

# Notice of meeting and agenda

## Governance, Risk and Best Value Committee

**10:00am, Thursday, 9 March 2017**

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 –

Gavin King, Committee Services Manager

E-mail: [gavin.king@edinburgh.gov.uk](mailto:gavin.king@edinburgh.gov.uk)

Tel: 0131 529 4239

Laura Millar, Assistant Committee Clerk

E-mail: [laura.millar2@edinburgh.gov.uk](mailto:laura.millar2@edinburgh.gov.uk)

Tel: 0131 529 4319

## **1. Order of Business**

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- 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**

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- 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**

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- 3.1 None.

## **4. Minutes**

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- 4.1 Minute of the Governance, Risk and Best Value Committee of 2 February 2017 – submitted for approval as a correct record (circulated)

## **5. Outstanding Actions**

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- 5.1 Outstanding Actions – March 2017 (circulated)

## **6. Work Programme**

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- 6.1 Governance, Risk and Best Value Work Programme – March 2017 (circulated)

## **7. Reports**

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- 7.1 Internal Audit Plan 2017/18 – report by the Chief Internal Auditor (circulated)
- 7.2 Internal Audit Follow-Up Arrangements: Status Report from 1 October 2016 to 31 December 2016 – report by the Chief Internal Auditor (circulated)
- 7.3 Internal Audit Quarterly Update Report: 1 October – 31 December 2016 – report by the Chief Internal Auditor (circulated)
- 7.4 Internal Audit Charter Update – report by the Chief Internal Auditor (circulated)
- 7.5 Roads Contract Management: Follow Up – report by the Chief Internal Auditor (circulated)
- 7.6 Corporate Leadership Team Risk Update – report by the Acting Executive Director of Resources (circulated)
- 7.7 City of Edinburgh Council: External Audit Plan 2016/17– report by the Chief Executive and Acting Executive Director of Resources (circulated)

- 7.8 Welfare Reform – Update – referral report from the Corporate Policy and Strategy Committee (circulated)
- 7.9 Whistleblowing Annual Report – report by the Chief Executive (circulated)
- 7.10 Whistleblowing Update – report by the Chief Executive (circulated)

## **8. Motions**

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8.1 None.

### **Laurence Rockey**

Head of Strategy and Insight

### **Committee Members**

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

### **Information about the Governance, Risk and Best Value Committee**

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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**

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If you have any questions about the agenda or meeting arrangements, please contact Gavin King, Committee Services, City of Edinburgh Council, Waverley Court, Business Centre 2.1, Edinburgh EH8 8BG, Tel 0131 529 4239, e-mail [gavin.king@edinburgh.gov.uk](mailto:gavin.king@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](http://www.edinburgh.gov.uk/cpol).

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

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# Item 4.1 - Minutes

## Governance, Risk and Best Value Committee

10.00am, Thursday, 2 February 2017

### Present

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

### 1. Minute

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#### Decision

To approve the minute of the Governance, Risk and Best Value Committee of 22 December 2016 as a correct record.

### 2. Outstanding Actions

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

#### Decision

- 1) To agree to close items 9, 14 and 15.
- 2) To update the expected completion date for item 2 – *Internal Audit and Risk Service: Delivery Model Update* following the appointment of the Chief Risk Officer and Chief Internal Auditor.
- 3) To update the expected completion date for item 12 – *Internal Update Follow Up Arrangements: status report from 1 July 2016 to 30 September 2016* to March 2017 as consideration of the report was deferred.
- 4) To note the remaining outstanding actions.

(Reference – Outstanding Actions – February 2017, submitted.)

### 3. Work Programme

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#### Decision

To note the work programme.

(Reference – Governance, Risk and Best Value Work Programme – February 2017, submitted.)

## 4. Communities and Families Assurance Framework Pilot

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The key themes from the programme of audit visits were presented with recommendations to facilitate improvement in Communities and Families establishments' control environments.

### Decision

- 1) To note the report.
- 2) To request that any reports to the Education, Children and Families Committee on monitoring of Pupil Equity Funding were referred to the Governance, Risk and Best Value Committee.
- 3) To commend the work of Internal Audit and head teachers on the assurance framework and that the Convener writes to the Convener of Education, Children and Families Committee recommending that this approach was adopted as best practise, monitored by the Education, Children and Families Committee.

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

### Declaration of Interest

Councillor Edie declared a financial interest in the above item as Chair of the Care Inspectorate and took no part in the consideration of this item.

## 5. Pride in Our People and Key Engagement Activity Update 2016/17

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An update was provided on the employee engagement programme which aimed to support the Councils vision and goals.

### Decision

To note the changes and progress made over the past 12 months.

(References – Governance, Risk and Best Value Committee, 19 October 2015 (item 4); report by the Acting Executive Director of Resources, submitted.)

## 6. Revenue Monitoring 2016/17 – Month Nine Position

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The Finance and Resources Committee on 19 January 2017 considered a report which set out the projected third quarter revenue monitoring position for the Council, based on period eight data. The report was referred to the Governance, Risk and Best Value Committee for consideration as part of the work programme.

### Decision

To note the report.

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

## 7. Capital Monitoring 2016/17 – Month Nine Position

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The Finance and Resources Committee on 19 January 2017 considered a report which set out the overall position of the Council's capital budget at the nine month stage,

based on analysis of the period seven and eight data. The report was referred to the Governance, Risk and Best Value Committee for consideration as part of the work programme.

### **Decision**

To note the report.

(References – Finance and Resources Committee, 29 October 2015 (item 7); report by the Acting Executive Director of Resources, submitted.)

## **8. Report by the Accounts Commission – Local Government in Scotland: Financial Overview 2015/16**

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The Finance and Resources Committee on 19 January 2017 considered a report by the Accounts Commission that provided a high-level overview of Councils' income and expenditure in 2015/16 and placed these within the context of recent years trends. The report also examined the financial outlook for Councils at the end of 2015/16 and outlined a number of specific factors for consideration in assessing future spending plans. The report was referred to the Governance, Risk and Best Value Committee for consideration as part of the work programme.

### **Decision**

- 1) To note the report.
- 2) To request that the questions for councillors highlighted throughout the Financial Overview Report were incorporated into induction training for new councillors.

(References – Finance and Resources Committee, 1 December 2016 (item 11); report by the Acting Executive Director of Resources, submitted.)

## **9. Edinburgh Shared Repairs Service (ESRS) Update and Property Conservation – Progress Report**

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The Property Sub-Committee on 30 January 2017 considered a report that provided details of the progress, to December 2016, of the Edinburgh Shared Repairs Service (ESRS), outlined progress with the closure of the former Property Conservation Service and detailed the results of a consultation on the requirement for new or amended legislation to encourage private owners to undertake maintenance and repairs to common elements of tenement properties. The report was referred to the Governance, Risk and Best Value Committee for consideration.

### **Decision**

To note the report.

(References – Act of Council No 3 of 12 February 2016 - report by the Acting Executive Director of Resources, submitted.)

## 10. Property Conservation – Project Closure Review

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The proposed terms of reference for the Internal Audit project closure review were considered as requested at the Governance, Risk and Best Value Committee of 22 December 2016.

### **Decision**

To approve the proposed terms of reference for the planned 'Project Closure' review to be conducted by Internal Audit.

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

### **Note of Dissent**

Councillor Tymkewczyk asked that his dissent be noted in relation to the decision for this item.



# Item 5.1 Outstanding Actions

## Governance, Risk and Best Value Committee

March 2017

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	19/10/2015	<a href="#">Committee Report Process</a>	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	April 2017		
2	21/04/2016	<a href="#">Internal Audit – Audit and Risk Service: Delivery Model Update</a>	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.	Acting Executive Director of Resources	April 2018		Verbal update on appointments was provided at February meeting and update on new service model will be provided after one year in April 2018

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
3	26/05/16	<a href="#">Spot Checking on the Dissemination of Committee Decisions and Late Committee Reports</a>	To request an update report to the Governance, Risk and Best Value Committee on 2 February 2017.	Chief Executive	April 2017		
4	23/06/16	<a href="#">Recent Developments in Gaelic Education Provision in Edinburgh</a>	<p>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.</p> <p>2) To request that the current policy for GME access to secondary</p>	Acting Executive Director of Children and Families	April 2017		<p>The report on GME secondary options will be considered within the Rising Rolls report at the Education, Children and Families Committee in March 2017.</p> <p>Policy for GME access to secondary schools is published on the website and work-</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			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.				plan for the review of the policy is in development  GME will also be included in a wider catchment area review report – date TBC
5	26/09/16	<a href="#">Corporate Leadership Team Risk Update</a>	To request that progress reports on the additional precautionary surveys currently being undertaken in buildings sharing similar design features to those of the PPP1 schools, would be referred to the Governance, Risk and Best Value Committee for	Acting Executive Director of Resources	April 2017		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			scrutiny.				
6	24/10/16	<a href="#">The City of Edinburgh Council – 2015/16 Annual Audit Report to members and the Controller of Audit</a>	To request a briefing note to members of the Governance, Risk and Best Value Committee and the Finance and Resources Committee in January 2017 on the changes to funding arrangements from the updated Local Government Accounting Code including specific information on Highways Network Assets.	Acting Executive Director of Resources	March 2018		The implementation date for the 2017/18 accounts was postponed by CIPFA to the end of the financial year, the expected completion date has been updated to March 2018
7	24/10/16	<a href="#">Home Care and Re-ablement Service Contact Time</a>	To request an update report 6 months after the implementation of the new ICT system for shift allocation.	Chief Officer, Edinburgh Health and Social Care Partnership	Date TBC		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
8	24/10/16	<a href="#">Governance of Major Projects: progress report</a>	To request a follow-up report on the New Boroughmuir High School project including information on lessons learnt, cost implications and risks to the Council.	Chief Executive	April 2017		An Assurance Review will be undertaken in December 2016, the output was circulated to elected members on 31 January 2017.
9	17/11/16	<a href="#">Emergency Repairs: Processes to approve and pay framework contractor invoices – report by the Acting Executive Director of Resources</a>	To include an update on the new IT system in the quarterly report to be considered at the Governance, Risk and Best value Committee In April 2017.	Acting Executive Director of Resources	April 2017		
10	22/12/2016	<a href="#">Internal Audit Quarterly Update Report: 1 July 2016 – 30</a>	To request an update report on the recommendation for Edinburgh Buildings Services by November	Executive Director of Place	November 2017		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		<a href="#">September 2016</a>	2017.				
11	22/12/2016	<a href="#">Internal Update Follow Up Arrangements: status report from 1 July 2016 to 30 September 2016</a>	To request an update for the Governance, Risk and Best Value Committee in February 2017 on the reasons for the delay and timescale for completion of the reviews related to the contract management within roads services.	Chief Internal Auditor	March 2017	March 2017	Recommended for closure - on March agenda, deferred from February Committee.
12	22/12/2016	<a href="#">Resources Team Risk Update</a>	To circulate information to members of the Governance, Risk and Best Value Committee on employee surveys.	Acting Executive Director of Resources	April 2017		A detailed report on employee engagement is scheduled for consideration in April 2017 prior to the circulation of employee surveys.

# Item 6.1 - Work programme

## Governance, Risk and Best Value Committee

March 2017

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
<b>Section A – Regular Audit Items</b>								
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	Quarterly	March 2017
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	Quarterly	March 2017

	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	Accounts Commission	Annual report	Local Government Overview	External Audit	Acting Executive Director of Resources	Council Wide	Annually	January 2018
6	Annual Audit Plan	Scott Moncrieff	Annual audit plan	External Audit	Acting Executive Director of Resources	Council Wide	Annually	March 2017
7	ISA260	Scott Moncrieff	Annual ISA 260 Report	External Audit	Acting Executive Director of Resources	Council Wide	Annually	September 2017
8	Annual Audit Report	Scott Moncrieff	Annual Audit Report	External Audit	Acting Executive Director of Resources	Council Wide	Annually	October 2017
9	Internal Controls Report	Scott Moncrieff	Annual report on Council wide control framework	External Audit	Acting Executive Director of Resources	Council Wide	Annually	Date TBC
<b>Section B – Scrutiny Items</b>								
10	Governance	6 monthly	To ensure major	Major Project	TBC	All	Every 6	April 2017



	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
	of Major Projects	updates	projects undertaken by the Council were being adequately project managed				months	
11	Welfare Reform	Review	Regular update reports	Scrutiny	Acting Executive Director of Resources	Council Wide	March 2016	March 2017
12	Review of CLT Risk Scrutiny	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	March 2017
13	Whistleblowing Quarterly Report		Quarterly Report	Scrutiny	Chief Executive	Internal	Quarterly	March 2017
14	Pride in our People	Staff	Annual report of progress	Scrutiny	Chief Executive	Council Wide	Annual	February 2018
15	Workforce Control	Staff	Annual report	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	April 2017
16	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best Value Committee	Annual	October 2017
17	Dissemination of Committee Decisions	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Six-monthly	April 2017
18	Property Conservation	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	All	April 2017	April 2017

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
	- Legacy Closure programme and Defect Costs							
19	Property Conservation Project Closure Review	Review	Closure Report	Internal Audit	Chief Internal Auditor	Council Wide		June 2017
20	Revenue Monitoring	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	February 2018 September 2017 December 2017	September 2017
21	Capital Monitoring	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	February 2018 September 2017 December 2017	September 2017
22	Revenue Outturn	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	September 2017

	<b>Title / description</b>	<b>Sub section</b>	<b>Purpose/Reason</b>	<b>Category or type</b>	<b>Lead officer</b>	<b>Stakeholders</b>	<b>Progress updates</b>	<b>Expected date</b>
23	Capital Outturn and Receipts	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	September 2017
24	Treasury – Strategy report	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	April 2017
25	Treasury – Annual report	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	September 2017
26	Treasury – Mid-term report	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	December 2017

# GRBV Upcoming Reports

# Appendix 1

Report Title	Type	Flexible/Not Flexible
<b>9 March 2017 Committee</b>		
Contract Management in Roads Services	Internal Audit	Flexible
Internal Audit Quarterly Update	Internal Audit	Flexible
Internal Audit Follow Up Arrangements	Internal Audit	Flexible
Internal Audit Charter	Internal Audit	Flexible
Internal Audit Plan for the Year	Internal Audit	Flexible
Whistleblowing Update and Annual Report	Scrutiny	Flexible
Welfare Reform	Scrutiny	Flexible
Review of CLT Risk Scrutiny	Scrutiny	Flexible
Annual Audit Plan	External Audit	Flexible
<b>20 April 2017 Committee</b>		
Property Conservation Quarterly Report including update on new IT system	Scrutiny	Flexible
Treasury Strategy	Scrutiny	Flexible
Recent Developments in Gaelic Education Provision in Edinburgh	Scrutiny	Flexible

Workforce Control	Scrutiny	Flexible
Committee Decisions - Annual Report	Scrutiny	Flexible
Committee reports and Associated IT	Scrutiny	Flexible
Employee Engagement	Scrutiny	Flexible
Governance of Major Projects – Boroughmuir High School	Scrutiny	Flexible
<b>22 June 2017 Committee</b>		
Looked After Children: Transformation Programme	Scrutiny	Flexible
Property Conservation Project Closure Review	Internal Audit	Flexible

# Governance, Risk and Best Value Committee

10.00am, Thursday, 9 March 2017

## Internal Audit Plan 2017/18

Item number	7.1
Report number	
Executive/routine	
Wards	

### Executive summary

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This report summarises Internal Audit's annual planning process for the Internal Audit Plan for the period 1 April 2017 to 31 March 2018 (2017/18 Plan).

Internal Audit is continuing to work towards completing the 2016/17 Plan in advance of our annual report which we expect to make to Committee in June 2017.

The Internal Audit plan remains flexible, to accommodate changes in the Council's risk profile.

### Links

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Coalition pledges	
Council outcomes	.
Single Outcome Agreement	

## Internal Audit Plan for 2017/18

### 1. Recommendations

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- 1.1 It is recommended that the Committee approves the Internal Audit Plan for the period 1 April 2017 to 31 March 2018.

