Notice of meeting and agenda

Governance, Risk and Best Value Committee

10.00am, Thursday, 18 August 2016

Dean of Guild Court Room, City Chambers, High Street, Edinburgh

This is a public meeting and members of the public are welcome to attend

Contact –

Allan McCartney, Clerking Manager
E-mail: allan.mccartney@edinburgh.gov.uk
Tel: 0131 529 4246

Laura Millar, Assistant Committee Clerk
E-mail: laura.millar2@edinburgh.gov.uk
Tel: 0131 529 4319

1. Order of business

1.1 Including any notices of motion and any other items of business submitted as urgent for consideration at the meeting.

2. Declarations of Interest

2.1 Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

3. Deputations

3.1 None.

4. Minutes

4.1 Minute of the Governance, Risk and Best Value Committee of 23 June 2016 – submitted for approval as a correct record (circulated)

5. Outstanding Actions

5.1 Outstanding Actions – August 2016 (circulated)

6. Work Programme

6.1 Governance, Risk and Best Value Work Programme – August 2016 (circulated)

7. Reports

7.1 Corporate Governance Framework 2015-2016 – report by the Chief Executive (circulated)

7.2 Whistleblowing Update – report by the Chief Executive (circulated)

7.3 Audit Scotland: Review of Key Internal Controls 2015-2016 – report by the Acting Executive Director of Resources (circulated)

7.4 Accounts Commission Annual Report 2015/2016 and Audit Scotland Annual Report and Accounts 2015/2016 - report by the Acting Executive Director of Resources (circulated)

7.5 Property Conservation – Court Actions and Debt Recovery Activity – report by the Acting Executive Director of Resources (circulated)

8. Motions

8.1 If any.

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

Committee Members

Councillors Mowat (Convener), Balfour, Child, Dixon, Keil, Main, Munro, Orr, Redpath, Ritchie, Robson, Shields, and Tymkewycz.

Information about the Governance, Risk and Best Value Committee

The Governance, Risk and Best Value Committee consists of 13 Councillors appointed by the City of Edinburgh Council. The Governance, Risk and Best Value Committee usually meet every four weeks in the City Chambers, High Street in Edinburgh. There is a seated public gallery and the meeting is open to all members of the public.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Allan McCartney, Committee Services, City of Edinburgh Council, Waverley Court, Business Centre 2.1, Edinburgh EH8 8BG, Tel 0131 529 4246, e-mail allan.mccartney@edinburgh.gov.uk

A copy of the agenda and papers for this meeting will be available for inspection prior to the meeting at the main reception office, City Chambers, High Street, Edinburgh.

The agenda, minutes and public reports for this meeting and all the main Council committees can be viewed online by going to www.edinburgh.gov.uk/cpol.

For the remaining items of business likely to be considered in private, see separate agenda.

Webcasting of Council meetings

Please note: this meeting may be filmed for live or subsequent broadcast via the Council's internet site – at the start of the meeting the clerk will confirm if all or part of the meeting is being filmed.

You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the Council's published policy.

Generally the public seating areas will not be filmed. However, by entering the Dean of Guild Court Room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting or training purposes.

If you have any queries regarding this, please contact Committee Services on 0131 529 4106 or committee.services@edinburgh.gov.uk

Item 4.1 - Minutes

Governance, Risk and Best Value Committee

10.00am, Thursday, 23 June 2016

Present

Councillors Mowat (Convener), Balfour, Child, Dixon, Gardner (substitute for Munro), Keil, Main, Ritchie, Robson and Tymkewycz.

1.   Order of Business

The Committee agreed to defer consideration of item B1.1 – Update on Cameron House Investigation Action Plan to August 2016.

2.   Recent Developments in Gaelic Education Provision in Edinburgh

(a)   Deputation – by Comann nam Pàrant

The Committee agreed to hear a deputation from Sarah Scott and Marion Thompson from Comann nam Pàrant

The deputation raised the following points in relation to the report:

- Concern was raised on the appropriateness of the distance from school criteria for Gaelic Medium Education (GME) pupils' admission to Secondary School. The catchment area for GME pupils was the entire city; therefore they were the most affected by the distance from School policy.

- The lack of catchment Secondary School for GME pupils did not demonstrate best value for money for the Council and would result in Gaelic education provision spread across the city or concluding at Primary 7.

- The report stated that there was no GME catchment area for James Gillespie's High School, the legal effects of this position were questioned and it was highlighted that the same problem would occur next year if a Secondary School for Gaelic education was not allocated. .

The Convener thanked the deputation for their presentation and invited them to remain for the Committee's consideration of the related report.

(b)   Recent Developments in Gaelic Education Provision in Edinburgh

The Education, Children and Families Committee on 24 May 2016 considered a report on the recent developments in Gaelic education provision in Edinburgh. The report was referred to the Governance, Risk and Best Value Committee for consideration. .

Decision

1)   To request a report to the Education, Children and Families Committee then to the Governance, Risk and Best Value Committee on the Council's current policy for GME access to secondary schools, the corresponding Government policy and an assessment on whether this was being met.

2)   To request that the current policy for GME access to secondary schools was published on the Council website and to review the appropriateness of the distance from school criteria for GME admissions to secondary school. A work-plan of how this would be achieved, including actions in place to avoid any future legal challenge, should be in place by November 2016.

(Reference – referral report by the Education, Children and Families Committee, submitted.)

3.   Minute

Decision

To approve the minute of the Governance, Risk and Best Value Committee of 26 May 2016 as a correct record.

4.   Outstanding Actions

Details were provided of the outstanding actions arising from decisions taken by the Committee.

Decision

1)   To agree to close items 6 and 11(action 1).

2)   To otherwise note the outstanding actions.

(Reference – Outstanding Actions – June 2016, submitted.)

5.   Work Programme

Decision

To approve the Work Programme.

(Reference – Governance, Risk and Best Value Work Programme – June 2016, submitted.)

6.   Internal Audit Opinion and Annual Report for the Year Ended 31 March 2016

Committee considered the report based on the Internal Audit activity undertaken for the financial year ended 31 March 2016, prepared as required by the Public Sector Internal Audit Standards.

Decision

To note the internal audit opinion for the year ended 31 March 2016.

(Reference – report by the Chief Internal Auditor and PricewaterhouseCoopers, submitted.)

7. Internal Audit Quarterly Update Report: 1 January 2016 – 31 March 2016

Details were provided on the Internal Audit Activity from 1 January 2016 – 31 March 2016.

Decision

1) To note the progress of Internal Audit in issuing 18 internal audit reports during the quarter and to note the areas of higher priority findings for reviews issued in this quarter.

2) To refer the 5 reports noted in Appendix 1 of the report to the Audit & Risk Committee of the Edinburgh Integrated Joint Board.

3) To request that high risk findings from audit reports be submitted to the relevant parent committee for scrutiny.

(Reference – report by the Chief Internal Auditor, submitted.)

8. Internal Audit Follow-Up Arrangements: status report from 1 January 2016 to 31 March 2016.

An overview of the process adopted by Internal Audit for the follow up of audit recommendations status was considered. All open audit recommendations past their initial estimated closure date were also detailed.

Decision

To note the status of follow-up actions.

(Reference – report by the Chief Internal Auditor, submitted.)

9. Corporate Leadership Team action plan to address matters arising in the Internal Audit Opinion

Committee considered details of the actions intended by the Corporate Leadership Team to help strengthen the Council's governance, risk and internal control environment.

Decision

To note the report and the actions that it outlines.

(References – Governance, Risk and Best Value Committee 23 June 2016 (item 5); report by the Chief Executive, submitted.)

10. Corporate Leadership Team Risk Update

The prioritised risk information as of May 2016 was provided, reflected were the highest risks alongside the controls in place to mitigate these.

Decision

1) To note the prioritised risk information for the Corporate Leadership Team.

2) To request that a message was placed on the Council's external website to warn citizens that councillors and officers would have no access to email from close of business on 24 June to 26 June 2016.

3) To circulate a briefing to members of the Governance, Risk and Best Value Committee on cyber security and data privacy.

4) To provide members with a timeline for the transfer of Capture into the new ICT infrastructure.

(Reference – report by the Acting Executive Director of Resources, submitted.)

11. Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service Update

An update was provided on the property conservation programme momentum and Edinburgh Shared Repairs Service.

Decision

1) To note the management information dashboard reports in Appendix 1 of the report.

2) To note the progress of debt recovery work.

3) To note the progress of the settlement process.

4) To note the update on the pilot progress and phased implementation of the Edinburgh Shared Repairs Service (ESRS).

5) To request a report to the Governance, Risk and Best Value Committee in August 2016 on the numbers of live court cases, covering those who have brought actions against the Council and those brought by the Council, in relation to Statutory Notices.

(References – Finance and Resources Committee, 9 June 2016 (item 27); report by the Acting Executive Director of Resources, submitted.)

12. Waste Management - Presentation

Gareth Barwell, Waste and Cleansing Manager provided the Committee with a verbal update on improvements being implemented in respect of waste and recycling collection services as well as the various initiatives developed to ensure a high quality and reliable service.

Decision

1) To note the presentation.

2) To include information in the Waste Management report going to the August 2016 Transport and Environment Committee detailing what went wrong during peak season and the mitigating actions put in place to resolve these issues and ensure it did not happen again.

3) To circulate a briefing to members of the Governance, Risk and Best Value Committee on outstanding actions in relation to recycling in schools.

4) To investigate issues regarding garden waste collections from schools.

(References –Transport and Environment Committee 14 March 2016 (item 25); presentation by the Executive Director of Place, submitted.)

Item 5.1 - Outstanding Actions

Governance, Risk and Best Value Committee

18 August 2016

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	14.11.2013	Tram Project Update	To ask that the Director of Corporate Governance writes to the Scottish Government requesting an update on likely timescales for the tram project inquiry.	Director of Resources	November 2014		Inquiry now called by Scottish Government. Verbal Update on Tram project to be provided in 2015. Verbal Update to be provided by the Head of Legal and Risk in November 2016. This delay was due to the inquiry not having commenced.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
2	19/10/2015	Committee Report Process	To investigate technology offered by the new IT provider with a view to improving report format and reducing officer workload. To request a progress report back to Committee in one year.	Chief Executive	October 2016		
3	15/12/2015	Home Care and Reablement Service Contact Time	To request an update report in six months, this should include contact time by area and feedback from clients and bodies such as the Care Commission.	Chief Officer of Edinburgh Health and Care Partnership	October 2016		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
4	03/03/2016	Work Programme	To ask that a report detailing the background of current waste collection difficulties across the City and action being taken to resolve them be submitted to the Transport and Environment Committee meeting in May prior to coming to the Governance, Risk and Best Value Committee in June 2016.	Executive Director of Place	June 2016		Presentation delivered at GRBV Committee on 23 June 2016.

A full report will come to GRBV after consideration at the Transport and Environment Committee. |
| 5 | 03/03/2016 | Place Risk Update | To agree that a definition and examples of what constitutes a 'non housing asset' would be appended to the minute of the meeting. | | September 2016 | | |

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
6	03/03/2016	Place Risk Update	To ask that an update report on the Place risk register be provided to Committee in August 2016 specifying action taken to mitigate high risks and whether it has been successful.		September 2016		
7	21/04/16	Summary of the Account Commission's 'Major Capital Investment in Councils' Follow Up Report	1) To note information regarding the design-life of schools currently under design/construction would be circulated to the Committee. 2) To note that an annual report detailing capital investment activity and lessons learnt would be submitted to the relevant executive committee and to		September 2016		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			request that this also be submitted to the Governance, Risk and Best Committee. 3) To request that the end of year capital report contain an analysis of the source of capital funding and how it impacted on the revenue budget.				
8	21/04/2016	Internal Audit – Audit and Risk Service: Delivery Model Update	To ask that an update report on the internal audit function be provided to the Governance, Risk and Best Value Committee a year after implementation.		Date TBC		Appointments will be made to the Internal Audit Service following the Legal & Risk organisational review, this will be reported to GRBV in the near future – date TBC
9	21/04/2016	Looked After Children:	To ask that the report into the implementation and		October 2016		This will be considered at E,

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		Transformation Programme Progress Report	effectiveness of the new arrangements be brought to the Governance, Risk and Best Value Committee following consideration by the appropriate committee. This report should be informed by the work carried out by the multi-agency partnership, contain detail of the delivery mechanisms and methods, and focus on outcomes				C&F on 11 October and referred to GRBV for consideration on 24 October 2016.
10	26/05/2016	Governance of Major Projects: Progress Report	1) To provide an update to members of the Governance, Risk and Best Value Committee on the progress of the Water of Leith Flood Prevention Scheme.

2) To review projects included in the portfolio and how various smaller projects that | Chief Executive | September 2016 | | A report on the governance of major projects will now be submitted to the September meeting of the Committee. |

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			come from one larger fund were reported with an update to the meeting of the Governance, Risk and Best Value Committee on 18 August 2016.				
11	26/05/16	The Audit Arrangements for the Edinburgh Integration Joint Board	To request an update report on the audit arrangements of the Integration Joint Board to the Governance, Risk and Best Value Committee on 24 October 2016	Chief Officer, Edinburgh, Health and Social Care Partnership	October 2016		
12	26/05/16	Spot Checking on the Dissemination of Committee Decisions and Late Committee Reports	To request an update report to the Governance, Risk and Best Value Committee on 2 February 2017.	Chief Executive	February 2017		
13	23/06/16	Recent Developments in Gaelic Education	1) To request a report to the Education, Children and Families	Acting Executive Director of	November 2016		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		[Provision in Edinburgh](#)	Committee then to the Governance, Risk and Best Value Committee on the Council's current policy for GME access to secondary schools, the corresponding Government policy and an assessment on whether this was being met. 2) To request that the current policy for GME access to secondary schools was published on the Council website and to review the appropriateness of the distance from school criteria for GME admissions to secondary school. A work-plan of how this would be achieved, including actions in	Children and Families			

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			place to avoid any future legal challenge, should be in place by November 2016.				
14	23/06/16	Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service Update	To request a report to the Governance, Risk and Best Value Committee in August 2016 on the numbers of live court cases, covering those who have brought actions against the Council and those brought by the Council, in relation to Statutory Notices.	Acting Executive Director of Resources	August 2016		**Recommended for closure – item 7.5 on this Committee agenda.**

Item 6.1 - Work Programme

Governance, Risk and Best Value

18 August 2016

No	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
Section A – Regular Audit Items								
1	Internal Audit Overview of internal audit follow up arrangements		Paper outlines previous issues with follow up of internal audit recommendations, and an overview of the revised process within internal audit to follow up recommendations, including the role of CLG and the Committee	Internal Audit	Chief Internal Auditor	Council Wide	Every 3 cycles	October 2016
2	Internal Audit Quarterly Activity Report		Review of quarterly IA activity with focus on high and medium risk findings to allow committee to challenge and request to see further detail on findings or to question relevant officers about findings	Internal Audit	Chief Internal Auditor	Council Wide	Every 3 cycles	October 2016

No	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
3	IA Annual Report for the Year		Review of annual IA activity with overall IA opinion on governance framework of the Council for consideration and challenge by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	June 2017
4	IA Audit Plan for the year		Presentation of Risk Based Internal Audit Plan for approval by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	March 2017
5	Audit Scotland	Review of Internal Audit	Annual report on internal audit support provided to External Audit	External Audit	Chief Internal Auditor	Council Wide	Annually	TBC
6	Audit Scotland	Annual Audit Plan	Annual audit plan	External Audit	Hugh Dunn	Council Wide	Annually	April 2017
7	Audit Scotland	Annual Audit Report	Annual audit report	External Audit	Hugh Dunn	Council Wide	Annually	September 2016
8	Audit Scotland	Internal Controls Report	Annual report on Council wide control framework	External Audit	Hugh Dunn	Council Wide	Annually	August 2016
9	Audit Scotland	ISA 260	Annual ISA 260 Report	External Audit	Hugh Dunn	Council Wide	Annually	September 2016

No	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
10	Accounts Commission	Annual report	Local Government Overview	External Audit	Hugh Dunn	Council Wide	Annually	May 2017
Section B – Scrutiny Items								
11	Governance of Major Projects	6 monthly updates	To ensure major projects undertaken by the Council were being adequately project managed	Major Project	TBC	All	Every 6 months	February 2017
12	Welfare Reform	Review	Regular update reports	Scrutiny	Danny Gallacher, Head of Corporate and Transactional Services	Council Wide	March 2016	March 2017
13	Review of CLT Risk Scrutiny	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	October 2016
14	Whistle blowing Quarterly Report		Quarterly Report	Scrutiny	Chief Executive	Internal	Quarterly	August 2016
15	Pride in our People	Staff	Annual report of progress	Scrutiny	Chief Executive	Council Wide	Annual	October 2016
16	Workforce Control	Staff	Annual report	Scrutiny	Hugh Dunn	Council Wide	Annual	December 2016
17	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best Value Committee	Annual	February 2016
18	Dissemination of Committee	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Six-monthly	February 2016

No	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
	Decisions and Late Committee Reports							
19	Property Conservation – Legacy Closure programme and Defect Costs		Progress reports	Scrutiny	Hugh Dunn	All	June 2016 December 2016 April 2017	December 2016

GRBV Upcoming Reports   Appendix 1

Number	Report Title	Type	Flexible/Not Flexible
18 August 2016 Committee			
	Audit Scotland – Annual Internal Controls Report	External Audit	Not Flexible
	Accounts Commission – Annual Overview Report	External Audit	Flexible
	Whistleblowing Quarterly Update	Scrutiny	Flexible
	Corporate Governance Framework 2015-2016	Scrutiny	Flexible
	Property Conservation - Court Actions and Debt Recovery Activity	Scrutiny	Flexible
26 September 2016 Committee			
	Governance of Major Projects	Scrutiny	Flexible
	Place Risk Register	Scrutiny	Flexible
	CLT Risk Register	Scrutiny	Flexible
	Directorate Risk Register	Scrutiny	Flexible
	External Audit Annual Report	External Audit	Not Flexible
	Audited Council Annual Accounts	Scrutiny	Flexible
	Treasury Annual Accounts	Scrutiny	Flexible
	LPFE Ltd – Annual Accounts	Scrutiny	Flexible
	2015/16 Outturn Report	Scrutiny	Flexible
	Internal Audit Quarterly Update	Internal Audit	Flexible
	Internal Audit Follow up Arrangements	Internal Audit	Flexible
	Capital Monitoring 2015/16 – Outturn and Receipts	Scrutiny	Flexible
	External Audit ISA 260		
24 October 2016 Committee			
	Directorate Risk Register	Scrutiny	Flexible
	Pride in our People	Scrutiny	Flexible
	Committee report process	Scrutiny	Flexible
	Audit Arrangements for the Edinburgh Integration Joint Board	Scrutiny	Flexible

	Internal Audit Follow Up Arrangements	Internal Audit	Flexible
	Internal Audit Quarterly Update	Internal Audit	Flexible
	CLT Risk Register	Scrutiny	Flexible
	Gaelic Medium Education - Access to Secondary Schools	Scrutiny	Flexible
	Home Care and Reablment Service Contact Time	Scrutiny	Flexible
17 November 2016 Committee			
	Tram Inquiry Update	Scrutiny	Flexible
22 December 2016 Committee			
	Internal Audit Quarterly Update	Internal Audit	Flexible
	CLT Risk Register	Scrutiny	Flexible
	Internal Audit Follow Up Arrangements	Internal Audit	Flexible
	Workforce Control	Scrutiny	Flexible
	Property Conservation – Legacy Closure Programme and Defect Costs	Scrutiny	Flexible
2 February 2017 Committee			
	Committee Decisions - Annual Report	Scrutiny	Flexible
	Governance of Major Projects	Scrutiny	Flexible

Governance, Risk and Best Value Committee

10am, Thursday, 18 August 2016

Corporate Governance Framework 2015/16

Item number	7.1
Report number	
Executive/routine	
Wards	All

Executive summary

The Council operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes.

The Council's self assessment for the period 1 April 2015 to 31 March 2016 is provided for information.

Links

Coalition pledges	
Council outcomes	CO25
Single Outcome Agreement	

Report

Corporate Governance Framework 2015/16

Recommendations

1.1   To note the corporate governance framework self-assessment which is outlined in appendix one.

1.2   To agree that the improvement actions which have been identified will be addressed through the Council Transformation Programme.

Main report

2.1   The Council operates through a governance framework which brings together an underlying set of legislative requirements, CIPFA governance principles and management processes. This is followed as best practice for developing and maintaining the Council's local code of governance and for discharging accountability for the proper conduct of Council business through the publication of an annual governance self assessment statement that ensures that the adopted practice within the Council is open and transparent.

2.2   The Council's self assessment for the period 1 April 2015 to 31 March 2016 is provided for information. Improvement actions are being taken forward in line with the Council Transformation Programme. As stated in the Chief Social Work Officer Annual Report 2015/16, which was agreed by the Corporate Policy and Strategy Committee on 9 August 2016, the integration of health and social care requires a more effectively integrated quality assurance framework for delegated functions. This is being developed and will be reported to both Council and the Integrated Joint Board when complete.

Measures of success

3.1   Governance arrangements will continue to be monitored and self-assessment information provided to the Governance, Risk and Best Value Committee on an annual basis.

Financial impact

4.1   There are no direct financial impacts as a result of this report.

Risk, policy, compliance and governance impact

5.1   The process of reporting and senior management oversight of the corporate governance framework serves to strengthen the control environment and where appropriate prompt mitigating actions.

Equalities impact

6.1   There are no direct equalities impacts as a result of this report.

Sustainability impact

7.1   There is no direct sustainability impact as a result of this report.

Consultation and engagement

8.1   Consultation with all related service areas is undertaken to prepare the self-assessment.

Background reading/external references

Corporate Governance Framework 2014/15 – report to Governance, Risk and Best Value Committee – 13 August 2015

Corporate Governance Framework 2013/14 – report to Governance, Risk and Best Value Committee - 19 June 2014

Andrew Kerr

Chief Executive

Contact: Kirsty-Louise Campbell, Interim Head of Strategy and Insight

E-mail: kirstylouise.campbell@edinburgh.gov.uk | Tel: 0131 529 3654

Links

Coalition pledges	
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	

Appendices   The City of Edinburgh Council Corporate Governance
                   Framework 2015/2016

Corporate Governance Framework

1 April 2015 – 31 March 2016
The City of Edinburgh Council

Vision, Values and Outcomes

Principle – Vision, Values and Outcomes	1. Focusing on the purpose of the authority and on outcomes for the community, and creating and implement a vision for the local area		
Supporting Principle	1.1 Exercise strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users.		
Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Improvement Plan
1.1.1 Develop and promote the authority's purpose and vision	• The Council's Business Plan 2016-20 agreed in January 2016. The Council Business plan is reviewed at Full Council in January each year in line with budget planning cycles. This review is supported by an annual mid-term review of progress towards implementation conducted in September each year. • The Vision for Edinburgh sets out a vision for the city based on a thriving and sustainable city where all forms of deprivation and inequality are reduced. This vision is underpinned by three strategic themes, build excellent places, improve quality of life and ensure economic vitality. These themes are tied together with the aim of delivering lean and agile Council services. • CEC uses a range of communications to promote the authority's purpose including the City of Edinburgh Council (CEC) website, new/social media, community and partner engagement including strategic and neighbourhood partnerships. • Additionally at Neighbourhood Partnership level a refreshed communications Plan was presented to Communities and Neighbourhoods Committee on 23 June 2014. The approach, which forms part of a continuous improvement programme, seeks to increase awareness and encourage greater community and partner involvement in Neighbourhood Partnerships through the delivery of a promotion plan and enhanced online presence with website improvements, increased use of Twitter and Facebook and the introduction of the Pinterest board 'in your neighbourhood' . • Edinburgh Partnership's Community Plan 2015-18 was approved by Edinburgh Partnership Board in March 2015 with all partners sharing a single vision for the city that: 'Edinburgh is a thriving, successful and sustainable capital city in which all forms of deprivation and inequality are reduced.' There are 4 strategic outcomes : (i) Edinburgh's economy delivers increased investment, jobs and opportunities (ii) Edinburgh's children and young people enjoy their childhood and fulfil their potential (iii) Edinburgh's citizens experience improved health and wellbeing with reduced inequalities in health (iv) Edinburgh's communities are safer and have improved physical and social fabric and high level performance targets have been reduced from over 50 to 21, all of which can only be achieved through partners working effectively together. • The Council's People Strategy has been developed and will be launched in autumn 2016. This reflects the Council's vision and strategic themes. A range of strategic development and business planning is being undertaken as the Council adapts to meet the challenges of increasing citizen and customer expectations in a climate of unprecedented financial constraints. All other Council strategies including; Transformation, Citizen and Partner engagement and Budget are aligned to the Council's pledges, outcomes and future state analysis to ensure a successful direction	3	• The Council Business Planning framework will be further developed through 2016/17, including revision of service operating plans in line with the new structure and approach. • In line with delivery of a council wide locality operating model, locality improvement plans – one for each locality area - are being developed i within the overarching Council Business Planning framework, using the well established Neighbourhood Partnership Local Community Plans as the basis. • These plans are required by statute in accordance with the Community Empowerment (Scotland) Act 2015 and related guidance. Further guidance arising from the Community Empowerment Act relates to city-wide community planning arrangements. A response to this guidance, including revisions to the existing Community Plan 2015-18 will be in place by October 2017. • The Neighbourhood Partnership strategic approach to communications is subject to continuous development, with annual progress reported to the Communities and Neighbourhoods Committee. • Launch of the Council's People Strategy in the autumn of 2016.

	in the short, medium and longer term.		
1.1.2 Review regularly the authority's vision for the local area and its implications for governance arrangements.	• Neighbourhood Partnerships are subject to continuous improvement. A strategic improvement plan is being implemented which seeks to strengthen partnership working and community participation at a local level. • The work of Neighbourhood Partnerships is informed through ongoing dialogue with community and partner agencies, together with dedicated engagement programmes, to ensure all activity reflects the aspirations and priorities within each locality. • The activity of Neighbourhood Partnerships is informed through ongoing dialogue with the community and partner agencies. For example, the new Local Community Plans 2014-17 were informed by over 31,000 contributions from a variety of sources, supplemented by 7,500 from a dedicated engagement programme. This process informed a review of the operating structures within Neighbourhood Partnerships to ensure these were appropriate to deliver the priorities identified within the locality. • The Neighbourhood Partnerships' role in providing a localities based governance framework to support the delivery of better outcomes for communities is identified as a key element of the integrated localities service model being adopted as part of the Council's Transformation Programme.	3	• Progress on the delivery of the strategic plan is regularly reported to the Communities and Neighbourhoods Committee. • The Council Transformation Programme will further develop these elements. • Work to develop this approach is being progressed through the Council Transformation Programme.
1.1.3 Partnerships are underpinned by a common vision of their work that is understood and agreed by all partners.	• The focus of the 12 Neighbourhood Partnerships is the development and delivery of Local Community Plans. The plans are developed collaboratively by partner agencies and the community and set out the shared vision, priorities and action required to meet the aspirations and needs of communities. The plans provide the platform for collaborative working across the areas, with this taken forward by multi-agency and community thematic action groups. The plans contribute to the achievement of the strategic priorities of the Council and of the City Community Plan. • The city's Community Planning Partnership (Edinburgh Partnership) formally endorsed and approved the EP Community Plan 2015-18, on 18 June 2015. The Plan incorporates the city's Single Outcome Agreements, and includes the partnership's vision for the city, four community planning outcomes, 12 strategic priorities and complementary partnership actions and performance measures. The Plan was approved by the EP Board, comprising 13 representatives drawn from public agencies, and community bodies. • The Edinburgh Partnership is made up of a 'family' of nine Strategic (Delivery) Partnerships, 12 Neighbourhood Partnerships, and seven strategic advisory groups. • Locality Working, Locality Planning and Locality Leadership Teams – In response to the council transformation programme, and partner agency transformation programmes, the Council and its partners have agreed to place more focus on locality working. In order to better support this work, the council and its partners have agreed four co-terminus locality areas, aligned to the 12 neighbourhood partnerships. This will enable improved partnership working and locality planning. In addition, the council and its partners have established four locality leadership teams, aligned to each area, to improve service coordination, partnership activity and improved support for the work of neighbourhood partnerships.	3	• Progress on the delivery of the Local Community Plans is regularly reported to each Neighbourhood Partnership with annual reporting to the Communities and Neighbourhoods Committee and Edinburgh Partnership. • Each team will be responsible for producing a Locality Improvement Plan, which will link to the Council's Business Plan 2016/20, Edinburgh Partnership Community Plan 2015/18 and new local community plans.

| 1.1.4 Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance. | • The Council's online Strategy and Performance hub provides an overview of all Council strategies and reports against progress and performance. This framework is developed in line with strategic direction provided by the Accounts Commission and follows best practice guidance provided by the Improvement Service. The hub includes a searchable directory of Council performance reports and updates across all activities.
 • Within this framework The Council published an annual analysis of performance against National Benchmark indicators recommended by SOLACE and the Improvement Service. Local Government Benchmarking Framework published 2014/15 data in March 2016 with improvement plans for all themes.
 • A performance Dictionary has been developed to provide a brief description and purpose of the City of Edinburgh Council's key performance indicators.
 • There are detailed arrangements in place for Community Plan reporting every six months.
 • The Council provides a six monthly formal report of progress against the priorities set out in the Capital Coalitions 'contract with the capital'. The last update was presented to Council on 19 November 2015.
 • Reports on progress against the Council's Corporate Performance Framework are scrutinised by the Council Leadership Team on a monthly basis, with six monthly scrutiny by elected members at Executive Committees and the Corporate Policy and Strategy Committee.
 • Unaudited and audited Annual Statement of Accounts published in both print format and on the website by the statutory date each year; the 2014/15 statements additionally included a more detailed management commentary. A narrative-based outturn report is presented in August each year.
 • Quarterly in-year revenue and capital monitoring reports are considered by the Finance and Resources Committee and regular reviews of the Council's Long-Term Financial Plan are also formally reported. Risks and reserve levels are also reviewed at least annually. | 3 | • Next update for the Local Government Benchmarking Framework is due in March 2017.
 • Annual review on the Corporate Governance Framework presented to committee each year. In June 2016 the review will include analysis of the key performance indicators with exceptions, 2015/16 complaints analysis, coalition pledges and Edinburgh Partnership annual performance report. |

Supporting principle	1.2 Users receive a high quality of service whether directly, or in partnership, or by commissioning.		
Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Improvement Plan
1.2.1 Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.	• The annual performance framework for the Council was presented to the Corporate Policy and Strategy Committee on 9 June 2015. This framework provides an overview of all our key strategies, joining up services to promote a 'one Council' approach to deliver on corporate, political and Community Planning priorities. • Performance dashboards developed as part of this framework incorporate indicators around quality of service, customer perceptions and service response rates. • Data for the framework and dashboards is collated centrally using the Cognos performance management system. • Performance arrangements and customer focus are covered in Service, Divisional, and Thematic plans.	3	• The annual performance framework update will be considered by Council on 30 June 2016.

	• The Council uses a range of standard tools to assess services across the organisation. • The Edinburgh People Survey (EPS) questions provide neighbourhood-level opinion information on universal services, quality of life and organisational reputation – linked to a full suite of demographic information. • The Council's Strategy & Insight service leads on Best Value Auditing of Council services to support statutory duties and use external scrutiny to ensure services benchmark with their peers. • The Council is committed to working with services to achieve Customer Service Excellence accreditation and ensure that services meet the highest standards for customer service set in the UK. • As part of this work the Council is committed to the implementation and use of self assessment procedures amongst Council services to identify areas for improvement and strengthen service quality.		
1.2.2 Effective arrangements to identify and deal with failure in service delivery.	• The performance management evidence above in 1.2.1 also applies here. • The Best Value Audit Report 2016 noted Edinburgh's progress since the 2014 Best Value Report and highlighted a number of achievements. In particular it noted that The Council has made considerable progress in addressing the increasingly challenging financial position and that The Council has a clear strategy for changing the way it delivers services, reducing its workforce, and achieving substantial financial savings. • A Resources Management Team performance dashboard was established and is now presented each month. • The Business Improvement tool Cognos is now accessible to all users. • The Council has established the Council Complaints Management Group to take forward actions for improving complaints management and to review Council's engagement with the public on complaints. The Group has driven a series of corporate improvements to ensure effective complaints management and analysis. • The Council publishes complaints performance every quarter to provide assurance, to deliver continuous improvement and to assist in benchmarking between local authorities. Reporting of complaints is a statutory requirement and is monitored by Audit Scotland in conjunction with the Scottish Public Services Ombudsman (SPSO) and in line with Best Value.	3	• A new approach to progressing Best Value with all local authorities is being developed by Audit Scotland. It will be delivered within a five year programme and will include annual progress reports to the Commission. The programme will include performance audits, audits of Best Value, How Councils Work series, overview reporting and statutory reporting. • In May 2016 the Council will establish a new Strategy and Insight function with enhanced capacity for transformation and business change support to drive service improvements. One key programme is the development of a data warehouse and dynamic dashboard reporting toolkit through Cognos. Initially, the programme will focus on the delivery of 3 key Insights – Customer, Localities and Debt. The long term goal for the warehouse will be to provide a single repository for all data in the Council and facilitate data profiling to identify and action data quality issues. Cognos dashboards will allow us to to blend data from multiple sources (internal and external) and use a wide range of analytical tools to enable a single view of information across the Council. The dashboards will provide deeper insight into performance and service provision and support effective decision making, service planning and improvement. Alongside this project, targeted service improvements and enhanced monitoring of

			performance by CLT form a core part of the Council's new Business Planning process.

