---|---|---|---|
| **Total** | - | 1 | 3 | 1 |

## Background

The Edinburgh Integration Joint Board ('EIJB') approved the Strategic Plan for Health and Social Care in Edinburgh in March 2016. This plan forms the basis for directions issued to NHS Lothian and City of Edinburgh Council setting out how services should be delivered.

The EIJB is required to establish a performance management framework to enable it to monitor progress against the priorities and actions set out in the Strategic Plan. As part of the performance management framework, the EIJB will need data from the organisations of the Edinburgh Health & Social Care Partnership which is accurate, timely, and curated to meet the particular needs of the EIJB, allowing them to monitor performance effectively and make informed decisions on the provision of health and social care in the City.

The Public Bodies (Joint Working) (Scotland) Act 2014 also requires all Integrated Joint Boards to publish an Annual Performance Report, with the first due in July 2017 for the 2016/17 financial year. Boards will report performance in each locality against the 9 National Outcomes.

## Scope

The scope of this review will be to assess the design and operating effectiveness of the EIJB's controls relating to management information. This included:

- The development of the Performance Management Framework; and
- Review performance reporting on delays across the Health & Social Care system

**Summary of High Risk Findings**

Performance Management Framework in Development
A key part of the strategic plan is the development of a performance management framework, which will allow the EIJB to monitor progress against national and local outcomes, and embed quality improvement.

The EIJB is also required by the Public Bodies (Joint Working) (Scotland) Act 2014 to publish a performance report each year, with the first report due in July 2017. The Scottish Ministers have indicated that this will be a report on performance against the 9 National Outcomes and 23 core indicators.

At the time of audit fieldwork, 6 months into the 2016/17 performance year, both the Performance Management Framework and the Annual Performance Report are in development. Management are building a performance management framework from scratch and, in consultation with stakeholder groups, are in the process of developing metrics for the 44 strategic objectives set by the EIJB, and the 23 core indicators set by the Scottish Ministers.

Rubrics (definitions of what 'excellent', 'acceptable' and 'poor' look like for that section) are being trialled for 5 of the 44 strategic objectives. Progress against the remaining 39 strategic objectives will be tracked by monitoring whether key milestones in the project plan are met. The project plans are currently being drafted.

Until the Performance Management Framework is developed, however, regular performance reporting to the EIJB and its subgroups is limited to financial updates and statutory delayed discharge reporting.

**Recommendations and Agreed Management Action for High Risk Finding**

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| **Performance Management Framework in Development**<br><br>The Performance Management Framework, including preparation for the Annual Performance Report, should be finalised and embedded. This should include: | We now monitor and have data against the 23 core indicators. However, the 2016/17 data will not be available by July 2017. This is a national issue and Scottish Government is aware of it. | 28 February 2017 | Complete |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| - Performance measures (whether criteria for rubrics, or 'traditional' performance indicators);<br>- Data required to assess performance against the National Outcomes and internal performance measures;<br>- Establishing the source and timing of data;<br>- Defining the roles of Committee and key management groups in relation to performance monitoring; and<br>- Agreeing the frequency and format of performance reporting | A Performance Board is being established as part of the overall governance framework for the Health and Social Care Partnership which will work closely with the IJB Performance and Quality Group. The main role of the Performance Board will be to agree the core set of performance indicators and monitor delivery against these. The Board will have its first meeting in February 2017.<br><br>An initial meeting has taken place to discuss the content of the Annual Performance Report. A core group has been identified to take this forward and a series of meetings is being arranged for early in the New Year. The intention is for a draft report to go to the IJB Development session in April 2017.<br><br>A governance framework will be developed and documented setting out the roles remits and membership of the various committees and groups and the relationship between them.<br><br>***Responsible Officer:*** Strategic Planning Manager | 31 July 2017<br><br>28 February 2017 | Not Due<br><br>Complete |

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

**Summary of High Risk Findings**

Off-contract purchasing

A significant element of expenditure on B&Bs is on off-contract properties that are consistently used and in some cases fully occupied by the council for the whole year.

| In 2016/17, 15,362 bed nights were purchased in off-contract B&Bs for a total of £953,006.51. The following table shows frequently used off-contract B&Bs in 2016/17: Off Contract B&B | No of Bed nights | Cost of Bed nights | Average cost per night | |
|---|---|---|---|---|
| Abbot House Hotel* | 3658 | £191,982.50 | £52.48 | |
| Abbey Lodge | 2372 | £158,200.00 | £66.69 | |
| Aaron Lodge | 2287 | £119,058.57 | £52.06 | |
| Edinburgh Regency Guest House | 1605 | £108,270.00 | £67.46 | |
| Parkview Hotel | 909 | £80,648.80 | £88.72 | |
| Heriott Park B&B | 586 | £56,185.00 | £95.88 | |
| Premier Inn (South Queensferry) | 208 | £33,625.95 | £161.66 | |
| John's Place (No 9)* | 614 | £28,838.00 | £46.97 | |
| Ravensdown | 677 | £27,200.00 | £40.18 | |
| Premier Inn (Leith) | 119 | £12,656.94 | £106.36 | |
| Premier Inn (Haymarket) | 112 | £11,958.70 | £106.77 | |