### 2. Background

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- 2.1 The Internal Audit Plan is risk based and focuses on the governance, risk and control framework within the Council. The work performed by Internal Audit supports Internal Audit's annual report. The work of Internal Audit also informs the annual Governance Statement in the financial statements.
- 2.2 In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), the audit plan has been developed using a risk based methodology to ensure that assurance activity is focussed on the key areas of risk for the Council.

### 3. Main report

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#### Internal Audit planning

- 3.1 The Governance, Risk and Best Value (GRBV) Committee's remit includes agreeing internal audit plans and ensuring internal audit work is properly planned with due regard to risk, materiality and coverage for the 2017/18 period.
- 3.2 Internal Audit planning:
- 3.2.1 optimises the use of audit time and matches the internal audit team's skill sets to individual internal audit reviews;
  - 3.2.2 determines the requisite level of audit resource required for each planned review;
  - 3.2.3 ensures that maximum benefit is obtained by the Council from the resources available;
  - 3.2.4 focuses on strategic risks facing the Council and internal audit requirements, including key financial controls, governance and risk management; and

- 3.2.5 ensures that audit coverage is sufficient to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

### **Draft Internal Audit Plan**

- 3.3 The draft plan was developed using the Central Leadership Team and Directorate risk registers to identify the most significant areas of inherent risk facing the Council. Internal Audit then considered the level of control mapped against these risks to determine areas where assurance would be best placed. To complement this process, Internal Audit launched a consultation programme with members of the Council's Senior Management Teams and the members of GRBV in order to identify any other areas where it may be appropriate for assurance to be sought.
- 3.4 The areas identified from this scoping exercise were filtered to ensure that the most pertinent areas of risk were incorporated, whilst also maintaining an Internal Audit footprint across the Council.
- 3.5 In addition, a number of operational factors were incorporated into the building of the plan including, from a resourcing perspective, the requirement for Internal Audit support to be provided to the Tattoo, the Lothian Valuation Joint Board, SEStran and the Edinburgh Integration Joint Board.
- 3.6 As part of the Council's transformation, the Corporate Programme Office (CPO) was replaced by an enhanced Portfolio and Governance service within the Transformation team, Strategy and Insight Division. This service includes the oversight of the Council's major project portfolio along with the project and programme management resources for key strategic Council initiatives. The Transformation team will have a greater focus on supporting and partnering with project teams and will ensure robust portfolio oversight is in place via PMO arrangements. It will also continue to maintain a programme of assurance activity. In order to maintain an appropriate level of assurance over these projects, Internal Audit have included 10 business readiness and gateway assurance reviews, of Major Projects as part of the 2017/18 internal audit plan.
- 3.7 The plan has been prepared assuming a total of 1,387 Internal Audit days for the period, based on 40 Internal Audit reviews, 10 Major Project assurance reviews and 10 Unit visits. This is a broadly similar commitment to the 2016/17 plan which included 43 Internal Audit reviews and 15 Unit visits. Should the number of Internal Audit staff change during the period and/or the required skills mix change the plan may need to be revisited.



- 3.8 The plan contains three currently un-allocated reviews. It is Internal Audit's expectation that, similar to previous years, the requirement to perform unplanned ad-hoc reviews will arise in 2017/18.
- 3.9 The full plan for the period is attached at Appendix 1: Internal Audit Risk Assessment & Plan 2017/18.

#### **4. Measures of success**

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- 4.1 Alignment of the Internal Audit Plan to the key risks faced by the Council to ensure governance is improved, service areas take responsibility for corrective action and confidence in the management of risk is increased.

#### **5. Financial impact**

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- 5.1 No direct financial impact.

#### **6. Risk, policy, compliance and governance impact**

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- 6.1 The Internal Audit plan sets out the areas of focus for Internal Audit activities for 2017/18. Internal Audit provides assurance over the governance and control environment operating in the Council.

#### **7. Equalities impact**

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- 7.1 There are no adverse equalities impacts arising from this report.

#### **8. Sustainability impact**

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- 8.1 There are no adverse sustainability impacts arising from this report.

#### **9. Consultation and engagement**

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- 9.1 The internal audit team consulted with the risk team, senior management and the elected members of the GRBV Committee.

#### **10. Background reading / external references**

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- 10.1 None.

## Magnus Aitken

Chief Internal Auditor

E-mail: [magnus.aitken@edinburgh.gov.uk](mailto:magnus.aitken@edinburgh.gov.uk) | Tel: 0131 469 3143

### Links

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**Coalition pledges**

**Council outcomes**

**Single Outcome  
Agreement**

**Appendices**

Appendix 1 - Internal Audit plan for the year 1 April 2017 to 31 March 2018

# **The City of Edinburgh Council**

## **Internal Audit Risk Assessment and Plan 2017/18**



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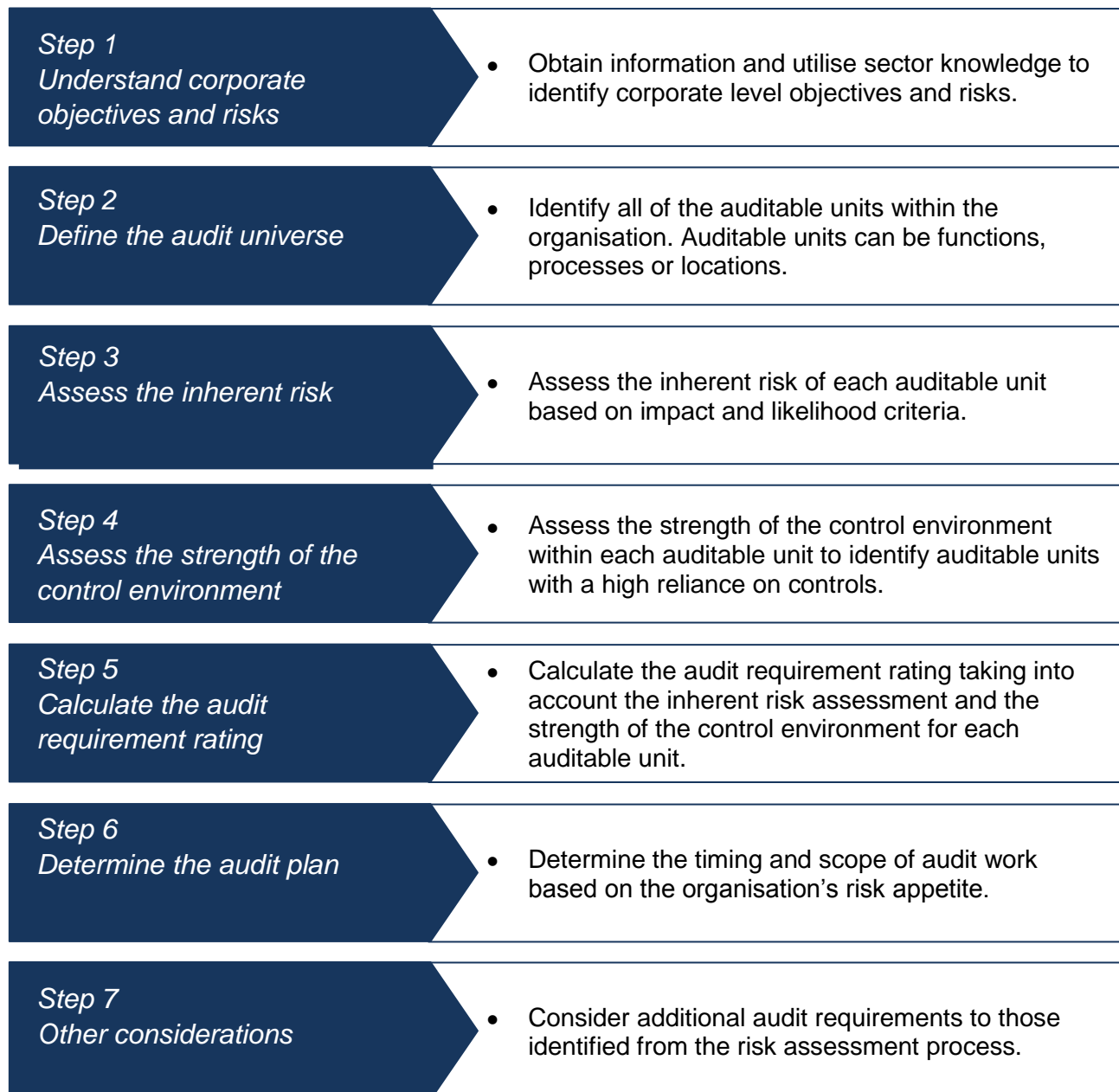
# 1. Introduction and Approach

## Introduction

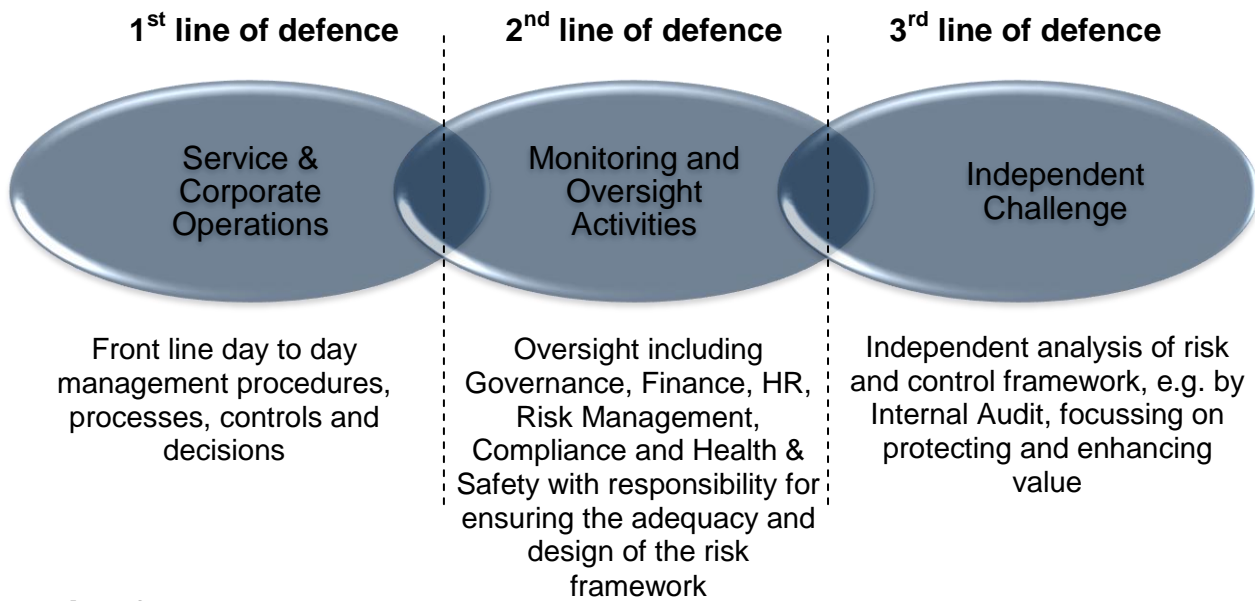
This document sets out the risk assessment and the 2017/18 internal audit plan for The City of Edinburgh Council.

## Approach

The internal audit service will be delivered in accordance with the Internal Audit Charter. A summary of our approach to undertaking the risk assessment and preparing the internal audit plan is set out below. The internal audit plan is driven by The City of Edinburgh Council's organisational objectives and priorities, and the risks that may prevent the City of Edinburgh Council from meeting those objectives. A more detailed description of our approach can be found in Appendix 1 and 2.



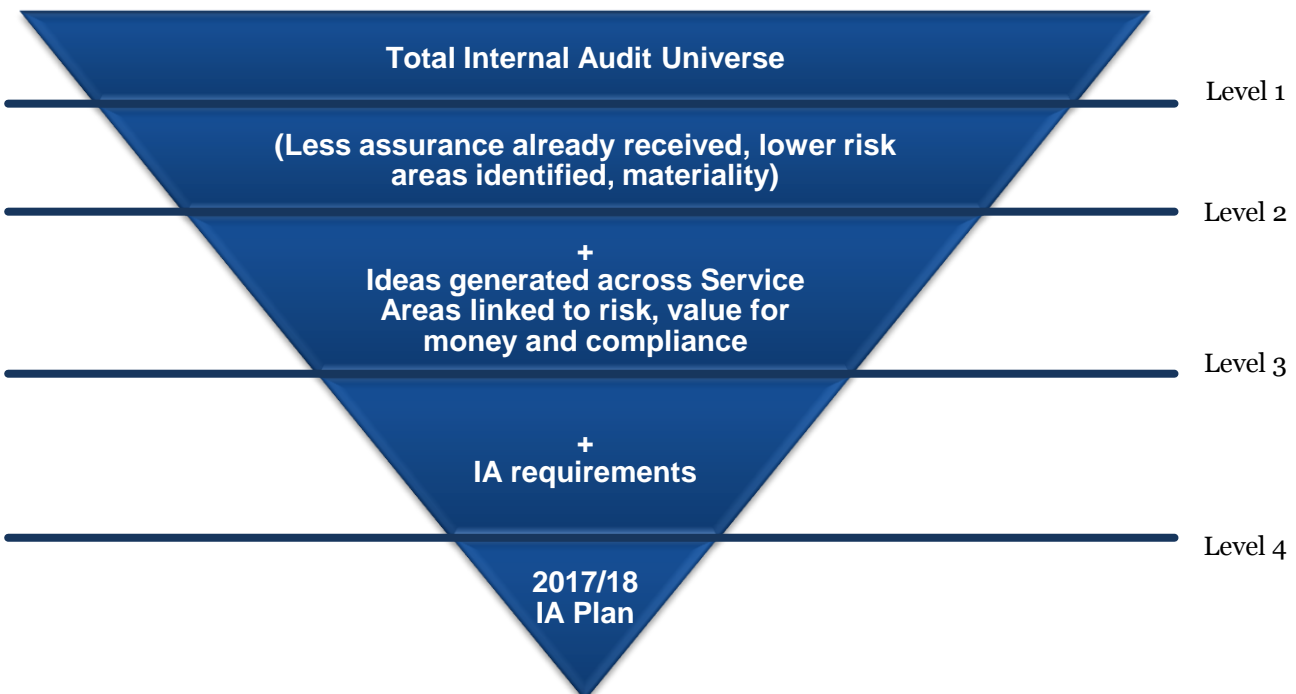
This approach takes into account the role of Internal Audit, as one of the Council’s assurance providers from the 3rd line of defence:



**Basis of our plan**

The level of available resources for the internal audit service for 1 April 2017 to 31 March 2018 is 1,387 days and therefore the plan does not purport to address all key risks identified across the audit universe as part of the risk assessment process. Accordingly, the level of internal audit activity represents a deployment of limited internal audit resources.

Taking into account the above, the plan is drafted as follows:



As set out in Public Sector Internal Audit Standards, the focus of internal audit’s strategy and programme is planned around a risk-based approach. This underpins its value.

The annual Internal Audit Plan is based on a risk assessment of the audit universe in the organisation (operational, financial and other), undertaken before the beginning of the year and primarily based on the following:

- The Council's current Risk Registers;
- Regular liaison meetings with the Chief Risk Officer, Executive Directors and other senior management;
- Discussions with the members of the Governance, Risk and Best Value Committee;
- New projects/initiatives undertaken by the Council;
- Prior year Internal Audit findings; and
- Requirements of PSIAS (Governance, Risk Management, Internal Control).

The internal audit plan for 2017/18 therefore represents a balance between compliance, value add based on risk assessment and input from management (members of SMTs, CLT and GRBV).

As part of planning considerations, the level of resources, experience and skills available to Internal Audit was considered. It was concluded that the current arrangements in place provide sufficiently capacity and capability to allow Internal Audit to complete the current plan and undertake its role effectively. Were any concerns to arise during the course of the year which might be seen as impacting on this judgement, these will be discussed initially with CLT and the Convenor of the GRBV. If these were unresolved following these discussions, the matter would be raised at a GRBV Committee Meeting.

### ***Basis of our annual internal audit conclusion***

Internal audit work will be performed in accordance with methodology aligned to Public Sector Internal Audit Standards (PSIAS). As a result, our work and deliverables are not designed or intended to comply with any other auditing standards.