Supporting Principle	1.3 Make best use of resources so that tax payers and service users receive excellent value for money.		
Requirements of the local Code	**Evidence of compliance and links**	**Score (1-4)**	**Improvement Plan**
1.3.1 Decide how value for money (VFM) is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.	• Annual Efficiency Statement sets out levels of efficiency achieved per annum. • Significant financial impacts noted in reports to Council and its committees; guidance on main considerations for officers refreshed in January 2015 and reflected within revised Financial Regulations, supplemented by periodic reminders to report authors. • Up until 2014, Procurement procedures were externally reviewed annually as part of the Procurement Capability Assessment (PCA). Value for money considerations have also been implicit in development of transformation plan business cases, particularly those for Business and Support Services and Asset Management, with relevant comparators (including, as appropriate, use of the Local Government Benchmarking Framework) informing assessments of current service efficiency and effectiveness. The Council also considers the findings of all Audit Scotland national reviews and reports this assessment to the Governance, Risk and Best Value Committee. Recent examples include review of capital investment in Councils and a progress report on the use of arm's length organisations to deliver service objectives.	3	• Going forward, performance will be assessed by the Procurement and Commercial Improvement Programme every two years.
1.3.2 Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use	• Programme of staff training undertaken, reconsidering and better understanding the role of the accountant, with greater emphasis upon supporting decision-making. Series of "Lunch and Learn" events developed, increasing staff's awareness of key technical and service developments and current issues. • Senior Management Team monitoring reports reviewed to increase clarity and impact, resulting in greater use of Powerpoint presentations, with very positive feedback received. Employee cost monitoring improvements also shared across Division in 2014/15. • The Council has maintained overall expenditure within budgeted levels for the last nine financial years, with unallocated reserves also re-established to target levels one year ahead of schedule. Unqualified financial statements also received every year since 1996/97. Overall financial management and planning arrangements also assessed as sound by Audit Scotland.	3	
1.3.3 Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective	• Long-term financial plan established in 2009, covering rolling ten-year timeframe and capturing main drivers of expenditure and changes in income. Assumptions regularly reviewed and reported to Committee. • Comprehensive system of service and corporate monitoring in place, focused on identifying where mitigating/corrective action is required. In view of the extent of financial challenges facing the Council, 2016/17 approved savings have again been subject to a series of assurance reviews prior to and since Council approval. • Balance sheet monitoring strengthened, incorporating greater scrutiny in particular of	3	• Service pressures and mitigating actions subject to increased scrutiny in year ahead. • Further review of Financial Services and Procurement is aligned to wider Council transformation programme taking place in 2016.

action when necessary	debtor levels and provisions. • [Five-year financial strategy](#) in place, addressing overall savings requirement through management of service pressures, delivery of approved savings, and addressing remaining funding gap through transformation plan and service prioritisation. • Both Financial Services and Procurement subject to comprehensive service reviews in 2014, refocusing functions to support Council's key challenges going forward.		
1.3.4 Ensure compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code	• Both codes formally adopted, with all activity undertaken in accordance with relevant provisions as set out in detailed procedure manuals developed for each role within section. • The Acting Executive Director of Resources is responsible for preparing and maintaining treasury policy statement, with amendments requiring consideration and approval by Council. • [Annual Treasury Strategy](#) prepared – 2016/17 statement approved by Council on 10 March 2016; [review of past year's performance](#) also reported to and subject to scrutiny by Committee. • Prudential indicators for coming year(s) reported to Council as part of [Budget motion](#) (Annex 5). • Relevant officers active members of professional groups such as Treasury Management Forum, organising, for example, national conference in 2014 and 2016.	3	

Best Value

Best Value
Corporate Governance Framework

Principle – Best Value	Developing the capacity and capability of members and officers to be effective		
Supporting Principle	**2.1 Members and officers have the skills, knowledge, experience and resources they need to perform their roles well**		
Requirements of the local Code	**Evidence of compliance and links**	**Score (1-4)**	**Improvement Plan**
2.1.1 Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.	• A comprehensive induction programme for elected members is developed for implementation at each Scottish Local Authority election when there is an intake of new councillors. This is supplemented on an ongoing basis by both regular general and tailored training for elected members. Staff are currently reviewing the training and induction materials. An extremely comprehensive and useful folder induction pack was presented to members upon election alongside a programme of essential/statutory training and elective training options. • A more tailored induction was offered to councillors returned via a by-election in 2015. • The City of Edinburgh Council is also a member of the Improvement Service and works with them in the production and utilisation of a series of induction notebooks for elected members. These are designed to provide Scottish councillors with information, support and guidance to help them fulfil their role as elected members. They cover a range of subjects, from what to expect in the first few weeks in office, to roles and responsibilities, to governance. • Access is also available to the Improvement Service's ongoing training for elected members (CPD framework, Elected Member Master classes, briefings, newsletter etc) • Officer induction and ongoing training is provided by Managers in line with the Council's policies.	3	• A Project Board is being established to oversee preparations for the induction of councillors following the May 2017 Scottish local government elections. The Board will seek and apply best practice and will make the best use of technology to assist councillors in conducting their duties. • The HR team is currently reviewing the officer induction programme to ensure it remains fit for purpose and in line with our ambitions for transformation. This will see the introduction of a corporate face to face induction programme for all new entrants, run corporately every two months, and a revised induction approach which managers will run in service areas. These new arrangements will be in place in Q3 of 2016.
2.1.2 Ensure the Chief Financial Officer has the skills, knowledge, experience and resources to perform effectively in both the financial and non financial areas of their role	• The range and depth of relevant experience formed a key part of the job specification and recruitment process when the current Head of Finance was appointed in late 2012. • Due to structural changes in the Council the Head of Finance is currently the Acting Executive Director of Resources. The scheme of delegation was amended on 4 February 2016 to designate the Executive Director of Resources as the responsible officer for financial administration under section 95 of the Local Government (Scotland) Act 1973. • As part of senior management development, coaching and training opportunities are afforded to all members of the CLT and participation is encouraged. • The Acting Executive Director of Resources also regularly attends meetings of fellow Section 95 officers across Scotland and sits on a number of expert technical advisory groups.	3	
2.1.3 Review the scope of the Chief Financial Officer's other management responsibilities to ensure financial matters are not compromised	• The Finance Division has been the subject of recent comprehensive service review and the appropriate allocation/delegation of responsibilities has been considered as part of this, with three permanent senior managers now overseeing management of the procurement, service accounting and corporate finance functions respectively. This has facilitated service continuity whilst the Head of Finance has assumed additional responsibilities as the Acting Executive Director of Resources.	3	

Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Improvement Plan
2.1.4 Provide the finance function with the resources, expertise and systems necessary to perform its role effectively	• System developments are proactively examined and implemented where operationally feasible and cost-effective or where other service or internal control benefits are offered. Finance representatives have also been involved in, or consulted on, requirements for the new ICT contract from April 2016 and specifically, implementation of the new Business World application in October 2016, with preparation for migration now well underway. • As part of delivering a £1.3m budget saving over the next five years, a number of options to deliver the required efficiencies through examination of current staff mix, respective workloads, extent of remaining manual input and/or eliminating non value-added work have been explored. The revised structure put in place in July 2014 was underpinned by an assessment of the Council's requirements going forward, with the Finance model widely held up as an exemplar for other support functions. • While the accountancy service is essentially an in-house service, drawing as appropriate upon external expertise, a partnership agreement has been adopted in the area of procurement and is in its fourth year of operation.	3	• The structure has been reviewed as part of the ongoing Council Transformation Programme.
2.1.5 Statutory officers have the skills, resources and support necessary to perform effectively in their roles and that the roles are properly understood throughout the authority.	• The Head of Paid Service is the Chief Executive who was appointed at the Council meeting on 28 May 2015. • The Head of Finance's appointment and designation as the authority's section 95 officer was approved by Council in November 2012. Due to structural changes in the Council the Head of Finance is currently the Acting Executive Director of Resources. The scheme of delegation was amended on 4 February 2016 to designate the Executive Director of Resources as the responsible officer for financial administration under section 95 of the Local Government (Scotland) Act 1973. • The Chief Financial Officer's financial responsibilities are set out in the Financial Regulations. • The Acting Executive Director of Resources (in his role of Chief Financial Officer), the Chief Social Work Officer and the Head of Legal & Risk (in his role of Monitoring Officer) are standing members of the Corporate Leadership Team. • The skills of the Chief Financial Officer and resourcing of the wider Finance function are covered in 2.1.2 and 2.1.3 above. • The Monitoring officer is the Acting Head of Legal and Risk and was appointed by Council on 4 February 2016. • The Head of Safer and Stronger Communities is also the Chief Social Work Officer and reports directly to the Chief Executive. • The Chief Social Work Officer provides an annual report to the Corporate Policy and Strategy Committee each year.	3	
Supporting principle	**2.2 Develop the capability of people with governance responsibilities and evaluate their performance, as individuals and as a group.**		
Requirements of the local Code	**Evidence of compliance and links**	**Score (1-4)**	**Improvement Plan**
2.2.1 Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out	• The first subject specific meeting of the Council's Wider Leadership Team (comprising all Senior Managers from Tier 3 and above) was delivered on 'Governance and Decision-making'. This was led by the Governance & Democratic Services Manager, supported by the Committee Services Manager and the Information Governance Manager. • This briefing described the key areas of governance and compliance that senior managers should	3	• Future sessions offered for Directorate management teams. • Post Local Government Election May 2017, a comprehensive induction and training programme will be provided to

effectively.	be aware of. It explained the decision making process at the Council, factors to be considered when making a decision, and highlighted important compliance and governance issues and the key documentation that supports this. It reinforced that the compliance culture has to be maintained and led by all senior managers and also pointed to the improvement in governance arrangements at City of Edinburgh Council that Audit Scotland had recognised in the Best Value report.		Elected Members with a Training Needs Analysis exercise to identify skills/knowledge gaps and development opportunities.
2.2.2 Embed financial competencies in person specifications and appraisals	• Job descriptions contain the financial dimensions for which job holders are responsible for managing and securing value for money.	3	
2.2.3 Ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities	• An overview of councillors' roles and responsibilities is provided in the Financial Regulations and supplements guidance and training provided upon assuming membership of the Committee. A number of themed workshops, open to all councillors, have recently been held on a number of topics including revenue monitoring, procurement, treasury management, interpreting financial statements and an overview of the Council's main funding sources. • The Acting Executive Director of Resources is in regular contact with the Convener and Vice-Convener of the Finance and Resources Committee. Through membership of the Budget Core Group, the Acting Executive Director of Resources has access to the wider Capital Coalition, although an open-door policy is offered to all elected members.	3	
2.2.4 Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge, and to recognise when outside expert advice is needed.	• The Council has in place a recognised annual performance review and development process for staff in grades 5 to 12. • Learning needs for all staff are discussed in the development planning process but are also available through e-learning (open to all) and through the Council's Skills Academy (also open to all staff) • In addition to the regular scrutiny of reports and officer recommendations at the Executive Committees, the Council has established a Governance, Risk and Best Value Committee to bolster its scrutiny function. This Committee is chaired by a senior Opposition (Conservative) member. Both the Chief Executive and the Acting Executive Director of Resources attend meetings in person, supported by other members of the Corporate Leadership Team. The Committee has the ability to review any of the Council's activities, to require action or further reports, and to call witnesses to support its debate. It has proved effective in the scrutiny/oversight of such areas as the Council's new whistleblowing policy; changes to procurement; scrutiny and oversight of arms length external organisations; Property Conservation, and Parliament Hall. • An enhanced toolkit and training module has been developed to significantly strengthen existing guidance and training for officers to support effective and transparent decision making. [Review of Political Management Arrangements report accessed via Review Political Management Arrangements • Para 3.7.3 of the Review of Political Management Arrangements report describes that an impact assessment online tool and training module have been developed to significantly strengthen existing guidance and training for officers to support effective decision making. This incorporates and builds on the checklists recently published by Audit Scotland and covers the provision of appropriate information.	3	• The PRD process is currently being reviewed and extended to cover all staff. The system will be tested with pilot sites in the current year 2016 and the full system roll out (covering all staff) will be in place from April 2017 • The PRD process is designed to identify skills and knowledge gaps. Development objectives can be set to address any that are identified.

		Score (1-4)	Improvement Plan
	• Training has also been provided to senior officers, in partnership with Human Resources, to help develop further skills in the presentation of information at committee. This has helped to ensure that officers can provide effective information and answers to help committee make informed decisions. [Para 3.7.6 Review of Political Management Arrangements]		
2.2.5 Effective arrangements for reviewing the performance of the executive, individually and collectively, and agree an action plan which might, for example, aim to address training or development needs.	• The Chief Executive sets the objectives for each of the Executive team where performance outcomes are made clear. In addition each of the Executive has a coach, the aim of which is around driving their personal development and performance. • In addition Executives have undertaken a 360 degree review exercise to understand the impact their leadership is having and their learning needs are aligned to this, facilitated by their coach. • Further, executives are aligned to learning sets where they practise their leadership and get feedback on their performance	3	

Supporting principle	2.3 Encourage new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.		
Requirements of the local Code	**Evidence of compliance and links**	**Score (1-4)**	**Improvement Plan**
2.3.1 Effective arrangements to encourage individuals from all sections of the community to engage with contribute to and participate in the work of the authority.	• Meaningful engagement is core to the Neighbourhood Partnership approach, providing opportunities for all members of the community to participate, influence and shape activity on an ongoing basis. • Communities are encouraged and supported to be involved in a wide variety of ways. In 2014/15, 327 separate community engagement activities were carried out by the Neighbourhood Partnerships resulting in over 10,000 contacts. • A targeted approach is used to ensure people with protected characteristics are given an opportunity to participate, for example through outreach work with people with disabilities, young people, carers, older people and BME groups. This activity is complemented by an increasing use of online engagement through Twitter, Facebook, Pinterest and the Neighbourhood Partnership website. • The community has an active role in decision making around the use of funds devolved to the Neighbourhood Partnerships. • The Community Grants Fund and Neighbourhood Environment Programme have a combined annual budget of over £3m. These funds are used as a vehicle for strengthening community involvement through the use of participatory budgeting. • Participation is also supported through the provision of training and development programmes for community groups, including community councils and residents and tenants' organisations. • Neighbourhood Partnerships also provide a mechanism to ensure local intelligence and community priorities inform resource deployment and service planning at a strategic level, for example the establishment of the Employability Hubs as part of the Employment and Joined Up for Jobs City Strategy and the development of the Edinburgh Health and Social Care Strategic Plan.	3	
2.3.2 Career structures for members and officers to encourage participation and	• The Best Value Audit report 2016 highlighted that **"Elected members and senior managers now have a shared understanding of the challenges facing the council and the action that needs to be taken"** and that **"the council now has a clear strategy for changing the way it delivers**	3	• As part of the Council's Transformation Programme to reshape the council and change the way it delivers services in

development.	services, reducing its workforce, and achieving substantial financial savings."	the future, proposals for reshaping the political management arrangements and Members Services are being developed. One of the objectives will be to provide a more appropriate and consistent structure within the service area which encourages participation and development and provides for greater career progression.
	• The Council's organisational structure is being reshaped to provide better, more responsive, accountable and integrated services. As the Best Value Audit 2016 noted **"In line with the council's transformation programme, the council has created four localities and is using these to restructure and integrate much of its operational decision-making."** Radical changes to the way services are delivered are being made to maximise local involvement, discretion and power, taking into account equality and diversity, in service planning and delivery. This commitment to modernising Council processes is being driven forward jointly by the Corporate Leadership Team and political leadership of the Council.	
	• The transformation programme has provided a platform for the total re-shaping of Council organisation structures.	• People have been aligned to new roles as a result of the re-shaping of Council organisational structures and their personal development plans are being shaped around these.
	• The Council is a member of the Improvement Service and works with them in developing and providing ongoing training for elected members	

Ownership and Responsibility

Ownership and Responsibility
Corporate Governance Framework

Principle – Ownership & Responsibility	Members and Officers working together to achieve a common purpose with clearly defined functions and roles		
Supporting Principle	3.1 Provide effective leadership throughout the authority and be clear about executive and non-executive functions, and of the roles and responsibilities of the scrutiny function.		
Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Improvement Plan
3.1.1 A clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice.	• Review of Political Management Arrangements (October 2014) • Member/Officer Protocol (December 2014) Section2 and 3 – role of members and role of officers • Procedural Standing Orders (June 2015) • Committee Terms of Reference and Delegated Functions (June 2015) • Scheme of Delegation to Officers (June 2015) • Governance – operational governance framework annual review (June 2015)	3	• The Operational Governance Framework will be reported to Council in August 2016. • A Review of Political Management Arrangements is scheduled for the autumn of 2016. A range of options to address the Council's transformational changes to its structure and service delivery will be considered by Council.
3.1.2 Ensure that the Chief Financial Officer reports directly to the chief executive and is a member of the leadership team with a status at least equivalent to other members. If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact	• The Council's Chief Financial Officer is the Acting Executive Director of Resources who has a place on the Council's Corporate Leadership Team and reports directly to the Chief Executive.	3	
3.1.3 A clear statement of the respective roles and responsibilities of members and senior officers.	▪ Member/Officer Protocol (December 2014) sections 2 and 3 ▪ Procedural Standing Orders (June 2015) ▪ Committee Terms of Reference and Delegated Functions (June 2015) ▪ Councillors' Code of Conduct – Standards Commission (December 2010) section 3 and annex c ▪ Scheme of Delegation to Officers (February 2016) ▪ Governance – operational governance framework annual review (June 2015) ▪ Induction programme for new managers including governance and decision making ▪ Induction and training 2013 programme for Elected Members (May 2012, November 2013, October 2014) and training needs analysis (March 2013) ▪ Proper Officer Register	3	▪ The Operational Governance Framework will be reported to Council in August 2016. ▪ Post Local Government Election May 2017, a comprehensive induction and training programme will be provided to Elected Members. This includes briefing sessions on all of the relevant codes, protocols, procedures, etc. A Training Needs Analysis exercise will be undertaken with Elected Members to identify skills/knowledge gaps and briefings/training sessions offered to

address these.

Supporting principle	3.2 A constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard.		
Requirements of the local Code	**Evidence of compliance and links**	**Score (1-4)**	**Improvement Plan**
3.2.1 Determine a scheme of delegation and reserve powers in the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.	• Scheme of Delegation to Officers (February 2016) • Committee Terms of Reference and Delegated Functions (June 2015) (Section A2) • Review of Political Management Arrangements (October 2014) • Governance – operational governance framework annual review (June 2015)	3	▪ Documents reviewed annually to ensure relevance ▪ A Review of Political Management Arrangements is scheduled for the autumn of 2016. A range of options to address the Council's transformational changes to its structure and service delivery will be considered by Council.
3.2.2 Make the chief executive responsible and accountable to the authority for all aspects of operational management.	• Scheme of Delegation to Officers (February 2016) Paragraph 4.1 and Appendix 8 • Financial Regulations Paragraph 3.1	3	
3.2.3 Ensure that the authority's governance arrangements allow the Chief Financial Officer direct access to the CEO and to other leadership team members	• The Chief Financial Officer is the Acting Executive Director of Resources who reports to the Chief Executive and is a member of the Corporate Leadership Team attended by the Chief Executive and all executive directors.	4	
3.2.4 Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	• Scheme of Delegation to Officers (February 2016) • Member/Officer Protocol (December 2014) sections 2 and 3 • Weekly meeting with the Chief Executive, Acting Executive Director of Resources, Leader and Deputy Leader. • Committee Terms of Reference and Delegated Functions (June 2015)	3	
3.2.5 Make a senior officer (the section 95	• Scheme of Delegation to Officers (February 2016)appendix 9 • Financial Regulations Paragraphs 1.4,1.5 and 1.8	3	

officer) responsible to the authority for ensuring appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	• Annual Accounts • Corporate Debt Policy appendix 4 Para 12, appendix 9 para 6		
3.2.6 Appoint a professionally qualified Chief Financial Officer whose core responsibilities include those set out in the Statement on the Role of the Chief Financial Officer in Local Government and ensure that they are properly understood throughout the authority	• A prerequisite of appointment is that the Head of Finance has a full professional qualification, with a wide range of relevant experience at a senior level in accordance with the five specific characteristics of the role of the CFO as set out within the Statement. The Council's Annual Audit for 2014/15 concluded that the Council complied in full with the Statement. Due to structural changes in the Council the Head of Finance is currently the Acting Executive Director of Resources. The scheme of delegation was amended on 4 February 2016 to designate the Executive Director of Resources as the responsible officer for financial administration under section 95 of the Local Government (Scotland) Act 1973. • The Council's Financial Regulations set out the framework through which the proper officer's Section 95 responsibilities are discharged. These regulations are subject to a cycle of at-least six-monthly review and, alongside the Contract Standing Orders, have been updated and approved by Council in 2015. A complementary set of more detailed Finance Rules, also updated in 2015, is published on the Orb. Briefing sessions with elected members and relevant officers have been convened to publicise the contents, principles and changes within these documents. • The Finance Divisional review initiated in November 2013 and completed in July 2014 was specifically predicated on re-aligning the Finance function to support more effectively the role of the Chief Financial Officer, with a number of specific aspects targeted for improvement. An assessment of the effectiveness of these changes will inform the further 2016 review.	3	• These documents are scheduled for review and will be put to Council for approval in June 2016
3.2.7 Ensure that the Chief Financial Officer leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively and has a line of professional accountability for finance staff throughout the organisation	• As noted for 3.2.6 above, the means by which the Acting Executive Director of Resource's Section 95 responsibilities are discharged are set out in the Financial Regulations. Complementary structural changes, such as the appointment of a designated Commercial and Procurement Manager and re-design and re-alignment of both the accountancy and procurement functions, support delivery of these objectives. • Technical and more general management training has been delivered to all professional accountancy staff for onward dissemination of the principles of good financial management throughout the organisation. Principal Accountants attend service senior management team meetings and the Finance function is represented on the boards of all of the main transformational projects, as well as project assurance reviews. • Regular financial updates are provided to the Corporate Leadership Team and to Committees.	3	

3.2.8 Ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance	• The Long-Term Financial Plan serves as the foundation to the Council's financial planning and informs the level of savings requiring to be brought forward to ensure a balanced overall budget is delivered. The assumptions within the LTFP are regularly reviewed and reported as appropriate to Committee, the most recent update of which was considered in January 2016. • In recognising that the Council's level of unallocated reserves had reached unacceptably low levels in 2007, a target was set to re-establish them to a level equating to approximately 1% of the Council's gross expenditure by March 2012. This target was met a year ahead of schedule and has been maintained since that time. • The need for, and associated level of, other earmarked reserves is subject to regular discussion by officers and with External Audit. These arrangements are part of a system of financial control and planning that has been assessed to be effective by Audit Scotland. An overview of this assessment, alongside identification of key risks facing the Council, is reported to the Finance and Resources Committee in January each year. • Delivery of approved budget savings is tracked throughout the year and reported as part of the year-end outturn. In view of the crucial need to develop a sustainable budget, this assessment was strengthened in 2015/16.	3	
3.2.9 Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling manner.	• The Council has a comprehensive system of revenue and capital monitoring in place and the summarised position is regularly considered at Service Management Teams and the Corporate Leadership Team. The focus of this monitoring has been realigned more specifically towards high-risk, material and/or transformational areas, allowing available staffing resource to support a range of key initiatives within the Council. • Finance activity is subject to a framework of appropriate internal control and a number of improvements have now been implemented in full following earlier reviews by KPMG and Audit Scotland. The extent of progress made was independently verified in early 2014. Action plans are developed and subsequent progress tracked for all internal and external audit recommendations. • The Finance function is also represented on the corporate Anti-Fraud and Resources Risk Management Groups.	3	
3.2.10 Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied	• Scheme of Delegation to Officers – appendix 8 (February 2016) • The Acting Head of Legal & Risk is the Council's Monitoring Officer and is specifically responsible for reporting any proposal, decision or omission that contravenes applicable statutes or which represents maladministration.	3	

with.

Supporting principle	3.3 Relationships between the authority, its partners and the public are clear so that each knows what to expect of the other.		
Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Improvement Plan
3.3.1 Develop protocols to ensure effective communication between members and officers in their respective roles.	• Member/Officer Protocol (December 2014) • Councillors' Code of Conduct – Standards Commission (December 2010) annex c • Weekly meeting with the Chief Executive, Executive Director of Resources, Head of Communications, Leader and Deputy Leader. • The Communications Service provides link officers for the Leader and Deputy Leader's offices.	3	• MOP reviewed annually to ensure relevance
3.3.2 Establish a scheme for remunerating members and officers and an effective structure for managing the process, including an effective remuneration panel, if applicable.	• Elected Members' Remuneration – Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulation 2013 Elected Members' Remuneration – Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulation 2013 • The Scottish Government – Remuneration for Councillors • Councillors' Pay, Allowances and Expenses are published on the Council's website • Committee Terms of Reference and Delegated Functions – Recruitment Committee – section 19 • Member/Officer Protocol – section 4.15.1 (December 2014) • Council Grade and Pay Structure (April 2015) • Contribution Based Pay	3	
3.3.3 Effective mechanisms exist to monitor service delivery.	• Mystery shopping has been used extensively across the Council to provide detailed measures of quality of service, accessibility and customer care. • The Edinburgh Partnership provides a useful mechanism to gather partner and community views on service delivery. • Edinburgh People's Survey • Council Complaints Management Group analyses and monitors complaints by service area on a quarterly basis.	3	• As part of the development of a new Customer Strategy, Edinburgh is reviewing all of its customer research techniques with a view to monitoring the customer experience using the most up-to-date technology available.
3.3.4 The organisation's vision, strategic plans, priorities and targets are developed through effective mechanisms in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.	• Single Outcome Agreement development process involved joint work with partners and wider public consultation. • The Edinburgh Partnership Community Plan for 2015-18 was published in March 2015 following extensive consultation with partners and communities. The plan focused on a small number of shared priorities across all partners with a cross-cutting emphasis on measures to tackle poverty and inequality in the city. • Neighbourhood Partnerships develop plans and priorities collaboratively with local communities. • The Council's Website for Edinburgh's citizens is used to highlight key strategic information/to get feedback/to advise of consultations etc. • Information on Neighbourhood Partnership local community plans and priorities is disseminated using a variety of methods. • The Budget Engagement project was carried out in 2015/16. Over 4,200 people responded to the engagement which allowed respondents to reduce, increase or maintain funding levels from a variety of services. The consequences of changes were articulated via the online tool. • The Council has developed a consultation framework, Consulting Edinburgh. This practical toolkit	3	• Increased use of e-engagement is a key development for the Neighbourhood Partnerships. • Further development work is planned for 2016/17 to ensure the delivery of locality improvement plans in line with new statutory guidance. Consultation work undertaken as part of this process will inform the delivery of a new Edinburgh Partnership Community Plan by March 2018.

	supports staff with the design, conduct and evaluation of meaningful and effective consultations, which adhere to the national standards of engagement. An e-learning course has also been created to educate staff on the principles of consultation. These tools were launched in May 2014. • Council consultations are posted on the Council's website and highlighted via social media. • In August 2014, the Council launched its Consultation Hub. This online platform provides a central platform for the management and promotion of consultation and engagement activity. It makes it easier for people to find out what is being consulted on in the city, have their say on the issues that matter to them and learn what action/decisions have been taken as a result of feedback. • The Council's Consultation Hub User Group was created in January 2016 to allow users to reflect on our adoption of the consultation tools, share best practice and discuss how we can improve future consultation activity. • CEC and its Community Planning Partners, including Neighbourhood Partnerships, have adopted the National Standards for Community Engagement. • The Council carries out the Edinburgh People Survey to inform council priorities. Over 5,100 respondents take part each year, the largest of its kind in the UK and considered Best Practice by Customer Service Excellence external assessors. • The Council's online Strategy and Performance hub provides an overview of all Council strategies and reports against progress and performance. This framework is developed in line with strategic direction provided by the Accounts Commission and follows best practice guidance provided by the Improvement Service. The hub includes a searchable directory of Council performance reports and updates across all activities. • The Communities and Neighbourhoods Committee provides a key link for community engagement and a consultative approach. • Core best value strategies aligned to sustainability, equality and Community Planning are well developed and articulated across the council, with associated public reporting arrangements in place.		
3.3.5 Establish a medium term business and financial planning process to deliver strategic objectives including: A medium term financial strategy to ensure sustainable finances; A robust annual budget process that ensures financial balance; A monitoring process that enables this to be delivered. Ensure that these are subject to regular review to confirm the continuing relevance of	• As noted elsewhere within this document, the LTFP sets out the Council's medium to longer-term financial framework and guides more detailed work around savings formulation. A specific reserves strategy is in place. The appropriateness of this level, as well as the various provisions and factors captured within the LTFP, is subject to on-going review in light of new and/or additional information and good practice elsewhere. The Council's financial plan has also been integrated with the wider Business Plan. • The Council's financial strategy was considered at the Finance and Resources Committee meeting of 4 June 2015. The strategy comprises four main elements: delivery of approved savings, identifying measures to re-establish stability in overspending areas and use of business transformation and service prioritisation to address the remaining funding gap. As in previous years, the draft budget proposals were subject to a period of around three months' public engagement. • The revenue monitoring process emphasises areas of particular risk, volatility and/or materiality. Given the extent of the Council's financial challenges, this process has been strengthened by systematic use of savings delivery assurance reviews, as well as additional reporting and scrutiny of service pressures.	3	

assumptions used.			
3.3.6 When working in partnership, members are clear about their roles and responsibilities, both individually and collectively, in relation to the partnership and to the authority.	• Councillors' Code of Conduct (December 2010) sections 3.18, 3.19 and guidance note 19 • Member/Officer Protocol (December 2014) section 2.1.7 • Induction and Training Programme for Elected Members and Training Needs Analysis. • The Council's Governance, Risk and Best Value Committee has performed a critical role in the Council's improvement in governance in recent years. This has been reflected by Audit Scotland (Best value Audit 2014) who noted that **"we are particularly encouraged by the progress made by the council in embedding its governance arrangements, notably around elected member scrutiny of performance."** • Partnership working has also improved, again Audit Scotland **"welcomes improving performance in partnership working, both at a political level within the council and with community planning partners."** • Separate organisation specific training/guidance provided by partner organisations.	3	• Council Companies report (30 June 2016) which outlines arrangements for a new Council companies' hub and how this aims to improve officer scrutiny of Council companies. It clarifies roles and responsibilities, good governance, elected members duties as councillors and the mitigation of conflicts of interest.
3.3.7 When working in partnership, clarify the legal status of the partnership and ensure that partners' representatives understand, and make clear to all other partners, the extent of their authority to bind their organisation to partnership decisions.	• Council Companies Governance Review 2015 under way • Internal Audit of Council Companies – June 2015 • Neighbourhood Partnerships are Advisory Committees of the Council. They are governed by a constitution approved by Council at the time of establishment and a Neighbourhood Partnership Charter, refreshed as part of a review carried out in 2013. Guidance is provided for members through a Neighbourhood Partnership Handbook and through development activity, such as the Development and Support Programme provided for community councils. • The EP Board is not an incorporated body. The Edinburgh Partnership (EP) agreed new governance Protocols in September 2014. The partnership operates in a spirit of mutual respect and partnership working. Each member has equal standing. On the 18 June 2015, the Board discussed its risk exposure and an approach to risk management in the context of the new Community Plan. The EP Community Plan 2015-18 includes 12 strategic priorities that have been agreed on the basis of resourced commitments made by community planning partners, Strategic (Delivery) Partnerships, and Advisory Groups. • The Community Empowerment (Scotland) Bill was agreed on 17 June 2015 and focuses responsibilities on community planning partners to support each CPP to fulfil its duties. The Bill proposes new statutory duties for the Edinburgh Partnership (CPP). Consultation on the Community Empowerment (Scotland) Act 2015, Part 2 Community Planning, Guidance and Regulation started on 17 March 2016 and ends on 19 June 2016. This consultation is designed to give stakeholders an opportunity to share their views on both the proposed guidance and the draft regulation made under section 9 localities.	3	• Council Companies report (30 June 2016) which outlines arrangements for a new Council companies' hub and how this aims to improve officer scrutiny of Council companies. It clarifies roles and responsibilities, good governance, elected members duties as councillors and the mitigation of conflicts of interest. Implementation during 2016/17.