# Section 7 – Management Information – Referral from the Edinburgh Integration Joint Board Audit & Risk Committee

**Total number of findings**

| | Critical | High | Medium | Low |
|---|---|---|---|---|
| **Total** | - | 1 | 3 | 1 |

## Background

The Edinburgh Integration Joint Board ('EIJB') approved the Strategic Plan for Health and Social Care in Edinburgh in March 2016. This plan forms the basis for directions issued to NHS Lothian and City of Edinburgh Council setting out how services should be delivered.

The EIJB is required to establish a performance management framework to enable it to monitor progress against the priorities and actions set out in the Strategic Plan. As part of the performance management framework, the EIJB will need data from the organisations of the Edinburgh Health & Social Care Partnership which is accurate, timely, and curated to meet the particular needs of the EIJB, allowing them to monitor performance effectively and make informed decisions on the provision of health and social care in the City.

The Public Bodies (Joint Working) (Scotland) Act 2014 also requires all Integrated Joint Boards to publish an Annual Performance Report, with the first due in July 2017 for the 2016/17 financial year. Boards will report performance in each locality against the 9 National Outcomes.

## Scope

The scope of this review will be to assess the design and operating effectiveness of the EIJB's controls relating to management information. This included:

- The development of the Performance Management Framework; and
- Review performance reporting on delays across the Health & Social Care system

**Summary of High Risk Findings**

Performance Management Framework in Development
A key part of the strategic plan is the development of a performance management framework, which will allow the EIJB to monitor progress against national and local outcomes, and embed quality improvement.

The EIJB is also required by the Public Bodies (Joint Working) (Scotland) Act 2014 to publish a performance report each year, with the first report due in July 2017. The Scottish Ministers have indicated that this will be a report on performance against the 9 National Outcomes and 23 core indicators.

At the time of audit fieldwork, 6 months into the 2016/17 performance year, both the Performance Management Framework and the Annual Performance Report are in development. Management are building a performance management framework from scratch and, in consultation with stakeholder groups, are in the process of developing metrics for the 44 strategic objectives set by the EIJB, and the 23 core indicators set by the Scottish Ministers.

Rubrics (definitions of what 'excellent', 'acceptable' and 'poor' look like for that section) are being trialled for 5 of the 44 strategic objectives. Progress against the remaining 39 strategic objectives will be tracked by monitoring whether key milestones in the project plan are met. The project plans are currently being drafted.

Until the Performance Management Framework is developed, however, regular performance reporting to the EIJB and its subgroups is limited to financial updates and statutory delayed discharge reporting.

**Recommendations and Agreed Management Action for High Risk Finding**

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| **Performance Management Framework in Development**<br><br>The Performance Management Framework, including preparation for the Annual Performance Report, should be finalised and embedded. This should include: | We now monitor and have data against the 23 core indicators. However, the 2016/17 data will not be available by July 2017. This is a national issue and Scottish Government is aware of it. | 28 February 2017 | Complete |

| Recommendations | Agreed Management Actions | Target Date | Status of Actions Due |
|---|---|---|---|
| - Performance measures (whether criteria for rubrics, or 'traditional' performance indicators);<br>- Data required to assess performance against the National Outcomes and internal performance measures;<br>- Establishing the source and timing of data;<br>- Defining the roles of Committee and key management groups in relation to performance monitoring; and<br>- Agreeing the frequency and format of performance reporting | A Performance Board is being established as part of the overall governance framework for the Health and Social Care Partnership which will work closely with the IJB Performance and Quality Group. The main role of the Performance Board will be to agree the core set of performance indicators and monitor delivery against these. The Board will have its first meeting in February 2017.<br><br>An initial meeting has taken place to discuss the content of the Annual Performance Report. A core group has been identified to take this forward and a series of meetings is being arranged for early in the New Year. The intention is for a draft report to go to the IJB Development session in April 2017.<br><br>A governance framework will be developed and documented setting out the roles remits and membership of the various committees and groups and the relationship between them.<br><br>***Responsible Officer:*** Strategic Planning Manager | 31 July 2017<br><br>28 February 2017 | Not Due<br><br>Complete |

Status of actions due will be validated by Internal Audit as part of the follow-up review process.