Our annual internal audit opinion will be based on and limited to the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. The agreed control objectives will be reported within our final individual internal audit reports.

In developing our internal audit risk assessment and plan we have taken into account the requirement to produce an annual internal audit opinion by determining the level of internal audit coverage over the audit universe and key risks. We do not believe that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion.

### ***Other sources of assurance***

In developing our internal audit risk assessment and plan we have taken into account other sources of assurance and have considered the extent to which reliance can be placed upon these other sources. Other sources of assurance for each auditable unit are noted in our Risk Assessment in section 3 of this document, and a summary is given below.

The other sources of assurance for The City of Edinburgh Council are as follows:

- External inspections such as those undertaken by the Care Inspectorate, Child Protection Inspection Unit, Education Scotland;
- External audit by Scott Moncrieff; and
- Information Commissioner reviews and inspections

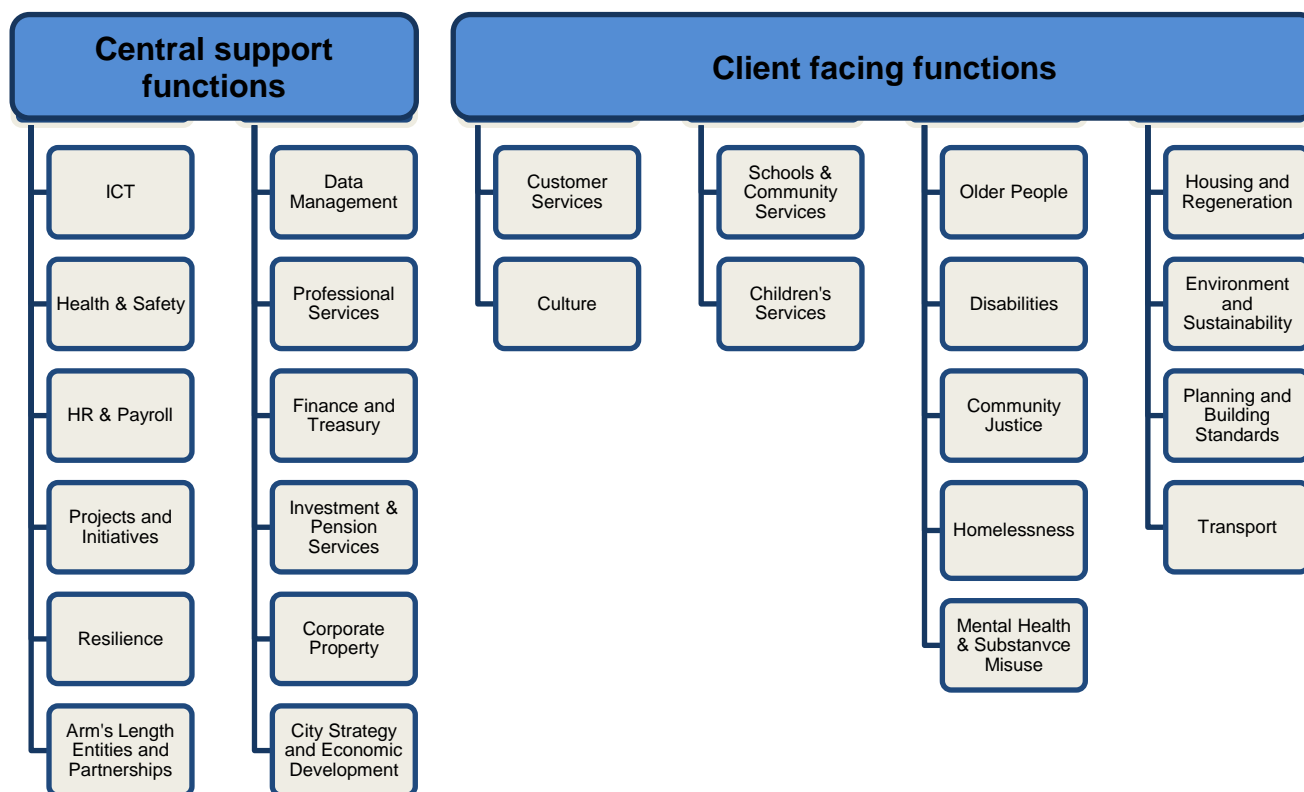
We do not intend to place reliance upon these other sources of assurance for our opinion. However they will be considered in assessing the strength of the control environment for each auditable unit. The methodology for assessing the strength of the control environment is set out in Step 4 of Appendix 1: Detailed Methodology.

## 2. Audit universe, corporate objectives and risks

### Audit universe

The diagram below represents the high level auditable units within the audit universe of The City of Edinburgh Council for 2017/18. This has been re-assessed for to reflect the transformation that the Council is undergoing, resulting in the introduction of Older People, Disabilities, Community Justice, Homelessness, Mental Health & Substance Misuse units to revise the previous structure.

### The City of Edinburgh Council – Auditable Units



### Localities Model

The locality services are grouped and managed under four geographic localities (NE, NW, SE and SW) common to both the Council and other public sector organisations within Edinburgh. The Localities will be supported by the 12 existing Neighbourhood Partnerships.

Although Localities are not identified as distinct audit units, audit work completed in the year will take cognisance of the potentially different risk profiles of the Localities.

### Edinburgh Integration Joint Board

We will not be providing any assurance on the activities of the Edinburgh Integration Joint Board (EIJB) who have their own Audit and Risk Committee and Internal Audit function. As in 2016/17, we anticipate that the Audit and Risk Committee of the EIJB will request us to perform a number of audits on their behalf to facilitate the completion of their audit plan. We have held back 3 audits for that eventuality. These audits will be conducted for the EIJB and will not be subject to scrutiny by the GRBV. It is however expected that



under the existing reciprocal referral arrangements, the Audit & Risk Committee of the EIJB would refer any relevant internal audit reports to the GRBV.

## ***Major Project Assurance Reviews***

As part of the Council's transformation, the Corporate Programme Office (CPO) was replaced by an enhanced Portfolio and Governance service within the Transformation team, in Strategy and Insight. This service includes the oversight of the Council's major project portfolio along with the project and programme management resources for key strategic Council initiatives. The Transformation team will have a greater focus on supporting and partnering with project teams and will ensure robust portfolio oversight in place via PMO arrangements. It will also continue to maintain a programme of assurance activity. However, to ensure a full assurance review programme is in place, Internal Audit will undertake a number of business readiness and gateway reviews of major projects as part of the 2017/18 internal audit plan. Further details on these are set out in Section 5.

## ***Unit visits***

Internal Audit will cease its programme of audit visits to schools and community centres in support of the Communities and Families Assurance Framework. Internal Audit visited 15 schools and community centres each year in 2015/16 and 2016/17. The framework has matured over the last 2 years and Communities and Families will continue with a programme of peer reviews to validate responses to the annual self-assurance statement in place of the Internal Audit programme. This moves the Framework from the third line of defence to the second line of defence where it more naturally sits. Internal Audit intend to review the Framework in Q4 2018 to determine whether the move to peer reviews has been effective. This has been included in the audit plan for 2017/18.

Audit resource made available by ending this audit programme will be utilised on a programme of visits to the Council's care home portfolio. As with schools, it is hoped that this programme will in due course lead to a second line of defence assurance process that can stand alone without Internal Audit support.

### 3. Risk assessment

#### Risk assessment results

Each auditable unit has been assessed for inherent risk and the strength of the control environment, in accordance with the methodology set out in Appendix 1 and 2. The results are summarised in the table below.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment	Colour code	Frequency	No of audits (17/18)	No of audits (16/17)	No of audits (15/16)	Other Assurance / Notes
<b>Central Support Functions</b>									
<b>A</b>	<b>Council wide and Resources</b>					<b>17</b>	<b>17</b>	<b>17</b>	
A.1	ICT	5	1	●	1	3	3	1	
A.2	Health and Safety	5	3	●	1	1	1	1	H&S audit programme
A.3	HR & Payroll	5	2	●	1	2	2	-	
A.4	Projects & Initiatives	5	2	●	1	1	1	1	Major Project Assurance Reviews undertaken by Internal Audit
A.5	Resilience	4	4	●	2	1	-	1	ISO external certification
A.6	Arm's Length Entities and Partnerships	4	3	●	2	-	1	1	
A.7	Data Management	5	2	●	1	1	1	n/a	Care Home unit visits include an Information Governance maturity assessment.
A.8	Customer Services	4	3	●	2	-	1	-	
A.9	Professional Services	3	4	●	3	-	1	1	Internal Audit External Quality Assessment
A.10	Finance & Treasury	5	4	●	1	3	1	4	Audit Scotland external audit performed by Scott Moncrieff and ongoing internal fraud detection and investigation support.
A.11	Investment & Pension Services	4	5	●	3	3	3	3	Internal Audit reviews are required to be completed annually
A.12	Corporate Property	5	2	●	1	2	2	4	Care Home unit visits include Health & Safety and Facilities Management assurance work

Ref	Auditable Unit	Inherent Risk Rating	Control Environment	Colour code	Frequency	No of audits (17/18)	No of audits (16/17)	No of audits (15/16)	Other Assurance / Notes
<b>Localities</b>									
<b>B</b>	<b>Communities and Families</b>					<b>3</b>	<b>6</b>	<b>6</b>	
B.1	Schools & Community Services	5	3	●	1	2	4	3	School inspections undertaken by Education Scotland
B.2	Children's Services	5	4	●	1	1	2	3	Care Inspectorate inspections
<b>C</b>	<b>Health and Social Care</b>					<b>3</b>	<b>3</b>	<b>3</b>	
C.1	Older People	5	2	●	1	2	2	2	Includes 10 unit visits to Care Homes Care Inspectorate inspections
C.2	Disabilities	4	2	●	2	1	1	1	Care Inspectorate inspections
<b>D</b>	<b>Safer and Stronger Communities</b>					<b>3</b>	<b>-</b>	<b>-</b>	
D1	Homelessness	4	2	●	2	1	n/a	n/a	Care Inspectorate inspections
D.2	Mental Health and Substance Misuse	4	2	●	2	1	n/a	n/a	
D.3	Community Justice	2	3	●	4	1	n/a	n/a	
<b>E</b>	<b>Place</b>					<b>5</b>	<b>6</b>	<b>6</b>	
E.1	Culture and Leisure	3	4	●	3	-	1	-	
E.2	Housing and Regeneration	4	2	●	2	1	1	1	
E.3	Environment and Sustainability	4	2	●	2	1	3	1	
E.4	Planning & Building Standards	4	4	●	2	2	-	1	
E.5	Transport	5	2	●	1	1	1	2	
E.6	City Strategy and Economic Development	3	3	●	3	-	-	1	

Ref	Auditable Unit	Inherent Risk Rating	Control Environment	Colour code	Frequency	No of audits (17/18)	No of audits (16/17)	No of audits (15/16)	Other Assurance / Notes
<b>F</b>	<b>Other/Miscellaneous</b>					<b>6</b>	<b>6</b>	<b>5</b>	
F.1	Lothian Valuation Joint Board	2	4	●	-	1	1	1	Required to be completed annually.
F.2	SEStran	1	4	●	-	1	1	1	Required to be completed annually.
F.3	Royal Edinburgh Military Tattoo	2	4	●	-	1	1	1	Required to be completed annually
F4	Lothian Criminal Justice Authority	1	4	●	-	-	1	1	This Joint Board is being discontinued and their will be no audit requirement in 2017/18
F.5	Integration Joint Board	5	1	●	1	3	3	2	3 reviews held for work instructed by IJB audit committee
	<b>TOTALS</b>					<b>37</b>	<b>39</b>	<b>38</b>	

## ***Key to frequency of audit work***

<b>Audit Requirement Rating</b>	<b>Frequency</b>
●	Annual
●	Every two years
●	Every three years
●	No assurance work required

The audit requirement rating drives the frequency of internal audit work for each auditable unit.

There is an internal audit budget of 1,387 days which means the frequency with which internal audits are scheduled has been flexed. The audit plan is a rolling programme aiming to ensure all auditable units are subject to an internal audit at least once in a three year cycle.

## 4. Annual plan and internal audit performance

### Annual plan and indicative timeline

The internal audit plan has been split out as shown below to reflect the core areas of our Internal Audit programme determined by Council Management, risk registers, corporate priorities and Internal Audit standards.

Through discussions with Heads of Service, Executive Directors and members of the Governance, Risk and Best Value Committee we developed a full suite of potential internal audit reviews based on our risk assessment and suggestions provided by each service.

This was then presented to the CLT to determine the reviews of highest priority and to help finalise the planned reviews, which are presented to the Governance, Risk and Best Value Committee in the table below.

There are 42 Internal Audit reviews scheduled for 2017/18 (including the 3 currently unplanned reviews) compared with 46 reviews originally included under the 2016/17 audit plan. One of the planned reviews is the Care Home Visits which involves visits to 10 care homes. Each proposed review for 2017/18 is included in the table below and has been cross referenced to the corresponding key corporate and service area level risks, which are included within Appendices 3 and 4.

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
<b>Council-Wide and Resources</b>								
Corporate Property	<u>Edinburgh Shared Repairs Service</u> Review the implementation of controls and procedures designed for the new Enforcement service.	✓				30	CLT7 R9	Medium
Corporate Property	<u>Asset Management Strategy</u> Review the development of the Estates Rationalisation and Investment Portfolio workstreams of the Asset Management Strategy.	✓				30	CLT1 CLT4 CLT9 R1 R5 R7 P1 P6	Low
Data Management	<u>Record Management</u> Review progress in embedding records management policies within the service areas.				✓	20	R6 R8 HSC7	Low
Finance and Treasury	<u>Continuous controls over key financial systems</u> Testing of key controls within the Council's key financial systems using continuous auditing and data techniques to interrogate complete populations of data.	✓	✓		✓ ✓	30	CF8 P4	High

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
Finance and Treasury	<u>Treasury</u> Review the processes and controls in place around treasury management, and review the procedures in place to monitor investment performance.	✓				20	n/a	Medium
Finance and Treasury	<u>Travel</u> Test the application of the Council's business travel guidance following the launch of the new travel system.				✓	20	CLT6 CF5 CF8 P4	High
Health and Safety	<u>Waste &amp; recycling operations</u> Review the Health & Safety arrangements in place within the waste management processes.			✓		20	CLT 9	Low
HR and Payroll	<u>Starters process</u> Review the induction programme for new employees, including training, allocation of IT accounts and equipment, and pre-employment checks.	✓				30	R6 CF9	High
HR and Payroll	<u>Drivers</u> Review the design and effectiveness of procedures around medical disclosure and licence validation for authorised drivers.				✓	25	CLT9 R6 CF4 HSC6	Medium
ICT	<u>Cyber Maturity analysis</u> Undertake a Cyber Maturity Analysis to establish a baseline position for the maturity of the Council's ICT provision. This includes the running of the Game of Threats simulated cyber attack exercise.	✓				25	CLT5 R8	Low
ICT	<u>Phishing Resilience</u> Conduct a Phishing exercise to determine the robustness of the 'Human' firewall.		✓			20	CLT5 R8	Low

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
ICT	<u>CGI Contract management</u> Review the management and performance delivery of ICT services under the CGI contract.				✓	25	CLT2 CLT5 CLT7 CLT10 R4 R7 R9	Low
Investment and Pension Services	<u>Business Continuity</u> Review the Fund's Business Continuity Plan. This will include consideration of IT disaster recovery for systems hosted by the Council and 3 <sup>rd</sup> party system providers.		✓			20	CLT3 CLT5 CLT10 R8	Low
Investment and Pension Services	<u>Information governance</u> Assess the processes and controls in place to ensure member data held by the Pension Fund is accurate, and is managed in compliance with Data Protection legislation.	✓				20	R8	Medium
Investment and Pensions Services	<u>Lifetime and annual allowances</u> Review the arrangements in place to ensure that pensions tax legislation is applied accurately, and that members are informed of its impact on their future pension provision.		✓			20	n/a	Low
Projects	<u>Savings realisations</u> Assess progress in achieving planned 2017/18 savings.		✓			30	CLT1 CLT2 CLT4 R3 R7 R9 CF5 HSC2 P2 P5 P6	Low



Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
Resilience	<u>Severe Weather contingency planning</u> Consider the Council's readiness for severe weather, with reference to plans in place for the 2017/18 winter.			✓		20	CLT3 CLT7 CLT9 R6 R9 CF4 P3	Low
<b>Communities and Families</b>								
Children's Services	<u>Foster care</u> Review the management of Foster care provision and payments to carers and service providers.			✓		25	CF3	Medium
Schools and Community Services	<u>Communities &amp; Families Self-Assurance Framework</u> Assess progress in establishing the Framework as a 'second line of defence' assurance programme.				✓	20	CLT7 CF1 CF4 CF7 CF8 CF9	Medium
Schools and Community Services	<u>Facilities Management Service Level Agreements</u> Service Level Agreements between Facilities Management and Communities & Families will be introduced in April 2017. This review will consider how well the new arrangements are working after the first 6 months.		✓			30	CLT7 CLT9 R2 R3 R5 R9 CF1 CF4 CF6	Low
<b>Health and Social Care</b>								
Disabilities	<u>Client Money</u> Review design and effectiveness of controls in place over money held on behalf of vulnerable clients.			✓		30	HSC5	High
Older People	<u>Care Inspectorate Report</u> Follow up on progress made in addressing the findings and outstanding actions arising from the Care Inspectorate report.				✓	30	CLT8 HSC1 HSC3 HSC5	Low

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
Older People	<u>Care Home Unit Visits</u> Combined Internal Audit and Corporate Health & Safety visits to the 10 Council-operated care homes to assess controls in place over key areas including: finance, residents' savings, workforce, resilience, information governance and health and safety.	✓	✓			100	CLT3 CLT6 CLT7 HSC3 HSC5 HSC6 HSC7	High
<b>Safer and Stronger Communities</b>								
Community Justice	<u>CCTV infrastructure</u> Review of CCTV infrastructure management and maintenance.		✓			25	CLT1 CLT6 SS1 SS2	Low
Homelessness	<u>Short-term homelessness housing provision</u> Review contract management of short-term homelessness housing provision.			✓		30	CLT6 CLT7 CLT9 SS2 SS3	Medium
Mental Health & Substance Misuse	<u>Early Intervention and Prevention</u> Review contract management of Early Intervention and Prevention support services provided by third sector parties.	✓				25	CLT6 CLT7 SS2	Medium
<b>Place</b>								
Environment and Sustainability	<u>Waste Services</u> Review performance management framework for Waste Services. This review will focus on the selection, monitoring and reporting of performance measures relating to waste collection.			✓		25	CLT7 P2 P5	Medium
Housing and Regeneration	<u>Edinburgh Building Services</u> Follow up on progress made in addressing control weaknesses identified in the 2016 internal audit.			✓		30	CLT1 CLT7 P4 P5	High

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
Planning and Building Standards	<u>Local Development Plan Phase 2: Education</u> Consider robustness of assumptions used in forecasting additional school places required as a result of phase 2 of the Local Development Plan, and the cost of providing those places.				✓	25	CF2 P2	Low
Planning and Building Standards	<u>Planning control</u> Review of the application of policy and the procedures in place for the provision of building warrants and completion certificates.		✓			25	CLT7 P2 P4	Medium
Transport & Infrastructure	<u>Edinburgh Roads Service</u> 'Review recommend' of the proposed Edinburgh Roads Service service delivery model, with a focus on project management and interaction with Locality environment and roads teams.			✓		30	CLT7 R9 P4 P5 P6	Medium
<b>Other Organisations</b>								
LVJB	Lothian Valuation Joint Board - provision of internal audit services			✓		15	N/A	N/A
SEStran	SEStran - provision of internal audit services			✓		15	N/A	N/A
Royal Edinburgh Military Tattoo	Tattoo - provision of internal audit services			✓		15	N/A	N/A
Edinburgh Integration Joint Board	IJB – provision of internal audit services		✓			25	N/A	N/A
			✓			25		
				✓		25		
<b>Miscellaneous</b>								
Internal Audit	3 additional ad hoc reviews held for allocation during the year – management / IA discretion		✓	✓	✓	75	N/A	N/A
Internal Audit	Carbon Reduction Commitment (CRC) Scheme		✓			20	N/A	N/A
Internal Audit	Cycling, Walking, Safer Streets (CWSS) grant	✓				10	N/A	N/A
Internal Audit	The Management of Development Funding (TMDF) grant	✓				20	N/A	N/A

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
LVJB and SEStran	Corporate governance work at LVJB and SEStran				✓	15	N/A	N/A
Internal Audit	Follow up of outstanding audit actions	✓	✓	✓	✓	55	N/A	N/A
Internal Audit	Fraud Support	✓	✓	✓	✓	15	N/A	N/A
Internal Audit	GRBV Reporting	✓	✓	✓	✓	15	N/A	N/A
Internal Audit	Internal Audit Annual Plan 2018/19				✓	15	N/A	N/A
Internal Audit	Contingency	✓	✓	✓	✓	22	N/A	N/A

## 5. Major Project Assurance Reviews

### **Additional Service Responsibility**

As part of the Council's transformation, the Corporate Programme Office (CPO) was replaced by an enhanced Portfolio and Governance service within the Transformation team, Strategy and Insight. This service includes the oversight of the Council's major project portfolio along with the project management and programme resources for key strategic Council initiatives. The Transformation team will have a greater focus on supporting and partnering with project teams and will ensure robust portfolio oversight is in place via PMO arrangements. It will also maintain a programme of assurance activity. However, to ensure a full assurance review programme is in place, Internal Audit will undertake a number of business readiness and gateway reviews of major projects as part of the 2017/18 internal audit plan.

Consultation with the Portfolio and Governance service, Risk Management, and the CLT will inform the prioritisation and planning of project reviews. There is no increase in the resources available to Internal Audit and project assurance will therefore be undertaken to the extent permitted by a risk-based deployment of limited resources. Internal Audit has allocated sufficient resources to undertake 10 project assurance reviews as part of the 2017/18 audit plan.

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days
PR1	Review of Project to upgrade the Ross Bandstand in Princes Street Gardens	✓				15
PR2	Review of Project to upgrade Meadowbank Stadium		✓			15
PR3	Review of Edinburgh St James Project		✓			15
PR4	Review of Fleet Project	✓				15
PR5	Review of Zero Waste Project	✓				15
PR6 – PR10	These projects will be selected towards the end of H1 2017/18 subsequent to a risk-based analysis of the Major Project portfolio at that time.			✓	✓	75

It is anticipated that the results of these project assurance reviews will be reported to the GRBV Committee as part of Internal Audit's current quarterly reporting regime.

## Appendix 1: Detailed methodology

### Step 1 - Understand corporate objectives and risks

In developing our understanding of your corporate objectives and risks, we have:

- Reviewed your strategy, organisational structure and corporate risk register;
- Drawn on our knowledge of the local government sector; and
- Met with a senior management, members of the Governance, Risk and Best Value Committee members and other Councillors.

### Step 2 - Define the Audit Universe

In order that the internal audit plan reflects your management and operating structure we have identified the audit universe for The City of Edinburgh Council made up of a number of auditable units. Auditable units include functions, processes, systems, products or locations. Any processes or systems which cover multiple locations are separated into their own distinct cross cutting auditable unit.

### Step 3 - Assess the inherent risk rating

The internal audit plan should focus on the most risky areas of the business. As a result each auditable unit is allocated an inherent risk rating i.e. how risky the auditable unit is to the overall organisation and how likely the risks are to arise. The criteria used to rate impact and likelihood are recorded in Appendix 2.

The inherent risk assessment is determined by:

- Mapping the corporate risks to the auditable units;
- Our knowledge of your business and its sector; and
- Discussions with management.

Impact Rating	Likelihood Rating				
	5	4	3	2	1
5	5	5	4	4	4
4	5	5	4	4	3
3	4	4	3	3	2
2	4	3	3	2	2
1	3	3	2	2	1

### Step 4 - Assess the strength of the control environment

In order to effectively allocate internal audit resources we also need to understand the strength of the control environment within each auditable unit (1=poor controls to 5=strong controls). This is understanding is based on:

- Consultation with Senior Management and elected members of the GRBV Committee;
- Revisiting the outcomes from previous internal audits, including the process of closing audit recommendations;
- Considering the activities of the 2<sup>nd</sup> line of defence functions (i.e: The Corporate Risk and Health & Safety teams) ;and  
Reviewing the output from activities undertaken by other assurance providers (i.e - The Care Inspectorate, Education Scotland etc).

In assessing the strength of the control environment of each auditable unit we consider the following for matters arising from the sources noted above:

- The nature & magnitude of the matters;
- Whether they are pervasive or restricted to individual parts of a process;
- The significance of the process impacted;
- The nature, urgency & robustness of management’s response to any issues arising; and
- Whether there are any implications for the broader culture in the audit unit.

Note: They may be on occasion reports issued by Internal Audit or other assurance providers where the findings are sufficiently significant to prompt us to re-visit the same area in question.

### **Step 5 - Calculate the audit requirement rating**

The inherent risk and the control environment indicator are used to calculate the audit requirement rating. The formula ensures that our audit work is focused on areas with high reliance on controls or a high residual risk.

Inherent Risk Rating	Control Design Indicator				
	1	2	3	4	5
5					
4					
3					
2					
1					

### **Step 6 - Determine the audit plan**

Your risk appetite determines the frequency of internal audit work at each level of audit requirement. Auditable units may be reviewed annually, every two years or every three years.

In some cases it may be possible to isolate the sub-processes within an auditable unit which are driving the audit requirement. For example, an auditable unit has been given an audit requirement rating of 5 because of inherent risks with one particular sub-process, but the rest of the sub-processes are lower risk. In these cases it may be appropriate for the less risky sub-processes to have a lower audit requirement rating and be subject to reduced frequency of audit work. These sub-processes driving the audit requirement areas are highlighted in the plan as key sub-process audits.

### **Step 7 - Other considerations**

In addition to the audit work defined through the risk assessment process described above, we may be requested to undertake a number of other internal audit reviews such as regulatory driven audits, value enhancement or consulting reviews.

## Appendix 2: Risk assessment criteria

### Determination of Inherent Risk

We determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

<i>Impact rating</i>	<i>Assessment rationale</i>
5	Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation/brand of the Council which could threaten its future viability.
4	Major impact on operational performance; or Major monetary or financial statement impact; or Major breach in laws and regulations resulting in significant fines and consequences; or Major impact on the reputation or brand of the Council.
3	Moderate impact on the Council's operational performance; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on the reputation of the Council.
2	Minor impact on the Council's operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the Council.
1	Insignificant impact on the Council's operational performance; or Insignificant monetary or financial statement impact; or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on the reputation of the Council.

<i>Likelihood rating</i>	<i>Assessment rationale</i>
5	Has occurred or probable in the near future
4	Possible in the next 12 months
3	Possible in the medium term (2-5 years)
2	Possible in the longer term (5-10 years)
1	Unlikely in the foreseeable future



## Appendix 3: Corporate Risks

Corporate level objectives and risks have been determined by The City of Edinburgh Council. The prioritised inherent risks facing the Council as at December 2016 are recorded in the table below and have been considered when preparing the internal audit plan. The internal audit plan within Section 4 details how each of the planned reviews can be cross referenced to a related corporate level risk of the Council.

### Corporate Leadership Team Prioritised Inherent Risks

Ref	Corporate Leadership Team	17/18	16/17	15/16	Comments
CLT1	<i>Capital Asset Management</i> With reduced resources and a heightened need for structural inspection and maintenance the current asset management plan may be insufficient to cover the immediate need for capital improvements (for example improvements of highways, post PPP1 structural reviews and other capital infrastructure) which could result in continued underinvestment and assets that are not fit for purpose or meet health and safety consequences now and in the future.	✓	✓	✓	
CLT2	<i>IT Transformation and Change Program</i> Key deliverables, benefits & timescales for achieving IT transformation may not be achieved in line with business expectations, requirements & contractual agreements. This will result in adverse impacts on service delivery and the Council's ability to operate, its finances or its reputation	✓	✓	✓	
CLT3	<i>Hazard Events</i> A sudden high impact event causes buildings, people, systems to be non-operational for an unacceptable period of time	✓	✓	x	
CLT4	<i>Reduced Funding</i> reductions, legislative changes and increased demographic pressure, the requirements of the Local Development Plan and the anticipated need for further cost efficiencies will increase pressure on our infrastructure, capital and revenue funding, the execution of our strategy and business plan with associated adverse reputational impact.	✓	n/a	n/a	New Risk Identified for 2017/18
CLT5	<i>External IT Security Threat</i> A significant cyber breach may occur resulting in loss of data integrity, confidentiality or availability with adverse reputational and operational impact.	✓	✓	x	

<b>Ref</b>	<b>Corporate Leadership Team</b>	<b>17/18</b>	<b>16/17</b>	<b>15/16</b>	<b>Comments</b>
CLT6	<i>Budget Management</i> Material overspends on service budgets may impact upon the funding of other services.	✓	n/a	n/a	New Risk Identified for 2017/18
CLT7	<i>Customer Expectations</i> Customer dissatisfaction around delivery of customer facing services (e.g. waste, roads, delayed discharge) may lead to increased complaints with consequential increased financial strain and reputational damage.	✓	n/a	n/a	New Risk Identified for 2017/18
CLT8	<i>Health and Social Care Procurement</i> Through either CEC's own lack of resources or lack of provider capacity, the Council may be unable to secure appropriate contracts with its providers or deliver appropriate services as directed by the IJB. As a result we may be unable to deliver our own commitments, for example: appropriate levels of care at home and in the community to enable efficient discharge from hospital and consequently risk not fulfilling our duty of care to customers and to delivery of the H&SC partnership's strategic plan.	✓	✓	n/a	
CLT9	<i>Health and Safety</i> Non-compliance with Council Health and Safety policies and procedures and legal and regulatory requirements could lead to avoidable employee or 3rd party injury or ill health and/or regulatory fines and liability claims, and associated reputational damage.	✓	✓	✓	
CLT10	<i>IT Service Delivery</i> The current stresses in the new IT provider's service delivery / management are such that it may not be able to recover service standards in the immediate future and there may be a sustained period of outage, degraded performance, or errors in processing for one or more services. This will result in adverse impacts on service delivery and the Council's ability to operate, its finances or its reputation and loss of confidence in the strategic alliance.	✓	✓	✓	

## Appendix 4: Service Area Risks

Service level objectives and risks have been determined by The City of Edinburgh Council's Senior Management Teams. Key risks identified by the Service Area Senior Management Teams that have contributed to the risk based approach to the 2017/18 Internal Audit Plan are recorded in the tables below and are referenced in the Annual Plan of Internal Audits in Section 4.