Engagement and Partnership

Principle – Engagement and Partnership	Engaging with local people and other stakeholders to ensure effective public accountability		
Supporting Principle	4.1 Exercise leadership through an effective scrutiny function which engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.		
Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Improvement Plan
4.1.1 Make clear to themselves, staff and the community what they are accountable for and to whom.	• The Council Business Plan for 2016-20 forms the central part of a single planning framework that provides strategic direction and priorities for all Council services, partnership working, and delivery of services in localities. It sets out a vision, strategic priorities and principles to guide the work of all Council services, as well as an implementation plan describing the actions in place to deliver that vision. The framework allows for a bi-annual review of the business plan in line with the annual Council Budget consultation process and mid term review. • Development of the outcome-based Performance Framework, linking analysis of council performance directly to Service Plans. • Edinburgh by Numbers was reviewed and launched in 2014. The publication is now led by Strategy & Insight rather than Economic Development and includes indicators not published in the document before. An infographics approach was deployed. • The Council's online Strategy and Performance hub provides an overview of all Council strategies and reports against progress and performance. This framework is developed in line with strategic direction provided by the Accounts Commission and follows best practice guidance provided by the Improvement Service. The hub includes a searchable directory of Council performance reports and updates across all activities. • Results of Edinburgh People Survey and Neighbourhood Surveys are reported and acted upon. • City wide and local Community Planning approaches. • The consultation toolkit and hub makes all consultations open, transparent, actionable and accountable. A consultation mandate is completed for every consultation to include clear objectives and outcomes of the consultation. Actions taken as a result of consultation are also published on the consultation hub in the form of 'We asked, You said, We did'.	3	
4.1.2 Assess the effectiveness of the relationships with institutional stakeholders that hold the authority accountable and any changes required.	• The Concordat, National Statement of Ambition and the Single Outcome Agreement / Community Plan 13/16 process defines our relationship with the Scottish Government. • A senior manager from the Scottish Government acts as the location director on Edinburgh's SOA and the Edinburgh Partnership Board and Executive and offers comments on Edinburgh's progress, as appropriate.	3	
4.1.3 Produce an annual report on the activity of the scrutiny function.	• New political management arrangements implemented from 29 October 2012 revised and significantly strengthened scrutiny within the Council. The arrangements were further reviewed in October 2013 and 2014. • The Governance, Risk and Best Value Committee is led by an opposition convener and has a very wide remit covering audit, scrutiny review and performance. • The Committee scrutinises profile areas such as Mortonhall, statutory repairs and the tram project. • The committee has an annual work programme that includes an annual scrutiny review programme which is published on the Council's website.	3	

• In addition, the Council has a new committee in line with Police and Fire reform –Police and Fire Scrutiny Committee to scrutinise police and fire services. • Review of Political Management Arrangements (October 2014) recognised that 70% of respondents recognised that Governance, Risk and Best Value Committee had successfully enhanced scrutiny of Council business.		

Supporting principle	4.2 Take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning		
Requirements of the local Code	**Evidence of compliance and links**	**Score (1-4)**	**Improvement Plan**
4.2.1 Clear channels of communication with all sections of the community and other stakeholders, and monitoring arrangements to determine that they operate effectively.	• Neighbourhood Partnerships are implementing a communications approach which aims to ensure that every citizen is able to see and influence transformation in their neighbourhood through a range of communication methods. The approach is underpinned by a set of core principles, informed by the National Standards for Community Engagement, and performance measures enabling progress to be monitored and reported on an annual basis. • The Council regularly consults and engages with stakeholders and members of the public on its plans and policies. We use a variety of methods to seek feedback including surveys, focus groups, public meetings, our dialogue app and involving relevant stakeholders in participatory budgeting and local community planning. Details on how to find out about and participate in consultations are available via our Consultation Hub.	3	
4.2.2 Hold meetings in public unless there are good reasons for confidentiality.	• Compliance at all times with Local Government (Access to Information) Act 1985. • Procedural Standing Orders (June 2015) • Council, Executive Committees, Governance, Risk & Best Value Committee and a range of statutory committees/meetings are webcast live on the internet and archived for repeat viewing for a period of five years.	4	
4.2.3 Arrangements to enable the authority to engage with all sections of the community effectively. The arrangements should recognise that different sections of the community have different priorities and establish processes for dealing with competing demands.	• Budget Engagement. • Consultation Guidance and Consultations publicised on the Council's website. • National Standards for Community Engagement underpin the Council's and Edinburgh Partnership's and Neighbourhood Partnership's approach – Council's use of the Standards could be improved. • The Council is increasingly using public social partnership methodologies to engage with communities of interest and place to define priorities and involve in service / commissioning changes. • The Edinburgh Equality Network continues to be good mechanisms for engaging with communities of interest on a range of issues. This includes collection of qualitative data through the Community Interest Bank. • Neighbourhood Partnerships continue to strengthen work with communities of interest with strategic activity including the production of guidance, improvements to the monitoring and evaluation framework and implementation of a pilot initiative of enhanced direct support. • The consultation toolkit and hub helps to facilitate adherence with the National Standards for Community Engagement and the principles of meaningful consultation, including guidance on making consultation accessible and inclusive.	3	• New standards for community engagement are being developed and the approach to ensuring adoption/roll out is likely to be a feature in the coming year.
4.2.4 A clear policy on the types of issues requiring meaningful	• Consultation framework for the Council established which includes consultation toolkit to ensure consistency of approach for all Council service areas delivering consultation. • The consultation toolkit and hub makes all consultations open, transparent, actionable and accountable. A	3	

consultation with the public and service users, including a feedback mechanism to demonstrate to those consulted what has changed as a result.	consultation mandate is completed for every consultation to include clear objectives and outcomes of the consultation. Actions taken as a result of consultation are also published on the consultation hub in the form of 'We asked, You said, We did'.		

4.2.5 On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about the outcomes, achievements and the satisfaction of service users in the previous period.	• Relevant Finance related documents include:
	   ○ Annual Statement of Accounts
	   ○ Budget framework
	   ○ Key Facts and Figures
	   ○ Fees and Charges
	• Edinburgh by Numbers provides an overview of Council Performance.
	• The Council's new Business Plan and performance framework was launched in June 2015 as part of an annual review and update of strategic planning and performance.
	• The Council's new online Strategy and Performance hub provides an overview of all Council strategies and reports against progress and performance. This framework is developed in line with strategic direction provided by the Accounts Commission and follows best practice guidance provided by the Improvement Service. The hub includes a searchable directory of Council performance reports and updates across all activities.
	• Six monthly publication of progress reports against the Council's outcome based Performance Framework and public scrutiny by elected members. Includes information against indicators of service quality and customer satisfaction, annual complaints report to the Corporate Policy and Strategy Committee detailing complaints analysis.
	• Performance against delivery of the Capital Coalition pledges is reported to Council every six months. Reporting of the pledges complements wider corporate performance reporting to Committees.
	• Annual publication of performance against Single Outcome Agreement indicators and targets.
	• Reports on audits and inspections of the Council are in the public domain, along with improvement plans.
	• Various thematic reports e.g. on Educational Achievement
		3	

4.2.6 The authority as a whole is open and accessible to the community, service users and its staff, and that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those circumstances	• Review of Political Management Arrangements (October 2014) recommendations 1.2 and 1.3 • Webcasting of Council and major committees, with access to archive recordings for five years • All Council and Committee reports and decisions are recorded and are available on the CEC web site via Council papers online (since May 2003). • Petitions Committee • Deputations at committees • Access to Information • FOI Disclosure Log • Consultation Hub • Make a suggestion, compliment or a complaint • Edinburgh People Survey – annual citizen survey • Strategy and Performance hub	3	

where it is proper and appropriate to do so.			
Supporting principle	**4.3 Make best use of human resources by taking an active and planned approach to meet responsibility to staff.**		
Requirements of the local Code	**Evidence of compliance and links**	**Score (1-4)**	**Improvement Plan**
4.3.1 Make best use of human resources by taking an active and planned approach to meet responsibility to staff.	• We have in place a Council wide HR Strategy which makes clear our position on the expectations of our people in delivering quality services to the people of Edinburgh. The strategy sets out both our obligations and expectations in this regard • We have a series of regular planned meetings with trade unions through the JCG, DJCCs and Partnership at Work Forums	3	

Good Governance

Good Governance
Corporate Governance Framework

Principle – Good Governance	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.		
Supporting Principle	5.1 Authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.		
Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Improvement Plan
5.1.1 The authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	- Our code of conduct and our values set out our expectations. - The Council's values; Customer First, Forward Thinking, Work Together and Honest & Transparent were launched in 2014. These values are at the core of everything the Council does, supports us through transformation and help us to create a culture of continuous improvement. The values are a summary of who Leaders want our people to be, but in many instances who we already are. - Our values were created by our people, our partners, elected members and unions and are the basis of our performance management system. - Leaders across the organisation have also implemented change to how they consult with our people. An improved, biennial Employee survey was undertaken in 2014 with more focused questions that capture staff opinion along with actions for improvement. - The Pulse Tracker survey, launched in 2015, measures how prepared our people are for transformation and what support they need as we transition to new ways of working. The survey was conducted in May and September 2015 and was sent to around 1,600 staff during each wave. - Regular sessions led by the Chief Executive and open to all staff provide leadership visibility and a voice for staff across the organisation.	3	- An employee insight and engagement programme is currently being developed. - The Employee Survey will be conducted annually to effectively measure employee perceptions of working for the Council through this time of change. - Qualitative methods such as group discussions, depth interviews, online forums and dialogue will give employees the opportunity to voice their concerns, ideas and solutions as well as exploring issues with them in depth. - Dynamic tools are being explored that will allow us to measure the mood and identify issues affecting colleagues in real time to allow prompt action. - An improved exit interview process will allow leaders to take action based on lessons from colleagues leaving the Council. - Results of the Pulse Tracker Survey were reported, including actions that will be taken as a result of the feedback.
5.1.2 Standards of conduct and personal behaviour expected of members and staff, working relationships between members and staff and between the	- Members recognise the importance of and take an active role in effective consultation and dissemination of information and consult as widely as possible with all relevant public sector bodies and wider participants in the Edinburgh Partnership. - This year (2016) we have also worked with the wider leadership team to ensure that the culture we aspire to have in the Council is clear (which has included the types of behaviour that the Council does not expect) - As set out in the Neighbourhood Partnership Charter, Board members are bound by their own organisational	3	Council Companies report 30 June 2016) which outlines arrangements for a new Council companies' hub and how this aims to improve the officer scrutiny of Council companies. It

Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Improvement Plan

authority, its partners and the community are defined and communicated through codes of conduct and protocols.	codes of conduct, and/or as a minimum are expected to comply with key elements of the Councillors' Code of Conduct.
	• Under the Edinburgh Partnership (EP) Protocols all groups of the Edinburgh Partnership and in particular the Board in a spirit of mutual respect and partnership working:
	  o comply with the Seven Principles of Public Life and the Good Governance Standard for Public Services and engage appropriately in all matters and consider the impact of their operation on:
	    – sustainability issues
	    – equalities issues
	    – promoting prevention
	• The Edinburgh Partnership is subject to the requirements of the Freedom of Information (Scotland) Act 2002 ('FOISA').
	• Procedural Standing Orders (June 2015)
	• Committee Terms of Reference and Delegated Functions (June 2015)
	• Member/Officer Protocol (December 2014)
	• Councillors' Code of Conduct – Standards Commission (December 2010)
	• Code of Conduct for Council Employees (August 2012)
	• Anti Bribery Policy (August 2012)
	• Whistleblowing Policy (May 2014)
	• Equality and Diversity in Employment Policy.(August 2006)
	• Performance Review and Development system - sets our core competencies of behaviour.
	• Customer Care framework.
			specifies good governance, clarifies roles and responsibilities, elected members duties as councillors and as directors of companies and the mitigation of conflicts of interest.

5.1.3 Arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	• Member/Officer Protocol (December 2014) • Councillors' Code of Conduct – Standards Commission (December 2010) - Within the Councillors' Code of Conduct it is clear that it is the responsibility of the elected member to declare an interest and judge whether this should prevent them from taking part in any consideration of the item. • Code of Conduct for Council Employees (August 2012) sets out the standards of behaviour we expect • Our disciplinary policy makes clear what will happen in cases where these standards are not upheld • Our anti-bribery policy makes clear our expectations around behaviour in how we conduct our business relations and this is supported by Gifts and Hospitality Guidelines and Registers. • Published Register of Elected Members' Interests and Expenses • Customer Care – suggestions, compliments and complaints including Managing Customer Contact in a Fair and Positive Way Policy. • Annual Mandatory Key Policy Awareness process • The Edinburgh Partnership (EP) Board records in minutes conflicts of interest in undertaking its business. Public Sector partners on the Board and in the wider partnership arrangements are subject to the Equality Act 2010 provisions and the Public Sector Equality Duties 2013. The EP has a Board member for Equality and Rights.	3	• Council Companies report (30 June 2016) which outlines arrangements for a new Council companies' hub and how this aims to improve the officer scrutiny of Council companies. It specifies good governance, clarifies roles and responsibilities, elected members duties as councillors and as directors of companies and the mitigation of conflicts of interest.

Supporting principle	5.2 Organisational values are put into practice and are effective.		
Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Improvement Plan
5.2.1 Shared values, including leadership	• Council Vision, Values, strategic themes, Pledges, Community Plan, including embedding, where appropriate, into reporting template.	3	

values for the organisation and staff, reflecting public expectations that are communicated to members, staff, the community and partners.	• Our values were built from an engagement process with our customers, elected members, staff and unions as well as our service partners • Values are communicated on our internal intranet and inform the build and delivery of learning and development interventions • Values are a key part of our performance management system and our people's performance therefore takes account of how they are living those values in service delivery • Councillors' Code of Conduct – Standards Commission (December 2010) • Code of Conduct for Council Employees (August 2012) • Disciplinary Code (February 2014) • The Avoidance of Bullying and Harassment at Work Policy (February 2016) • Equality and Diversity in Employment Policy (August 2006) • Whistleblowing Policy (May 2014) • Freedom of Information processes and guidance and the Council's publication scheme. • Performance Review and Development system		
5.2.2 Systems and processes are designed in conformity with appropriate ethical standards, and monitored for continuing effectiveness in practice.	• As a public authority, the values of public service delivery are at our core, our transformation programme has them at its core and this has informed the reshaping of our entire organisation on the concept of localities • We work in partnership with communities and service partners to deliver services of benefit to people in our communities based upon our shared understanding of people's needs in local communities • Councillors' Code of Conduct – Standards Commission (December 2010) • Code of Conduct for Council Employees (August 2012) • Disciplinary Code (February 2014) • The Avoidance of Bullying and Harassment at Work Policy (February 2016) • Equality and Diversity in Employment Policy (August 2006) and regular monitoring reports • Published Register of Elected Members' Interests and Expenses • Whistleblowing Policy (May 2014) • Access to Information • Information Governance Framework (November 2013) which established the Information Council • CEC Framework to Advance Equality and Rights (June 2012)	3	
5.2.3 Ensure that systems and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice	• Budgeting systems • Reviews of financial performance reports against forecasts • Preparation and circulation of regular financial monitoring reports • Consideration of internal and external audit reports by GRBV. • Refresh of Public Interest Disclosure (Whistle blowing) Policy and updating of Anti-Fraud Policy • Development of additional guidance around sustainable and ethical procurement as part of Procurement Handbook which has been approved by CLT. • Implementation of mandatory training on a range of key policies and procedures.	3	

5.2.4 An effective standards committee or appropriate equivalent.	• The Council refers complainants to the Standards Commission for Scotland. (The Commission's main task is to ensure that standards of ethical conduct are maintained across local authorities and public bodies and to deal with complaints of misconduct against individual members.) • Councillors' Code of Conduct – Standards Commission (December 2010)	3	
5.2.5 Use shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.	• Councillors' Code of Conduct – Standards Commission (December 2010) • Code of Conduct for Council Employees (August 2012) • Leadership and Development Programme – for employees. • Performance Review and Development system. • Investors in People. • Members have the opportunity to challenge officers submitting reports. • Strategic Governance – agreed capital coalition pledges, Council outcomes and the strategic plan. These are linked for all reports. • Pride in Our People – series of engagement exercises with staff by senior management and senior elected members	3	
5.2.6 In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	• Individual agreements for partnerships. (EP Partnership Statement is in place, also Induction Pack and Members' handbook) • Local Code of Corporate Governance is completed and reported to the Governance, Risk and Best Value Committee annually.	3	

Transparency, Scrutiny and Risk

Principle – Transparency, scrutiny and risk	Taking informed and transparent decisions, which are subject to effective scrutiny, and managing risk.		
Supporting Principle	6.1 Be rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.		
Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Improvement Plan
6.1.1 An effective scrutiny function which encourages constructive challenge and enhances the authority's performance and that of any organisation for which it is responsible.	• Governance, Risk and Best Value Committee set up to replace the audit committee but also take the lead role as the Council's main scrutiny panel. • Accounts Commission Best Value Audit Report stated that the Governance, Risk and Best Value Committee 'provides effective scrutiny of the Council's operations and performance.' • Review of Political Management Arrangements (October 2014) - 70% of respondents recognised that the Governance, Risk and Best Value Committee had successfully enhanced scrutiny of Council business. • The Council has responded to external scrutiny, in the form of external audit and inspection reports, with improvement plans which are reported to the appropriate committees. • Convener of the Governance, Risk and Best Value Committee is an opposition member.	3	
6.1.2 Ensure an effective internal audit function is resourced and maintained	• Co-source arrangement agreed with PWC and contract signed with arrangements in place from 1 April 2013 to 31 March 2016 with an option to extend for 12 months. • Risk management framework now in place and being embedded across the Council. A risk based audit plan, risk based scoring mechanism for audit findings and risk based reporting and escalation procedure has been adopted. • An internal audit template in line with leading practice, providing a consistent reporting format across the Council has been introduced.	3	
6.1.3 Open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	• Councillors' Code of Conduct – Standards Commission (December 2010) • Code of Conduct for Council Employees (August 2012) • Member/Officer Protocol (December 2014) • Committee Terms of Reference and Delegated Functions (June 2015) • Scheme of Delegation to Officers (February 2016) • All Council and Committee reports and decisions are recorded and are available on the CEC web site via Council papers online (since May 2003). • Any decisions that are taken by officers under urgency provision require a report to the next committee detailing the decision taken and the reasons. • Copies of agendas, minutes and reports for all Council and committee meetings held by Edinburgh City Archives. • Members have the opportunity to challenge officers submitting reports. • Enhanced committee reporting following the Review of Political Management Arrangements and reports include links to related pledges and outcomes. • CEC reports have sections for consultation and engagement, sustainability and equalities impact. • Enhanced financial impact reporting arrangements are in place and embedded in the financial regulations. • Contract Standing Orders (February 2015) • Webcasting of Council and the major committee meetings – webcasts kept for 5 years. • FOI requests and replies published on Council website from January 2014 • Council Diary arrangements reported to Council annually (last reported 4 February 2016)	3	Contract Standing Orders scheduled for review June 2016

6.1.4 Arrangements to safeguard members and employees against conflicts of interest and processes to ensure that they continue to operate in practice.	- Councillors' Code of Conduct – Standards Commission (December 2010) - Member/Officer Protocol (December 2014) - Published Register of Elected Members' Interests and Expenses - Procedural Standing Orders (June 2015) section 11 - Code of Conduct for Council Employees (August 2012) - Whistleblowing Policy (May 2014) - Customer Care – suggestions, compliments and complaints - Guidance added to the orb regarding employees declaring conflicts of interest, close personal relationships at work and undertaking secondary employment. - Guidance updated on the orb regarding offering and declaring gifts and hospitality.	3	- Work is underway to improve the processes for employees to declare conflicts of interest, close personal relationships at work, secondary employment and gifts and hospitality. - At their meeting on 27 August 2015 the Finance and Resources Committee approved an action plan to develop the whistleblowing service following consideration of the report on the independent review of the service. Some actions from the plan are still in progress and it is envisaged these will be completed during the 2016/2017 reporting period, e.g.: - Review of the policy - Development of an investigative framework - Training of investigating officers - The role out of an awareness campaign for hard to reach staff.
6.1.5 An effective audit committee or equivalent which is independent of the executive and scrutiny, or suitable alternative.	- Committee Terms of Reference and Delegated Functions (June 2015) Paragraph 10 - Accounts Commission Best Value Audit Report stated that the Governance, Risk and Best Value Committee 'provides effective scrutiny of the Council's operations and performance.' - Committee convener is a member of the opposition. - Comprehensive training by Finance, Internal Audit, Governance, Treasury and Strategy and Insight managers for all committee members. - Ongoing training and workshops on key areas including treasury management, scrutiny and risk. - Governance, Risk and Best Value Committee webcast from 15 August 2013	3	Further training and briefings to be provided to the committee on a rolling basis.
6.1.6 Ensure that the authority's governance arrangements allow the Chief Financial Officer direct access to the audit committee and external audit	- Chief Financial Officer attends Governance, Risk and Best Value Committee. - Regular meetings with External Audit have been in place for many years, with the focus on achieving compliance whilst also adding value - Finance-based reports are included on all GRBV agendas and promote visibility of the importance attached to good financial management.	3	
6.1.7 Effective, transparent and	Quarterly complaints reporting to CLT with a report to Corporate Policy and Strategy Committee annually. Data available on the Council's website.	3	

accessible arrangements are in place for dealing with complaints.	• Procedures are outlined on the Council's website.		

Supporting principle	6.2 Have good-quality information, advice and support so that services are delivered effectively and meet the community's wants and needs.		
Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Improvement Plan

6.2.1 The authority's or partnership's decision makers are provided with information that is fit for the purpose i.e. relevant, timely and with clear explanations of technical issues and their implications.	• All Council and Committee reports and decisions are recorded and are available on the CEC web site via Council papers online (since May 2003).
	• Members have the opportunity to challenge officers submitting reports and ask questions at both agenda planning meetings or committee.
	• New report templates and guidance were introduced in October 2012 and updated in March 2014 with a face to face and online training programme for all staff.
	• Additional focus has been provided on the financial impact section of reports to ensure it is providing all the information a committee requires.
	• New section on risk in committee reports to address requests from members.
	• The Edinburgh Partnership Board agreed its new Community Plan 2015-18, on the 19 March 2015. The Community Plan confirmed:
	   o a shared partnership vision for the city
	   o four city wide community planning outcomes and a suite of associated strategic priorities
	   o a programme of partnership commitments to action
	   o the strategic outcome performance indicator measures and
	   o a new community plan performance monitoring framework.
	• On the 18 June 2015, the EP Board agreed in item 2.0.1, its Community Planning Baseline Report. The report:
	   o set out the rationale context for performance measurement
	   o confirmed the 21 strategic performance indicators used to measure performance (Appendix 1)
	   o the baseline metrics and annual targets, against which the Board will monitor future progress (Appendix 2) and confirmed the annual performance monitoring cycle, the reporting timetable, and the role of the strategic partnerships and advisory groups in supporting the Board's performance monitoring process.
		3	

6.2.2 Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority	• High satisfaction ratings in these information characteristics were apparent in last Financial Management survey but some variability remains in the format of monitoring reports – opportunities to review and spread best practice have therefore been examined by divisional working group, building on adoption of standardised employee monitoring processes. • Adoption of risk-based principles with focus on areas of greatest materiality and variability. Regular reporting to SMTs and Committee maintained. • Additional transparency/visibility of budget facilitated through "Total Budget" and other summarised budgetary analyses, including use of budget planner as part of 2015/16 and 2016/17 public engagement exercises. Suite of financial information also developed to complement budget challenge meetings. • Programme of staff training undertaken, centred on reconsidering and better understanding the role of the accountant, with greater emphasis upon supporting accounting for decision-making. Senior Management Team monitoring reports have also been reviewed to increase clarity and impact, resulting in use of	3	• Opportunities to review and spread best practice will also be considered as part of current service reviews.

	Powerpoint presentations – very positive feedback received.		
6.2.3 Professional advice on matters that have legal or financial implications is available, recorded well in advance of decision making and used appropriately.	• Finance and legal officers are available to members for advice and explanation. • Expert legal or financial advice is provided by the Acting Executive Director of Resources and Head of Legal and Risk. • Report Writing Guidance and statutory provisions require reports and papers to be submitted to the Council or its committees in advance to allow members time to consider them. • Members have the opportunity to challenge officers submitting reports.	3	
6.2.4 Ensure the authority's governance arrangements allow the Chief Financial Officer to bring influence to bear on all material decisions	• The Acting Executive Director of Resources is a full member of CLT, with unfettered access to other Executive Directors and the Finance and Resources Convener/Vice-Convener. • Finance representation included on all Senior Management Teams. • Financial Regulations include right of the Chief Financial Officer to request that items be removed from Committee and/or Council agendas where financial implications.	3	
6.2.5 Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance	• The level of reserves and balances is explicitly examined as part of the annual Budget process.	3	

Supporting principle	6.3 An effective risk management system is in place.		
Requirements of the local Code	**Evidence of compliance and links**	**Score (1-4)**	**Improvement Plan**
6.3.1 Risk management is embedded into the culture of the authority; with members and managers at all levels recognising that risk management is part of their jobs.	• The Enterprise Risk Management framework continues to follow best practice for private and public sectors and evolves in line with organisational and service transformation. • CLT and Service Area risks represent a balance of strategic, operational and common council-wide themes. Risks continue to be formally escalated, assessed and reviewed at their quarterly risk committees, which are attended by senior management teams, other key staff and representatives from other risk and assurance teams – for example: Health & Safety and Internal Audit. • Service teams within the Service Areas regularly review and escalate their risks to SMT. • The Governance Risk and Best Value Committee actively scrutinise CLT risks on a quarterly basis and Service Area risks annually. GRBV members have attended risk management and scrutiny training throughout the year.GRBV scrutiny of CLT RR • The Internal Audit Plan for 2016/17 is now a fully aligned risk based approach. Assurance Map for Internal Audit • Risks identified also inform assurance programmes eg within Corporate Property and Communities and Families. • Risk policies across the Council are aligning with the corporate approach to identifying and managing risk.	2/3	• Ensure that as the Council moves through major organisational change risk management continues to be embedded to ensure consistent and informed reporting, communication, decision making and identification of interdependencies. • Redefine the risk framework to reflect organisational transformation and ensure that structures and training continue at appropriate levels across the Council. • Recruit a permanent Chief Risk Officer and increase the current internal resource within the existing risk function.
6.3.2 Ensure the authority's arrangements for financial and internal	• Coverage and assessment of these areas forms an integral part of the annual assurance exercise in preparation for the writing of the Annual Governance Statement.	3	• The adequacy of the questionnaire for this purpose will be reviewed before commencement of the

Requirements	Evidence of compliance and links	Score (1-4)	Improvement Plan
control and for managing risk are addressed in annual governance reports			2016/2017 process.
6.3.3 Ensure the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorization and approval processes	• A framework of internal control is in place, incorporating the improvements recommended as part of the KPMG review; the extent of progress made was independently verified by PWC in March 2014. • Audit Scotland's most recent assessment concluded that controls within the main systems reviewed were operating satisfactorily but with some opportunities for improvement in systems reconciliation and maintenance of supporting documentation in some areas. These recommendations have been addressed as part of resulting action plans. Good progress has also been made in implementing recommendations made by Internal Audit and is tracked on a monthly basis.	3	

6.3.4 Arrangements for whistle-blowing to which staff and all those contracting with the authority have access.	• Whistleblowing Policy (May 2014)
	• Orb guidance for staff and individuals contracted to the authority.
	• At their meeting on 27 August 2015 the Finance and Resources Committee approved an action plan to develop the whistleblowing service following consideration of the report on the independent review of the service.
	• The Finance and Resources Committee decided to continue with an independent service provider with the autonomy to decide on the category of disclosures and to investigate major/significant disclosures.
		4	• The re-procured contract (from May 2016) will extend operation of the service from office hours to 24/7.
			• Some actions from the plan are still in progress and it is envisaged these will be completed during the 2016/2017 reporting period, e.g.:
			  o Review of the policy
			  o Development of an investigative framework
			  o Training of investigating officers
			  o The role out of an awareness campaign for hard to reach staff.

Supporting principle	6.4 Legal powers are used to the full benefit of the citizens and communities in their areas.		
Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Improvement Plan
6.4.1 Actively recognise the limits of lawful activity by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of the community.	• Committee Terms of Reference and Delegated Functions (June 2015) • Interim Head of Legal and Risk appointed by the Council as Monitoring Officer – section 7 of the Member/Officer Protocol. • Members have the opportunity to challenge officers submitting reports and seek advice from t Interim Head of Legal & Risk. • Members have the opportunity to seek advice from the Head of Strategy and Insight, Governance and Democratic Services Manager, Committee Services Manager and Clerking Manager.	3	

6.4.2 Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by the law.	• Committee Terms of Reference and Delegated Functions (June 2015) • Interim Head of Legal and Risk appointed by the Council as Monitoring Officer – section 7 of the Member/Officer Protocol. • Monitoring Officer's role and responsibilities. • Members have the opportunity to challenge officers submitting reports and seek advice from the Head of Legal & Risk. • Members have the opportunity to seek advice from the Head of Strategy and Insight, Governance and Democratic Services Manager, Committee Services Manager and Clerking Manager.	3	
6.4.3 Observe all specific legislative requirements, as well as the general legal requirements. In particular, integrate the key principles of good administrative law - rationality, legality and natural justice - into their procedures and decision making processes.	• Committee Terms of Reference and Delegated Functions (June 2015) • Interim Head of Legal and Risk appointed by the Council as Monitoring Officer – section 7 of the Member/Officer Protocol. • Monitoring Officer's role and responsibilities. • Members have the opportunity to challenge officers submitting reports and seek advice from the Legal Manager or Head of Legal & Risk. • Members have the opportunity to seek advice from the Head of Strategy and Insight, Governance and Democratic Services Manager, Committee Services Manager and Clerking Manager. • Councillors' Code of Conduct – Standards Commission (December 2010) – natural justice section 7 – taking decisions on quasi judicial or regulatory applications.	3	

Scoring – The Council's arrangements are scored on a scale of 1 – 4:

1 – Not compliant with local code requirements

2 – Partially compliant with local code requirements

3 – Fully compliant with the requirements of the local code

4 – Exceeds the requirements of the local code.

Governance, Risk and Best Value Committee

10am, Thursday 18 August 2016

Whistleblowing update

Item number	7.2
Report number	
Executive/routine	
Wards	

Executive summary

This report provides a high level overview of the operation of the Council's whistleblowing hotline for the period 1 March to 30 June 2016.

Links

Coalition pledges	P27
Council outcomes	CO15, CO25, CO27
Single Outcome Agreement	

EDINBVRGH

THE CITY OF EDINBURGH COUNCIL

Report

Whistleblowing update

Recommendations

1.1   To note the report.

Background

2.1   The Council launched its confidential whistleblowing hotline service, provided by independent company Safecall, on 12 May 2014.

2.2   This report covers the period from 1 March to 30 June 2016.

Main report

Reports to Safecall

3.1   During the reporting period Safecall received three new reports as follows:

Category	Number of disclosures
Major/significant qualifying disclosures	0
Minor/operational qualifying disclosures	2
Category to be determined	0
Non-qualifying disclosures	1

Whistleblowing Review - Action Plan Progress

3.2   The review of the pilot was completed in August 2015 with conclusions and recommendations reported to Finance and Resources Committee on 27 August 2015. An action plan was approved to develop the existing service and prepare for the procurement of continued service on expiry of the pilot term.

Governance, Risk and Best Value Committee – 18 August 2016

3.3   Progress against the action plan is being monitored and re-procurement of the service concluded in April 2016.

3.4   Safecall was awarded the contract to provide whistleblowing services to the Council for the next two years, with an option for the Council to extend for a further two years.

3.5   Policy and procedural updates and training for investigating managers will be the focus of activity over coming months.

Measures of success

4.1   Employees feel able to report suspected wrongdoing as early as possible in the knowledge that:

   4.1.1   their concerns will be taken seriously and investigated appropriately;
   4.1.2   they will be protected from victimisation; and
   4.1.3   the provisions of the whistleblowing policy ensure all matters at the Council are fully transparent and officers are accountable.