### Resources Prioritised Inherent Risks

Ref	Resources Key Risks	2017/18	2016/17	2015/16	Comments
R1	<i>Capital Estate</i> - Risk that there is a lack of a structured review programme to ensure the capital estate meets health and safety standards.	✓	✓	✘	
R2	<i>Skills and Capacity</i> - Risk that the Council has limited capacity/skills to deliver key transformational change projects.	✓	✓	n/a	
R3	<i>Commercial excellence</i> -The Council does not have the professional project management capacity or capability to deliver key transformational change projects resulting in under delivery, failure to deliver planned savings, project overspend and reputational damage	✓	n/a	n/a	New Risk Identified for 2017/18
R4	<i>ERP implementation</i> - Insufficient quality of resource and focus to deliver the new ERP system could result in 1) costly delays in implementation; 2) inadequate controls around key processes, such as payroll; 3) a lack of engagement and buy in from the business	✓	n/a	n/a	New Risk Identified for 2017/18
R5	<i>Safety of physical estate</i> - A history of insufficient inspections and a lack of appropriate maintenance strategy has led to a backlog of capital maintenance works and an escalating risk of critical structural degradation which could result in breaches of H&S legislation, increased risk of major incident due to structural failure, reputational damage, potential litigation and major service disruption	✓	✓	✓	
R6	<i>Senior management focus</i> - The focus of management on transformational change could result in insufficient attention on 'business as usual' services resulting in inefficiencies or potential problems in delivery	✓	n/a	n/a	New Risk Identified for 2017/18
R7	<i>Achievability of savings</i> - Unrealistic savings targets, including straight line savings required across services rather than a more prioritised approach, changes to financial settlements and/or weak implementation plans could result in Service Area budget overruns for 2016/17 or risk compromising statutory obligations	✓	n/a	n/a	New Risk Identified for 2017/18
R8	<i>Information governance</i> -The Council's ICT infrastructure is overly exposed to external cyber-attacks which could result in loss of critical data and failure to adhere to information governance policies	✓	n/a	n/a	New Risk Identified for

Ref	Resources Key Risks	2017/18	2016/17	2015/16	Comments
	could suffer significant reputational damage				2017/18
R9	<i>Service delivery through transformation</i> - The transition of services to future state operating models is not synchronised and planned for appropriately leading to gaps in service provision	✓	n/a	n/a	New Risk Identified for 2017/18
R10	<i>In house capacity</i> - Failure to attract and retain skilled staff due to uncompetitive pay levels leads to an over-reliance on third parties and consultancy at the expense of developing existing staff, could result in unsustainable budgets and poorer staff morale	✓	n/a	n/a	New Risk Identified for 2017/18

## Communities and Families Prioritised Inherent Risks

Ref	Communities& Families Risks	2017/18	2016/17	2015/16	Comments
CF1	<i>Integrated Property Facilities Management</i> - Risk that lack of properly resourced and effective Integrated Property Facilities Management resulting in shortcomings in service delivery.	✓	✓	✓	
CF2	<i>Local Development Plan - Educational Infrastructure</i> - Risk that insufficient funding will be secured from developer contributions to fully fund the educational infrastructure requirements which would be required to support the additional pupils generated from the significant housing development identified in the second Local Development Plan.	✓	x	✓	
CF3	<i>Balance of Care</i> - Much of the cost of care of children and young people is demand-led and relies on expensive external providers. If the balance between enabling and commissioning levels of care is not optimal the Council may not be able to sustain adequate levels of service.	✓	n/a	n/a	New Risk Identified for 2017/18
CF4	<i>Health and Safety compliance</i> - Risk that non-compliance with Health and Safety legislation leads to employee / service user injury and/or regulatory fines	✓	✓	✓	
CF5	<i>Budget management</i> - Risk that inadequate management of current and future budgets results in inability to maintain and deliver statutory, education and care service obligations with consequent impacts on service users	✓	✓	✓	
CF6	<i>Organisational change</i> - Risk that significant organisational change has negative impact on staff with associated negative impact on service users and potential increased financial costs to the organisation	✓	✓	✓	
CF7	<i>Infection control</i> - Risk that infection is not prevented or in the case of an outbreak not adequately controlled – or that cleaning regimes are reduced or inadequate - across the network of schools and establishments	✓	x	✓	
CF8	<i>Fraud</i> - Risk of financial loss and reputational damage as a result of significant fraud/bribery/corruption	✓	✓	✓	

Ref	Communities& Families Risks	2017/18	2016/1 7	2015/1 6	Comments
CF9	<p><i>Essential Learning</i> - Risk that approaches to essential learning are not proportionate, robust or standardised to levels required resulting in training not being in place to manage risks.</p> <p>Management of essential learning and the tools to assist this need to be fit for purpose to manage the risk.</p>	✓	✓	n/a	
CF10	<p><i>Contest Strategy</i> - Risk that there is not a robust enough approach to ensure awareness of Contest and the associated Police Scotland Prevent strategy to ensure staff know how to identify potential or actual radicalisation</p>	✘	✓	n/a	A review on the Council's 'Contest' Strategy was completed in Q4 2016/17.
CF11	<p><i>Playground Safety</i> - Lack of guidance and definition on roles and responsibilities (inadequate controls) lack of corporate oversight leads to inadequate management of playground and subsequent Health &amp; Safety incident affecting pupil/service user</p>	✘	n/a	n/a	The Council's Corporate Health & Safety Team has a review planned in this area.

## Health and Social Care Prioritised Inherent Risks

Ref	Health and Social Risks	2017/18	2016/17	2015/16	Comments
HSC 1	<i>Service delivery</i> - Failure to procure a new fit for purpose Care at Home contract during 2015/16	✓	✓	✓	
HSC 2	<i>Integration</i> - Interim management arrangements for the Integration Joint Board put at risk the effective delivery of safe services; the achievement of agreed savings targets and the constructive engagement of staff	✓	✓	✓	3 reviews held for IJB's audit committee to direct.
HSC 3	<i>Service delivery</i> - Reduced service budgets and increasing volume of demand and complexity mean we cannot meet all the assessed needs of the people of Edinburgh	✓	✓	✓	
HSC 4	<i>Service delivery</i> - Care at Home contract payment rate is insufficient to allow for recruitment/ retention of care staff in numbers required to meet demand. Resulting lack of capacity will lead to increases in levels of unscheduled care, delayed discharge from hospital and increases in community waiting lists	x	✓	✓	A review of the management of the new Care at Home contract is currently being undertaken as part of the 2016/17 audit plan.
HSC 5	<i>Service delivery</i> - Risk of harm to communities and individuals caused by failure to provide effective care and protection to people receiving health and social care service	✓	✓	✓	
HSC 6	<i>Health and Safety</i> - Personal injury or loss arises out of failure to meet Health and Safety requirements	✓	✓	✓	
HSC 7	<i>Integration</i> - The responsibilities of the IJB under the Data Protection Act 1998 have not yet been clarified. This may represent a risk to the security of data. If governance and the design of controls around the ICT infrastructure (including disaster recovery planning) are not fit for purpose, information may not be easily accessible or retrievable and data may not be protected securely.	✓	n/a	n/a	New Risk for Identified for 2017/18

Note: This risk register was last updated in December 2015. The Edinburgh Health and Social Care Partnership is in the process of pulling together its own risk registers, which it is believed will capture some of the risks previously held on the Council's own risk register.

## Safer and Stronger Prioritised Inherent Risks

Ref	Health and Social Risks	2017/18	Comments
SS1	<i>CCTV system</i> The current public space CCTV system fails before a replacement system is procured, either causing gaps in provision or requiring unbudgeted costs for repairs.	✓	
SS2	<i>Financial delivery</i> The need to deliver significant savings and reduced income result in cuts to services and a failure to deliver the strategic outcomes agreed by the Council, including keeping people safe and reducing poverty and inequality.	✓	
SS3	<i>Housing options and temporary accommodation</i> An acute shortage of affordable housing, which means a lack of housing options and greater demand on temporary accommodation.	✓	
SS4	<i>Reoffending</i> Offenders who pose a risk of serious harm reoffend.	x	
SS5	<i>Welfare Reform</i> Welfare Reform will reduce the amount of benefit available to customers accessing services	x	

Note: The Safer and Strong risk register is a new register that was created subsequent to the establishment of the Safer Stronger function by the Council. The services that it is responsible for were previously incorporated in Health & Social Care and Place and would have been considered in those risk registers in previous years.



## Place Prioritised Inherent Risks

Ref	Place Risks	2017/18	2016/17	2015/16	Comments
P1	<i>Non-Housing Asset Repairs and Maintenance</i> -Legacy issues of non-housing asset management (identification, inspection and ownership) has resulted in gaps in current asset registers. There is a risk that current R&M budgets are insufficient to meet requirements for the service	✓	n/a	n/a	New Risk Identified for 2017/18
P2	<i>Growth investment for Local Development Plan across all services areas over short to long term</i> Significant growth within the City and increased service demand has resulted in substantial service pressures with risk that we are unable to meet future growth demand	✓	✓	✓	
P3	<i>Business Continuity and Disaster Recovery transition planning</i> -Lack of clarity in terms of Corporate/service Resilience roles & responsibilities leads to lack of robust targeted risk based planning resulting ultimately in an inadequate incident response  Lack of clarity on the role of the Senior Officer on call and how they would be supported out of hours in an escalating incident/major incident	✓	n/a	n/a	New Risk Identified for 2017/18
P4	<i>Counter Fraud and Anti-bribery process (AB&amp;F)</i> - Monitoring and assurance of AB&F risks and controls varies across the service potentially resulting in poor implementation, gaps in control, environment and increased opportunity for bribery and fraud to occur	✓	✓	✓	Continuous testing of key financial controls addresses risk of fraud.
P5	<i>Project and Contract management – governance and assurance</i> - Lack of commercial expertise and robustness in project management and managing contractors could result in failure to achieve savings and standards	✓	n/a	n/a	New Risk Identified for 2017/18
P6	<i>Capital investment impact to service revenue budgets</i> - Capital investment does not provide robust assurance that all lifecycle costs are appropriately captured as part of expenditure appraisal process leading to unplanned and increased pressure on revenue budgets within the service	✓	✓	n/a	
P7	<i>HR Recruitment &amp; Retention</i> - Competition within the employment market and current levels of change and uncertainty in the organisation means there is a risk that the Council is unable to attract or retain suitably skilled and qualified staff, potentially resulting in insufficient resources to deliver services to acceptable	x	n/a	n/a	New Risk Identified for 2017/18

<i>Ref</i>	<i>Place Risks</i>	<i>2017/18</i>	<i>2016/17</i>	<i>2015/16</i>	<i>Comments</i>
	standards, costs increasing for agency staff or outsourcing and inability to meet statutory targets and requirements				
P8	<i>Delivery of Major Projects</i> - The service is leading and supporting a number of major projects in the city. There is a risk that any project which is no longer deliverable may have an impact on the Council and/or the city.	x	n/a	n/a	New Risk Identified for 2017/18

# Governance, Risk and Best Value Committee

10.00am, Thursday, 9 March 2017

## Internal Audit follow-up arrangements: status report from 1 October 2016 to 31 December 2016

Item number	7.2
Report number	
Executive/routine	
Wards	None

### Executive summary

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This report provides an overview of the process adopted by Internal Audit for following up the status of audit recommendations. It also identifies all the open audit recommendations at 31 December 2016 that are past their initial estimated closure date.

### Links

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Coalition pledges	<a href="#">P30</a>
Council outcomes	<a href="#">C25</a>
Single Outcome Agreement	

## Internal Audit follow-up arrangements: status report from 1 October 2016 to 31 December 2016

### 1. Recommendations

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- 1.1 It is recommended that the Committee notes the status of the overdue outstanding recommendations and determine with which, if any, officers they want to discuss the current status with.

### 2. Background

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- 2.1 Where follow-up actions in response to Internal Audit recommendations have not been taken by management in relation to critical, high and medium risks, escalation is to the Corporate Leadership Team (CLT) and GRBV.

### 3. Main report

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#### **Outstanding recommendations**

- 3.1 At the end of each month, Internal Audit prepares a complete listing of all open recommendations and shares these with Management on a divisional or line of service basis. Internal Audit then invites management to identify which recommendations they consider to have been addressed or which are no longer relevant.
- 3.2 Internal Audit will review Management's supporting evidence for recommendations that Management consider to be closed and feedback their view on whether this is the case. Recommendations that are agreed as closed have their status updated in Internal Audit's records.

- 3.3 There are five high recommendations and 18 medium recommendations that remain open with due dates of or prior to 31 December 2016. These are split as follows:

<b>Grading</b>	<b>Overdue at 30 September 2016</b>	<b>Closed</b>	<b>Management now tolerating risk</b>	<b>Newly overdue</b>	<b>Total</b>
High	5	-	-	-	5
Medium	17	9	-	10	18
<b>Total</b>	<b>22</b>	<b>9</b>	<b>-</b>	<b>10</b>	<b>23</b>

- 3.4 The details of these recommendations are shown in Appendix 1, with 13 items previously reported to GRBV separately identified. We have split these recommendations below by Directorate:

<b>Directorate</b>	<b>Overdue at 30 Sept 2016</b>		<b>Overdue at 31 Dec 2016</b>	
	<b>High</b>	<b>Medium</b>	<b>High</b>	<b>Medium</b>
Chief Executive	-	1	-	1
Communities & Families	-	1	-	1
Health & Social Care	3	6	3	3
Place	2	6	2	8
Resources	-	3	-	5
<b>Total</b>	<b>5</b>	<b>17</b>	<b>5</b>	<b>18</b>

- 3.5 We have also illustrated below the number of overdue recommendations each quarter over the last 12 months.

<b>Grading</b>	<b>Overdue at 31 Dec 2015</b>	<b>Overdue at 31 March 2016</b>	<b>Overdue at 30 June 2016</b>	<b>Overdue at 30 Sept 2016</b>	<b>Overdue at 31 Dec 2016</b>
High	4	2	6	5	5
Medium	18	15	16	17	18
<b>Total</b>	<b>22</b>	<b>17</b>	<b>22</b>	<b>22</b>	<b>23</b>

- 3.6 We recognise that four of the open recommendations (all in Resources), are impacted by delays in implementing the new ERP system 'Business World'. In each of these cases, Management will not be able to complete the agreed management action until the enhanced capability afforded by 'Business World' becomes available.

- 3.7 We have observed increased focus on outstanding actions by management, with the Central Leadership team (CLT), now considering open audit actions on a bi-monthly basis.

#### **4. Measures of success**

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- 4.1 The implementation and closure of Internal Audit recommendations within their initial estimated closure date. Where recommendations are not closed within this time period, the Committee can determine whether action to date is acceptable or if further action is required.

#### **5. Financial impact**

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- 5.1 There are no direct financial implications arising from their report, however failure to close the open audit actions has the potential to expose the Council to financial risk. .

#### **6. Risk, policy, compliance and governance impact**

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- 6.1 If Internal Audit recommendations are not implemented, the Council will be exposed to the risks set out in the relevant detailed Internal Audit reports. Internal Audit recommendations are raised as a result of control gaps or deficiencies identified during reviews therefore overdue items inherently impact upon compliance and governance.
- 6.2 To mitigate the associated risks, the Committee should review the status of overdue recommendations presented and challenge responsible officers where there is concern that limited or no action has been taken.

#### **7. Equalities impact**

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- 7.1 Not applicable.

#### **8. Sustainability impact**

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- 8.1 Not applicable.

#### **9. Consultation and engagement**

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- 9.1 An overview was provided at the Corporate Leadership Team (CLT) and each Director was made aware of responsibilities to implement and agreed internal audit recommendations.

## 10. Background reading/external references

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10.1 None.

### Magnus Aitken

Chief Internal Auditor

E-mail: [magnus.aitken@edinburgh.gov.uk](mailto:magnus.aitken@edinburgh.gov.uk) | Tel: 0131 469 3143

### Links

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<b>Coalition pledges</b>	P30 - Continue to maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	CO25 - The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 – Status report: Outstanding Recommendations Detailed Analysis

No	Review and Risk Level	Initial Finding & Recommendation	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
<b>Communities and Families</b>					
1	Governance Arrangements - Arms Length Companies  CW1502  ISS.1 ##  Medium	<p>The Director responsible for each Arms Length Company within the Council appoints an Observer for each company from within the Directorate. The role is to scrutinise the activities and performance of the company and raise any concerns arising with the Directorate. The Observer attends company meetings on behalf of the Directorate but is not a company officer.</p> <p>We did not identify any process documentation for the observer roles within any of the Directorates. This results in the Council being subject to an element key man risk in the control of each of these entities, as the loss of the Observer would leave the Council with a limited understanding of the scrutiny processes in place for that particular company.</p> <p><b>Observers may not carry out scrutiny to the required level. Financial and reputational risks may remain unidentified with the potential to adversely affect the Council. The controls in place are reliant on the knowledge, skills and experience of the senior staff involved. This knowledge may be lost if there is not sufficient succession planning.</b></p>	With change over in senior staff responsible for this company, all the above information will need to be handed over from the current staff members. To facilitate this; documentation will need to be produced and a briefing provided.	Interim Executive Director of Communities & Families  30 June 2016	<p>The officer from Communities and Families who acts as Observer at the Edinburgh Leisure Board is liaising with colleagues in Finance to finalise process documentation for the Observer role.</p> <p>Feeding in to the Governance activities which are taking place on this, in advance of the next Companies Hub meeting in March 2017.</p>
<b>Health &amp; Social Care</b>					
2	Personalisation SDS - Option 3  HSC1503  ISS.1 ##  High	<p>At present, the supported person is not informed of their assessed budget when they are asked to choose their option. They are only told of the resources available to them when they receive their personal support plan after they have selected their option.</p> <p><b>Management should seek clarification from Scottish Government on how the legislation should be applied where the supported person is allocated the same budget whichever option is chosen. Management must then ensure that the SDS assessment process is compliant with Scottish Government's instructions. This may mean informing the supported person of their personal budget at an earlier stage of the assessment process.</b></p>	<p>Scottish Government have been approached on this issue through the Social Work Scotland SDS Sub-group and have indicated that they are prepared to consider issuing further guidance.</p> <p>These discussions will take place through the Social Work Scotland SDS Sub-group and Senior management will ensure that Edinburgh is involved in these discussions.</p> <p>Processes and procedures will be updated on receipt of changed guidance.</p>	Strategic Planning, Service Re-Design and Innovation Manager  31 October 2016	<p>Changes to be requested to SWIFT to allow recording and monitoring of compliance. Once these changes have been made an instruction will be issued to all staff reminding them of the need to inform service users of their "indicative budget".</p> <p>Planned completion date: to be confirmed by 24/2/17 following response from ICT Services.</p>



No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
3	Personalisation SDS - Option 3 HSC1503 ISS.2 ## High	<p>We were unable to find links to the Edinburgh Choices website in key communications to service users and the general public about SDS. The Council has produced detailed pamphlets and leaflets which explain SDS to service users and carers but advocacy services are not covered, and readers are not directed to the Edinburgh Choices website. Practitioners we spoke to could not direct us to advocacy services.</p> <p><b>The service should ensure that information about advocacy services is available to service users</b></p>	<p>Existing leaflets and information materials to be reviewed to make reference to Edinburgh Choices.</p> <p>Information to be produced for dissemination to practitioners regarding the duty to identify people who may benefit from advocacy and support them to access this services and the agencies that the Council has commissions to provide advocacy services.</p>	<p>Strategic Planning, Service Re-Design and Innovation Manager</p> <p>31 August 2016</p>	<p>Changes to be requested to SWIFT to allow recording and monitoring of compliance. Once these changes have been made an instruction will be issued to all staff to identify those service users who may benefit from Advocacy Services and to support them to access these. Staff will be reminded that information about providers of independent advocacy services is available on Edinburgh Choices. Procedures and leaflets to be updated as part of the work to implement the new structure. Planned completion date: to be confirmed by 24/2/17 following response from ICT Services.</p>
4	Personalisation & SDS - Stage 2 RS1245 ISS.2 ## High	<p>The Swift system has the capability to support authorisation controls, however, the cost threshold is currently set at £20K per week, potentially equating to £1.04M a year. This is such a high level that in effect, there is no authorisation process operating within the Swift system to prevent a service being attached to a client without approval.</p> <p>Packages of care are currently not checked against the relevant budgets during the approval process .</p> <p><b>System control to be implemented to ensure that no package of care service be concluded without the appropriate approval being met. Exception Reports should be produced which highlight any services that have been attached to the system, which do not have the appropriate approval.</b></p>	<p>A new Financial Approval Procedure will be produced which will ensure that all requests for care and support are approved before progressing to Business Services to be input to SWIFT.</p>	<p>Strategic Planning, Service Re-Design and Innovation Manager</p> <p>30 June 2015</p>	<p>Work is currently taking place to realign budgets to the new Health and Social Care structure. In parallel to this work is also underway to revise business process and make amendments to systems to support these. The changes required in relation to approval of budgets will be picked up as part of this work. Planned completion date: To be confirmed</p>

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
5	Personalisation SDS - Option 3  HSC1503  ISS.3 ##  Medium	<p>Scottish Government collects data on SDS users through annual and quarterly statistical surveys of local authorities. The answers to survey questions are based on data held in Swift. The accuracy and completeness of data input is therefore essential. There have been several changes in the assessment process and data captured in the past year.</p> <p>There was no cut-off date after which all assessments would be carried out using new templates. The full process of assessment and arranging care can be lengthy. This means that there are several different ways of recording assessments running concurrently, with different data captured in each one. It is therefore difficult to extract complete and accurate data for management information and for reporting to Scottish Government.</p> <p><b>Further changes to the assessment process are expected over the next year as a result of the Transformation Programme and integration with the NHS. A change management process should be in place to minimise the number of process and recording changes through the year, implement clear cut-off dates, and to ensure changes are communicated to staff clearly.</b></p> <p><b>In the meantime, Research and Information should be aware of the likely inconsistencies in data recorded and ensure that reports are thoroughly reviewed before issue.</b></p>	<p>A change management process will be established and overseen by the SDS Infrastructure Steering Group. The inconsistencies in data recording are as a result of numerous changes to processes and trying to reduce the recording burden of implementing these on frontline practitioners. The Research and Information Team are aware of all changes to recording practice and take these into account. A summary of all changes and the impact on data extraction has also been produced.</p>	Strategic Planning, Service Re-Design and Innovation Manager  30 June 2016	Existing change management processes will be formalised as part of the revised governance being put in place for the Health and Social Care Transformation Programme. Planned completion date: 31 March 2017
6	Personalisation SDS - Option 3  HSC1503  ISS.6 ##  Medium	<p>Since October 2015, all personal care plans must be signed off by a senior. This is a measure introduced to improve the quality of personal support plans. We obtained a report of all personal support plans completed between October 2015 and January 2016. We identified 44 cases out of 811 (5.4%) where the system recorded that the assessor who prepared the personal support plan also signed it off. This was reflected in the variable quality of the 25 personal care plans we reviewed as part of our audit work.</p> <p><b>All personal care plans should be signed off by a senior, as required by HSC policy. 'Workarounds' on Swift should be deactivated to prevent this breach of segregation of duties recurring.</b></p>	<ol style="list-style-type: none"> <li>1.Ensure that there is a mechanism in place on SWIFT for the senior to record that they have signed off the support plan. At present any edits made by the senior at the time of the review will show that the senior has both prepared and reviewed the plan</li> <li>2.Data quality reports will be set up to identify any support plans signed off by the assessor who produced the plan</li> <li>3.Sector Managers and seniors to ensure appropriate oversight and sign off by senior for the personal care plans</li> </ol>	Strategic Planning, Service Re-Design and Innovation Manager  30 June 2016	An instruction will be issued to all staff that Support Plans must be signed off by a senior social worker, who cannot be the same person who created the plan. Reports will be set up to ensure compliance as part of regular quality monitoring. Planned completion date: to be confirmed by 24/2/17 following response from Strategy and Insight

No	Review and Risk Level	Initial Finding & <i>Recommendation</i>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
7	Personalisation SDS - Option 3  HSC1503  ISS.8  Medium	To ensure segregation of duties and the quality of assessments, all assessments (which include the user's budget) are checked and then authorised or returned by the assessor's senior. Where a special service (e.g. a care home placement) is required, then the assessment and personal support plan also need to be authorised by the Sector Manager. We identified 65 cases out of 2,525 (2.6%) where the system recorded the assessor who prepared the budget also signing it off.  <b>All assessments and budgets should be signed off by a senior in accordance with HSC policy. 'Workarounds' on Swift should be deactivated to prevent this breach of segregation of duties recurring.</b>	Workarounds' on Swift will be deactivated by 31 December 2016: Work is being taken forward through the Health and Social Care Transformation Project (Governance, Devolved Budgets and Budget Management) to implement the budget management functionality within SWIFT which will address issues around separation of duties. A working group has been established and identified all the workstreams required to implement delegated budget management. A workshop will be held in mid-May 2016 to agree new operational processes including the management of budgets through SWIFT with authorisation limits and the facility for budget holders to authorise within the system.	Strategic Planning, Service Re-Design and Innovation Manager  31 December 2016	An instruction will be issued to all staff that Budgets must be signed off by a senior social worker, who cannot be the same person who created the plan.. Reports will be set up to ensure compliance as part of regular quality monitoring. Planned completion date:to be confirmed by 24/2/17 following response from Strategy and Insight
<b>Strategy &amp; Insight</b>					
8	Service Level Agreements with Outside Entities  RES1605  ISS.2  Medium	There is no complete record of professional services provided by the Council to outside entities.  <b>A contracts register should be created which should be reviewed periodically to ensure that all professional services provided to external organisations are captured, and that there is a current service level agreement in place for each one.</b>	The findings of this audit review will be presented to the Corporate Leadership Team. Executive Directors will be asked to detail professional services provided to other organisations and to ensure that these are underpinned by Service Level Agreements. The Governance Unit within Strategy & Insight will maintain the Council's Register of Service Level Agreements and shall liaise with service areas to ensure that these are regularly reviewed.	Governance and Democratic Services Manager  31 October 2016	Further clarity was required from 2 services areas original submissions. One response has just been provided and the other should be received by the Governance Team by Friday 17th February. These contributions will be reviewed prior to the Agenda Planning Meeting and an update provided.
<b>Place</b>					

No	Review and Risk Level	Initial Finding & <i>Recommendation</i>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
9	Contract Management - Roads SFC1505 ISS.2 ## High	<p>The Transport Interim Quality Audit Team (now disbanded) identified works and materials failures resulting in major remedial works at additional cost to the Council. Officers were unable to demonstrate that site visits are carried out to confirm that the quality and extent of works completed are satisfactory.</p> <p><b>An end of works quality assessment should be conducted by a qualified officer before final payments are made to contractors and ERS.</b></p>	ongoing site visits to be adequately recorded and final quality inspection process to be developed, by the Locality Transport teams, for appropriate works.	North West Local Transport and Environment Manager 1 June 2016	A report is being presented to 8 March 2017 GRBV recommending that the outstanding actions from audit SFC 1505: Roads Contract Management are closed as they have been superseded by the Edinburgh Roads Service Improvement Plan. Internal Audit will undertake a review of the service delivery model proposed under the Edinburgh Roads Service Improvement Plan in Quarter 3, 2017/18.
10	Contract Management - Roads SFC1505 ISS.6 ## High	<p>There is no consistent or robust process for managing the costs of works undertaken by ERS. Lack of a schedule of rates for works hampers accurate budgeting. ERS are not required to obtain approval for additional costs. Internal recharges do not require to be authorised by the commissioning manager. Costs are recorded on Axim, while the estimated works budget is recorded on the Confirm project management system with no link between the systems. Remedial works are charged to the commissioning roads teams on top of the original budget. They are not able to reclaim those costs from ERS.</p> <p><b>Robust monitoring of contract expenditure including end of works review</b></p>	For Locality (Revenue) Work, estimated works costs are prepared and noted on Confirm (Works Management System) making use of compound rates. Ensure that future works estimates make use of agreed and future schedule of rates.	North West Local Transport and Environment Manager 1 June 2016	A report is being presented to 28 March 2017 GRBV recommending that the outstanding actions from audit SFC 1505: Roads Contract Management are closed as they have been superseded by the Edinburgh Roads Service Improvement Plan. Internal Audit will undertake a review of the service delivery model proposed under the Edinburgh Roads Service Improvement Plan in Quarter 3, 2017/18.

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
11	Governance Arrangements - Arms Length Companies  CW1502  ISS.1 ##  Medium	<p>The Director responsible for each Arms Length Company within the Council appoints an Observer for each company from within the Directorate. The role is to scrutinise the activities and performance of the company and raise any concerns arising with the Directorate. The Observer attends company meetings on behalf of the Directorate but is not a company officer. We understand that all Arms Length Companies are different and that they will require different levels of intervention and interaction with their Observer.</p> <p>We did not identify any process documentation for the observer roles within any of the Directorates. This results in the Council being subject to an element key man risk in the control of each of these entities, as the loss of the Observer would leave the Council with a limited understanding of the scrutiny processes in place for that particular company.</p> <p><b>Process documentation should be prepared and maintained for each of the Arms Length Companies within Place.</b></p>	<p>To produce process documentation covering the above points for Transport for Edinburgh, Edinburgh Trams, and Lothian Buses.</p>	<p>Executive Director of Place  31 December 2016</p>	<p>Feeding in to the Governance activities which are taking place on this, in advance of the next Companies Hub meeting in March 2017.</p>
12	Recycling Targets  PL1601  ISS.2  Medium	<p>The current system for logging weighbridge tonnage submissions is manual as contractors provide their submissions in varying formats, some of which require further calculations to be made by Waste Services to establish the required figures.</p> <p>The data is entered manually into three separate databases, twice by the admin assistant and once by the Waste Collection Route Manager. The same data is entered into each database, with no significant differences in functionality between them.</p> <p><b>Contractors should be required to submit monthly weighbridge tonnage data in a prescribed format to support batch uploads of data to the tonnage database and reduce the need for manual data entry. Many contractors now have weighbridges which can produce tonnage data electronically and in real time. Management should investigate whether it is feasible to obtain this data directly. In the short term, a single database should be used for analysis and reporting. This will mean data only needs to be entered once.</b></p>	<p>1. There will be a review of the current process with the aim of implementing the recommendation of reducing the number of times data is inputted.</p> <p>This action will be taken forward on completion of the transformation process and once team structures are in place</p>	<p>Waste Strategy Manager  31 October 2016</p>	

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
13	Recycling Targets PL1601 ISS.3 Medium	<p>Waste service regulations require all weighbridges to be periodically calibrated by an independent regulator. The current contract specifications allow Waste Services to request these certificates for review. To date no contractor has been asked to submit their calibration certificates.</p> <p>Historic data had to be amended in February 2016, when errors on weighbridge downloads for food waste were identified for November 2015. The weighbridge was recalibrated. This was detected through a variance analysis completed by Waste Services, but may have been identified sooner had calibration certificates been requested from the contractor.</p> <p><b>Contract managers should request calibration certificates on a regular basis for assurance that accurate tonnage data is received from contractors.</b></p>	<p>A letter will be sent to all relevant contractors to request a copy of the most recent weighbridge calibration certificate.</p> <p>All future contracts will ensure that the annual requirement for a weighbridge calibration certificate is part of either the Terms and Conditions of Contract or will be contained within the Technical Specification itself. It may be considered to form a KPI within contracts going forward.</p>	<p>Waste Strategy Manager 31 December 2016</p>	
14	Recycling Targets PL1601 ## ISS.5 Medium	<p>Although there is considerable recycling internally within the council, there is currently no internal waste management policy. The Waste and Recycling Strategy 2010 - 2025 focuses on external, public waste but there is no supporting policy which specifically states how the Council itself as a major local employer, plans on reducing waste arising from its own operations (e.g. schools, council offices) and increasing recycling participation.</p> <p><b>Internal Waste Management Policy to be developed</b></p>	<p>Our proposed management action is to approach the Sustainable Development Unit and Facilities Management to establish a working group to review any existing internal waste policy, the purpose being to incorporate this within, and consult on, a refreshed Waste Strategy Document (Ref Action 2). The inclusion of the Sustainable Development Unit is critical in moving forward this action as they hold responsibility for development of the Council's internal waste policy and recording data on internal waste arisings. Waste &amp; Fleet Services will commit to taking the lead in establishment of the internal working group</p>	<p>Strategy Officer 30 September 2016</p>	<p>Currently the cross departmental working group is in abeyance following the departure of key members during Transformation. However Trade Waste Team are leading on a roll out of collection services for key materials to buildings across the estate and this work is on going during 2016.</p> <p>In addition a new cross departmental working group will be established following the conclusion of the Transformation programme to embed good practice</p>