Financial impact

5.1   The cost of the whistleblowing hotline for the four month period 1 March to 30 June 2016 was £7,416.

5.2   The costs are within budget and are monitored regularly.

Risk, policy, compliance and governance impact

6.1   The whistleblowing policy was developed and agreed to complement existing management reporting arrangements and to ensure employees have the right to raise concerns in the knowledge that they will be taken seriously, that matters will be investigated appropriately and confidentiality will be maintained.

Equalities impact

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

Sustainability impact

8.1   There are no sustainability implications arising from this report.

Consultation and engagement

9.1   Consultation was undertaken with the trades unions to secure a local agreement.

9.2   A range of stakeholders, including whistleblowers and trades unions, were consulted during the pilot review.

Background reading/external references

[Finance and Resources Committee 19 September 2013: item 7.2 - Revised Whistleblowing Policy](#)

[Finance and Resources Committee 27 August 2015: item 7.13 - Review of Whistleblowing Arrangements](#)

Andrew Kerr

Chief Executive

Contact: Kirsty-Louise Campbell, Interim Head of Strategy & Insight

E-mail: kirstylouise.campbell@edinburgh.gov.uk | Tel: 0131 529 3654

Links

Coalition pledges	P27 – seek to work in full partnership with Council staff and their representatives.
Council outcomes	CO15 – the public is protected.
	CO25 – the Council has efficient and effective services that deliver on objectives.
	CO27 – the Council supports, invests in and develops our people.
Single Outcome Agreement	
Appendices	

Governance, Risk and Best Value Committee

10.00am, Thursday, 18 August 2016

Audit Scotland: Review of key internal controls, 2015/16

Item number   7.3
Report number
Executive/routine
Wards

Executive summary

As part of its annual programme of scrutiny, Audit Scotland conducts a review of the effectiveness of the Council's internal control framework. The 2015/16 review was undertaken between January and May 2016 and Audit Scotland's overall assessment was that the key controls examined continue to operate satisfactorily. A number of opportunities to enhance the effectiveness of the existing framework have, however, been identified and these form the basis of a corresponding action plan.

Links

Coalition pledges
Council outcomes
Single Outcome Agreement

Report

Audit Scotland: Review of key internal controls, 2015/16

Recommendations

1.1   Members of the Governance, Risk and Best Value Committee are requested to note the findings of Audit Scotland's 2015/16 review and that a further update on progress in implementation will be provided to the Committee in January 2017.

Background

2.1   Section 95 of the Local Government (Scotland) Act 1973 requires local authorities to make arrangements for the proper administration of their financial affairs and to designate an officer to have responsibility for these arrangements. The Head of Finance is the appointed Section 95 Officer for the Council and therefore has overarching responsibility to maintain a sound system of internal control. Under current interim arrangements, this role continues to be discharged by the Acting Executive Director of Resources.

2.2   As part of its annual programme of scrutiny, Audit Scotland conducts a review of the effectiveness of the Council's internal control framework. In undertaking this review, attention is focused upon the main controls within the key financial systems that are both integral to preparation of the Council's financial statements and contribute towards the effective management and safeguarding of its assets and other interests.

Main report

3.1   The 2015/16 review was undertaken between January and May 2016 and included coverage of all of the Council's principal financial systems. As in previous years, the specific areas examined were informed by a risk-based assessment of the Council's key systems and the adequacy of existing procedures and controls.

3.2   For those systems falling within the scope of testing, Audit Scotland's conclusion is that these controls continue to operate satisfactorily. A representative of Audit Scotland will attend the Committee to provide further details and respond to any specific queries elected members may have. In view of a number of areas of potential control weakness identified through this work, however, some

additional substantive testing will be undertaken as part of the review of the Council's 2015/16 financial statements.

3.3   While some of the issues highlighted are attributable in part to staff changes arising from the Transformation Programme, the importance of issues of internal control has been re-emphasised and progress in implementing and embedding the required improvements will be monitored on a monthly basis by relevant Senior Management Teams.

3.4   The report also refers to the work previously undertaken by Internal Audit highlighting comparatively low levels of mandatory policy awareness training in some areas. Members of the Committee received an [update on current and planned activity in this area](#) on 21 April.

3.5   A number of opportunities for improvement have therefore been identified and these are listed in Appendix A of the report, alongside the Council's response and an indication of the corresponding timescales within which actions to address any outstanding issues raised will be undertaken. A progress update will be provided to the Committee in January 2017, by which time it is anticipated that the majority of recommendations will have been fully implemented.

3.6   Members of the Committee will be aware of other on-going, complementary work geared towards further strengthening aspects of the Council's internal control framework. Internal audit and risk arrangements continue to identify areas for improvement and arrangements are in place to monitor implementation of identified actions and lessons learned Council-wide.

Measures of success

4.1   Improvements to the system of internal control are intended to ensure that assets are safeguarded, transactions authorised and properly recorded and material errors or irregularities either prevented or detected timeously.

Financial impact

5.1   While there is no specific direct financial impact resulting from the report's contents, enhancements to the effectiveness of the Council's systems of internal control form an essential part of improved governance arrangements.

Risk, policy, compliance and governance impact

6.1   Improvements to the internal control framework form an integral part of strengthening the wider governance arrangements within the Council.

Equalities impact

7.1   There are no direct equalities impacts as a result of this report.

Sustainability impact

8.1   There is no direct sustainability, climate change adaptation or sustainable development impact arising from the report's contents.

Consultation and engagement

9.1   There is no direct relevance to the report's contents.

Background reading/external references

Induction and Mandatory Learning, Governance, Risk and Best Value Committee, 21 April 2016

Hugh Dunn

Acting Executive Director of Resources

Contact: Hugh Dunn, Acting Executive Director of Resources

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

Coalition pledges	
Council outcomes	
Single Outcome Agreement	
Appendices	Appendix 1 – Audit Scotland report: Review of key internal controls, 2015/16

AUDIT SCOTLAND

City of Edinburgh Council

Review of Internal Controls 2015/16

Prepared for: City of Edinburgh Council

July 2016

Key contacts

David McConnell, Assistant Director
dmcconnell@audit-scotland.gov.uk

Stephen O'Hagan, Senior Audit Manager
sohagan@audit-scotland.gov.uk

Carol Foster, Senior Auditor
cfoster@audit-scotland.gov.uk

Audit Scotland

4th floor (South Suite)

8 Nelson Mandela Place

Glasgow

G2 1BT

Telephone: 0131 625 1500

Website: www.audit-scotland.gov.uk

Contents

Summary

Introduction

1. Auditing standards require external auditors to obtain an understanding of the accounting and internal control systems that exist within the audited body to allow us to plan the audit and develop an effective financial statements audit approach.

2. We seek to gain assurance that the audited body:

   - has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements

   - has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption

   - complies with established policies, procedures, laws and regulations.

Summary of findings

3. The key controls operating within the financial systems of City of Edinburgh Council have been subjected to testing by audit to ensure that they are operating satisfactorily.

4. Overall we are satisfied that the council's internal control systems are adequate, however additional audit testing will be required as part of our financial statements audit, to address controls weaknesses identified in certain areas, including:

   - access controls within the payroll and online banking systems

   - documentation and processing issues around elements of council tax.

5. In addition, we have identified some further areas where improvements could be made to the existing control environment, including:

   - the timely completion of periodic suspense or control account reconciliations within the main accounting system and non domestic rates system

   - improved administration of supporting documentation for aspects of the council tax and housing rents systems

   - the documentation of checks made on changes to rent system and payroll system standing data.

6. These issues are summarised in the table at appendix A of this report which also sets out the agreed action to be taken in response to audit findings.

7. It is the responsibility of management to decide on the extent of the internal control systems appropriate to the council. Any weaknesses identified represent those that have come to external audit's attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist.

Audit findings

System of internal control

8. Our audit approach included planned controls assurance on the key financial systems of:

   - main accounting
   - payroll
   - trade receivables
   - trade payables
   - banking
   - council tax billing and collection
   - non domestic rates billing and collection
   - housing rents
   - treasury management.

9. To obtain our controls assurance, testing strategies were developed and work completed during January to May 2016. Our review involved the identification and assessment of the risks inherent in the key systems, and the adequacy of the procedures and controls in place to address these risks.

10. As documented in our Annual Audit Plan issued in March 2016 we planned to place reliance on the work of internal audit in the following areas:

   - Continuous audit testing (key financial systems) - payroll
   - CAPFM/CAFM (accounts payable feeder system)

11. Review of the internal audit payroll file was undertaken in a previous audit year and we concluded that we were able to take the planned level of assurance in respect of the planned aspects of the payroll system. Internal Audit reports on CAPFM/CAFM were also reviewed. Internal Audit found that the council has not been able to fully implement CAFM in the timescales expected due to a number of factors. We have therefore concluded that CAFM is not a key system for the purposes of the 2015/16 financial statements audit.

12. The following narrative sets out identified control weaknesses which impact on our planned audit approach, along with areas where there is scope to improve existing controls in place.

13. As part of our normal risk assessment procedures, we review the work of internal audit and take into consideration any relevant issues when planning our work. During the year, internal audit reported that management of the council's mandatory annual policy awareness training is currently ineffective in some areas. This gives rise to a risk of staff not being aware of their responsibilities under anti-fraud arrangements and processes, and a potential risk of the council failing to meet legislative requirements under the Anti Bribery Act. Management action is being taken to escalate the completion of mandatory training, and internal audit will follow up on the progress of this as part of its normal monitoring and reporting procedures.

Main accounting

14. **Suspense account reconciliations**– The completion of suspense account reconciliations is monitored by the corporate finance team, to ensure they are carried out regularly and that any issues raised have been investigated further by the relevant service teams. During review of the reconciliation monitoring spreadsheets, we noted that as at March 2016, a number of unidentified transactions from the December 2015 reconciliation spreadsheet were still being investigated by the service teams. A similar issue was raised in our 2014/15 internal controls report and management agreed to put procedures in place to ensure that reconciliations are completed within one month of each quarter end. We will review the updated year end position as part of our financial statement audit.

Action plan 1

Payroll

15. **Authorised users and access rights** – Our review of user access rights within the payroll system identified a number of instances where individuals' rights appeared inappropriate:

- two users who have access rights covering both HR and payroll functions
- two users who have system admin user access but do not currently work in the System Development team
- one payroll team leader who has system admin user access
- five payroll team members who have team leader access.

16. In response to an issue around system access control reports raised in our 2014/15 report, management advised that an annual review of access rights is undertaken each summer and was due to commence in August 2015. However during this year's testing we have been advised that no such review was undertaken. We will modify our planned testing during the financial statements audit to ensure appropriate substantive assurance is obtained in this area.

Action plan 2

17. **Superannuation contribution rates** – an annual re-banding exercise is undertaken each April to assess and update the superannuation contribution rates for employees on the payroll system. Scheme members are identified along with their permanent and variable elements of pay, and the applicable banding identified and recorded on a spreadsheet. The data is then reviewed by a second officer, and a sample of rates for individual employee checked, before data is uploaded to the payroll system, and details passed to Lothian Pension Fund. During our review we noted that evidence of review and sample checking of data had not been retained by officers. We will undertake substantive procedures as part of our financial statements audit to ensure appropriate assurance is obtained in relation to the data uplift.

Action plan 3

Banking

18. **Bank account maintenance** – Currently council bank accounts can be opened, closed or amended by a single authorised signatory. We understand that the council intends to strengthen this control by

requiring two authorised signatures, however this change has not yet taken place. As the council restructures its finance function as part of its transformation programme, it would be appropriate to consider this as part of its review.

Action plan 4

Council tax billing

19. **Void exemptions** – For a sample of fifteen accounts in receipt of an empty & unfurnished exemption, we checked the case file to ensure that an inspection had been carried out to confirm that each was indeed a void property. One case was identified where an error by processing staff had resulted in the exemption being applied incorrectly. A further case was identified where there was no backup documentation on file to support the exemption awarded. Appropriate action has now been taken by officers in each case. We will modify our planned testing during the financial statements audit to ensure we obtain appropriate substantive assurance.

Action plan 5

20. **Other exemptions** – For a sample of fifteen accounts where a discount, allowance or other exemption had been applied, we checked the case file to ensure that the exemption had been properly calculated, recorded and authorised. Three cases were identified where discounts had been incorrectly applied by officers. Two of these cases resulted in financial errors which have now been corrected. We will modify our planned testing during the financial

statements audit to ensure appropriate substantive assurance is obtained in this area.

Action plan 6

21. **Refunds**– We checked a sample of ten refunds relating to dormant (closed) council tax accounts to confirm the validity of the refund to supporting evidence. One case was identified where the closing date applied to the account was incorrect, resulting in an erroneous refund being authorised and paid. The error has now been corrected. We will modify our planned testing during the financial statements audit to ensure appropriate substantive assurance is obtained in this area.

Action plan 7

Non domestic rates billing

22. **NDR debtors reconciliation**– During our review we noted that no regular in-year reconciliations were performed between the debtor balance on the NDR system and the financial ledger during the 2015/16 financial year. Regular in-year reconciliations would strengthen controls within the system, leading to more timeous identification and correction of errors and reducing the risk of unidentified differences impacting on the year end financial statements. We will examine the year end balances on both systems as part of our financial statements audit.

Action plan 8

Housing rents

23. **Rent increase sample checks** - The housing rent team process rent increases in line with decisions taken by the council and undertake sample checks on processed cases to ensure that increases have been applied correctly. In our 2014/15 internal controls report we noted that no record of the checks performed by officers could be provided to evidence that this control was operating and management agreed to review the relevant procedures to ensure that an appropriate audit trail was maintained.
.

24. Our follow up work in 2015/16 confirmed that written procedures setting out the process for applying rent increases are in place, including the requirement for performing sample checks, and the rents system includes an audit trail of applied rent changes. However, these procedures would be strengthened by the inclusion of a checklist to record details of the sample checks undertaken.

Action plan 9

25. **Refunds** – We checked a sample of twelve refunds to confirm that they had been properly authorised by a senior officer. We were unable to confirm the authorisation in five cases as the department had not retained documentation dated prior to July 2015. We also identified one case where the form had been signed by the processing officer but not the approver, and two further cases relating to heat and rent overcharges which we were advised are not normally authorised by a second officer. Although the amounts involved in these three cases are relatively low, authorisation by a

second officer is recommended to improve controls in this area and reduce the risk of incorrect or inappropriate payments. We will modify our planned testing during the financial statements audit to ensure appropriate substantive assurance is obtained in this area.

Action plan 10

26. **Reconciliations between rent system and financial ledger**– Daily totals for rent income collected are obtained from the cash receipting system and reconciled to the amounts posted to the financial ledger. During our 2014/15 financial statements audit, we highlighted there was an unreconciled rent debtor difference of £737,000 at 31 March 2015. Officers were continuing to investigate the reasons for the variance, and review procedures for processing system interfaces. We concluded at the time that this difference was not material to the financial statements for 2014/15, however it was important that the underlying reasons were established, and appropriate corrective action identified, in advance of the introduction of the new financials system.

27. Following further investigation and discussions with the systems supplier, officers have identified mapping issues with certain transaction types in the rent system that have contributed to the accumulated differences. New system reports have been developed during 2015/16 to address this issue, and prior year adjustments processed to correct errors identified. The unreconciled difference at 31 March 2016 was £10,000 and officers are working to identify this remaining balance.

28. We will review the year end reconciliation between the rent accounting system and financial ledger and the prior year adjustments processed as part of our 2015/16 financial statements audit work.

Treasury Management

29. **Inactive users**– In our 2014/15 internal controls report we reported that there were a number of users with access to the online banking system whose accounts had been inactive for an extended period. Management agreed to put procedures in place to regularly review and identify inactive users. From our review of the users listing we identified fewer inactive users than previously, however there were still some users who had not been active since 2014. A shorter period of inactivity before users are deleted is recommended to improve controls in this area. We will modify our planned testing during the financial statements audit to ensure appropriate substantive assurance is obtained in this area.

Action plan 11

30. **Access rights**– We tested a sample of thirty users of the council's online banking system to confirm the reasonableness of their access rights. Three users could not be traced to the intranet, email directory or payroll system and we were advised that these could have been temporary or contract workers. One user was identified who has now left the council and a further two users who have changed roles and would no longer appear to require access.

Action plan 12

Acknowledgement

31. The cooperation and assistance afforded to the audit team during the course of this audit work is gratefully acknowledged.

Appendix A: Action plan

No. / Para Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
1 Para 14	**Main accounting** **Suspense account reconciliations** – Unidentified transactions highlighted through suspense account reconciliations are not always investigated and resolved timeously. **Risk**: Transactions may not be accounted for correctly in the financial ledger.	Relevant service areas have been reminded of the importance of prompt and full reconciliation. Progress will be monitored on a bi-monthly basis by the Resources Management Team and any necessary corrective action taken as appropriate.	Corporate Finance Senior Manager 30 Sept 2016
2 Para 16	**Payroll** **Authorised users and access rights** – We identified a number of system users during our controls review where their system access rights did not appear appropriate for their roles. **Risk**: Inappropriate transactions may be processed.	Review of iTrent profiles and roles will be undertaken by ICT Systems Support as part of departmental quality and audit activity.	System Support Manager, ICT Solutions 30 Nov 2016

No. / Para Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
3 Para 17	**Payroll** **Superannuation contribution rates –** Evidence of checks on annual contribution rate data uplifts has not been retained by officers. **Risk**: Insufficient checks on rate increase standing data resulting in errors not being identified.	This will be built into the annual process as part of the standard quality checks. Information will be securely retained. This will be delivered in line with the next annual run scheduled for March 2017.	Acting Payroll Manager 31 March 2017
4 Para 18	**Banking** **Bank account maintenance** – Council bank accounts can be opened, closed or amended by a single authorised signatory. **Risk**: Inappropriate changes may be made.	The point is accepted and once the Finance Review is complete, further consideration will be given to requiring a second signature for account administration.	Principal Treasury and Banking Manager 30 Sept 2016

No. / Para Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
5 Para 19	**Council tax billing** **Void exemptions** – One case was identified, from a sample of fifteen items tested, where an error by processing staff had resulted in the exemption being incorrectly applied. A further case had no backup documentation on file to support the exemption awarded. **Risk**: Income may be incomplete or incorrectly stated.	As noted in para 19 the errors identified have been corrected. Our internal quality team carry out regular sample checks of work completed and this includes void exemptions. If a member of staff consistently under performs structured support is provided with improvement targets set before being progressed to the formal stages of our Managing Work Performance procedure. An online empty homes assessment was issued to all Council Tax processing staff on 9th June with a target completion date of 1st July. This target was met and the results of this are being analysed. Individual / group training will be considered as appropriate. The assessment is also to be issued to staff in the contact centre and benefit processing teams. A reminder / refresher to clarify procedures in this area is incorporated into our training plan and will be delivered in the form of a staff session with availability over Lync for home workers.	Team Manager: Council Tax Ongoing throughout 2016/17

No. / Para Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
6 Para 20	**Council tax billing** **Other exemptions** – Three cases were identified, from a sample of fifteen items tested, where errors by processing staff resulted in discounts or exemptions being incorrectly applied. **Risk**: Income may be incomplete or incorrectly stated.	As noted in para 20 the errors identified have been corrected. Our internal quality team carry out regular sample checks of work completed and this includes the reductions applicable to Council Tax. If a member of staff consistently underperforms structured support is provided with improvement targets set before being progressed to the formal stages of our Managing Work Performance procedure. A reminder / refresher to clarify procedures across a range of reduction types is incorporated into our training plan and will be delivered in the form of a staff session with availability over Lync for home workers. Home workers are also kept abreast of relevant technical changes through regular team meetings and office days, besides daily contact and collaboration with colleagues through the Lync system.	Team Manager: Council Tax Ongoing throughout 2016/17

No. / Para Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
7 Para 21	**Council tax billing** **Refunds** – For one out of ten refunds relating to dormant accounts tested, the closing date applied to the account was incorrect resulting in an incorrect refund being authorised and paid. **Risk**: Incorrect or inappropriate refunds may be paid if refunds are not properly checked.	As noted in para 21 the errors identified have been corrected. Our internal quality team carry out regular sample checks of work completed and this includes refunds. If a member of staff consistently under performs structured support is provided with improvement targets set before being progressed to the formal stages of our Managing Work Performance procedure. Revised guidance was issued to all staff on 22nd February to reiterate the checks required when (1) creating a refund and (2) authorising a refund. This will be addressed again at the staff sessions referred to in items 5 & 6. A report is also now being run quarterly to identify historic credit balances that are only being transferred or refunded currently. A sample of this report is undertaken by team managers as a further check to ensure there is good reason for the transaction to be carried out and a legitimate request exists.	Team Manager: Council Tax Ongoing throughout 2016/17

No. / Para Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
8 Para 22	**Non domestic rates billing** **NDR debtors reconciliation** – No regular in-year reconciliations were performed between the debtor balance on the NDR system and the financial ledger during the 2015/16 financial year. **Risk**: Greater difficulty in reconciling the two systems if reconciliations are not performed regularly, and potential misstatement of debtors in the financial statements.	NDR processes have been updated to include bi-annual reconciliation.	Principal Accountant, Corporate Accounts and NDR Manager 30 Sept 2016 and 31 Mar 2017
9 Para 24	**Housing rents** **Rent increase sample checks** – Sample checks on rent increases are not currently signed off by officers **Risk**: Insufficient checks on rent increase standing data resulting in errors not being identified.	There is an annual rent increase implementation plan in operation. The audit trail of rent increases is maintained on Northgate and the gross debit figure is monitored on an ongoing basis by finance as part of the fortnightly reconciliation process. A checklist has been incorporated into the implementation plan to evidence the sample checking undertaken, and will be applied from next annual uprating.	Income, Rents and Tenancy Manager Completed

No. / Para Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
10 Para 25	**Housing rents** **Refunds** – For five out of a sample of twelve refunds tested, we were unable to confirm that the refund had been properly authorised as relevant documentation had not been retained. Also a further three refunds in the sample had not been authorised by a senior officer. **Risk**: Incorrect or inappropriate refunds could be paid.	A full audit trail of any adjustments to rent accounts is held in the Northgate IT system. The housing function that currently completes the credit refunds on the housing rent system has transferred into the Corporate Debt recovery team as part of the Council Transformation. The responsibilities for housing rent functions and procedures, which relate specifically to the Northgate system and will not therefore be affected by wider system changes arising from ICT migration, will be reviewed and updated as part of this transition.	Income, Rents and Tenancy Manager, 31 Dec 2016

No. / Para Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
11 Para 29	**Treasury management** **Inactive users** – A number of online banking system users with accounts that have not been active since 2014 were identified from our review. **Risk**: Inappropriate access to the council's data and/ or inappropriate transactions if users are not deleted after a shorter period of inactivity	Significant effort was put in last year to verify users of the Bankline system with in excess of 300 users removed in 2015/16 and a small number more identified as part of the year end and removed in April. Two years was initially set as some areas of the Council rotate staff within a team through different roles so may not require access for a lengthy period of time. Other staff are required to provide a cover role for holidays, etc. so their access may be occasional. However, once the one-off work noted below has been completed, a procedure will be implemented to e-mail users who have not been active for six months to ask them to confirm if they still need access.	Principal Treasury and Banking Manager 30 Sept 2016

No. / Para Ref.	Audit finding	Management response/ planned action	Responsible officer / Target date
12 Para 30	**Treasury management** **Access rights** – Three out of a sample of thirty online banking system users could not be verified as council employees. A further user who has now left the council and two users who have changed roles and would no longer appear to require access were identified. **Risk**: Inappropriate access to the council's data and/ or inappropriate transactions	Of the three users who could not be verified as Council employees, two were identified in April as having left the Council and removed from the system at that point. The third is an employee of Standard Life who has access to the Bank Account which is part of the Property Portfolio they manage on behalf of LPF. The user who was identified as having left the Council is in fact still employed but has a different surname. However, as was stated at the time, it was accepted that significant further work to ensure that access is appropriate needed to be done and was planned for this year. The first phase of this which has ensured that all Bankline users are current members of staff or other approved users has been completed. All users who have not accessed the system in the last six months are being contacted to verify that they still require access. Thereafter further work will be undertaken to ensure the appropriateness of users' access for their present role.	Principal Treasury and Banking Manager 30 Sept 2016

Governance, Risk and Best Value Committee

10.00am, Thursday, 18 August 2016

Accounts Commission Annual Report 2015/16 and Audit Scotland Annual Report and Accounts 2015/16

Item number	7.4
Report number	
Executive/routine	
Wards	

Executive summary

The Accounts Commission and Audit Scotland have published their annual reports for 2015/16. The Commission's report highlights key themes emerging from its overview of council activity across Scotland, emphasising the on-going importance of effective management of resources, ensuring available funds are well spent (including appropriate investment in preventative approaches) and developing and retaining the capacity and skills required to manage an increasingly complex range of services.

Audit Scotland's report provides an overview of its public sector-wide work undertaken over the last year, highlighting the impact of unprecedented legislative reform on the public sector landscape within Scotland. The report also provides an overview of national reports issued during the past year, two of which have been considered by the Governance, Risk and Best Value Committee.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	All

Report

Accounts Commission: Annual Report 2015/16 and Audit Scotland Annual Report and Accounts 2015/16

Recommendations

1.1 Members of the Committee are asked to note the contents of the respective reports.

Background

2.1 The Committee's remit includes the review of all matters relating to external audit, including planning documentation.

2.2 Both the Accounts Commission and Audit Scotland present annual reports highlighting work that has been undertaken across Scotland's 32 councils.

Main report

3.1 The Accounts Commission annual report, included at Appendix 1, and Audit Scotland's annual report, included at Appendix 2, reference a number of national reports published during 2015/16. While fewer of these than in past years were local government-specific, the following were considered by the Committee during the year on the dates shown below:

Title	Summary	Considered by Committee
An overview of local government in Scotland 2016	While noting councils' success in delivering necessary savings to date, the report emphasised that longer-term financial sustainability will require more difficult decisions, rooted in the need to focus investment on key services and consider alternative delivery models.	26.05.16
Major investment in councils: follow-up	The report assessed councils' progress in implementing recommended improvements highlighted in its original 2013 report, building on interim progress updates.	21.04.16

3.2   Given the reports' Scotland-wide coverage, their recommendations and observations are intended to be of similarly general applicability. In this vein, the Accounts Commission annual report highlights a number of overriding messages, namely that councils need to be more ambitious in their plans, better at longer-term planning and willing to appraise all practical options for delivering services more efficiently and effectively.

3.3   Wherever appropriate and relevant, however, the reports' recommendations are compared with current practice within the Council and additional actions included in relevant action plans. One such example is the *Major capital investment in councils: follow-up* report; additional details on total project spend where this spans a number of financial years are reflected in the capital outturn report being considered by the Finance and Resources Committee later today.

3.4   The Council was also the subject of a Best Value audit during the year, with the findings reported to Council on 10 March 2016. These were:

   3.4.1 Considerable progress has been made in addressing the Council's increasingly challenging financial position. The Council has a clear strategy for changing the way it delivers services, reducing its workforce and achieving substantial financial savings.

   3.4.2 Elected members and senior managers now have a shared understanding of the challenges facing the Council and the action that needs to be taken.

   3.4.3 The Council's various improvement projects have been consolidated into a single transformation programme. The programme is now being used to redesign services and change the way the Council operates.

   3.4.4 A workforce strategy has been developed, supported by more detailed plans, setting out the size and shape of its future workforce needs.

Measures of success

4.1   The action plans within the external auditor's reports, when implemented, will complement the Council's own activity in continuing to strengthen its control framework, risk management and wider governance arrangements.

Financial impact

5.1   There are no financial implications arising directly from this report.

5.2   The Council budget contains provision for fees for Audit Scotland.   Fees totalling £0.691m were paid to Audit Scotland in 2015/16 in respect of external audit services undertaken for the Council, Pension Funds and Charitable Trusts.

Risk, policy, compliance and governance impact

6.1   There is no direct additional impact resulting from the report. Following the raft of improvements put in place within the Council in recent years, however, overall governance, risk management and internal audit arrangements are assessed to be sound.

Equalities impact

7.1   There is no additional impact arising from the report's contents, although having due regard to value for money, equalities and sustainability is an integral part of securing best value.

Sustainability impact

8.1   There is no additional impact arising from the report's contents, although having due regard to value for money, equalities and sustainability is an integral part of securing best value.

Consultation and engagement

9.1   There is no direct relevance to the report's contents

Background reading/external references

None.

Hugh Dunn

Acting Executive Director of Resources

Contact: Hugh Dunn, Acting Executive Director of Resources

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO1 – Edinburgh's economy delivers increased investment, jobs and opportunities for all
	SO2 – Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health
	SO3 – Edinburgh's children and young people enjoy their childhood and fulfil their potential
	SO4 – Edinburgh's communities are safer and have improved physical and social fabric
Appendices	Appendix 1 – Accounts Commission 2015/16 annual report
	Appendix 2 – Audit Scotland 2015/16 annual report and accounts

Annual report

2015/16

ACCOUNTS COMMISSION

Who we are

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance, financial stewardship and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees

- assessing the performance of councils in relation to Best Value and community planning

- carrying out national performance audits to help councils improve their services

- requiring councils to publish information to help the public assess their performance.

You can find out more about our role, powers and meetings on the Accounts Commission web pages .

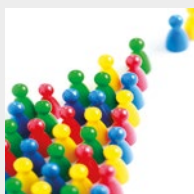The current members of the Commission are listed on page 14.

Contents

Our year

6 Best Value reports

5 National reports

2 Impact reports

32 Councils audited

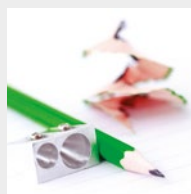**34** Joint boards audited

Members
5 7

Top downloads 2015/16

7,675
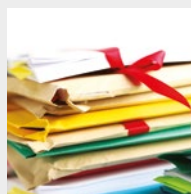Health inequalities in Scotland
December 2012

6,614
School education
June 2014

5,337
An overview of Scotland's criminal justice system
September 2011

4,507
An overview of local government in Scotland 2015
March 2015

4,371
Health and social care integration
December 2015

Chair's foreword

While it may be an overused cliché that councils 'face significant challenges', that does not detract from the truth of the statement underlined by the pressure of reduced resources, of an ageing and more costly population, and the legitimate expectations of the public for high-quality local services.

There are three key priorities facing councils. Firstly, the effective management of resources. Secondly, improvement in the use of those resources not only in either reducing costs or increasing outputs but also in ensuring that money is well spent – for example in preventing or mitigating known problems before they arise. Thirdly, councils ensuring that they have all the necessary skills and capacity to manage an increasingly complex provision of services.

I have heard it argued that reduced resources make continuous improvement – the duty of Best Value – harder to achieve. But reduced resources do not mean reduced services. Councils currently spend over £20 billion each year. Cutting costs before cutting services is a legitimate expectation of the public as is the need to demonstrate that every pound represents a pound well spent.

The Commission also faces new challenges in our continuing responsibility of providing assurance to the public, not least in shining a light on where accountability lies in the increasingly complex world of public services.

> " need to demonstrate that every pound represents a pound well spent "

The Scottish Government has given us the additional responsibility to audit the new integrated joint boards – the Health and Social Care Partnerships between councils and health boards responsible for some £9 billion annual spending. These new bodies also have a duty of Best Value and face the challenge of building a shared culture of trust and acting always in the best interests of the joint board.

We enjoyed the opportunity to celebrate 40 years of the Commission and the continuing importance of our values of independence, impartiality and the integrity of our evidence-based work.

I offer my thanks to my fellow Commissioners for the commitment and the thoroughness of their contributions, to our Secretary for his sound advice and management of the Commission's business, and to the Controller of Audit and staff in Audit Scotland for their continuing high standard of work for the Commission.

Douglas Sinclair
Chair of the Accounts Commission

Summary

Overview of local government

Our annual overview report (March 2016) said cuts alone in jobs and services were no longer enough to meet increasing financial pressures.

Scotland's 32 councils managed to balance their books effectively in 2014/15, but face a five per cent real terms reduction in Scottish Government revenue funding for local government in 2016/17.

Councils need to be more ambitious in their plans, better at longer-term planning, and willing to appraise all practical options for delivering services more efficiently and effectively.

Despite spending reductions, improvements were shown in educational attainment, the quality of council housing and waste recycling, although customer satisfaction with social work, libraries and leisure services declined.

Most councils have reduced their workforces to save money and many are planning further staff reductions. In doing so, they need to ensure they have people with the knowledge, skills and time to design, develop and deliver effective services in the future.