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
15	Licensing PL1602 ISS.2 Medium	<p>Schemes of delegation covering licensing powers and responsibilities are in place for civic licences (the Council scheme), and for licences governed by the Licensing Board. For civic delegated decisions where an application is a renewal and non-contentious, the Authorised Officer can be a Licensing CSO (GR6). This level of authority is not formalised in writing within the section. A small number of granted licences did not have appropriate evidence verifying the correct process had been followed</p> <p><b><i>Delegated powers within the section require to be formalised. A guidance note should be produced to accompany the scheme of delegation, outlining the categories of application that can be signed off by Officers, and at what grade. Guidance should cover the requirement for segregation of duties between CSOs processing an application and granting the licence.</i></b></p>	<p>A guidance note accompanying the Councils Scheme of Delegation to Officers will be prepared for all licensing staff and discussed with elected members. All staff will be briefed on this guidance.</p> <p>The Team will be instructed that all grant/refusal decision sheets must be scanned and indexed in the relevant action diary within APP.</p>	Regulatory Services Manager 31 October 2016	SOD formalised, reviewed by legal. Guidance awaiting Senior Manager sign off
16	Licensing PL1602 ISS.3 Medium	<p>Licensing income in respect of front counter and postal transactions is recorded within the Council income system, ACR, by Customer Hub staff, who set up the APP record with a note of the amount and method of payment. Receipt of the correct fees is checked by Licensing staff, who further populate APP with the full receipt details. Checks are not undertaken to ensure that income recorded in APP matches income recorded in ACR.</p> <p><b><i>The ACR and APP systems should be reconciled monthly and any unexplained differences investigated.</i></b></p>	<p>We have created a report from APP which provides a list of all licence applications and payments received for the 'period' requested. We also receive a copy of the completed 'frontier journal' spreadsheet showing the amounts being posted to licensing cost centres. The information from the report will be used to reconcile the 'amounts' posted to the various cost centres by the banking team which will allow any discrepancies to be investigated and resolved timeously.</p> <p>This will be carried out on a monthly basis</p>	Operations Manager (Licensing) 31 October 2016	Meeting with Finance awaited to identify solution
17	Contract Management - Roads SFC1505 ISS.4 ## Medium	<p>All new revenue works are planned and commissioned using Confirm as of December 2015. However at the time of the audit, Confirm had not been fully embedded across ERS and the Neighbourhood Offices. As a result, no revenue works commissioned by five of the six Local Area Offices have been included in the ERS works programme for Quarter 4 in 2015/16</p> <p><b><i>ERS and Neighbourhood staff should be trained in the use of the Confirm system, to enable ERS to carry out commissioned work. Take-up of Confirm should be monitored to identify areas where further training is required.</i></b></p>	<p>ERS staff have been trained in the use of Confirm system, however further training/support will be delivered for Neighbourhood Staff commissioning work through Confirm.</p> <p>Management teams to reinforce the need to commission work through Confirm.</p>	Local Environment Manager 1 June 2016	<p>A report is being presented to 8 March 2017 GRBV recommending that the outstanding actions from audit SFC 1505: Roads Contract Management are closed as they have been superseded by the Edinburgh Roads Service Improvement Plan.</p> <p>Internal Audit will undertake a review of the service delivery model proposed under the Edinburgh Roads Service Improvement Plan in Quarter 3, 2017/18.</p>

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
18	Contract Management - Roads  SFC1505  ISS.8 ##  Medium	<p>Officers were unable to provide documents during the audit for 7 of the 9 projects selected to demonstrate that key contract and legislative requirements had been met. The documents should have been retained to comply with the Council's Record Retention policy. It was unclear if they had ever existed and if so, whether they had been destroyed or archived in a manner which made them difficult to recover. Officers were able to provide some documents after the audit. We note that the samples tested predate the introduction of the new works management system, Confirm, which was introduced over the course of 2015, and which will be used to store records relating to ERS works orders going forward.</p> <p><b><i>The process for commissioning and managing road and footway maintenance undertaken by ERS should be mapped, with key documents such as a schedule of works, a health and safety risk assessment and final project sign off identified. Key documents must be retained in accordance with the Council 's records management policy.</i></b></p>	<p>Recommendation accepted – A number of Contract records have been provided to the Auditor retrospectively as individuals involved in Audit were not responsible for commissioning. Note. 9 Schemes selected date from 2013 and 2014. Additional Contract Information Provided March 2016.</p> <p>Management of internally commissioned works to ERS is now administered on a formal Works Management System (Confirm). Records relating to asset management, works orders, estimates and completion now recorded on Confirm. Summer 2015</p>	Local Environment Manager  1 June 2016	<p>A report is being presented to 2 Feb 2017 GRBV recommending that the outstanding actions from audit SFC 1505: Roads Contract Management are closed as they have been superseded by the Edinburgh Roads Service Improvement Plan.</p> <p>Internal Audit will undertake a review of the service delivery model proposed under the Edinburgh Roads Service Improvement Plan in Quarter 3, 2017/18.</p>
<b>Resources</b>					
19	Continuous Controls - One Time Payments  CG1503  ISS.1  Medium	<p>The One Time Payment Form (OTP) is defined as being for 'one time' payments which do not relate to a contract for supplies and services. However, the audit review highlighted that the OTP system is being heavily used for multiple payments in the following categories:</p> <p><b><u>System workarounds:</u></b> Oracle payment system cannot make payments to non UK bank accounts; and Historically suppliers such as the DVLA and Sheriff Clerk required individual cheques provided with each application for Vehicle Tax or Council Tax Summary Warrant. This practice remains when other more efficient debit or electronic payment options should be available.</p> <p><b><u>Inefficient Channel:</u></b> Due to either a lack of knowledge of options available; or lack of access to CEC systems; a large number of cheques are raised by CEC to CEC or to suppliers already on the database. Key examples of this are: Replenishment of Libraries Petty Cash Imprest; and Client account transfers in H&amp;SC.</p> <p><b><i>Channel shift should be embraced to move regular multi-payments to a more efficient platform.</i></b></p>	<p>Business World system is implemented. Procurement state that any methods of making payments to DVLA and Post Office is a statutory requirement and will have to continue at present.</p> <p>OTP'S relating to vendors will only be accepted if payment is for a rebate only. [wef 18/1/16]</p> <p>Payment Services will request that these types of payments are set up in the new BW system as a sundry account and paid via BACS/Cheque.</p> <p>It must be noted that the new BW e-solution will not have the facility to convert currencies that are not British pounds.</p>	Customer Senior Manager  31 October 2016	<p>These actions are intrinsically linked to the implementation of the new Business World system. As a result of delays to the programme, the original due date could not be met. Internal Audit have been kept informed of changes to the anticipated implementation date of the Business World system, now scheduled for 1 October 2017. The revised timescales have been agreed with Internal Audit as the ICT implementation dates have become known.</p>



No	Review and Risk Level	Initial Finding & <i>Recommendation</i>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
20	Continuous Testing-Standby, On Call & Disturbance Payments  CG1511  ISS.2	<p>Guidance is published on the Orb for standby, on call and disturbance payments, setting out the rules and rates applicable. This guidance is supported by frequently asked questions. It is however a complex area with a range of common and less common situations, and in practice various combinations of allowances are claimed. The complexity of the process does not help scrutiny of claims and provides opportunity for inaccurate or inappropriate claims to be approved. Issues contributing to weakening the control framework, whether intended or otherwise are outlined below:</p> <ol style="list-style-type: none"> <li>1. Lack of relevant detail in narrative fields preventing proper scrutiny of claim. Claims often just have "Call" and not enough information to identify separate or repeat incidents;</li> <li>2. There are different claim forms for "Standby and Call-out", Overtime, "Non-Standby Call-out". The fact that these are separate and often input at different times makes robust scrutiny more difficult;</li> <li>3. Core and standby periods used by areas often differ from the published times provided by the Service Area; and</li> <li>4. Frequent failure to reset claim forms leading to conflicting dates appearing on forms.</li> </ol> <p><b><i>The claim process should be simplified where possible on the migration to the new payroll system.</i></b></p>	<p>Management are aware of the weaknesses of the current HR/Payroll solution and have retested the functionality to confirm the findings contained in the report. Configuration of the Business World solution will where possible include reduced complexity to prevent the recurrence of these issues going forward.</p> <p>Ongoing we will document specific system controls that have been configured within the new system to preclude recurrence of these issues. This will be shared with Internal Audit for the purposes of completeness and ensure we have in fact closed out the weaknesses identified.</p>	Interim People Support Manager  31 October 2016	<p>These actions are intrinsically linked to the implementation of the new Business World system. As a result of delays to the programme, the original due date could not be met. Internal Audit have been kept informed of changes to the anticipated implementation date of the Business World system, now scheduled for 1 October 2017. <i>The revised timescales have been agreed with Internal Audit as the ICT implementation dates have become known.</i></p>
21	Continuous Testing-Standby, On Call & Disturbance Payments  CG1511  ISS.3	<p>The iTrent payroll system in its current configuration lacks basic automated input controls to validate the quality of information submitted. This leads to a high number of erroneous claims being accepted. A key example of this found during the review was a claim from 22:30 to 12:00 which led to a 1.5 hour claim being paid at 13.5hrs. This led to an overpayment of £316.80 which had not been identified. The money was recovered when we notified payroll. Lack of basic automated controls has led to a variety of types of errors being accepted, all identified during the course of this review:</p> <p><b><i>As part of the development of and migration to the new payroll system logical validation checks over input should be incorporated wherever possible.</i></b></p>	<p>Management are aware of the weaknesses of the current HR/Payroll solution and have retested the functionality to confirm the findings contained in the report. Configuration of the Business World solution will where possible include increased validation to prevent the recurrence of these issues going forward.</p> <p>Ongoing we will document specific system controls that have been configured within the new system to preclude recurrence of these issues. This will be shared with Internal Audit for the purposes of completeness and ensure we have in fact closed out the weaknesses identified.</p>	Interim People Support Manager  31 October 2016	<p>These actions are intrinsically linked to the implementation of the new Business World system. As a result of delays to the programme, the original due date could not be met. Internal Audit have been kept informed of changes to the anticipated implementation date of the Business World system, now scheduled for 1 October 2017. <i>The revised timescales have been agreed with Internal Audit as the ICT implementation dates have become known.</i></p>

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
22	Procurement Arrangements CW1501 ISS.1 ## Medium	The contract registers are currently held in excel with shared open access within C&PS. There are plans to set up the pipeline register as a web application.  <b>Action should be taken to secure the integrity of the pipeline and contract registers.</b>	(ii) The transfer of the pipeline to a Sharepoint database provides an audit trail reducing vulnerability to deliberate or accidental manipulation. In the short term we will introduce password protection for the contracts register or move the live version into a folder with restricted access, but in the medium term intend also to move the register to a database that provides an audit trail and provide wider access to staff to input their updates.	Commercial Insight & Development Manager 31 March 2016	(ii) Short-term - the pipeline register is now held on the Sharepoint database. The contract register is now password protected; only 4 members of the Commercial Operations Team now have access to update the master. Completed.  The contract register and pipeline will be held within Business World 4 when this is implemented. As a consequence of delays to ERP programme the expected dates have not been met as CPS are reliant on Business World implementation.
23	Risk Management RES1608 ISS.2 Medium	The Risk Function and CRO have delivered risk training to the CLT, their respective Senior Management Teams ('SMTs') and to GRBV Councillors. Feedback indicates that this training has been effective in securing buy-in and understanding at the senior manager level and above. However, risk training has not recently been provided to middle management levels, nor have senior managers within directorates been trained to provide risk management training to their teams. This represents a potential gap in the understanding and embedding of risk management below senior manager level.  <b>Human Resources should include risk management and internal controls training modules as part of CEC's essential learning. Individual's scores from the end of module assessments can be used to confirm staff's understanding of their responsibilities.</b>	HR is currently reviewing the requirements of induction and essential learning throughout the Council. The latest timing for go-live is likely to be prior to the commencement of FY18. The plan with HR will be confirmed shortly.	Principal Risk Manager 30 November 2016	Risk management and Internal controls elearning has already been designed and is currently live on the Council's elearning platform. A decision that elearning will be essential learning for all managers will be recommended in May 2017 by the CLT, when they will consider a report on the Council's annual policy refresher, which is essential learning for all Council employees.
	## = Issue Previously Reported				

# Governance, Risk and Best Value Committee

10.00am, Thursday, 9 March 2017

## Internal Audit Quarterly Update Report: 1 October – 31 December 2016

Item number	7.3
Report number	
Executive/routine	
Wards	

### Executive summary

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Internal Audit has made reasonable progress in the third quarter of the audit year. This report provides details of the activity from 1 October – 31 December 2016.

### Links

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Coalition pledges	<a href="#">PO30</a>
Council outcomes	<a href="#">CO25</a>
Single Outcome Agreement	

## Internal Audit Quarterly Update Report: 1 October – 31 December 2016

### 1. Recommendations

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- 1.1 Committee is requested to note the progress of Internal Audit in issuing 13 internal audit reports during the quarter and to note the areas of higher priority findings for reviews issued in this quarter.
- 1.2 Committee is requested to refer the report noted in Appendix 1 as potentially being of interest to the Audit and Risk Committee of the Edinburgh Integrated Joint Board (IJB) to that Committee.

### 2. Background

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- 2.1 Internal Audit is required to deliver an annual plan of work, which is scoped using a risk-based assessment of Council activities. Additional reviews are added to the plan where considered necessary to address any emerging risks and issues identified during the year, subject to approval from the relevant Committees.
- 2.2 Status of work and a summary of findings are presented to the Governance, Risk and Best Value Committee for consideration on a quarterly basis.

### 3. Main report

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#### **Audit Findings for the period**

- 3.1 Internal Audit has made reasonable progress in the third quarter of the audit year with 13 reports being issued for the quarter. These reports contain a total of three High, 23 Medium and nine Low findings.
- 3.2 The status of outstanding recommendations from reports issued prior to this period is discussed in the report 'Internal Audit follow-up arrangements: status report from 1 October 2016 to 31 December 2016'.
- 3.3 Appendix 1 provides a summary of reports and the classification of findings in the period. A copy of all final reports is available to members.
- 3.4 Appendix 2 provides a summary of the High Risk findings and associated management actions.

## External assessment

- 3.5 The Public Sector Internal Auditing Standards (PSIAS) that govern our activities requires that the service undergo an external quality assessment (EQA) every five years. In order to obtain this, the Internal Audit function joined the 'Partnering Scheme' promoted by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG), which is a sub-group of CIPFA.
- 3.6 Under the SLACIAG scheme, the service areas are subject to an EQA by the Chief Internal Auditor of North Lanarkshire, which was undertaken between November 2016 and January 2017. This is an important mile stone in our development as an organisation that is dedicated to continuous improvement.
- 3.7 The outcome of the EQA was positive with Internal Audit assessed as **fully conforming** with the PSIAS. A copy of the EQA report received is enclosed as Appendix 3.
- 3.8 The EQA made three recommendations for improvement. These were all classified as minor. Two of these items can be addressed by making modest changes to documentation in the reporting to this Committee. Internal Audit intends to make these changes.
- 3.9 The final recommendation is in connection with the lack of current Service Level Agreements (SLA)s with Joint Bodies. This is something that Internal Audit recognises and was reported on in our Annual Report in June 2016. Internal Audit are currently in the processes of implementing an SLA governing the internal audit activities that are undertaken for the Edinburgh Integration Joint Board (EIJB). The draft SLA has been approved by the both the Council's and NHS Lothian's legal teams. It will be signed and put in place imminently. It is our intention to use this as a template for the other joint bodies.

## 4. Measures of success

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

## 5. Financial impact

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- 5.1 None.

## 6. Risk, policy, compliance and governance impact

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- 6.1 If Internal Audit recommendations are not implemented, the Council will be exposed to the risks set out in the relevant detailed Internal Audit reports. Internal Audit recommendations are raised as a result of control gaps or

deficiencies identified during reviews therefore overdue items inherently impact upon compliance and governance.

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

## 7. Equalities impact

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- 7.1 No full ERIA is required.

## 8. Sustainability impact

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- 8.1 None.

## 9. Consultation and engagement

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- 9.1 None.

## 10. Background reading/external references

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- 10.1 None.