Councils should also involve local people more in making decisions about services that are sustainable and meet local needs.

It is important that councillors keep updating their skills and knowledge to do their jobs so they can challenge and scrutinise decisions and performance, and fully assess options for new and different ways of delivering services.

An overview of local government in Scotland 2016
March 2016

Our work

Accounts Commission business

Our role as the public's watchdog is founded on the annual financial audits we carry out on Scotland's 32 councils.

This is how we check to ensure public money is spent effectively and wisely. We work closely with scrutiny partners to coordinate work at each council, as set out in our **National Scrutiny Plan** ⊙.

In recent years, councils have made increasing use of arm's-length external organisations (ALEOs) to provide leisure and other services. In August 2015, we reviewed the Following the Public Pound Code and found it was still valid but it should be embedded into our new approach for Best Value.

As well as helping councils improve we also apply that lesson to ourselves, looking closely at what we do and how we can do better.

In March 2016, the Commission approved a new *Code of Audit Practice* ⊙ to improve how audits are carried out, including greater transparency to show the public how money is spent. Clearer information means people have a greater say in decisions that affect them. This was underlined in our latest statutory direction to councils on the performance information they produce.

We also looked hard at our own recruitment policies to attract a broader range of candidates. Three new Commission members were appointed in September 2015. We were keen to reflect the Scottish Government's equality ambition for a 50/50 gender balance on public sector boards by 2020. The appointment of three new female Commission members represented significant progress towards that goal.

Best Value

Best Value is a legal duty on councils to deliver continuous improvement in what they do. It has been in place since 2003. A lot has changed since then but Best Value remains as relevant and important as ever.

All councils have an annual financial audit but only a few are specifically examined on their performance – usually when it is showing signs of failing. Some have not had a Best Value audit for five years or more.
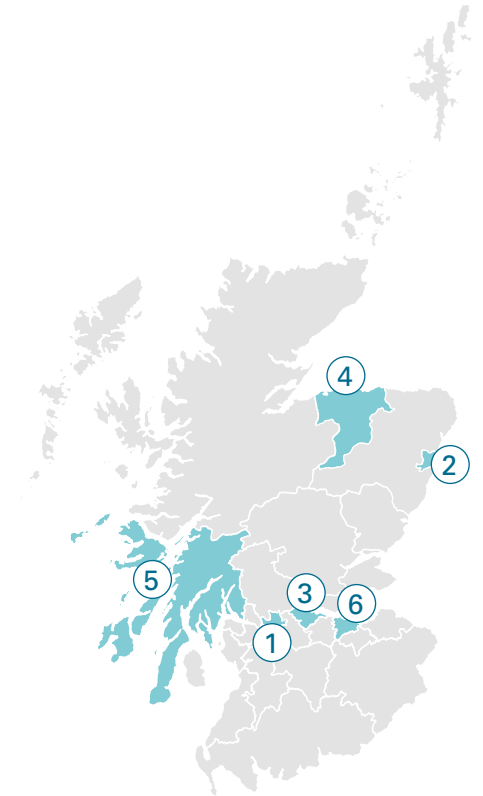
The Commission has set out a fresh approach to give the public more assurance on how their councils are doing. We want this to capture good performance as well as where they are doing badly or falling behind other councils.

The aim is to provide a much clearer and up-to-date picture for the public so that people can make informed judgements on how services are run.

This requires a more streamlined service by integrating audit processes to capture richer intelligence – of good as well as poor practice – and achieve more effective reporting on each council.

The plan is to bring in the key elements of the Commission's new approach from October 2016 but with flexibility for the arrangements to evolve and adapt to meet future challenges.

Six Best Value performance audits were carried out in 2015/16. The Commission issued findings on each council:

1. East Dunbartonshire
⊕ June 2015

2. Aberdeen City
⊕ July 2015

3. Falkirk
⊕ August 2015

4. The Moray
⊕ October 2015

5. Argyll and Bute
⊕ December 2015

6. The City of Edinburgh
⊕ February 2016

National reports

We published five national reports, three of them jointly with the Auditor General in areas where there are common interests between councils and other public bodies.

Two were about health and social care integration, the most far-reaching public service reform since the establishment of the Scottish Parliament.

Councils and health boards, through Health and Social Care Partnerships, now jointly have the legal responsibility to make a significant start in the shift from hospital care to care at home and care in the community. The Commission has been given the responsibility of auditing the new joint partnerships.

Health and social care integration looked at preparations for the new bodies and found significant risks over budgets and time to get established. *Changing models of health and social care* found some small-scale innovative practice around Scotland but lack of national leadership and clear planning meant transformational change to make a real difference was not happening fast enough.

Community Planning: an update followed up two previous reports and found a gap still exists between national expectations of Community Planning Partnerships and how they plan and deliver services.

The importance of what local government provides was highlighted not only in the overview but also *Major capital investment in councils: follow-up*. Over the last three years councils spent £7 billion on capital investment – more than half of all Scottish public sector capital expenditure. The report found councils need to improve further the way they manage major projects like schools, roads, housing and flood prevention.

Health and social care integration
December 2015

Major capital investment in councils: follow-up
January 2016

Community Planning: an update
March 2016

Changing models of health and social care
March 2016

An overview of local government in Scotland 2016
March 2016

Looking back

40 years of the Accounts Commission

Last year was also a time for looking back further – over our first four decades. The Accounts Commission came into being in 1975 as a part of major reforms of local government. A new post of Controller of Audit was created to lead the audit work for the Commission.

The guest of honour at a reception to mark the first 40 years was James Dargie, the first Controller of Audit. Now 98, he spoke of the early days when he started with a blank sheet, effectively building the organisation up entirely from scratch in just three months.

Mr Dargie pioneered the professional code for public sector auditors and the mixed system which is still in operation today – where 60 per cent of audits are carried out by Audit Scotland staff for the Commission and the remainder by private firms of accountants on its behalf.

Speaking at the reception, Local Government Minister Marco Biagi welcomed the announcement of the Commission's most gender-balanced line-up to date and applauded it for staying "true to its principles" over the last 40 years.

Controllers of Audit

(L ▶ R):

Robert Black (1994-2000, interim 2003-04)

Ronnie Hinds (2000-03)

James Dargie (1974-82)

Caroline Gardner (2004-10)

Fraser McKinlay (2010-present)

John Broadfoot (1989-94)

Harris Wells (2000)

Other Controllers of Audit were:

James Troman (1982-85)

Robert Simpson (1985-89)

Engagement

Working with others

The Commission belongs to the wider local government community in Scotland. Our role as independent watchdog is not simply a narrow financial one.

The chair and Commission members followed up reports with meetings either at a council's headquarters or in Edinburgh. Direct feedback and exchange of views provide insight both for us as well as councils.

The Commission provided briefings to Parliamentary committees. It has also had regular informal discussions and meetings with Scottish ministers, MSPs, and key figures from local government.

Auditors spoke at various conferences and seminars over the year. The reports *Health and social care integration* and *Major capital investment in councils* stimulated a great deal of interest, much of which was promoted on social media.

The **Commission's web presence** received a significant boost in traffic with a relaunched website in November. Our top five report downloads of 2015/16 showed the ongoing impact of previous reports. Health inequalities, school education, and criminal justice were the top three followed by two from 2015 – the local government overview and health and social care integration.

Engagement plan 2015/16: Progress report

May 2016

We are also making more use of background information from some of our reports. This is now presented in the interactive Tableau format, providing useful insights and allowing comparisons to be made over time and by council area.

The first to go online was based on data from the *Major capital investment in councils* report. Initial feedback has been positive and we hope this will prove a valuable resource in addition to the Improvement Service's benchmarking framework. Better information helps better decision-making.

We fulfilled our commitment to provide practical advice for councillors in all our performance audits. We also published reports on the impact of previous audits for *Scotland's public sector workforce* ⊕ (August 2015) and *Procurement in councils* ⊕ (February 2016).

The Commission worked with the Auditor General in developing our joint commitment to the principles behind *Public audit in Scotland* ⊕ (May 2015).

⊕ Major capital investment in councils: follow-up
January 2016

Our members

The Accounts Commission currently has 12 members, all of whom are appointed by Scottish ministers. The Commission meets monthly and its meetings are open to the public.

In October 2015, we said farewell to three members, Colin Peebles, Linda Pollock and Colin Duncan, who reached the end of their terms of office. We welcomed new appointments Dr Sophie Flemig, Sheila Gunn and Geraldine Wooley.

Douglas Sinclair
Chair

Register of interests

Alan Campbell

Register of interests

Sandy Cumming

Register of interests

Sophie Flemig

Register of interests

Sheila Gunn

Register of interests

Ronnie Hinds
Deputy chair

Register of interests

Christine May

Register of interests

Tim McKay

Register of interests

Stephen Moore

Register of interests

Graham Sharp

Register of interests

Pauline Weetman

Register of interests

Geraldine Wooley

Register of interests

Secretary to the Accounts Commission

Paul Reilly

Annual report

2015/16

This report is available in PDF and RTF formats,
along with a podcast summary at:
www.audit-scotland.gov.uk

If you require this publication in an alternative
format and/or language, please contact us to
discuss your needs: 0131 625 1500
or **info@audit-scotland.gov.uk**

For the latest news, reports
and updates, follow us on:

ACCOUNTS COMMISSION

This publication is printed on 100% recycled, uncoated paper

Annual report
and accounts

2015/16

AUDIT SCOTLAND

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.

- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
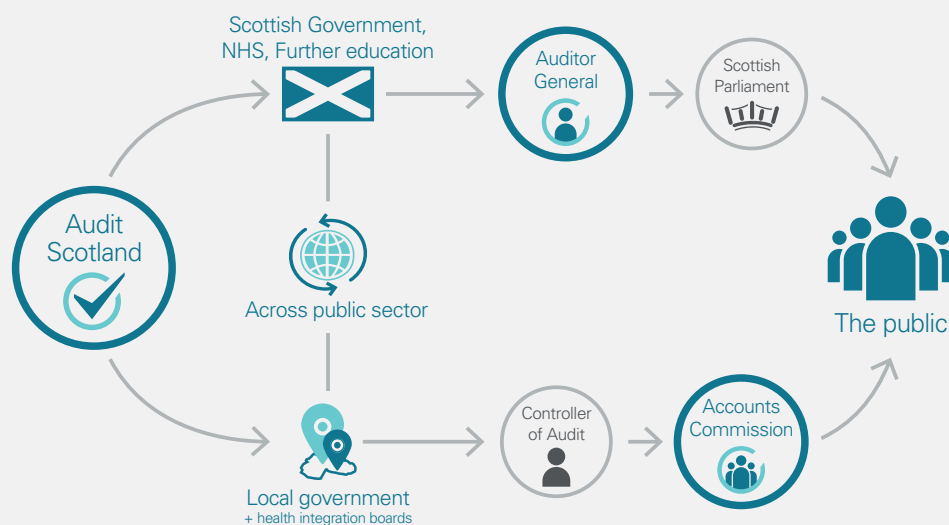
About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money

- reporting our findings and conclusions in public

- identifying risks, making clear and relevant recommendations.

Contents

Highlights

323 Accounts audited

£0.9 million efficiency savings

expanding workload and new audits in the pipeline

Relocation **£2.8 million** savings over ten years

£13,000+ raised by our staff for good causes

Redeveloped website

Top downloads 2015/16

8,010
Scotland's colleges 2015
April 2015
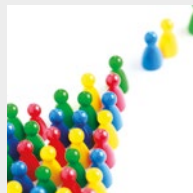
7,675
Health inequalities in Scotland
December 2012
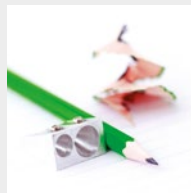
6,614
School education
June 2014
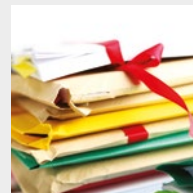
5,337
An overview of Scotland's criminal justice system
September 2011
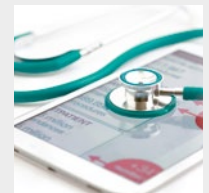
4,704
NHS in Scotland 2013/14
October 2014

Welcome

Chair's welcome

It was a privilege for me to take over as board chair in October from my distinguished predecessor John Maclean. We were also pleased to welcome Professor Russel Griggs OBE as our new independent non-executive board member.

Our role as a board is to support Audit Scotland to achieve its key objective: to help ensure public money is spent properly and effectively on the key public services everyone in Scotland relies on.

This annual report makes reference to significant political and economic changes and challenges over the last year for public bodies. These reinforce the need for us to continue to keep a sharp focus and be able to adapt. Looking forward, there are substantial new financial powers for the Scottish Parliament which bring greater policy choices over tax and spending – and additional responsibilities for us.

Our corporate plan sets out how we intend to meet these challenges, for example with a new Code of audit practice and the Accounts Commission's new approach to auditing Best Value in local government. We are also making sure we organise ourselves to be flexible enough to respond to the challenges ahead. We already have a strong organisation to build on and I pay tribute to the staff of Audit Scotland for all their hard work and commitment throughout the year.

Ian Leitch CBE
Chair of the Audit Scotland Board

Corporate plan 2016/17 update
⬇ May 2016

Code of audit practice 2016
⬇ May 2016

Performance report

Accounts audited

323

204
Local government

127 Charities
34 Joint boards/committees
32 Councils
11 Pension funds

100% Audit reports by due date

75
Central government

46 NDPB
18 Other
10 Agency
01 Scottish Water

96%

S22 2
Section 22 reports

23
NHS

14 Territorial NHS region
09 Special health boards

100%

S22 3

21
Further education

20 Colleges
01 Regional boards

90%

S22 4

Foreword

Accountable Officer's report

Like all public bodies we need to continue to change, improve and become more efficient in what we do.

Our strategy for doing exactly that is captured in a series of development projects under the banner becoming world class. I believe we are making good progress in many areas, while also recognising we have more to do. We have now updated our corporate plan to ensure we continue to perform well.

At the same time as driving change in the organisation, we have successfully carried out our core work – producing over 300 annual audit reports, 17 national and local performance audits and all the accompanying media and engagement work that we do, with the Scottish Parliament and the Public Audit Committee in particular.

I would also like to draw attention to some of the themes highlighted in this report: working with the new financial powers; managing public sector reform; and transforming public services.

Audit Scotland is fortunate to be full of talented people. I am grateful to my colleagues for all their hard work and continued support in what has been a testing year. We know there are challenges ahead but we're ready to meet them and play our part in the wider shared ambition to improve the lives of the Scottish people.

Caroline Gardner
Accountable Officer

Overview

Operating context

Political changes over the past year – and in the coming years – are set to transform key aspects of how public money is raised and spent in Scotland. In our planning, we are well aware of the new responsibilities and powers of the Scottish Parliament and the role that audit will have in helping to ensure these are used wisely.

We have put resources into ensuring we are prepared for additional work connected to the new financial powers, and in continuing to be able to support a new Scottish Parliament following the elections in May 2016.

At the same time, financial pressures on public services are likely to continue while demand and expectations for these services grow.

Audit Scotland has an important role to play in helping the Auditor General and the Accounts Commission to ensure proper scrutiny of new powers for Holyrood and other developments such as new joint boards for health and social care.

The 323 annual financial audits we completed provide the foundation for all our work. They go to the heart of what's happening in public bodies across Scotland and provide the basis for further detailed scrutiny – for example in the Section 22 reports we presented to Parliament on colleges, the Scottish Police Authority and the NHS. We also completed more intensive audits in areas such as the European Agricultural Fund.

Carrying out the annual audits demands a great deal of time and effort by our auditors. But it is through them that the people of Scotland can be reassured that we are checking that the money they pay in taxes is being spent effectively to deliver the key services we all depend on.

This is what audit does – as well as raising issues that Parliament and the people need to know about.

Working with the new financial powers

Nowhere was change more sharply focused than in new financial powers and responsibilities for the Scottish Parliament.

Our December 2015 report found good progress by Revenue Scotland in delivering the new land and buildings and landfill taxes under The Scotland Act 2012.

Much wider powers over income and other taxes, borrowing and social security were set out in The Scotland Act 2016. In March 2016, the Auditor General set out the role of Audit Scotland to support Parliament in developing a new fiscal framework for Scotland for these powers.

However, there remains a lack of transparency and clarity about current government expenditure. Commenting on the Scottish Government's accounts in October 2015, the Auditor General underlined the need for more information on public sector spending as a whole in Scotland to give a fuller picture of how money is spent. For example, gaps currently exist in aggregate pension liabilities and there is no clear overall picture of the commitments arising from investment in assets such as hospitals and schools.

(L▶R):
Mark Taylor and Gordon Smail of our new financial powers review team

Implementing the Scotland Act 2012: an update
⊙ December 2015
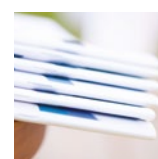
News article: Auditor General sets out support for Parliament in scrutinising new fiscal framework
⊙ March 2016

Performance analysis

Overall, we spent £25.3 million to do our job. Most of this (£17.6 million) came from fee charges and other income, with the remainder (£7.7 million) in direct funding from the Scottish Parliament. It also provided £1.4 million in capital for the move to our new Edinburgh office, which will bring £2.8 million in revenue savings over ten years.

Operating costs were down £0.7 million on budget and we also delivered £0.9 million of efficiency savings – more than twice the target. Operating income was £0.4 million more than budget because of additional audit work undertaken.

More details are available in the Directors' report (pages 19–21).

Annual financial audits 2015/16

This forms the largest part of our work – an annual check on public bodies across Scotland. We audited 323 sets of accounts over the year. There were seven auditor opinions qualified this year – two in further education, one in central government and four in charities.

Supporting the Scottish Parliament

A key part of our work is supporting the Scottish Parliament in its role of ensuring that public bodies are subject to effective scrutiny. We use Section 22 reports to inform Parliament usually when something doesn't appear right in the annual audits and also where bodies have made good progress since a previous report.

We published nine of these last year on: the Scottish Police Authority, NHS 24, NHS Tayside, NHS Highland, the Scottish Government's Consolidated Accounts, Glasgow Clyde College, Edinburgh College, Glasgow Colleges Regional Board and one from the 2013/14 audit of Coatbridge College.

The Auditor General also attended most of the 21 meetings of the Public Audit Committee over the year to give evidence or answer questions.

Our auditors gave oral and written evidence to various other Parliamentary committees over the year, including supporting the Accounts Commission to present evidence to the Local Government and Regeneration Committee.

National reports

These look at major issues of public concern across the country. We produced 11 over the course of the year. These are published by the Auditor General and the Accounts Commission, and jointly in areas where both have a responsibility.

○ Auditor General

○ Accounts Commission

○ Joint report

The Scottish Fire and Rescue Service
May 2015

Efficiency of prosecuting criminal cases through the sheriff courts
September 2015

Health and social care integration
December 2015

Major capital investment in councils: follow-up
January 2016

Changing models of health and social care
March 2016

1 April 2015

31 March 2016

Scotland's colleges 2015
April 2015

Managing ICT contracts in central government: an update
June 2015

NHS in Scotland 2015
October 2015

Implementing the Scotland Act 2012: an update
December 2015

Community planning: an update
March 2016

An overview of local government in Scotland 2016
March 2016

Local government reports

The Accounts Commission is responsible for scrutinising Scotland's 32 councils. The Controller of Audit oversees auditors' work and reports to the Commission, bringing matters of concern to its attention. Last year it published five national reports, three jointly with the Auditor General, and six on individual councils and how they were meeting their statutory duty to deliver Best Value. The Commission publishes its own annual report which gives more details of its work.

Accounts Commission Annual report 2015/16

⊕ May 2016

Managing public sector reform

The 2014/15 audit of the Scottish Police Authority
⊙ December 2015

Scotland's colleges 2015
⊙ April 2015

The 2013/14 audit of Coatbridge College: Governance of severance arrangements
⊙ June 2015
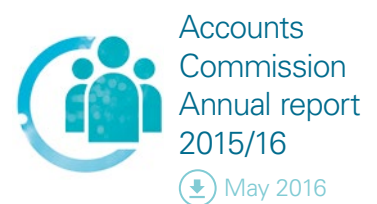
We examined the impact of previous reforms which led to the creation of single police and fire bodies.

Our report concluded that the Scottish Police Authority and Police Scotland must collectively provide stronger leadership in strategic and operational financial management. There is a need to improve a number of aspects of governance arrangements and financial statements.

Overall, Scotland's colleges had coped well with mergers as we reported in April 2015. However, serious issues were identified in governance, financial management and lack of transparency at individual colleges. As a result, we produced four Section 22 reports highlighting various issues in this sector.

The Public Audit Committee conducted its own inquiry and several evidence sessions following a report on severance payments to senior staff at Coatbridge College, whose failures the Auditor General described as the most egregious she had seen.

Transforming public services

New partnerships bring together councils and health boards to transform health and social care. This is one of the most far-reaching public service reforms since the establishment of the Scottish Parliament.

The Accounts Commission has been given the responsibility of auditing the new joint partnership boards.

We took a themed approach to see how this was progressing. Our first report found significant risks for the new bodies over agreeing budgets and planning, ahead of formal introduction in April 2016.

A second report concluded that innovative models of care and new ways of working would be needed to deliver better outcomes for users. There was also uncertainty about how governance and strategic planning would work in practice.

All of this is set against a backdrop of tighter public finances highlighted in our NHS overview, which said fundamental changes and new ways of delivering healthcare are required now to ensure the NHS is able to continue providing high-quality services in the future.

The overview of local government found that while councils were generally coping well, they are facing starker choices which will not be met simply by continuing to cut staff and services.

(L ▶ R):
Carol Calder, Corrinne Forsyth, Jillian Matthew and Gordon Neill who worked on our new series of health and social care reports

Health and social care integration
December 2015

Changing models of health and social care
March 2016

NHS in Scotland 2015
October 2015

Other key aspects of our work

We publish a range of documents about various aspects of our work and our standards. Here is a summary:

Community planning

Our third report on Community Planning Partnerships said they needed stronger national leadership and support to reach their full potential. We will continue to take an interest in wider issues around community planning.

Community planning: an update

Scrutiny coordination

We work closely with other bodies to make sure that the scrutiny of local government is better targeted and more proportionate to identified risks. This is outlined in the National scrutiny plan and local plans for all 32 councils.

National scrutiny plan 2016/17

Audit quality

We apply quality control processes to all our audits. Audit quality is also independently reviewed by other UK audit agencies and the Institute of Chartered Accountants of Scotland.

Transparency and quality annual report 2015/16

Audit support

We also improve audit quality by ensuring that auditors' technical judgements are made on an informed basis. We published 21 in-depth guidance notes and four bulletins, added 115 documents to our online library and responded to 735 technical inquiries.

Technical guidance

Ethical standards

Independence is a fundamental principle of public audit and helps ensure its effectiveness. We have adopted the Financial Reporting Council's ethical standards for auditors, not just to financial audits but all our work.

Working with other countries

We value our work with other countries. In 2015/16, we hosted five international delegations, attended the European Organisation of Regional External Public Finance Audit Institutions conference in Dresden and helped it revise guidelines for regional audit bodies.

Climate change and sustainability

Our Climate change plan has a target to reduce CO_2 emissions by 15 per cent by 2020. We have achieved a 31 per cent reduction over the previous six years.

Carbon Scrutiny Board Annual report 2015/16

Climate change plan 2015/16–2019/20

Identifying fraud and errors

We coordinate the National Fraud Initiative in Scotland, a data-matching exercise to identify fraud and error across the public sector. We also found Scottish councils had made improvements in dealing with housing benefit fraud and error.

National Fraud Initiative in Scotland

Housing benefit audit

Improving our performance

We carried out extensive consultation to get feedback on what we do. We spoke to organisations we audit and those we report to, scrutiny partners, professional bodies and the public at large.

They told us they valued clear, concise reports; independent and authoritative analysis of data; clear recommendations for improvement; and assessments of the impact of our work.

The consultation framed the principles of *Public audit in Scotland* published in May 2015 and it feeds into our annual reviews of our corporate plan.

Public audit
in Scotland
May 2015

Strategic objectives

Our strategic objectives are grouped under three broad improvement headings – Securing world class audit, Making a difference and Building a better organisation.

Our corporate plan details our strategic objectives for three years ahead and also charts progress over the course of the past year.

Here is a summary of our performance against these objectives:

Corporate plan
2016/17 update
May 2016

Securing world class audit

This objective includes ensuring that public audit in Scotland applies the highest professional and ethical standards, is efficient, proportionate and risk based, and promotes transparency and accountability. We achieved the following 2015/16 objectives, by:

- developing a new Code of audit practice for public audit in Scotland. This has a focus on financial sustainability and management, governance and transparency, and value for money and will apply from the 2016/17 audits

- consulting on and developing a new approach to auditing Best Value

- introducing improved arrangements for investigating matters of concern raised by members of the public

- developing a new fees strategy, which will be implemented during 2016.

We also met our objective to support the Auditor General and the Accounts Commission in their procurement of appointed auditors for the next five years.

Code of audit
practice 2016
May 2016

Making a difference

Our overall objective sets out to maximise the difference our audit work makes to public services, the people they serve, the outcomes those people experience and the use of public money. We achieved this in 2015/16, by:

- publishing 17 national and local performance audit reports

- developing a strategic and longer-term programme of work focused on key risks and challenges facing Scotland's public sector

- launching a new website for easier public access to our work and developing our use of social media to share information with wider communities.

↑ 30%
rise in page views
on launch day

Building a better organisation

This seeks to make Audit Scotland a great place to work to attract and retain a highly skilled workforce, and make the best use of public resources. We met our 2015/16 objectives, by:

- conducting a strategic review of our job design and roles to ensure we have the capacity to carry out current and future work

- preparing for additional work by taking on 15 more trainee auditors, a pool of talent that we aim to develop into the technical experts, managers and leaders of the future

- deploying our workforce more flexibly across business groups

- becoming a Living Wage employer

- rationalising our office provision in Edinburgh to deliver savings and offer a better working environment.

Caroline Gardner

Caroline Gardner
Accountable Officer

7 June 2016

Building a better organisation

Presiding Officer, Tricia Marwick at the opening ceremony

Presiding Officer of the Scottish Parliament, Tricia Marwick formally opened our new office in Edinburgh in March 2016 with a musical backdrop from young musicians in Raploch's Rinconada string orchestra.

This is one of Sistema Scotland's Big Noise projects which aim to help disadvantaged children develop their full potential through musical performance. We provided early support to help them measure the impact of their work through a secondment for one of our auditors, Aileen Campbell.

Bringing our Edinburgh colleagues together – not only in one building but also on a single floor in a modern and practical environment – will yield savings of £2.8 million over ten years.

Feedback has been very positive from our 180 colleagues who moved. The new office will over time bring a significant reduction in our carbon footprint and also provides a home for the Accounts Commission's public meetings and seminars with stakeholders.

Blog: The Big Noise
Aileen Campbell
June 2015

Accountability report

People
(whole-time equivalent)[1]

273

Gender
49.5% 50.5%

Board
60% 40%

Senior management
40% 60%

Sickness
absence per person[2]

5.6 days

Staff turnover
8.2%
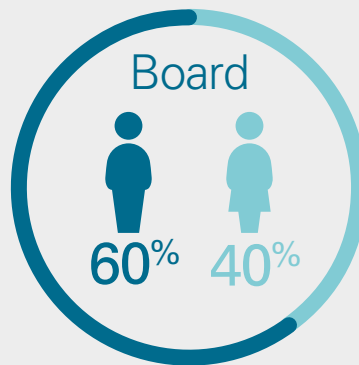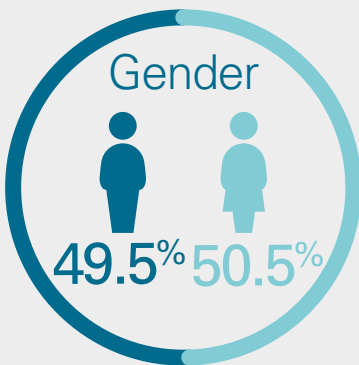
Trainee auditors
15

		Gender	Board	Management			
2014/15	266 wte	50.4 | 49.6	60 | 40	40 | 60	4.59 days	6.89%	14
2013/14	258 wte	49.3 | 50.7	60 | 40	33.3 | 66.7	5.99 days	9.98%	10

Notes:
1. As at 31 March 2016.
2. Public sector average 8.1 days and private sector 3.7 days, CIPD 2015 survey.

Directors' report

Statutory background

Audit Scotland was formed on 1 February 2000 (and began operations on 1 April 2000), following the transfer of staff and property from the Accounts Commission and National Audit Office, under The Public Finance and Accountability (Scotland) Act 2000. Part 2 of this Act established Audit Scotland as a body corporate.

Directors

The directors of Audit Scotland are the management team and non-executive board members whose details are set out in the Governance statement.

Register of interests

Executive directors and board members have to complete a declaration of interests. No significant company directorships or other interests were held which may have conflicted with their management responsibilities and no member of the board had any other related party interests.

Auditor of Audit Scotland

Our accounts must, under Section 19 of The Public Finance and Accountability (Scotland) Act 2000, be sent to the Scottish Commission for Public Audit (SCPA) for auditing. The SCPA appointed Alexander Sloan Chartered Accountants as auditors to Audit Scotland for a three-year period beginning in March 2011. The contract has been extended on an annual basis for the past three years.

The directors who held office at the date of the accountability report confirm so far as they are each aware there is no relevant audit information of which Audit Scotland's auditors are unaware, and each director has taken all the steps that they ought to have taken to make them aware of any relevant audit information and to establish that Audit Scotland's auditors are aware of that information.

Sources of funding

Part 2 of The Public Finance and Accountability (Scotland) Act 2000 allows us to make reasonable charges to audited bodies in respect of the exercise of our functions. We must seek to ensure that, taking one year with another, the charges for certain types of work are broadly equivalent to expenditure. Any expenditure not met from charges is payable out of the Scottish Consolidated Fund.

Pensions and early departure costs

Details of the organisation's pension and early retirement costs are set out in the Remuneration and staff report (pages 28–32) and in notes 1i, 3, and 14 of the financial statements.

Post balance sheet events

There were no important events occurring after the year-end which fall under the definition of a post balance sheet event.

Payment to suppliers

In line with the CBI Prompt Payment Code, we have a policy to pay all invoices not in dispute in 30 days or the agreed contractual terms if otherwise specified: 98 per cent (99 per cent in 2014/15) of all invoices for the year were paid on or before the due date.

We also monitor our performance against the Scottish Government's target of payment of trade invoices within ten days. In 2015/16, 84 per cent (87 per cent in 2014/15) of trade invoices were paid within ten days.

Personal data-related incidences

During 2015/16 there were no incidences of data loss which required to be notified to the Information Commissioner.

Review of financial performance

We are required to produce annual accounts detailing the resources acquired, held or disposed of during the financial year and the way in which they were used. The Auditor General for Scotland has been appointed as Accountable Officer and is responsible for the preparation of these accounts.

The following sections provides a summary from the accounts. The financial statements are published on .

Resources

In 2015/16, Audit Scotland spent £25.3 million on services for the Auditor General and the Accounts Commission. Of these costs £17.6 million were recovered through charges to audit bodies and other income. The balance of expenditure £7.7 million together with capital expenditure of £1.4 million was met from direct funding provided by the Scottish Parliament. This sum, £9.1 million, was £0.8 million less than the estimate (budget) for the year.

Our net operating costs were £0.7 million less than budget. Of this, £0.1 million related to favourable movements on unfunded pension provisions as a result of changes in actuarial assumptions.

Operating income was £0.4 million more than budget as a result of additional work undertaken following further education college mergers, the establishment of Police Scotland and the expansion of European Agricultural Fund audits. People costs were £0.2 million more than budget mainly because of a provision of £0.3 million made for 11 staff who have accepted voluntary early retirement and severance – as a result, annual recurring savings of £0.3 million will accrue from April 2017. Other administration costs were £0.5 million less than budget, with the majority of the savings arising from property costs as a result of settling dilapidation liabilities on closed offices in Edinburgh at £0.3 million less than the provision held together with savings in respect of travel and subsistence £0.2 million.

In 2015/16, we delivered £0.9 million of efficiency savings against a target of £0.4 million. This was 3.6 per cent of our budget. The majority of savings came from staff costs, travel and subsistence and property.

Our year in figures	Actual £000	2015/16 Budget £000	Variance £000	2014/15 Actual £000
People costs	15,772	15,581	-191	14,987
Other administration costs	9,507	9,972	465	9503
Corporation Tax payable	8	6	-2	8
Total Expenditure	25,287	25,559	272	24,498
Operating income	(18,529)	(18,092)	437	(18,244)
Other finance income[1]	937	937	-	847
Total Income	(17,592)	(17,155)	437	(17,397)
Net Operating Cost	7,695	8,404	709	7,101
Capital expenditure	1,405	1,530	125	199
Total resource required from Parliament	9,100	9,934	834	7,300

Note: 1. Other finance income comprises the expected interest income from the local government pension scheme assets less the interest payable on the scheme liabilities.

Capital expenditure

In 2015/16, Audit Scotland invested £1.4 million to improve its business. This was mainly due to fitting out expenditure following our move to a single Edinburgh headquarters. The move, which formed the last part of our property rationalisation programme, will save an estimated £2.8 million in revenue costs over the ten-year period of the lease. This investment was £0.125 million less than the available budget as a result of a competitive tender process to appoint a fit-out contractor and tight cost control during the project.

Resources required for 2016/17

Our budget resources for 2016/17 have been approved by the Scottish Parliament. Our revenue resources total £24.6 million. Of these resources, £18.2 million will be recovered through charges to audited bodies and miscellaneous income. The balance of expenditure of £6.4 million will be met from direct funding provided by the Scottish Parliament.

A capital resource of £0.2 million will also be provided by the Scottish Parliament.

Statement of Accountable Officer's responsibilities

Under Section 19(4) of The Public Finance and Accountability (Scotland) Act 2000, Audit Scotland is required to prepare resource accounts for each financial year, in conformity with the direction of Scottish ministers, detailing the resources acquired, held, or disposed of during the year and the use of resources by Audit Scotland during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Audit Scotland, the net resource outturn, comprehensive net expenditure, cash flows and movement in taxpayers' equity for the financial year.

The Scottish Commission for Public Audit has appointed the Auditor General for Scotland as Accountable Officer for Audit Scotland, with responsibility for preparing the accounts of Audit Scotland and for submitting them for audit to the Scottish Commission for Public Audit.

In preparing the accounts, the Accountable Officer is required to comply with the Financial Reporting Manual (FReM) and in particular to:

- observe the accounts direction including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis

- make judgements and estimates on a reasonable basis

- state whether applicable accounting standards, as set out in the FReM, have been followed; and disclose and explain any material departures in the accounts

- prepare accounts on a going concern basis.

The responsibilities of the Accountable Officer (including the propriety and regularity of the public finances), for keeping proper records and for safeguarding assets, are set out in the *Memorandum to Accountable Officers for Other Public Bodies* ⊕.

Governance statement

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Audit Scotland's policies, aims and objectives. I am also responsible for safeguarding the public funds and assets assigned to Audit Scotland, in accordance with the responsibilities set out in the *Memorandum to Accountable Officers for Other Public Bodies* ⊕.

Our governance and management
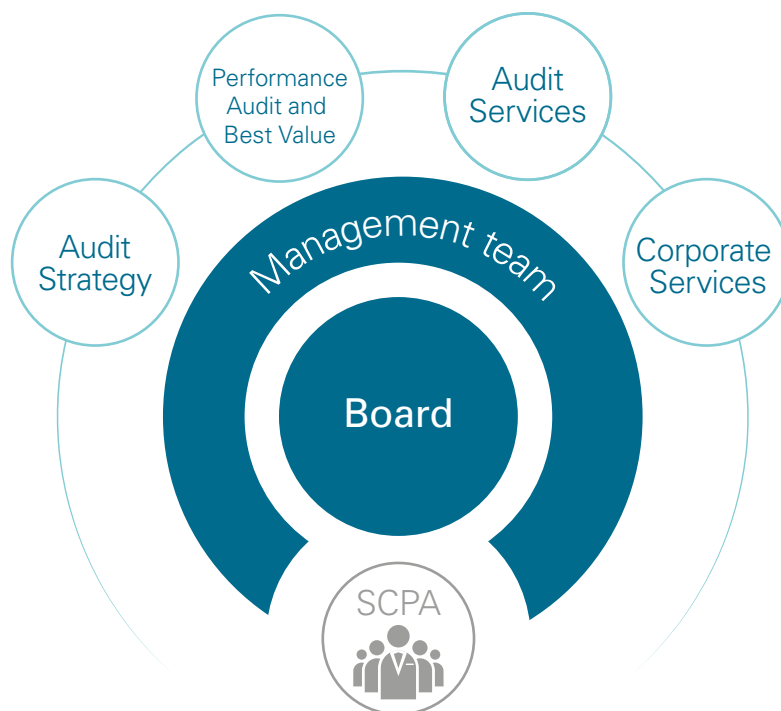
The board

The Audit Scotland Board is responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through a Scheme of Delegation, which it determines and approves.

The board is made up of the Auditor General, the chair of the Accounts Commission and three independent non-executive members appointed by the Scottish Commission for Public Audit. The chair of the board and its committees are non-executive members.

Our board sets and monitors the strategic direction of Audit Scotland, oversees Audit Scotland's work and sets high standards of governance and management.

Board members

Ian Leitch CBE	Douglas Sinclair CBE	Caroline Gardner	Professor Russel Griggs OBE	Heather Logan
Chair of the board (from 1 October 2015)[1]	Chair of the Accounts Commission	Auditor General and Accountable Officer for Audit Scotland	Independent non-executive member (from 1 October 2015)	Independent non-executive member

Note: 1. John Maclean was chair of the board until 30 September 2015 when he left the board.

Board committees

The board has two standing committees:

Audit committee

This committee oversees the arrangements for internal control, risk and corporate governance, internal and external audit, the annual accounts and the Standing Orders, Financial Regulations and Scheme of Delegation.

It comprises Heather Logan (chair), Douglas Sinclair and Russel Griggs. Ian Leitch was a member of the audit committee until 30 September 2015 and was appointed chair of the board from 1 October 2015.

The audit committee receives the annual accounts, internal audit reports and a range of other management reports, including regular reports on financial management and risk. It met five times in 2015/16 and recommended the appointment of BDO as internal auditors to Audit Scotland. Most internal audits in 2015/16 achieved 'substantial assurance', the highest standard available, from our internal auditors. A follow-up report showed that we were making excellent progress in applying previous recommendations. The chair of the audit committee submits an annual Statement of Assurance to the board.

Remuneration and human resources committee

This committee sets and reviews the salaries of senior staff (excluding the Auditor General, whose salary is agreed by the Scottish Parliamentary Corporate Body) and the main terms and conditions for all staff.

It comprises Russel Griggs (chair), Douglas Sinclair, Heather Logan and Ian Leitch and it met five times in 2015/16.

Management team

Russell Frith

Assistant Auditor General

Diane McGiffen

Chief Operating Officer

Fraser McKinlay

Director of Performance Audit and Best Value and Controller of Audit

Fiona Kordiak

Director of Audit Services

The management team also includes Caroline Gardner (pictured on page 24)

Executive directors

Our management team oversees the day-to-day operations of Audit Scotland's work, with each member taking responsibility for a specific area.

Parliamentary accountability

Audit Scotland is held to account by Parliament through statutory arrangements put in place by The Scotland Act 1998 and through The Public Finance and Accountability (Scotland) Act 2000.

Our spending and use of resources are examined by the Scottish Commission for Public Audit (SCPA), a statutory body comprising five MSPs which meets in public and reports to Parliament.

The SCPA appoints our non-executive board members and chair, scrutinises our budget, annual report and accounts, and produces reports on these. It appoints our external auditors, currently Alexander Sloan Chartered Accountants.

In its **report** ⊕ approving our 2016/17 budget, the SCPA welcomed our commitment to enhance openness and transparency around audit fees but expressed disappointment in the extended delay of the revised fee strategy, despite previous assurances. This had in part been due to changes to the membership of Audit Scotland's board leading to consideration of additional issues including whether each sector was paying appropriate costs for audits. A revised timetable had been submitted for implementation of the fee strategy during 2016.

The SCPA also noted work undertaken by Audit Scotland in preparation for its new responsibilities in relation to Revenue Scotland, HMRC and the Scottish Rate of Income Tax. However, in the light of the significant forthcoming changes in financial powers, it was concerned that no assessment has been made to ensure Audit Scotland's governance framework remains fit for purpose. We are seeking to address this concern.

Governance framework

As Accountable Officer, I have responsibility for reviewing the effectiveness of the systems of internal control.

The systems seek to identify the principal risks to the achievement of Audit Scotland's policies, aims and objectives. They are designed to manage rather than eliminate the risk of failure and they follow the guidance to public bodies as set out in the *Scottish Public Finance Manual* ⬇.

Risk management and control

The board sets the strategic direction for Audit Scotland, in consultation with the Auditor General and the Accounts Commission. The board met eight times in 2015/16.

The board has an audit committee which has responsibilities around risk, control assurance and governance. The committee recommends the appointment of our internal auditors and receives our annual accounts and internal audit reports.

Audit Scotland's management team normally meets on a weekly basis and comprises the Auditor General for Scotland as Accountable Officer and four executive directors of the organisation. It considers regular reports from managers within the organisation on progress towards meeting the organisation's performance objectives.

The board reviews our risk management framework on an annual basis. The framework includes the corporate risk register which we use to identify the key risks facing the organisation, analyse the likelihood and impact of the risk crystallising, capture the controls in place and the way in which the risk is monitored, and highlight any actions required to further reduce the risk.

The register is regularly reviewed by the management team and by the audit committee who also examine selected risks in closer detail. Key risks from 2015/16 included: failure to deliver our strategic vision; our independence as an audit agency; relevance, focus and scope, reputation, quality, impact and influence; innovation; operating flexibility across business groups; and value for money and capacity. Plans and improvement actions are in place to manage these risks.

At the operational level risks are managed by the management team of each business group and information risk is managed by the corporate knowledge, information and technology governance group.

Information security

We have privileged and wide-ranging access to data and information to support the discharge of our audit function and ensure that reports to Parliament and the Accounts Commission are factual, accurate and complete. Audit Scotland has a duty to respect this privileged access and to ensure that the personal information entrusted to it is safeguarded properly. We have an extensive information security management framework in place to support this.

Training on data protection and information security is included in the induction process for all new staff. All staff also receive periodic refresher training and are provided with data protection updates.

There have been no incidents of personal data loss which required to be notified to the Information Commissioner.

Review of effectiveness of internal control and risk management

The systems of internal control are designed to evaluate the nature and extent of any risks and to manage them efficiently, effectively and economically.

The systems are based on a framework of regular management information, administrative procedures and a system of delegation and accountability. This includes:

- detailed budgeting processes with an annual budget approved by the board

- regular reviews by the board and the management team of financial reports covering progress towards financial targets

- annual reviews and updates to Standing Orders, Scheme of Delegation and Financial Regulations

- quarterly reviews of the corporate risk register.

The systems are designed to manage rather than eliminate the risk of failure to achieve Audit Scotland's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system has been in place for the year ended 31 March 2016 and up to the date of approval of the annual report and accounts.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the systems of internal control and risk management arrangements. My review is informed by:

- an assurance framework established in accordance with the Scottish Public Finance Manual that provides certificates of assurance from executive directors and senior managers who are responsible for developing, implementing and maintaining internal controls across their delegated areas

- the work of the internal auditors, which is directed through an audit plan agreed by the audit committee and focuses on identified control risk areas. The internal auditors submit regular reports on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement

- quarterly reviews by the audit committee of the organisation's corporate risk register and the work of internal audit in assessing the effectiveness of risk management arrangements

- comments made by the external auditors in their management letters and other reports.

Significant issues

During the financial year to 31 March 2016 and to the date of this statement, no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control.

Remuneration and staff report

Remuneration policy

The Auditor General for Scotland

The Auditor General for Scotland is not an employee of Audit Scotland but is a Crown appointment following nomination by Parliament. Her appointment is for a fixed term of eight years from 1 July 2012 and salary is determined by the Scottish Parliamentary Corporate Body.

Audit Scotland Board

Under the provisions of Schedule 2 of The Public Finance and Accountability (Scotland) 2000 Act, the Auditor General and the chair of the Accounts Commission are not entitled to any remuneration in respect of their membership of the Audit Scotland Board.

The Audit Scotland Board has three independent members including the chair of the board. The annual remuneration for independent members of the board is set by the Scottish Commission for Public Audit (SCPA). All independent board member appointments are part-time and non-pensionable. Independent board member remuneration was as follows:

Remuneration banding	2015/16 £000	2014/15 £000
Chair – Ian Leitch (from 1 October 2015)[1]	5 – 10	-
Chair – John Maclean (1 October 2014 to 30 September 2015)	5 – 10	5 – 10
Independent board members	5 – 10	5 – 10

Note: 1. Ian Leitch was an independent board member in the period from 1 April 2014 to 30 September 2015.

Accounts Commission for Scotland

Members of the Accounts Commission are appointed by Scottish ministers who also set their remuneration. Commission members are not employed by Audit Scotland and detail of their remuneration is not required under the policy outlined in the Financial Reporting Manual. The following details are included for information and to assist the reader of the report.

All Commission member appointments are part-time and non-pensionable. The average number of members of the Commission throughout the period was 12 (11 in 2014/15) and their remuneration was as follows:

Remuneration banding	2015/16 £000	2014/15 £000
Chair – Douglas Sinclair	40 – 45	40 – 45
Deputy Chair – Ronnie Hinds (from 1 October 2014)	10 – 15	5 – 10[1]
Commission members	5 – 10	5 – 10

Note: 1. Part year.

Audit Scotland staff

Audit Scotland has a remuneration and human resources committee that sets the remuneration and terms and conditions of employment of Audit Scotland staff.

The membership and remit of the committee are set out in Standing Orders as follows:

'The remuneration and human resources committee will consist of a member or members of the board who are not employees of Audit Scotland. The board may appoint persons who are not members of the board to be members of or advisers to the remuneration and human resources committee, and may pay them such remuneration and expenses as the board decided.'

The responsibilities of the committee are to:

- determine the remuneration policy governing all terms and conditions of employment, including pay, benefits, retirement policy and other policies relating to compensation for loss of office

- ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments

- approve the parameters for the annual pay award cycle

- review, not less than annually, the application of remuneration policy

- assure itself about any issues relating to the overall performance of employees.

In respect of Audit Scotland's management team, the committee has the following additional responsibilities:

- review and approve all terms and conditions of employment, including job descriptions, all pay and benefit reward elements associated with each post

- set and review the overall reward structure, including the value of pay ranges and general annual pay award strategy

- assure itself that effective arrangements are followed for performance assessments in respect of Audit Scotland's management team, including any changes to pay and benefits arising from the assessment of performance during the review period

- review talent management and succession planning arrangements

- approve remuneration packages for newly appointed members of the management team

- recommend appointments and changes affecting management team to the board

- decide on applications for early retirement and determine compensation payments for loss of office

- agree, oversee and review the operation of expenses policy and review the expense claims of the Accountable Officer on an annual basis.

Although the salary and pension contributions of the Auditor General for Scotland are paid by Audit Scotland, they are set by the Scottish Parliamentary Corporate Body.

The members of the remuneration and human resources committee during the year were:

- Chair – Russel Griggs (from 1 October 2015)

- Member – Ian Leitch (chair until 30 September 2015)

- Member – Douglas Sinclair

- Member – John Maclean (until 30 September 2015)

- Member – Heather Logan.

In setting salary levels, the committee has regard to:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities

- the performance of individual managers

- regional/local variations in labour markets and their effects on recruitment and retention

- government policies for improving public services including the requirement to meet the output targets for the delivery of services and other relevant government policies and targets

- the funds available subject to any expenditure limits.

Management team

The salaries (excluding employer's superannuation and national insurance contributions), benefits in kind and pension entitlements of the management team are shown in the following tables. Information is presented for the whole year to 31 March 2016. Further information on the pensions payable to Audit Scotland staff, including senior management, can be found in Note 3. Pension assets and liabilities (pages 49–53).

Single total remuneration	2015/16 Salary £000	2014/15 Salary £000	2015/16 Benefit in kind[1] £	2014/15 Benefit in kind[1] £	2015/16 Pension benefit[2] £000	2014/15 Pension benefit[2] £000	2015/16 Total £000	2014/15 Total £000
Caroline Gardner Auditor General for Scotland	140 – 145	140 – 145	-	-	68	52	210 – 215	190 – 195
Russell Frith Assistant Auditor General	110 – 115	110 – 115	-	-	24	30	135 – 140	140 – 145
Diane McGiffen Chief Operating Officer	110 – 115	110 – 115	-	-	47	42	160 – 165	150 – 155
Fiona Kordiak Director of Audit Services	90 – 95	90 – 95	4,500	3,800	40	27	135 – 140	120 – 125
Fraser McKinlay Director of Performance Audit and Best Value and Controller of Audit	105 – 110	105 – 110	-	-	37	57	140 – 145	160 – 165

Pensions	Accrued pension at 31 March 2016 £000	Accrued lump sum at 31 March 2016 £000	Real increase in annual pension £000	Real increase in lump sum £000	CETV at 31 March 2016[3] £000	CETV at 31 March 2015[3] £000	Real increase in CETV[3] £000
Caroline Gardner Auditor General for Scotland	70 – 75	NIL	2.5 – 5.0	NIL	971	855	34
Russell Frith Assistant Auditor General	30 – 35	90 – 95	0 – 2.5	2.5 – 5.0	669	596	22
Diane McGiffen Chief Operating Officer	35 – 40	70 – 75	2.5 – 5.0	0 – 2.5	624	570	26
Fiona Kordiak Director of Audit Services	35 – 40	70 – 75	0 – 2.5	0 – 2.5	619	564	22
Fraser McKinlay Director of Performance Audit and Best Value and Controller of Audit	15 – 20	15 – 20	2.5 – 5.0	0 – 2.5	190	165	10

Notes:
1. The estimated value of benefits in kind relates to the provision of vehicles. Values to the nearest £100.
2. The value of pension benefits accrued during the year is calculated as the real increase in pensions and applying the HMRC methodology multiplier of 20 plus the real increase in any lump sum. The real increases exclude increases due to inflation and are net of contributions made by the individual.
3. A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the scheme including any benefit transferred from another scheme and not just their service in a senior capacity to which the disclosure applies. The real increase in CETV reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension benefits due to inflation, contributions paid by the employee and uses common market valuation factors for the start and end of the period.

Salary multiples

The highest paid member of the management team was the Auditor General for Scotland. Her annualised remuneration before pension benefits was in the range £140,000 to £145,000 (£140,000 to £145,000 in 2015). This was 3.4 times (3.3 times in 2015) the median remuneration paid to Audit Scotland's staff in 2015/16, which was in the range £40,000 to £45,000 (£40,000 to £45,000 in 2015).

Pensions

Employees of the NAO transferring to Audit Scotland on 1 April 2000 and the Auditor General for Scotland from 1 July 2012, have pension benefits provided through the Principal Civil Service Pension Scheme (PCSPS). Audit Scotland makes payments of superannuation contributions to PCSPS at rates set by the Government Actuary.

All other staff are eligible to enter the Local Government Superannuation Scheme in Scotland. Audit Scotland has an agreement with The City of Edinburgh Council under which all staff are eligible to enter the Lothian Pension Fund (the name of the Local Government Superannuation Scheme managed by the council) in accordance with its rules. It is a defined benefit scheme providing pension benefits and life assurance for all permanent staff.

Employer contributions to partnership pensions

None of the management team benefited from such contributions in the year.

Employment contracts

Audit Scotland staff normally hold permanent appointments which are open-ended until they retire. Early termination, other than through misconduct, would result in the individual receiving compensation.

The information in the tables on **page 28** and on **pages 31-32** is covered by the audit opinion.

Our people

Caroline Gardner and trainee auditors

Staff report

Workforce planning needs to be grounded on what the business requires and be able to cope with a change in demand for services.

There has been a slight increase in staff numbers this year. In March 2016, the total stood at 273 wte compared to 266 wte in 2015. The increase is due to additional work including more intensive audits for the European Agricultural Funds, integrated joint boards for health and social care, Revenue Scotland and Foods Standards Scotland and to assess the audit requirements of the 2015 Scotland Bill.

Information about staff numbers, sickness and turnover is highlighted on .

Learning and development

We are a people business. We are also a relatively young organisation with about 60 per cent of our colleagues under the age of 45, which partly reflects our training role. We remain committed to staff development and engaging with our people. During 2015/16, staff received an average of five days each of formal learning and development.

Audit Scotland runs one of the largest public sector accountancy training schemes in Scotland. We have 39 trainees and staff working towards CIPFA and ICAS qualifications. This year we recruited 15 financial trainees and nine trainees successfully completed their ICAS training to become qualified accountants. In May 2016, the programme opened again to a new generation of trainees that will help shape the growing future of Audit Scotland.

Health and wellbeing

Staff health and wellbeing came under particular focus in the light of pressures to do more with less and from staff feedback. We continued with the new health and wellness checks for staff that were introduced in 2014/15, ran wellbeing sessions and consulted with managers and others on how it feels to work here. Staff turnover increased last year and there was a slight increase in staff sickness and absence rates, but these continued to be well below the public sector average.

Organisational development

Employee feedback is helping to shape how we design jobs, reward and recognise staff, and manage performance. This year staff voted to suspend contribution-based pay and came together to create a refreshed organisational structure and new role profiles. Work is under way to consider how staff are rewarded.

Temporary staff

In the year to 31 March 2016, £331,000 (eight wte posts) was spent on temporary agency and seconded staff to cover staff vacancies and maternity leave, to support peak audit workload and to facilitate the move to our new Edinburgh offices. In the previous year expenditure totalled £458,000 (11 wte posts).

Early departures

Ongoing business restructure meant that between January and March 2016, Audit Scotland staff were offered access to voluntary early release with a termination payment and/or early access to pensions. By the end of March, 11 colleagues had indicated willingness to accept terms to leave between April and December 2016. Further disclosure on early retirement and severance is set out in Note 14. Provision for early retirement and severance (page 60).

Staff relations

We recognise the importance of good industrial relations and effective communication with our staff. A partnership forum, which meets regularly, involves members of Audit Scotland management and staff representatives of the Public & Commercial Services union (PCS) and has been in place since 2002.

Diversity and equality

We actively strive to improve diversity and equality, not only in Audit Scotland but also across the public sector through our audit work. Our approach to diversity and equality is led by a steering group whose work is highlighted in our equalities update for 2015/16.

Equalities update 2015/16

June 2016

Initiatives over the last year include:

- active consideration of equalities in developing our forward work programme of performance audits

- inclusion of equalities assessment in social work services by asking providers, users, carers and social workers for their views on equalities issues.

We took the opportunity to make our new Edinburgh office inclusive, accessible and energy efficient. We incorporated diversity and equality into the design through space layout, selection of fixtures and fittings and furniture, installation of hearing loops and adjustable ICT equipment, unisex showers and accessible washrooms, and provision of a quiet space to support individuals' religion, beliefs and culture.

In 2015, we obtained the Scottish Living Wage accreditation demonstrating our public commitment to the Living Wage and tackling in-work poverty in Scotland. We achieved re-accreditation of the Two Ticks disability symbol to recognise our commitment to encouraging job applications from disabled people and supporting our employees who have a disability.

Community, social and human rights

We are committed to conducting our work to the highest standards and building positive relationships with communities across Scotland. Three colleagues have been involved over the year in the Pilotlight scheme to match skilled business leaders with charities and social enterprises. This meant working with a designated charity for 12 months to help with real issues and problems. It also helps our managers to develop their skills, coaching, business planning, strategic thinking and communication.

We currently have four members of staff undertaking public duties such as serving on Children's Panels.

Staff choose a corporate charity every year. We raised more than £5,000 this year for Alzheimer's Research UK to support research to bring improved diagnosis, prevention and much-needed treatments for dementia closer. In addition, our staff were involved in a range of activities to raise more than £8,000 for various good causes.

Responding to the public

We receive enquiries from a wide range of people about the bodies we audit. Where appropriate, we may carry out further audit work in response. In 2015/16, we received 343 items of correspondence raising concerns (compared with 279 in 2014/15). Seven of these items came to us as prescribed persons under The Public Interest Disclosure Act 1998.

We receive many routine requests for information on a daily basis. Where the requests are complex or are submitted under The Freedom of Information (Scotland) Act 2002, we record them. This year we received and recorded 65 Freedom of Information requests (73 in 2014/15).

In the course of the year we reviewed the effectiveness of how we classify, record and deal with complaints about Audit Scotland from members of the public. We recorded a total of four complaints over the year, compared to 11 in 2014/15.

The Public Services Reform (Scotland) Act 2010, which came into force in October 2010, places duties on public bodies to provide and publish information on certain expenditure and exercise of functions. We report on these on our website .

Summary of Resource Outturn
Year ended 31 March 2016

	2016 Outturn	Estimate	Outturn compared to estimate	2015 Outturn
	£000	£000	£000	£000
Revenue	7,695	8,404	709	7,101
Capital	1,405	1,530	125	199
Total Resources	9,100	9,934	834	7,300
Net Cash Requirement (see Cash flow statement)	6,895	7,692	797	5,433

The Summary of Resource Outturn is covered by the audit opinion.

Caroline Gardner
Accountable Officer

7 June 2016

Independent auditors' report

To the Scottish Commission for Public Audit

(Under Section 25(3) of The Public Finance Accountability (Scotland) Act 2000)

Audit Scotland

We have audited the accounts of Audit Scotland for the year ended 31 March 2016 which comprise the Summary of Resource Outturn, Statement of Comprehensive Net Expenditure, Balance sheet, Cash flow statement, Statement of Changes in Taxpayers' Equity and the related notes 1 to 20. We have also audited the relevant disclosures in the Remuneration and staff report as required under the direction of the Scottish ministers. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual (the 2015/16 FReM) and directions made by Scottish ministers.

The report is made solely to the Scottish Commission for Public Audit, as a body, in accordance with Section 25 of The Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to the Scottish Commission for Public Audit those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scottish Commission for Public Audit as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Accountable Officer's responsibilities , the Accountable Officer is responsible for the preparation of the accounts in conformity with the Directions of Scottish ministers and for being satisfied that they give a true and fair view. The Accountable Officer is responsible for the propriety and regularity of the public finances, for keeping proper books and for safeguarding assets, as set out in the Accountable Officer's Memorandum.

Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We report to you on the matters set out in Section 22(1)(a) and (b) of The Public Finance and Accountability (Scotland) Act 2000 and our opinion as to whether the Resource Accounts give a true and fair view and are properly prepared in accordance with section 19(4) of that Act.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Audit Scotland's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Audit Scotland; and the overall presentation of the accounts.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect or inconsistent based on the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

We read the other information contained in the Governance statement, and consider whether it is consistent with the audited accounts. As auditors we are not required to consider whether the Accountable Officer's Governance statement covers all risks and controls, nor are we required to form an opinion on the effectiveness of the risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Opinion on the accounts

In our opinion the accounts:

- give a true and fair view of the state of Audit Scotland as at 31 March 2016 and of its net resource outturn for the year then ended

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 FReM

- have been properly prepared in accordance with The Public Finance and Accountability (Scotland) Act 2000 and Directions by Scottish ministers issued thereunder.

Opinion on regularity

In our opinion in all material respects:

- the expenditure has been incurred and the receipts have been applied in accordance with Section 22(1)(a) and (b) of The Public Finance and Accountability (Scotland) Act 2000

- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the accounts were applied in accordance with Section 65 of The Scotland Act 1998.

Opinion on other matters

In our opinion:

- the information specified by Scottish ministers on remuneration and other transactions has adequately been disclosed

- the information given in the Performance report and Accountability report is consistent with the accounts.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or

- the accounts are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit; or

- the Accountable Officer's Governance statement contains any apparent misstatements or material inconsistencies with the accounts.

We have nothing to report in respect of these matters.

Alexander Sloan
Chartered Accountants
Statutory Auditors
38 Cadogan Street
Glasgow G2 7HF

7 June 2016

Financial statements

Scottish Parliament
£7.7 million

Other income
-£0.9 million

Audit fees
£18.5 million

2015/16 resources
£25.3 million

People costs
£15.8 million

Other costs
£9.5 million
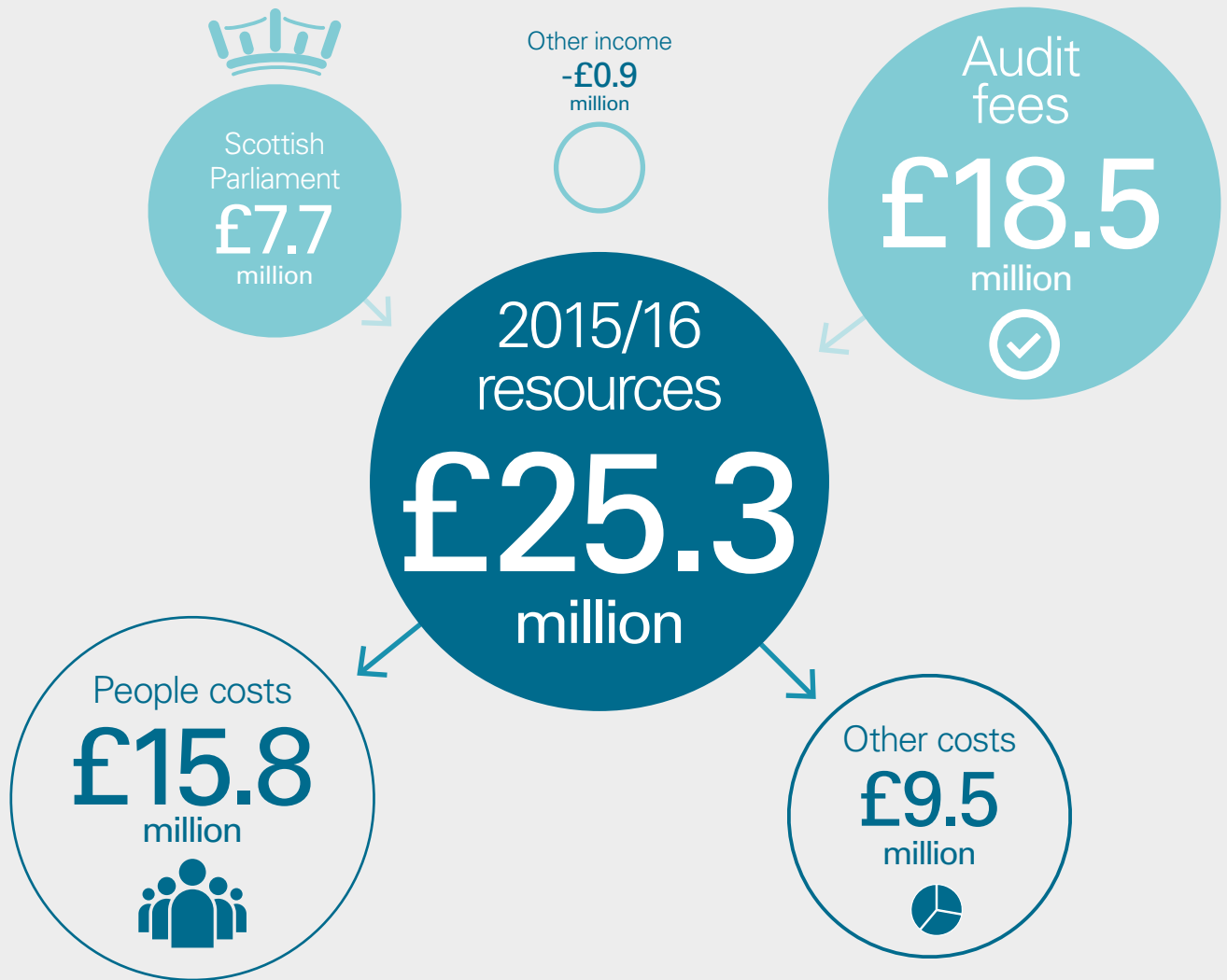
(£million)	Resources	Audit fees	Scottish Parliament	Other income	People costs	Other costs
2014/15	24.5	18.2	7.1	-0.8	15.0	9.5
2013/14	24.1	18.2	6.6	-0.7	14.7	9.4

Statement of Comprehensive Net Expenditure

Year ended 31 March 2016

	Note	2016 £000	2015 £000
Administration costs			
People costs	2	15,772	14,987
Other administration costs	4	9,507	9,503
Gross administration costs		**25,279**	**24,490**
Operating income	5	(18,529)	(18,244)
Other finance income	6	937	847
Net expenditure		**7,687**	**7,093**
Corporation Tax payable		8	8
Net operating cost and total comprehensive net expenditure		**7,695**	**7,101**

Balance sheet

As at 31 March 2016

	Note	2016 £000	2015 £000
Non-current assets			
Property, plant and equipment	7	1,767	621
Intangible assets	8	33	45
Total non-current assets		1,800	666
Current assets			
Trade and other receivables	9	2,661	2,305
Cash and cash equivalents	10	1,744	1,639
Total current assets		4,405	3,944
Total assets		6,205	4,610
Current liabilities			
Trade and other payables	12	3,896	3,405
Provision for early retirement	14	444	97
Other provisions	16	33	524
Total current liabilities		4,373	4,026
Non-current assets plus/less net current assets/liabilities		1,832	584
Non-current liabilities			
Deferred liabilities	13	(258)	(65)
Provision for early retirement	14	(1,698)	(1,876)
Other provisions	16	(81)	(43)
Net funded pension (liability)	3	(15,838)	(26,812)
Total non-current liabilities		(17,875)	(28,796)
Assets less liabilities		(16,043)	(28,212)
Represented by:			
Taxpayers' equity			
Net funded pension (liability)	3	(15,838)	(26,812)
General fund		(205)	(1,400)
		(16,043)	(28,212)

Caroline Gardner
Accountable Officer

7 June 2016

Cash flow statement

Year ended 31 March 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Net operating (cost)		(7,695)	(7,101)
Adjustment for non-cash items:			
- Depreciation	7, 8	271	304
- Pension scheme – net revenue debit		1,995	1,435
(Increase) / decrease in trade and other receivables		(356)	327
Increase in trade / other payables / deferred liabilities		569	119
Increase / (decrease) in provisions for early retirement		169	(387)
(Decrease) / increase in other provisions		(453)	37
Net cash outflow from operating activities		**(5,500)**	**(5,266)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1,400)	(199)
Purchase of intangible assets	8	(5)	-
Less movement in accrued expenditure		10	32
		(1,395)	**(167)**
Cash flows from financing activities			
From Consolidated Fund (Supply)		7,000	6,000
Net increase in cash and cash equivalents in the period		**105**	**567**
Cash and cash equivalents at the beginning of period		1,639	1,072
Cash and cash equivalents at the end of period	10	1,744	1,639
Net cash requirement			
Cash flows from financing activities		7,000	6,000
(Increase) in cash		(105)	(567)
Net cash requirement		**6,895**	**5,433**

Statement of Changes in Taxpayers' Equity
Year ended 31 March 2016

Changes in Taxpayers' equity for 2015/16	Note	Net funded pension £000	General fund £000	Total £000
Balance at 1 April 2015		**(26,812)**	**(1,400)**	**(28,212)**
Transfers between reserves:				
- Transfer to net funded pension liabilities	2	(1,119)	1,119	-
- Net return on pension assets	3	(876)	876	-
Actuarial remeasurements (losses)	3	12,969	-	12,969
Net operating (cost)		-	(7,695)	(7,695)
Net funding from the Scottish Parliament	11	-	6,895	6,895
Balance at 31 March 2016		**(15,838)**	**(205)**	**(16,043)**

Notes to the accounts

1. Statement of accounting policies

The accounts have been prepared in accordance with the accounts direction issued by Scottish ministers under Section 19(4) of The Public Finance and Accountability (Scotland) Act 2000 and also in accordance with the Financial Reporting Manual (FReM) applicable for the year. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Audit Scotland for the purpose of giving a true and fair view has been selected. The accounting policies adopted by Audit Scotland are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

a) Basis of accounting

The accounts have been prepared under the historical cost convention. In accordance with the principles of resource accounting, the gross funding received from the Scottish Consolidated Fund is recorded directly within the General Fund and is not included in the operating income received in the year in the Statement of Comprehensive Net Expenditure.

In common with similar public bodies, the future financing of Audit Scotland's liabilities will be met by future grants of Supply and the application of future income, both to be approved annually by the Scottish Parliament. The approval of amounts for 2016/17 has already been given and there is no reason to believe that future approvals will not be forthcoming. Accordingly, it is considered appropriate to adopt a going concern basis for the preparation of these financial accounts.

b) Non-current assets

All property occupied by Audit Scotland is leasehold. The minimum level of capitalisation for a non-current asset is £5,000 for individual or group purchases. Non-current assets are held at fair value. Depreciated historic cost has been used as a proxy for fair value due to the low value and short life of the assets held.

c) Depreciation

Depreciation has been provided at a rate calculated to write off cost in equal annual instalments over the estimated useful lives of assets. Asset cost is written off as follows:

Leasehold premises	remaining period of lease (from 1–9 years)
Furniture and fittings	5 years
Computer equipment	2–5 years
Software	2–5 years

d) Amortisation of rent-free periods

The benefit of rent-free periods on leases of premises is amortised over the period of the lease or over the period to a lease break point when this is the most probable end of lease, whichever is the shorter.

e) Operating income

Operating income relates directly to the audit activities of Audit Scotland. It comprises fees for financial audit that are recognised on the basis of work undertaken for the year and charges for other work which are recognised evenly throughout the year.

f) Work in progress

Work in progress is valued on the basis of a proportion of the agreed fee earned by the balance sheet date less an allowance for any foreseen losses. This calculation is based on an assessment of the amount of audit work completed by the balance sheet date as a proportion of the total expected amount of audit work. Payments received on account of work in progress in excess of or below the value of carrying out the relevant work are included in creditors or debtors as appropriate.

g) Operating leases

The total cost of operating leases is charged to revenue in equal instalments over the life of the lease.

Estimates of likely costs in respect of obligations under our property leases for dilapidations, reinstatement and property decorations are charged to revenue in equal instalments over the life of the lease, or the period to a planned early termination of the lease whichever is the shorter.

h) Value Added Tax (VAT)

Input tax in respect of external auditor fees and expenses incurred in the delivery of local authority audits is reclaimed from HMRC on behalf of the Accounts Commission and is used to offset audit fees payable by local authorities. All other input tax is charged to the Statement of Comprehensive Net Expenditure. Audit Scotland is registered for VAT in respect of business activities.

i) Pension arrangements

Audit Scotland complies with the requirements of IAS 19 for the year ended 31 March 2016. Audit Scotland makes pension provision for present and former employees through two pension schemes. Employees joining Audit Scotland after 1 April 2000, and those transferring to Audit Scotland from the Accounts Commission, have benefits provided through the Local Government Pension Scheme. Employees transferring to Audit Scotland at 1 April 2000 from the NAO are covered by the provisions of the Principal Civil Service Pension Scheme. The Auditor General for Scotland has benefits provided through the Principal Civil Service Pension Scheme.

2. People costs and numbers

People costs comprise	2016 £000	2015 £000
Administrative staff		
Salaries	11,298	11,185
National Insurance	988	971
Superannuation	1,978	1,937
Pensions in payment (see note 3c)	23	23
Provision for early retirement and severance costs (see note 14)	346	1
Movement in early retirement costs	(140)	54
Adjustment for retirement benefit scheme costs (see below)	1,119	668
	15,612	14,839
Accounts Commission members		
Salaries	136	127
National Insurance	10	10
Travel and subsistence	14	11
	160	148
	15,772	14,987

The average number of directly employed whole time equivalent (wte) staff during the period was 273 (267 in 2015). The average number (wte) for agency and seconded staff used during the year was eight (11 in 2015).

Analysis of local government retirement benefit scheme costs	2016 £000	2015 £000
Current service costs	3,709	3,361
Past service costs	-	127
	3,709	3,488
Less: Actual employees' contributions	(774)	(763)
Charge to revenue	2,935	2,725
Employer contributions	(1,816)	(2,057)
Adjustment for retirement benefit scheme costs	1,119	668

3. Pension assets and liabilities

In accordance with International Accounting Standard No 19 (IAS 19), Audit Scotland is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. Audit Scotland operates two main pension schemes: the Local Government Pension Scheme, administered by the Lothian Pension Fund, and the Principal Civil Service Pension Scheme (PCSPS). Audit Scotland is not required to record information related to the PCSPS as the scheme does not identify assets and liabilities by employer. In addition, until June 2012, Audit Scotland operated a 'by analogy' scheme for the previous Auditor General for Scotland.

a) Local Government Pension Scheme

Audit Scotland has an agreement with The City of Edinburgh Council under which all staff are eligible to enter the Lothian Pension Fund (the name of the Local Government Pension Scheme managed by the council) in accordance with its rules. It is a defined benefit scheme providing pension benefits and life assurance for all permanent staff.

The following valuations have been provided by Hymans Robertson LLP, the independent actuaries to Lothian Pension Fund. The financial and actuarial assumptions used for the purposes of their IAS 19 calculations as at 31 March 2016 were as follows:

	2016 %	2015 %
Salary increases	4.20	4.30
Pension increases	2.20	2.40
Discount rate	3.50	3.20

The assumed average life expectancy for a retiral at age 65 are as follows:	Male years	Female years
Current pensioners	22.1	23.7
Future pensioners	24.2	26.3

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The valuations at 31 March 2016 have been prepared by Hymans Robertson LLP.

The movement in the funded part of the net pension liability for the year to 31 March 2016 is as follows:

	Period ending 31 March 2016		
	Assets £000	Obligation £000	Net (Liability)/ Asset £000
Fair value of employer assets	74,880	-	74,880
Present value of funded liabilities	-	101,692	(101,692)
Opening position as at 1 April 2015	74,880	101,692	(26,812)
Current service cost	-	2,935	(2,935)
Past service cost	-	-	-
Total service cost	-	2,935	(2,935)
Interest income on plan assets	2,408	-	2,408
Interest cost on defined benefit obligation	-	3,284	(3,284)
Total net interest	2,408	3,284	(876)
Total defined benefit cost recognised in Statement of Comprehensive Net Expenditure	2,408	6,219	(3,811)
Employee contributions	774	774	-
Employer contributions	1,816	-	1,816
Benefits Paid	(1,831)	(1,831)	-
Total cash flows	759	(1,057)	1,816
Expected closing position	78,047	106,854	(28,807)
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	(10,709)	10,709
Other experience changes	-	(954)	954
Return on assets excluding amounts included in net interest	1,306	-	1,306
Total remeasurements recognised in Other Comprehensive Income	1,306	(11,663)	12,969
Fair value of employer assets	79,353	-	79,353
Present value of funded liabilities	-	95,191	(95,191)
Closing position as at 31 March 2016	79,353	95,191	(15,838)

Information in respect of the defined benefit obligation:

Defined benefit obligation information	£000	Liability split %	Duration Years
Active members	59,216	62.2	26.7
Deferred members	10,684	11.2	25.7
Pensioner members	25,291	26.6	12.4
Total	95,191	100.0	21.6

The decrease in net pension liabilities during 2015/16 was mainly due to an increase in the real discount rate used to value pension liabilities together increased asset values as a result of higher than expected investment returns.

The movement in the funded part of the net pension liability for the year to 31 March 2015 was as follows:

| | Period ending 31 March 2015 | | |
	Assets £000	Obligation £000	Net (Liability)/ Asset £000
Fair value of employer assets	66,395	-	66,395
Present value of funded liabilities	-	83,923	(83,923)
Opening position as at 1 April 2014	66,395	83,923	(17,528)
Current service cost	-	2,598	(2,598)
Past service cost	-	127	(127)
Total service cost	-	2,725	(2,725)
Interest income on plan assets	2,876	-	2,876
Interest cost on defined benefit obligation	-	3,643	(3,643)
Total net interest	2,876	3,643	(767)
Total defined benefit cost recognised in Statement of Comprehensive Net Expenditure	2,876	6,368	(3,492)
Employee contributions	763	763	-
Employer contributions	2,057	-	2,057
Benefits Paid	(1,736)	(1,736)	-
Total cash flows	1,084	(973)	2,057
Expected closing position	70,355	89,318	(18,963)
Change in demographic assumptions	-	3,771	(3,771)
Change in financial assumptions	-	11,413	(11,413)
Other experience changes	-	(2,810)	2,810
Return on assets excluding amounts included in net interest	4,525	-	4,525
Total remeasurements recognised in Other Comprehensive Income	4,525	12,374	(7,849)
Fair value of employer assets	74,880	-	74,880
Present value of funded liabilities	-	101,692	(101,692)
Closing position as at 31 March 2015	74,880	101,692	(26,812)

Assets are valued at fair value, principally market value for investments, and consist of:

| Asset Category | At 31 March 2016 | | | | At 31 March 2015 | | | |
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%
Equity Securities:								
Consumer	12,084.9	-	12,084.9	15	10,502.0	-	10,502.0	14
Manufacturing	9,359.1	-	9,359.1	12	8,807.9	-	8,807.9	12
Energy and Utilities	6,303.3	-	6,303.3	8	7,481.9	-	7,481.9	10
Financial Institutions	6,721.0	-	6,721.0	8	6,169.3	-	6,169.3	8
Health and Care	5,274.9	-	5,274.9	7	5,102.4	-	5,102.4	7
Information Technology	4,754.3	-	4,754.3	6	4,683.0	-	4,683.0	6
Other	4,542.0	-	4,542.0	6	3,353.7	-	3,353.7	4
Debt Securities:								
Corporate Bonds (investment grade)	-	-	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-	-	-
UK Government	5,106.5	-	5,106.5	6	4,335.9	-	4,335.9	6
Other	2,007.4	-	2,007.4	3	1,846.6	-	1,846.6	2
Private Equity:								
All	890.6	2,579.7	3,470.3	4	-	8,682.7	8,682.7	12
Real Estate:								
UK Property	-	6,787.8	6,787.8	9	-	4,897.9	4,897.9	7
Overseas Property	-	-	-	-	-	759.3	759.3	1
Investment funds and Unit trusts:								
Equities	-	-	-	-	812.5	-	812.5	1
Bonds	213.0	430.0	643.0	1	215.1	-	215.1	-
Commodities	220.1	-	220.1	-	239.3	-	239.3	-
Infrastructure	441.6	4,836.2	5,277.8	7	450.0	-	450.0	1
Other	-	1,901.2	1,901.2	2	242.0	267.5	509.5	1
Derivatives:								
Foreign exchange	(4.6)	-	(4.6)	-	114.8	-	114.8	-
Other	-	-	-	-	-	-	-	-
Cash and cash equivalents:								
All	4,904.0	-	4,904.0	6	5,915.9	-	5,915.9	8
Totals	62,818	16,535	79,353	100	60,273	14,607	74,880	100

The sensitivities regarding the principal assumption used to measure the funded scheme liabilities are set out below:

Sensitivity analysis at March 2016	Approx.% increase to employer obligation	Approx. monetary amount £000
0.5% decrease in real discount rate	12	11,719
1 year increase in member life expectancy	3	2,855
0.5% increase in salary increase rate	5	4,761
0.5% increase in pension increase rate	7	6,674

During the year ended 31 March 2016, Audit Scotland's contribution to the pension fund represented 17.2 per cent (14.4 per cent in 2015) of contributing employees' pensionable pay. In addition a lump sum payment of £77k (£343k in 2015) was paid to meet past service cost deficits. Under Superannuation Regulations, contribution rates are set to meet 100 per cent of the overall liabilities of the fund. In their valuation, as of December 2014, Hymans Robertson LLP recommended the employers' contributions for 2016/17 and 2017/18 be set at the rates applicable for 2015/16 (17.2 per cent of pensionable pay plus an annual lump sum payment of £77k to meet past service cost deficits). Hymans Robertson estimate that employer contributions in 2016/17 will be approximately £1,806k.

b) PCSP scheme

Employees of the NAO transferring to Audit Scotland on 1 April 2000 and the Auditor General for Scotland from 1 July 2012, have pension benefits provided through the Principal Civil Service Pension Scheme (PCSPS). Audit Scotland makes payments of superannuation contributions to PCSPS at rates set by the Government Actuary.

The PCSPS is an unfunded multi-employer defined benefit scheme but Audit Scotland is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office at www.civilservicepensionscheme.org.uk/about-us/resource-accounts

During the year ended 31 March 2016, Audit Scotland paid an employer's contribution of £152k (£155k in 2015) into the PCSPS at rates between 20.0 per cent and 24.5 per cent of pensionable pay (18.8 per cent to 24.3 per cent in 2015). Audit Scotland has been informed that contributions in 2016/17 will be at rates between 20.0 per cent and 24.5 per cent. Employer contribution rates are reviewed every three years following a scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and they reflect past experience of the scheme.

c) By analogy scheme

Robert W Black retired as Auditor General for Scotland, on 30 June 2012. Until that time his pension benefits were provided by analogy to the Local Government Pension Scheme. In 2015/16, pension payments of £23k were made (£23k in 2015).

d) Early departure costs

Certain costs arising from the early retirement of staff are payable by Audit Scotland. These relate to the early payment of pensions which employers must make to the pension fund and severance costs.

4. Other administration costs

	2016 £000	2015 £000
£000		
Fees and expenses to appointed audit firms:		
Local authorities	2,411	2,479
National Health Service bodies in Scotland	1,201	1,190
Further education colleges	533	454
Scottish Government and sponsored bodies	906	1,005
	5,051	**5,128**
Other costs:		
Rent and rates	950	733
Other accommodation costs	348	535
Travel and subsistence	844	878
Legal and other professional fees	557	597
Stationery and printing	209	146
Training	440	464
Staff recruitment	121	127
Communications (telephone, postage)	44	59
Insurance	84	87
Information technology	461	335
Internal Audit	27	19
External Audit – financial accounts	29	29
Other	71	62
Non-cash items: Depreciation – tangible assets (see note 7)	254	279
Depreciation – intangible assets (see note 8)	17	25
	4,456	**4,375**
	9,507	**9,503**

Rent and rates includes £686k in respect of property leases (£526k in 2014/15) – see note 15.

5. Operating income

	2016 £000	2015 £000
Fees and charges payable by:		
Local authorities	11,582	11,459
National Health Service bodies in Scotland	3,778	3,777
Further education colleges	605	509
Scottish Government and sponsored bodies	2,489	2,398
	18,454	18,143
Bank interest	41	41
Miscellaneous income	34	60
	18,529	18,244

6. Other finance income

	2016 £000	2015 £000
Interest income on pension scheme assets	2,408	2,876
Interest cost on pension scheme defined obligations	(3,345)	(3,723)
	(937)	(847)

7. Property plant and equipment

	Leasehold premises £000	Furniture and fittings £000	Computer equipment £000	Total £000
Cost				
At 1 April 2015	1,816	147	1,487	**3,450**
Additions	1,000	225	175	**1,400**
Disposals	(1,546)	(121)	(793)	**(2,460)**
At 31 March 2016	1,270	251	869	2,390
Depreciation				
At 1 April 2015	1,602	131	1,096	2,829
Charge for the year (note 4)	72	24	158	254
Depreciation on disposals	(1,546)	(121)	(793)	(2,460)
At 31 March 2016	128	34	461	623
Net Book Value				
At 31 March 2016	1,142	217	408	1,767
Analysis of asset financing				
Owned	1,142	217	408	1,767

Prior year	Leasehold premises £000	Furniture and fittings £000	Computer equipment £000	Total £000
Cost				
At 1 April 2014	1,819	147	1,514	**3,480**
Additions	-	-	199	**199**
Disposals	(3)	-	(226)	(229)
At 31 March 2015	1,816	147	1,487	3,450
Depreciation				
At 1 April 2014	1,440	124	1,212	2,776
Charge for the year (note 4)	162	7	110	279
Disposals	-	-	(226)	(226)
At 31 March 2015	1,602	131	1,096	2,829
Net Book Value				
At 31 March 2015	214	16	391	621
Analysis of asset financing				
Owned	214	16	391	621

Non-current assets are held at fair value. Depreciated historic cost has been used as a proxy for fair value due to the low value and short life of the assets held.

8. Intangible assets

	Software	
	2016 **£000**	**2015** **£000**
Cost		
At 1 April	720	720
Additions	5	-
At 31 March	**725**	**720**
Depreciation		
At 1 April	675	650
Charge for the year (note 4)	17	25
At 31 March	**692**	**675**
Net Book Value		
At 31 March	**33**	**45**

9. Trade and other receivables

	£000	**2016** **£000**	**2015** **£000**
Amounts falling due within one year:			
Trade receivables:			
- Central Government bodies	10		-
- Local authorities	32		-
- NHS bodies in Scotland	25		-
- Bodies external to government	-		-
		67	-
Work in progress in advance of billing		2,064	1,801
VAT		-	-
Prepayments		530	504
		2,661	**2,305**

There are no trade and other receivables due after one year.

10. Cash and cash equivalents

	2016 £000	2015 £000
Balance at 1 April	1,639	1,072
Net change in cash and cash equivalents	105	567
Balance at 31 March	**1,744**	**1,639**
The following balances at 31 March were held at:		
Commercial banks	**1,744**	**1,639**

11. Net funding from the Scottish Parliament

	2016 £000	2015 £000
Opening cash balance payable to the Consolidated Fund	1,639	1,072
Funding received from the Consolidated Fund	7,000	6,000
Closing cash balance payable to the Consolidated Fund	(1,744)	(1,639)
Net funding from the Scottish Parliament	**6,895**	**5,433**

12. Trade payables and other current liabilities

	2016 **£000**	**2015** **£000**
Amounts falling due within one year:		
Trade payables:		
- Central Government	-	-
- Local authorities	-	-
- NHS bodies in Scotland	-	-
- Bodies external to government	128	167
	128	**167**
- Cash balance payable to Consolidated Fund	1,744	1,639
- Deferred income	784	526
- VAT	46	41
- Corporation Tax	8	8
- Accruals	390	331
- Staff benefits – untaken holidays	631	665
- Rent free period on premises – current liability (note 13)	165	28
	3,896	**3,405**

Note: the £000 column header appears to the left of the 2016 column in the image.

The cash balance payable to the Scottish Consolidated Fund is based on accounting conventions adopted for resource-based accounting.

13. Deferred liabilities

Audit Scotland rents premises in various locations in accordance with its operational requirements. During the years ended 31 March 2012, 31 March 2013 and 31 March 2015 various leases were negotiated with rent-free periods.

	2016 **£000**	**2015** **£000**
Opening balance at 1 April		
Current	28	34
Deferred	65	52
	93	**86**
Additions	495	41
Released during year	(165)	(34)
Closing balance at 31 March	**423**	**93**
Whereof:		
Current	165	28
Deferred	258	65
	423	**93**

14. Provision for early retirement and severance

The provision represents the actuarially computed liabilities for early retirement added years, pension strain (early payment of pension) and severance liabilities. The movement during the year was as follows:

	2016 £000	2015 £000
Opening balance at 1 April	1,973	2,360
Additions	346	-
Utilised in year	(98)	(560)
Revaluation	(79)	173
Closing balance at 31 March	2,142	1,973
Payable within 1 year	444	97
Payable after 1 year	1,698	1,876
	2,142	1,973
Discount rate used	3.5%	3.2%

Early retiral and severance

Between January and March 2016, Audit Scotland offered staff access to a voluntary early release arrangement as part of a business restructuring programme. Staff were offered a termination payment and/or early access to pensions. As at 31 March 2016, 11 staff had indicated willingness to accept terms to leave Audit Scotland in the period April to December 2016. A provision of £346k has been made in the accounts for the year ended 31 March 2016 to meet the costs of early departures.

In the year to March 2016 there were no staff departures under a voluntary early release arrangement. The previous year five staff left Audit Scotland under a voluntary early release arrangement. Under the arrangement, staff were entitled to a termination payment and/or early access to pension. The total cost of the arrangements was £369k.

	Number of arrangements	
	2016	2015
< £10,000	-	-
£10,000 – £25,000	-	2
£25,000 – £50,000	-	2
£50,000 – £100,000	-	-
£250,000 – £300,000	-	1
Total number of arrangements	-	5
Total cost (£000)	-	369

Former Local Government Ombudsmen

Prior to establishment of the Public Services Ombudsman's office, Audit Scotland provided support services including payroll and finance for the Scottish Local Government Ombudsman. The related liabilities were assumed to transfer to the new Ombudsman following the enactment of The Scottish Public Services Ombudsman Act 2002. However, following a review of the implementation of the Act it was determined that the liability for pensions of former Local Government Ombudsmen and their staff did not transfer to the new Ombudsman's office. Since 31 March 2007, Audit Scotland has recognised the pension liability for staff previously employed by the Scottish Local Government Ombudsman. The liability as at 31 March 2016 was £274k (£301k at 31 March 2015).

15. Commitments under leases

During the period to 31 March 2016, the amounts charged to revenue in respect of operating leases for premises and vehicles were as follows:

	2016 £000	2015 £000
Premises (note 4)	686	526
Vehicles	425	463
	1,111	989

Obligations under operating leases – total minimum amounts payable for each of the following periods:

	2016 £000	2015 £000
Premises		
Within one year	338	688
Later than one year and not later than five years	1,310	1,321
Later than five years	1,176	1,504
	2,824	3,513
Vehicles		
Within one year	403	347
Later than one year and not later than five years	576	574
	979	921

Audit Scotland has no finance leases.

16. Other provisions

Other provisions comprise property dilapidations.

Audit Scotland leases three properties across Scotland. Each lease contains provisions in respect of obligations for property dilapidations, reinstatement and decoration. Estimates of likely costs in respect of obligations under our property leases for dilapidations, reinstatement and property decorations are charged to revenue in equal instalments over the life of the lease or the period to a planned early termination of the lease, whichever is the shorter.

The movement in the property dilapidations provision during the year was as follows:

	2016 £000	2015 £000
Opening balance at 1 April	567	530
Provided in year	71	37
Utilised in year	(239)	-
Released in year	(285)	-
Closing balance at 31 March	114	567
Payable within 1 year	33	524
Payable after 1 year	81	43
	114	567

17. Related party transactions

Audit Scotland is a statutory body funded by the Scottish Parliament. The latter is regarded as a related party. Audit Scotland's income arises principally from audit fees and charges levied on public sector bodies. During the period, none of Audit Scotland's directors and board members has undertaken any material transactions with related parties.

18. Contingent liabilities

At 31 March 2016, there were no contingent liabilities.

19. Capital commitments

At 31 March 2016, there were no contracted capital commitments payable in 2016/17.

20. Segmental reporting

Audit Scotland is considered to have just one operating segment and therefore no segmental information is produced.

Direction by the Scottish ministers

In accordance with Section 19(4) of The Public Finance and Accountability (Scotland) Act 2000

The statement of accounts for the financial year ended 31 March 2006 and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

The accounts shall be prepared so as to give a true and fair view of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 25 April 2001 is hereby revoked.

Signed by the authority of the Scottish ministers

17 January 2006

Annual report and accounts

2015/16

This report is available in PDF and RTF formats, along with a podcast summary at:
www.audit-scotland.gov.uk

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or **info@audit-scotland.gov.uk**

For the latest news, reports and updates, follow us on:

✓AUDIT SCOTLAND

This publication is printed on 100% recycled, uncoated paper

Governance Risk and Best Value Committee

10.00am, Thursday 18 August 2016

Property Conservation – Court Actions and Debt Recovery Activity

Item number	7.5
Report number	
Executive/routine	
Wards	

Executive summary

On 23 June 2016, the Governance Risk and Best Value Committee requested a report on the numbers of live court cases, covering those who have brought actions against the Council and those brought by the Council, in relation to Statutory Notices.

Links

Coalition pledges	P40 , P41
Council outcomes	CO7, CO19
Single Outcome Agreement	SO4

Report

Property Conservation - Court Actions and Debt Recovery Activity

Recommendations

1.1   Committee is requested to note the numbers of live court cases being brought against and by the Council in relation to Statutory Notices.

1.2   Committee is asked to note the Programme Momentum Progress Report to the Finance and Resources Committee dated 9 June 2016 in Appendix 1.

Background

2.1   At its meeting on 23 June 2016, the Governance Risk and Best Value Committee requested information on the number of live court cases being brought against and by the Council in relation to Statutory Notices.

Main report

3.1   On two occasions since June 2015, after considering evidence from both parties, sheriffs have issued decisions in respect of statutory notices. On both occasions, the sheriff found in the Council's favour.

3.2   There are currently no live actions in court brought by the Council in relation to Statutory Notices.

3.3   There are currently two live cases where action is being brought against the Council in relation to Statutory Notices.

Measures of success

4.1   Conclusion of statutory notice recovery process.

4.2   Collection of outstanding debt.

Financial impact

5.1   The cost of legal work is contained within the contractual arrangements with Morton Fraser. These costs are met from the existing budgetary provision for these costs.

Risk, policy, compliance and governance impact

6.1   This area of work represents a significant financial and reputational risk for the Council.

Equalities impact

7.1   There is no equalities impact arising from this report.

Sustainability impact

8.1   There is no adverse environmental impact arising from this report.

Consultation and engagement

9.1   Not applicable.

Background reading/external references

Minute from GRBV, 23 June

Report to City of Edinburgh Council, 12 February 2015, Shared_Repairs_Services_-Development_of_a_New_Service.

Report to City of Edinburgh Council 11 December 2014, Shared_Repairs_Services_-Development_of_a_New_Service_-_

Hugh Dunn

Acting Executive Director of Resources

Contact: Andrew Field, Edinburgh Shared Repairs Service Senior Manager

E-mail: andrew.field@edinburgh.gov.uk | Tel: 0131 529 7354

Links

Coalition pledges	P40 – Work with Edinburgh World Heritage Trust and other stakeholders to conserve the city's built heritage
	P41 – Take firm action to resolve issues surrounding the Council's Property Services
Council	CO19 – Attractive Places and Well Maintained – Edinburgh remains

outcomes	an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm
Single Outcome Agreement	SO4 – Edinburgh's communities are safer and have improved physical and social fabric
Appendices	Appendix 1: Programme Momentum Progress Report to Finance and Resources Committee 9 June 2016

Finance and Resources Committee

10.00am, Thursday 9 June 2016

Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service Update

Item number	7.24
Report number	
Executive/routine	
Wards	

Executive summary

This report provides Committee with a progress update for Programme Momentum and the Edinburgh Shared Repairs Service (ESRS).

Links

Coalition pledges	P40 , P41
Council outcomes	CO7, CO19
Single Outcome Agreement	SO4

Report

Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service Update

Recommendations

1.1   Committee is requested to:

    1.1.1   Note the management information dashboard reports in Appendix 1.

    1.1.2   Note the progress of debt recovery work.

    1.1.3   Note the progress of the settlement process.

    1.1.4   Note the status of the remaining legacy projects.

    1.1.5   Note the update on the implementation of ESRS

Background

2.1   Programme Momentum has been established as a robust end-to-end process across all workstreams relating to the legacy Statutory Notice issues, including the development of the blueprint for the new enforcement service.

2.2   This report gives details of progress to the end of April 2016.

Main report

Management information

3.1   Management Information as at 25 April 2016 is attached in Appendix 1.

Delegated Authority – Irrecoverable Sums & Settlements

3.2   The provision for impairment and for settlement repayments is £17.9m.

3.3   As at 25 April 2016 a total of £11.6m has been approved for write-off against the provision comprising irrecoverable sums of £6.9m, aged debt of £0.5m and a total value of £4.2m for settlements to date.

3.4   The provision remains subject to regular review by the Head of Edinburgh Shared Repairs and the Acting Executive Director of Resources.

Billing and Recovery Update

3.5   Billing on Deloitte reviewed projects is now complete at a total of £17.6m.

3.6 To 25 April 2016, £11.4m has been received in payment from individual owners. A further £1.4m has been secured in payment plans and inhibitions. Total recovery rate in debt collected and secured debt is £12.8m (73%). The current level of Deloitte Project Joule debt written off but secured through inhibitions is £0.2m (1%).

3.7 The balance of debt of £4.6m (26%) is being actively pursued, predominantly through Morton Fraser, and is at various stages of recovery.

Debt Recovery – Morton Fraser

3.8 Under the extended contracted arrangements, instructions continue to be sent to Morton Fraser for statutory notice debt recovery. Since1 April 2015, 660 instructions have been issued to Morton Fraser with a total value of £6.7m for debt collection.

3.9 From April 2015 to 25 April 2016 the overall sums recovered or in payment plans secured by Morton Fraser total £2.2m (33%) over 267 customers (40.5%).

3.10 The costs of Morton Fraser to date in return for the £2.2m recovery is £128k. As at 25 April 2016 the percentage solicitor's fees against sums recovered is 5.7%. The solicitor's fee to debt recovery ratio is £17 recovered for every £1 spent. These figures will vary from month to month.

3.11 Monthly review meetings are now established between the Council and Morton Fraser with performance measures, standards and reporting in place.

3.12 All Project Joule Statutory Notice debt related instructions are now with Morton Fraser to progress recovery action.

Debt Recovery - Suspended Debt

3.13 Suspended debt relates to historic Property Conservation projects which have been billed and where a customer or legal representative has raised a dispute leading to the invoice being put on hold.

3.14 Between January 2015 and April 2016 the suspended debt has reduced from £6.4m to £0.8m.

3.15 Of the remaining £0.8m suspended debt, 2 projects carry a combined value of £0.5m debt outstanding (63%). The settlement of both projects is currently being progressed.

3.16 The remaining suspended debt of £0.3m (37%) relates primarily to old legacy invoices which are at various stages of investigation and recovery.

Complaint Resolution & Settlements

3.17 All 407 customers who raised specific concerns relating to 155 Statutory Notice projects and had their cases reviewed by Deloitte have been issued with settlement letters. 1,731 additional owners were identified as being affected by the 155 projects. All of these owners have also been issued with settlement

letters which brings this part of the settlement process to an end. The work remaining in this area relates to back end administrative activity.

Police Scotland

3.18 A meeting was held with Police Scotland to discuss their review of project files in respect of their 2011 investigation into the then Property Conservation Service. The police confirmed at this meeing that following their review of project files they had sufficient information for submission of a report to the Procurator Fiscal.

Projects – Legacy

3.19 The Thomson Bethune contract completed in December 2015. The remaining projects have been handed over to ESRS for completion. The schedule for this is as follows:-

- 3 projects are due to be re-programmed for completion during spring/summer 2016.
- There are 15 projects still in the defect period to be signed off by ESRS.
- 1 project is currently requiring intervention as leaks are still present after defects works have been completed.

3.20 1 consultant run defect project handed over to CEC late in 2015 is still to be completed.

New Service Update - Implementation Progress

Customer Contact: 2 new cases

3.21 Customer contact staff are currently offering advice and guidance on two potential cases at present. One case is likely to be progressed by owners privately.

Facilitation: 3 cases

3.22 This area of the service is used when a customer has approached the service for assistance with defects on a property but for reasons of financial or reputational risk the service cannot assist at an enforcement level. The service can however assist the property owner in others ways for example corresponding with other owners at the property or contacting other Council departments to help progress matters.

3.23 There are three cases in facilitation at present.

The Intervention Service: 6 cases

3.24 The intervention service is made up of the activity undertaken following the identification of an essential repair and prior to taking a decision to enforce the repair, where the objective is to support owners to take responsibility for progressing the repair privately. Included in this area of work is diagnosis of the defect reported, tailored communication to owners, site visit and in some cases a stair meeting.

3.25   Case officers currently have six cases with correspondence on-going with the lead owner and other owners engaging at each of these properties.

Successful Intervention: 3 cases

3.26   The phased Implementation service has successfully intervened in an additional case this month and closed the case. A follow up will be undertaken to check work has been undertaken privately after three months has passed.

Panel Cases Rejected for enforcement: 1 case

3.27   The ESRS Panel has rejected one case after it was considered that the financial and reputational risk was too high for the Council to accept.

The Enforcement Service: 5 projects

3.28   The Enforcement service is activated when all intervention services have failed to provide a platform for owners to procure the works privately. Upon internal Panel approval the project will be allocated to the surveying department for progression through the standard operating procedures. The procedures include carrying out a full survey, preparation of cost estimates, preparation of risk registers, issue of the Statutory Notice, tender preparation including design and specification, tender approvals and award and contract administration on site.

3.29   Five projects have been approved by the ESRS Panel to progress to the enforcement process. Two additional cases have been approved for enforcement this month. Three are at survey stage, one is at notice stage where the S24 has been issued and one is on site.

Measures of success

4.1   Conclusion of reviewing statutory notice projects.

4.2   Collection of outstanding debt.

4.3   Resolution of complaints.

4.4   Launch of new replacement service

Financial impact

5.1   The associated revenue cost in resolution of the legacy closure programme from April 2013 forecast to March 2016 totals £7.4m. A current assessed need of £1m has been budgeted for 2016/17 towards the closure of the legacy programme.

5.2   The financial statements include a provision of £17.9m for impairments and settlement repayments of which £11.6m has been approved as at 25 April 2016.

5.3   The adequacy of the impairment and settlement provision remains under regular review by the Head of Edinburgh Shared Repairs Service and the Acting Executive Director of Resources.

5.4   The overall 2015/16 available budget for both the legacy and Edinburgh Shared Repairs Service is £3.8m. The current first year forecast expenditure, subject to final account, is £3.2m.

5.5   A budget of £1.6m has been set for the ESRS for 2016/17.

Risk, policy, compliance and governance impact

6.1   This area of work represents a significant financial and reputational risk for the Council.

Equalities impact

7.1   There is no equalities impact arising from this report.

Sustainability impact

8.1   There is no adverse environmental impact arising from this report.

Consultation and engagement

9.1   Not applicable.

Background reading/external references

Report to Finance and Resources Committee, 19 March 2015_-Property_Conservation_-_Programme_Momentum_Progress_Report

Report to City of Edinburgh Council, 12 February 2015, Shared_Repairs_Services_-Development_of_a_New_Service.

Report to City of Edinburgh Council 11 December 2014, Shared_Repairs_Services_-Development_of_a_New_Service_-_

Hugh Dunn

Acting Executive Director of Resources

Contact: Andrew Field, Head of Edinburgh Shared Repairs Service

E-mail: andrew.field@edinburgh.gov.uk | Tel: 0131 529 7354

Links

Coalition pledges	P40 – Work with Edinburgh World Heritage Trust and other stakeholders to conserve the city's built heritage
	P41 – Take firm action to resolve issues surrounding the Council's Property Services
Council outcomes	CO19 – Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm
Single Outcome Agreement	SO4 – Edinburgh's communities are safer and have improved physical and social fabric
Appendices	Appendix 1: Management Information Dashboards

Edinburgh Shared Repairs Service Dashboard
April 2016
Monthly progress update (for reporting purposes month end is 25 April)

LEGACY PROGRAMME	NEW SERVICE
A number of legacy workstreams continue to draw to a close with the billing and the settlements processes now complete and historic projects on site reaching completion. Significant volumes of work remain in customer service and debt recovery.	The Phased Implementation of the new service will take place in 2016/17. A Soft Launch of the new service has begun.

TOP RISKS	MITIGATION	RAG	TOP RISKS	MITIGATION	RAG
1. Debt Recovery	Morton Fraser are leading on Debt Recovery.	Yellow	1. No. of Phased Implementation Cases	Communications to be increased with customers to identify additional cases for Implementation Phase, linked to soft-launch after 1st April. Business plan indentifies £3.5m workload of enforcement cases in 16/17 which is unlikely to be achieved. Review this figure six months after launch.	Yellow
2. Bad Debt Provision	The provision will continue to be monitored and reported monthly.	Yellow	2. Tender returns at ITT stage	Twelve PQQs were returned. These will be reviewed with ITT to be issued in May 2016.	Yellow
3. Settlement Process	All Settlement letters have been issued, however there remains a substantial volume of customer queries and returned declarations to be processed.	Green	3. People	All staff that are permanent to the Council will be undergoing review. Following review the Business Plan will be implemented.	Yellow
4. Loss of legacy staff through service reviews	Discussion with relevant Directors to ensure service is maintained.	Yellow	4. Staffing Structure not established for New Service	Senior Management Team in place for Phased Implementation of the New Service. Ongoing review of Business Plan.	Yellow

OVERALL STATUS	COMMENTS	RAG	OVERALL STATUS	COMMENTS	RAG
Case Reviews and Settlements	All complainants and other affected owners have been issued with settlement with an acceptance rate of 58%.	Green	Governance	The Edinburgh Shared Repairs Service and Legacy Programme will be managed overall within the Corporate Property Service in the new Council structure.	Green
Debt Recovery	Debt outstanding is currently £10.4m. Of this debt £7.8m is being pursued through active billing, Morton Fraser recovery or other legal action. The remaining debt is either being pursued for legal action or is suspended debt.	Yellow	Processes	Draft procedure are being tested during Pilot phase. Proposed changes are being tracked, procedures will be updated internally and reissued by the end of June 2016. An internal audit is was carried out by PWC in February 2016.	Yellow
Projects	From the TB projects handed over to ESRS from 1 January : • 1 project has construction related issues which has delayed completion • 3 projects due to be re-programmed for completion in spring • 15 projects are in the defect period to be signed off by ESRS	Yellow	IT	A revised project plan is currently being developed for 2016/17, split into two workstreams, operational and strategic. The operational workstream is responsible for delivering the data cleansing, uniform system redesign, new system functionality and governance / training elements. The strategic workstream involves CGI, and is reliant on CGI delivering new core systems within the council that Shared Repairs will utilise. This includes Customer Relationship Management, new Finance system integration and the decommissioning of the old legacy systems.	Yellow
Customer services	Customer contact across the legacy service shows a steady decline.	Yellow	Procurement	ITT document being prepared. Contractors framework is programmed to be in place by July 2016.	Green
			People	13 Applications were received for the Building Surveyor post following advertisement on My Job Scotland. Two suitable candidates identified. One applicant was interviewed for the vacancy but was not suitable for the post. Recruitment of suitable technical resource will continue to be reviewed.	Red

KEY PLANNED ACTIVITIES	INFORMATION / DECISIONS
Continuation of debt recovery programme. Continuation of legacy projects. Continuation of ESRS pilot activity. underway Records Manger started on 4 April 2016 Recruitment of a surveyor in for ESRS Management of closure programme timeline	Service review to be undertaken 2016/17 closure programme staffing under continual review

Settlements & Customer Service

Programme dashboard as at 25 April 2016

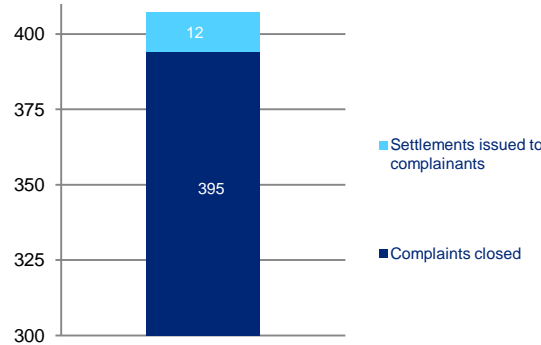EDINBVRGH
YOUR COUNCIL · YOUR FUTURE

PROGRESS

Settlement letters have now been issued to all complainants and other affected owners . Acceptance rates from complainants are at 58%. A number of queries continue to be received from customers A project is underway to contact owners who have failed to respond during the original process. The finance team is continuing to process returned declarations.

Complainant Closure Status

- Settlements Accepted (238)
- Settlements pending response (12)
- Settlements Refused (42)
- Settlement Expired (81)
- Settlement Miscellaneous Closed (34)

Pie values: 34, 81, 42, 12, 238
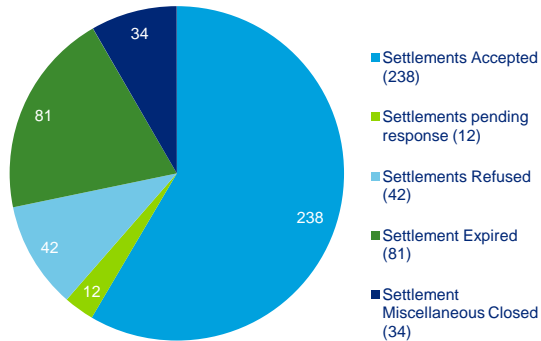
Settlements Issued to Complainants

- Settlements issued to complainants: 12
- Complaints closed: 395

Settlement Value

Total Value of projects reviewed	£12.9m
Total settlements approved under delegated authority	£4.2m
Settlements paid/credited to date	£4.1m

PROGRESS

Customer Services continues to see a downward trend in enquiries, complaints and FOI requests. Response rate for enquiries / complaints achieving 94% closed on time.

Property Conservation Enquiries complaints Raised / Closed

Legend: Enquiries/Complaints Raised, Enquiries/Complaints Closed

X-axis: May-2014, Jun-2014, Jul-2014, Aug-2014, Sep-2014, Oct-2014, Nov-2014, Dec-2014, Jan-2015, Feb-2015, Mar-2015, Apr-2015, May-2015, Jun-2015, Jul-2015, Aug-2015, Sep-2015, Oct-2015, Nov-2015, Dec-2015, Jan-2016, Feb-2016, Mar-2016, Apr-2016
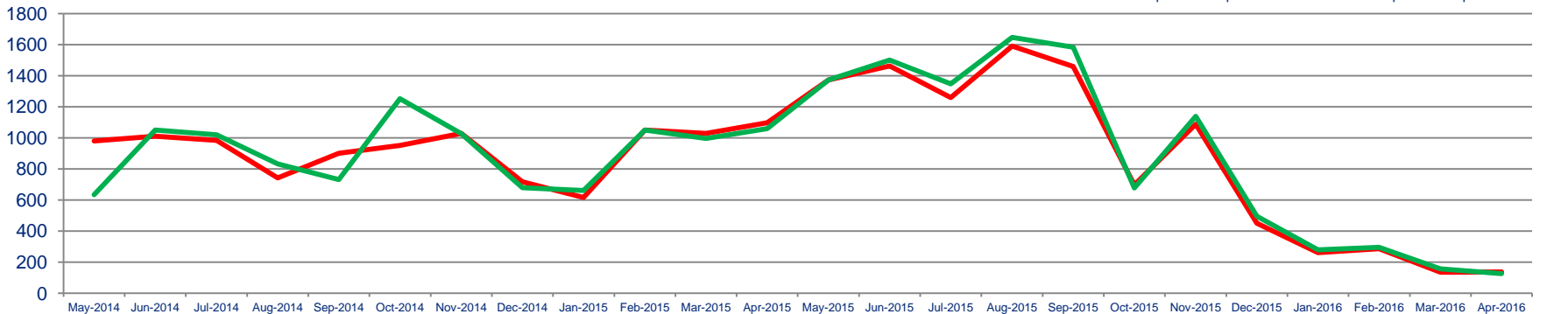
Finance and Debt Recovery Overview

Programme dashboard as at 25 April 2016

·EDINBVRGH·
YOUR COUNCIL - YOUR FUTURE

PROGRESS

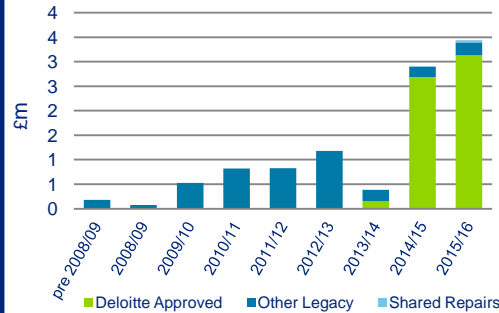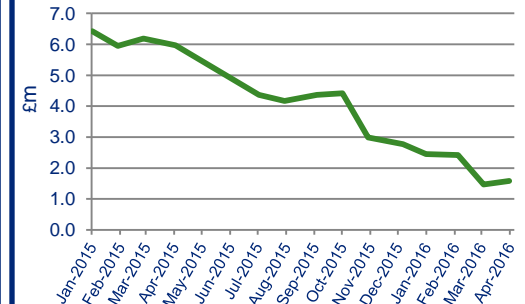The current level of debt outstanding is £10.2m of which £6m is Deloitte (Project Joule) reviewed debt and £4.2m of Legacy and Shared Repairs debt. A total of £7.8m is being pursued through active billing. Debt of £2.4m is either being prepared for legal action or is suspended debt. Since Jan 2015 suspended debt has reduced from £6.4m to £0.8m as disputes are resolved and settlements processed.

Debt Status	Deloitte Project Joule (Reviewed)	Legacy And Shared Repairs	Total
Total debt being pursued	£5.9m	£1.9m	£7.8m
Total debt scheduled for action	£0.1m	£2.3m	£2.4m
Total Debt	**£6.0m**	**£4.2m**	**£10.2m**
Payment plans and inhibitions agreed within debt total	£1.4m	£0.4m	£1.8m

Aged Debt As At 25 April 2016 By Year

Legend: Deloitte Approved, Other Legacy, Shared Repairs
X-axis: pre 2008/09, 2008/09, 2009/10, 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16
Y-axis: £m

Suspended Invoice Balance Outstanding As At 25th April 2016

Y-axis: £m (0.0 to 7.0)
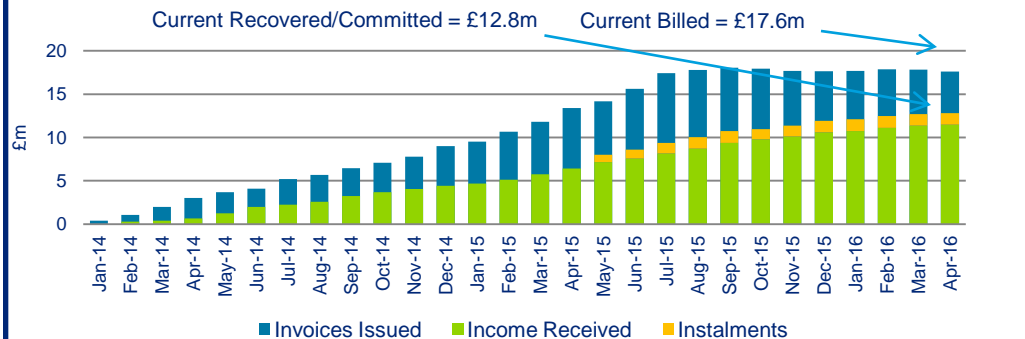X-axis: Jan-2015 to Apr-2016

Project Joule Billing and Recovery Progress

PROGRESS

Billing on Deloitte reviewed (Project Joule) cases is complete and totals £17.6m. £11.4m has been received in settlement and a further £1.4m of secured debt in payment plans and inhibitions giving a total of settled and secured debt of £12.8m. This represents a current collection rate of 73%. The balance of debt of £4.6m is at various stages of recovery.

Cumulative Analysis of Deloitte approved stat repair debt

Current Recovered/Committed = £12.8m   Current Billed = £17.6m

Y-axis: £m (0 to 20)
X-axis: Jan-14 to Apr-16
Legend: Invoices Issued, Income Received, Instalments

Deloitte Project Joule Debt from January 2014 to April 2016

- Paid and Settled (64.8%) — £11.4m
- Write Offs (1.1%) — £0.2m
- Instalments (7.4%) — £1.3m
- Inhibitions (0.6%) — £0.1m
- Debt Outstanding (26.1%) — £4.6m
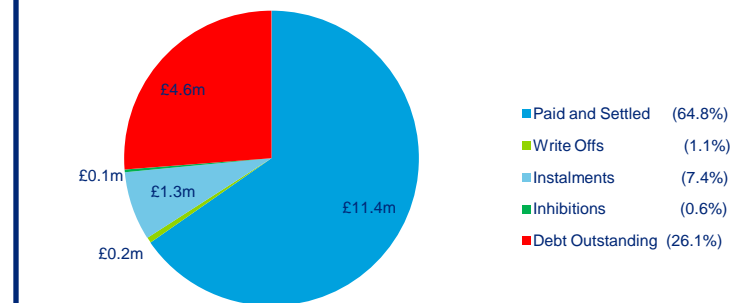
Morton Fraser Progress
Programme dashboard as at 25 April 2016

·EDINBVRGH·
YOUR COUNCIL ~ YOUR FUTURE
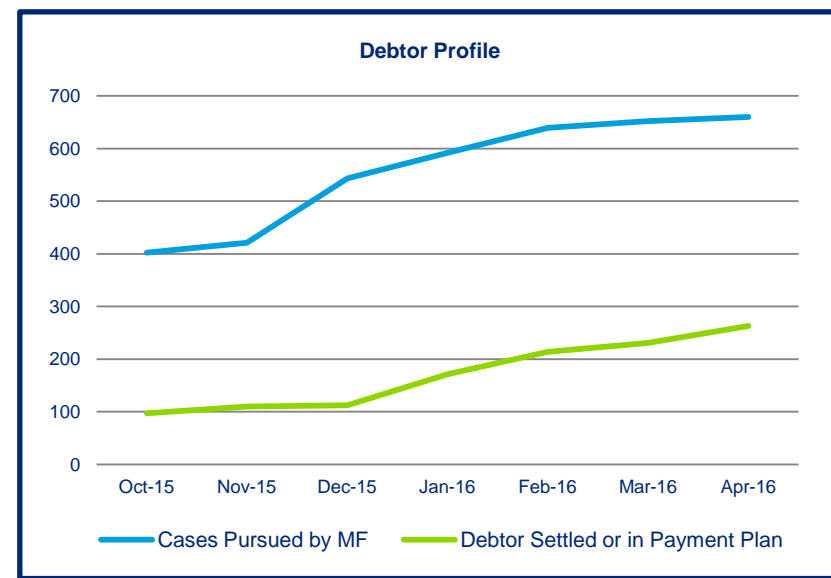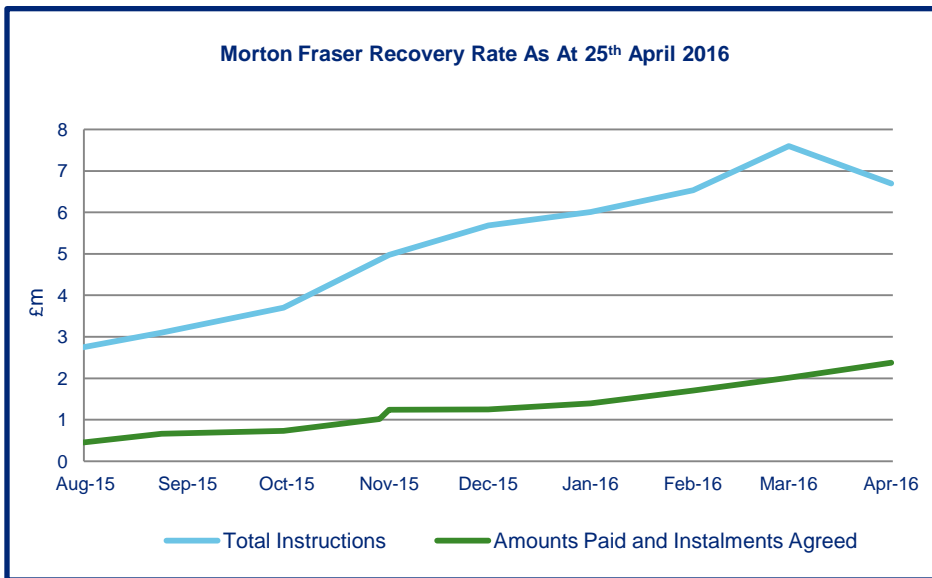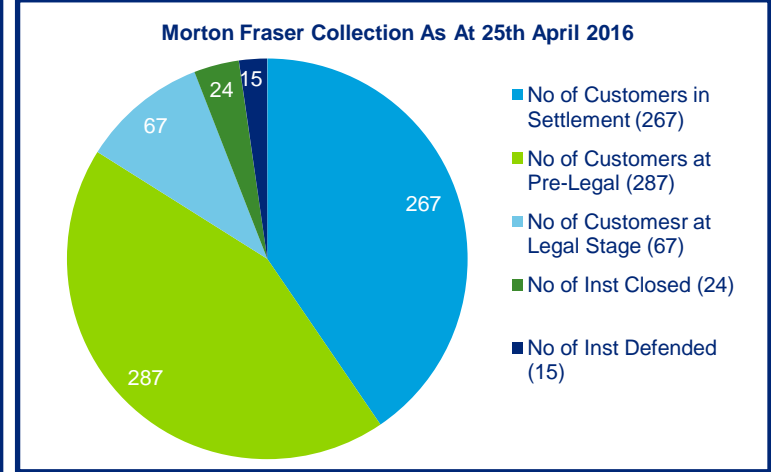
PROGRESS

Under the extended contracted arrangements, Morton Fraser took on responsibility for statutory notice debt recovery in April 2015. To date, 660 instructions have been issued to Morton Fraser with a total value of £6.7m for debt collection. Over the 10 month period from April 2015 to date the overall sums settled or in payment plans total £2.2m over 267 customers. 287 cases are at pre legal stage, 67 at legal stage with 24 cases closed and 15 being defended.

Morton Fraser Debt Recovery Cases pursued by the Council	January	February	March	April
Total debt recovery cases pursued by Morton Fraser	592	639	651	660
Total value of instructions issued	£6.0m	£6.5m	£6.7m	£6.7m
Total debtors settled or in payment plan	171	214	231	267
Total sum recovered or in payment plan	£1.4m	£1.7m	£1.9m	£2.2m
Total sum recovered in payment plan as % of debt recovery	23%	26%	28%	33%

Morton Fraser Collection As At 25th April 2016

24 15
67
267
287

- No of Customers in Settlement (267)
- No of Customers at Pre-Legal (287)
- No of Customesr at Legal Stage (67)
- No of Inst Closed (24)
- No of Inst Defended (15)

Morton Fraser Recovery Rate As At 25th April 2016

£m (y-axis: 0–8)
x-axis: Aug-15, Sep-15, Oct-15, Nov-15, Dec-15, Jan-16, Feb-16, Mar-16, Apr-16

- Total Instructions
- Amounts Paid and Instalments Agreed

Debtor Profile

y-axis: 0–700
x-axis: Oct-15, Nov-15, Dec-15, Jan-16, Feb-16, Mar-16, Apr-16

- Cases Pursued by MF
- Debtor Settled or in Payment Plan

Provision for Impairment and Settlements

Programme dashboard as at 25 April 2016
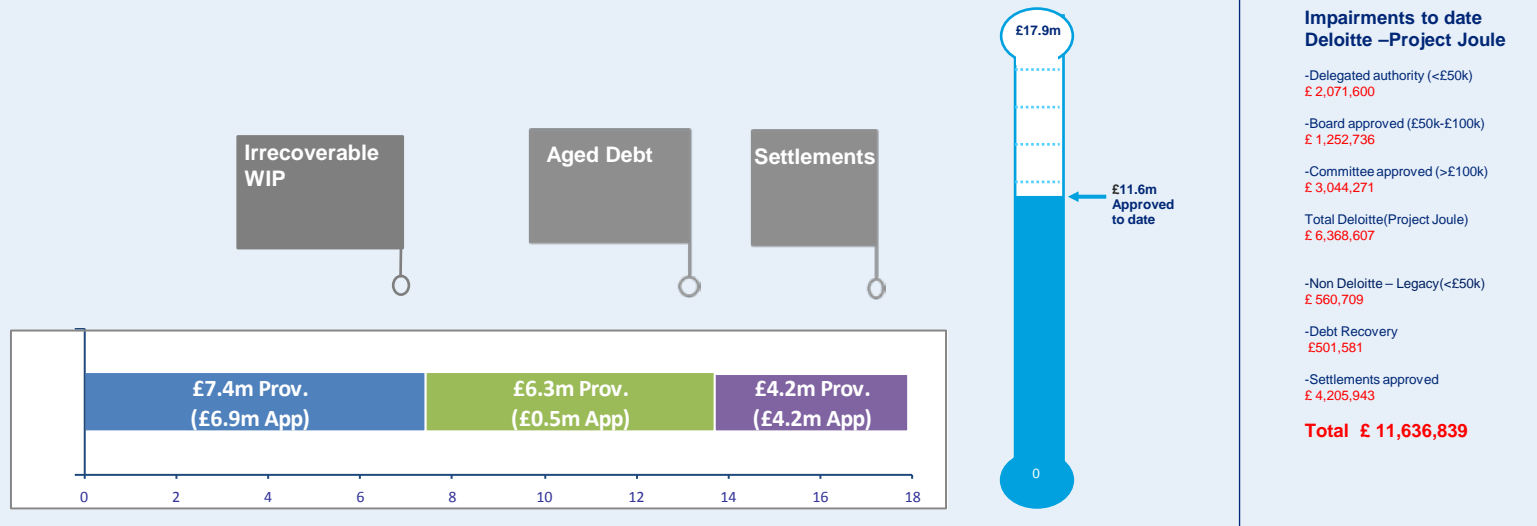
·EDINBVRGH·
YOUR COUNCIL – YOUR FUTURE

PROGRESS

The provision recommended for impairment and settlement repayments is £17.9m. The basis of the provisions are as follows:

- **Irrecoverable WIP (£7.4m)** – This is based on the actual final sum of £6.4m for the Deloitte (Project Joule) Review outcomes on Irrecoverable Work-In Progress. In addition £1.0m has been made, based on Irrecoverable WIP for Non-Deloitte old legacy work for remedial projects, old unbilled Emergency Work and door closed entry systems.

- **Aged Debt (£6.3m)** – An overall collection rate of 44% is required to ensure adequacy of provision. Current recovery rate is 65%.

- **Settlements (£4.2m)** – Work on settlements is nearing completion with an expected write off sum of £4.2m.

Provision for Impairment and Settlements

Irrecoverable WIP

Aged Debt

Settlements

£7.4m Prov. (£6.9m App)

£6.3m Prov. (£0.5m App)

£4.2m Prov. (£4.2m App)

0 2 4 6 8 10 12 14 16 18

£17.9m

£11.6m Approved to date

0

Impairments to date Deloitte –Project Joule

-Delegated authority (<£50k)
£ 2,071,600

-Board approved (£50k-£100k)
£ 1,252,736

-Committee approved (>£100k)
£ 3,044,271

Total Deloitte(Project Joule)
£ 6,368,607

-Non Deloitte – Legacy(<£50k)
£ 560,709

-Debt Recovery
£501,581

-Settlements approved
£ 4,205,943

Total £ 11,636,839

ESRS Pilot Phase and Emergency Service Dashboard

Programme dashboard as at 25 April 2016

·EDINBVRGH·
YOUR COUNCIL - YOUR FUTURE

OVERVIEW OF PROGRESS

We have now launched the new service in its implementation phase. A soft launch of the new service began on 1 April 2016. We expect an increase in requests for service as a result of this and will update the Board monthly on progress. The customer contact area of the service has adopted a change in script to customers calling for assistance with repairs to their properties.

The Pilot Phase currently consists of fifteen open cases with successful intervention achieved on four projects. The ESRS Panel has rejected one case after it was considered that the financial and reputational risk was too high for the Council to accept.

CASE WORKLOAD PROGRESS		NO.
Customer Contact:	• Customer Services Enquiry	
	• Collating Information from Lead Owner	2
Facilitation:	• Advice and Information	3
	• Council Correspondence	
Intervention:	• Case Officer	
	• Communication 1 issued	
	• Communication 2 issued	3
	• Panel Report pending	2
	• Panel Cases Rejected for Enforcement	1
	• Closed with successful intervention	4
Enforcement:	• Site Survey / S24 Notice / S26 Notice	4
	• Procurement	
	• Projects on site	1
Finance:	• Final Account issued	
	• Invoices issued to owners	

Pilot Status Overview

Emergency Service (Monthly)
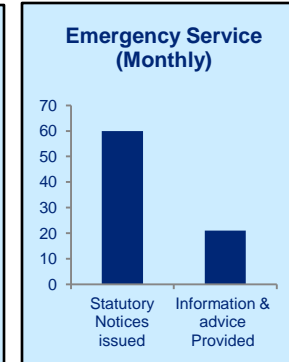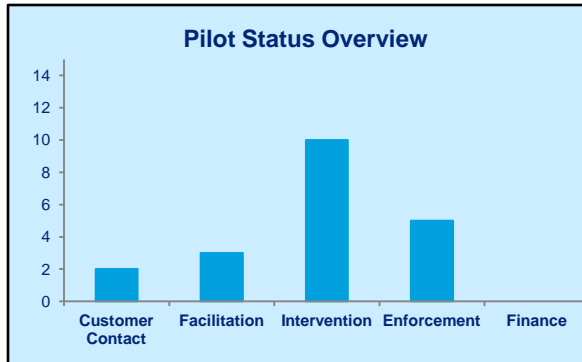
EMERGENCY SERVICE

ESRS Property Officers have responded to 81 requests for service in this period. The majority of requests were drainage and sewage issues. Eighteen of the requests reported dangerous building defects however only five of these resulted in make safe actions being taken. The number of requests this month is slightly less than the same period received last year.

PROJECTS WORKLOAD	MAJOR	MINOR	ESTIMATED VALUE
1. Major Stonework / Roof (Procurement)	1		£364k (CEC)
2. Roof Works		1	Under £30k (Owner Quote)
3. Roof Works		1	Under £40k (Owner Quote)
TOTAL	**1**	**2**	**£434K**

FACILITATION WORKLOAD (TYPE OF PROJECT)	MAJOR	MINOR	ESTIMATED VALUE
1. Major Stonework / Roof	1		£1m
2. Railway Wall	1		£1m
3. Mural		1	< £100k
TOTAL	**2**	**-**	**£2.1m**

EMERGENCY SERVICE	Feb 16	Mar 16	Apr 16	Trend
No of requests for advice/ info only.	451	265	211	↓
No. of service requests	104	90	81	↓
No of emergency repair inspections resulting in statutory notices issued	64	61	60	↓
No. of Emergency service requests where information/ advice was provided	40	29	21	↓
Value of invoices issued to owners for emergency repairs (cumulative)	£800,732	£847,259	£869,314	↑
Value of income received from owners for emergency repairs (cumulative)	£707,736	£732,192	£753,175	↑
No of visits to SRS webpage (Google Analytics)	5322	3920	4274	↑
Solicitors Enquiries Received	653	648	600	↓
Solicitors Enquiries Completed	653	558	540	↓