### Magnus Aitken

Chief Internal Auditor

E-mail: [magnus.aitken@edinburgh.gov.uk](mailto:magnus.aitken@edinburgh.gov.uk) | Tel: 0131 469 3143

### Links

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<b>Coalition pledges</b>	PO30 - Continue to maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	CO25 - The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 – Summary of Internal Audit report findings issued for period of 1 October 2016 – 31 December 2016. Appendix 2 – Summary of High Risk Findings and Management Actions for period of 1 October 2016 – 31 December 2016. Appendix 3 – EQA Final Report – 27 January 2017

## Summary of Internal Audit reports issued for period 1 October 2016 – 31 December 2016

Internal Audit reports				
Title of Review	High Risk Findings	Medium Risk Findings	Low risk Findings	Advisory Comment
Online Customer Services – HMO Licensing – RES 1607	2	1	-	-
Lothian Pension Fund - 3rd Party ICT Supplier Risk – RES 1614*	1	1	-	-
Health & Social Care: Pre-Employment Verification – SW1601#	-	6	-	-
Risk Function: Governance, Strategy & Process - RES 1608	-	3	1	1
Non-Housing Invoicing – MIS 1601	-	3	-	-
Mortuary Services – PL 1603	-	3	2	-
Care Home Debt Management – HSC 1601#	-	2	2	
Management of Care Providers – CF1620	-	2	3	-
Lothian Pension Fund – Governance of LPF Group – RES 1613	-	1	1	2
Facilities Management (Transformation Programme) - RES 1616	-	1	-	-
Recording of Annual Leave & Sickness – CG 1516#	-	-	-	-

<i>Total</i>	3	23	9	3
<b>Other Internal Audit Reports</b>				
Review Recommend: Essential Learning – RES 1602#	N/A	N/A	N/A	N/A
Children & Families Assurance Framework+	N/A	N/A	N/A	N/A

\* This review was subject to scrutiny by the Pensions Audit Sub-Committee and was considered by them (as a B agenda item) in December 2016. It is included within this appendix for the information of the GRBV members and given its status, the high risk finding is not detailed in appendix 2 of this report.

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

+ This report was subject to scrutiny in February's GRBV Committee meeting.



***City of Edinburgh Council***

**Internal Audit**

**Quarterly Summary of Critical/High Risk  
Findings and Management Actions**

**(1 October 2016 – 31 December 2016)**

# Contents

Section 1 – Online Customer Services – HMO Licensing ..... 2

# Section 1 – Online Customer Services – HMO Licensing

RES 1603

## Total number of findings

	Critical	High	Medium	Low
<b>Total</b>	-	2	1	1

## Background

The Enterprise Integration (EI) Workstream is a flagship project for the Council and a key work stream within Transformation Programme. The EI Workstream project aims to make better use of digital services so that customers have more choices for how they access services, and services are available at times that suit them and on devices that suit them.

The EI Workstream project will bring 150+ transactions online, with a support structure of on-line kiosks and customer service advisers in community hubs. High volume, low value transactions such as reporting missed bin collections have been online since 2014. Council Tax transactions could be completed online from January 2015, and the implementation of Benefits modules is underway. There is a phased approach for remaining transactions in 2016/17 and 2017/18.

At the time of audit in August and September 2016, the project was significantly delayed and the project plan was being reset.

The review focused on the HMO licensing work stream, which was due to go live in Autumn/Winter 2016.

## **Scope**

The scope of this review will be to assess the design and operating effectiveness of the Council's controls relating to the implementation of Enterprise Integration work stream for HMO licensing.

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

- Project Delivery;
- Key Processes;
- Staff Engagement; and
- Customer Engagement.

Testing will focus on project governance and process design for the licensing work stream of the EI programme.

## **Summary of High Risk Findings**

### Communication with key stakeholders

Communication with the Head of Service and Service Manager for Licensing about the development and delivery of the HMO Licensing work stream has been irregular and limited to date.

There was a 2-week consultation period in winter 2015 at the beginning of the project, but there has been limited communication since. There is no representative from the service area on the Project Board, and key programme documents have not been shared with the service area including:

- The Project Initiation Document (PID);
- The design document (which maps both the existing and the proposed processes);
- ICT and Transformation Service Level Agreements;
- Risk registers (with no process of escalation of the risks from the Service Area to the programme);
- Agendas and minutes from Project Board and other key group meetings; and
- Support available to the service area during and post-implementation.

There is no stakeholder engagement stage incorporated in the project plan.

We note that the design document for the HMO licensing online platform states that '[the] Licensing Team [is] to own policy and guidance documents development to accommodate an online platform.' It is unclear how they can do this effectively without involvement in its design and implementation.

Delivery of Licensing work stream

There is an EI Project Board which includes representatives from the Council, CGI and Agilisys which oversee the implementation of the EI programme and all work streams. This Board monitors the project plan (which is being reset due to delays) and the status of all work streams.

However, we were unable to obtain detailed project plans for the HMO Licensing work stream including:

- A project timetable and key milestones;
- A risk register; and
- Contingency plans for the 'go live' date and early stages of implementation.

We note that this is the first time the supplier has designed HMO Licensing software, and it is only the second work stream due to be delivered in the EI programme. As such there is a higher degree of risk attached to this project (as illustrated problems developing key interfaces which support automation), and close project management is essential.

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

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
<p><b>Communication with key stakeholders</b></p> <p>The Project Board should include representatives from the live Service Area projects to ensure all critical documentation is shared and service and legislative requirements are considered, managing stakeholder expectations at each stage of the project. The Project Board may decide that this is most effectively managed through the creation of working groups for key work streams.</p>	<p>As part of the Programme 'reset', the programme governance and model used for business engagement is being reviewed, clarified and improved. This will include standardised documentation.</p> <p>When the detailed plan is received from CGI/Agilisys in April 2017 Working Groups for each "release" will be convened to include Subject Matter Experts from each of the relevant service areas. Re-engagement across senior and frontline stakeholders is currently</p>	<p>31 May 2017</p>	<p>Not due</p>

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
	<p>being planned to refresh the message and planned outcomes of the Programme, to support buy-in across the organisation.</p> <p><b>Responsible Officer:</b> Programme Manager – Channel Shift</p>		
<p><b>Delivery of Licensing work stream</b></p> <p>The Project Board should include representatives from the live Service Area projects to ensure all critical documentation is shared and service and legislative requirements are considered, managing stakeholder expectations at each stage of the project. The Project Board may decide that this is most effectively managed through the creation of working groups for key work streams.</p>	<p>We recommend that key project documentation is maintained for each work stream including:</p> <ul style="list-style-type: none"> <li>• A project timetable and key milestones;</li> <li>• A risk register, for HMO Licensing, with 'red' risks to be escalated to the EI project risk register; and</li> <li>• Contingency plans for the 'go live' date and early stages of implementation.</li> </ul> <p>The Project Board may wish to consider setting up working groups for key work streams to ensure regular oversight of the project at a more granular level than the Project Board can achieve.</p> <p><b>Responsible Officer:</b> Programme Manager – Channel Shift &amp; the Enterprise Architect</p>	31 May 2017	Not due

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





To:	HEAD OF LEGAL AND RISK (as Chief Officer with line management responsibility for Internal Audit)  COUNCILLOR JOANNA MOWAT, (as Chair of the Governance, Risk and Best Value Committee (GRBV) - the Council Committee with oversight responsibility for internal audit matters)	CITY OF EDINBURGH COUNCIL  EXTERNAL QUALITY ASSESSMENT OF THE INTERNAL AUDIT SERVICE  FINAL REPORT
From:	KEN ADAMSON, HEAD OF AUDIT AND INSPECTION, NORTH LANARKSHIRE COUNCIL	
Date:	27 January 2017	

**1 Purpose of Report**

- 1.1 To report to the results of a recently completed External Quality Assessment Review (EQAR) of the extent to which the Council's internal audit service is complying with the requirements of the Public Sector Internal Audit Standards (PSIAS).

**2 Background**

- 2.1 The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to operate a professional and objective internal auditing service. This service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the *Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector* (PSIAS).
- 2.2 The PSIAS sets out a range of key requirements with which internal audit functions and organisations are expected to comply covering a broad range of relevant areas including:
- Definition of Internal Auditing;
  - Code of Ethics;
  - Attribute Standards (covering areas such as responsibility, independence, proficiency and quality); and
  - Professional Standards (covering areas such as managing activity, nature of work undertaken, engagement planning, performing the engagement, communicating results, monitoring progress and risk management).
- 2.3 The PSIAS requires the 'Chief Audit Executive (CAE)', the Council's Chief Internal Auditor, to carry out an annual internal self-assessment against the PSIAS and develop a quality assurance and improvement plan (QAIP) based on the outcome.
- 2.4 The PSIAS also requires the self-assessment to be subject to an External Quality Assessment Review (EQA) at least once every five years, by appropriately qualified and independent reviewers. The Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) have developed a "peer review" framework as a cost effective means of complying with this requirement. City of Edinburgh Council has previously agreed to participate in this workstream.



### **3. Scope of review and work undertaken**

- 3.1 The EQAR was undertaken by the Head of Audit and Inspection from North Lanarkshire Council. The review, which took place between November 2016 and January 2017, was based on an updated self-assessment completed by the City of Edinburgh Council Internal Audit team in October 2016.
- 3.2 The review methodology included a detailed consideration of the latest self-assessment and supporting evidence completed by audit management. Discussions were also held with key stakeholders (including the Chair of the GRBV Committee, the Head of Legal and Risk and the Council's s95 officer) to obtain a fuller understanding of how Internal Audit operates and interacts with key stakeholders.
- 3.3 Detailed additional testing was undertaken using a standard checklist and involved a review of a range of Internal Audit guidance and process documents, consideration of the Council's governance arrangements in relation to Internal Audit, examination of a sample of 2016-17 audit files and consideration of Internal Audit outputs.
- 3.4 The review focused on the operation of the internal audit service and did not undertake any specific work to assess the effectiveness of the GRBV Committee.

### **4. Results of the EQA review**

- 4.1 The overall conclusion arrived at following completion of the comprehensive EQA checklist and based on the results of the work undertaken, is that in my opinion the City of Edinburgh Council Internal Audit Service **fully conforms** with the PSIAS.
- 4.2 Our detailed assessment in respect of each of the individual elements of the PSIAS is summarised in Appendix 1 of this report.
- 4.3 We have identified a range of good practice examples including well documented and embedded internal audit methodologies, a robust and transparent audit planning methodology and effective reporting arrangements.
- 4.4 There were no issues identified on which we have raised significant recommendations. We have raised a small number of suggested improvement actions for the Chief Internal Auditor to consider, although these are relatively minor suggestions and none of the issues raised are considered to be material in relation to PSIAS or to our assessment. Suggested improvement actions are included at Appendix 2. These should in due course be added to the QAIP and progress addressing them reported to the GRBV Committee.
- 4.5 I would like to thank all those involved for the co-operation and assistance received during the course of the review.

**Ken Adamson**  
**Head of Audit and Inspection**  
**North Lanarkshire Council**

*For further information please contact Ken Adamson, Head of Audit and Inspection, North Lanarkshire Council on 01698 302188*

## Appendix 1 EQAR Summary of Assessment

Assessment Area	Fully conforms	Generally conforms	Partially conforms	Does not conform
<b><u>Section A - Definition of Internal Auditing:</u></b> Key areas within the standards that contribute towards the assessment of whether or not the Internal Audit activity meets the definition of Internal Auditing.	√			
<b><u>Section B - Code of Ethics:</u></b> Key areas within the standards that contribute towards the assessment of whether or not individual auditors comply with the Code of Ethics.	√			
<b>Section C - Attribute Standards</b>				
<b><u>1000 Purpose, Authority and Responsibility:</u></b> The standard sets out that the purpose, authority and responsibility of the internal audit activity must be defined in an Internal Audit Charter. It should define the nature of assurance services and consulting activities as well as internal audit's position in the organisation and relationships between the Chief Audit Executive and the Board.	√			
<b><u>1100 Independence and Objectivity:</u></b> The standard sets out the organisational and reporting lines expected to promote and preserve the organisational independence of the internal audit activity. It also sets out the arrangements expected to achieve individual objectivity and for dealing with potential and actual conflicts of interest.	√			
<b><u>1200 Proficiency and Due Professional Care:</u></b> The standard sets out the necessary requirements to ensure that the internal audit team possesses the knowledge, skills and other competencies to effectively carry out their professional responsibilities applying due professional care.	√			
<b><u>1300 Quality Assurance and Improvement Programme:</u></b> The standard sets out the necessary requirements for the internal and external assessment of performance and compliance against the PSIAS and the arrangements for reporting on results and disclosure of non-performance.	√			

## Appendix 1 (continued) EQAR Summary of Assessment

Assessment Area	Fully conforms	Generally conforms	Partially conforms	Does not conform
<b>Section D - Performance Standards</b>				
<b><u>2000 Managing the internal Audit Activity:</u></b> The standard sets out the necessary requirements for the overall management of the internal audit activity, the preparation of the risk based Audit Plan including delivery and reporting of the Audit Plan.	√			
<b><u>2100 Nature of Work:</u></b> The standard sets out the internal audit activity that needs to be undertaken to evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.	√			
<b><u>2200 Engagement Planning:</u></b> The standard sets out the requirements necessary to develop and plan for each engagement including the objectives, scope, timing and resource allocations.	√			
<b><u>2300 Performing the Engagement:</u></b> The standard sets out the requirements necessary to gather, document, analyse and evaluate evidence to achieve the engagement objectives. Supervision arrangements and records management are also covered.	√			
<b><u>2400 Communicating Results:</u></b> The standard sets out the requirements necessary for the communication of results for individual engagements and the overall annual opinion.	√			
<b><u>2500 Monitoring Progress:</u></b> The standard sets out the expected arrangement for monitoring the implementation of agreed actions or the acceptance of the risk of not implementing.	√			
<b><u>2600 Communicating the Acceptance of Risks:</u></b> The standard sets out the expected arrangement for the escalation of unacceptable risk to the Board.	√			

## Appendix 2 Recommendations arising from EQAR

Assessment Area	Recommendation	Management comments	Responsible officer and date
1100	<p>Reporting and management arrangements appear adequate and effective in ensuring that Internal Audit can fulfil its responsibilities and support and preserve the CAE's independence and objectivity. No real or apparent impairment was identified.</p> <p>The CAE may wish to consider providing specific assurance to the GRBV Committee within the Annual Report that there has been no impairment during the year to the organisational independence of the function and/or no significant threats to the independence of the internal audit activity, such as inappropriate scope or resource limitations.</p>	<p>Our view is that we cover this point implicitly in our annual report when we confirm compliance with the PSIAS, an impairment (perceived or actual) to Independence or an unacceptable scope limitation would be outwith the PSIAS.</p> <p>However we accept that an explicit statement to this effect in our annual report would be beneficial and we will ensure such a statement is included within the annual report for 2016/17 when it is presented at the June GRBV Committee.</p>	Chief Internal Auditor 30 June 2017
2000	<p>The Internal Audit Annual Plan contains documented risk assessment and planning methodology which includes narrative relating to other forms of assurance and how these will be treated by the function.</p> <p>The CAE may wish to consider whether scope exists to explain more clearly to the GRBV how other forms of assurance impact on his assessment of the strength of the control environment for each auditable unit.</p>	We agree with this recommendation and have added additional narrative to the 2017/18 Annual Plan to explain in greater detail how other sources of assurance impact the control environment assessment for each auditable unit.	Chief Internal Auditor 30 April 2017
2200	<p>The service delivers internal audit services to a relatively small number of outside bodies; although standard audit methodologies are used which appear PSIAS compliant and the CAE has largely addressed any potential weaknesses or issues which might arise, the Service's QAIP has identified the need to formalise Service Level agreements (SLAs) with outside bodies.</p> <p>The CAE should seek to ensure SLAs are agreed with all outside bodies to which internal audit services are delivered which address relevant roles and responsibilities and key operational arrangements.</p>	<p>We recognise this issue and highlighted it in our annual report for 2015/16. We are seeking to address this and currently are in the final stages of agreeing a draft SLA for the EIJB (it has been approved by the Council's legal team and is undergoing final review by the NHS legal team).</p> <p>Once we can get the EIJB SLA agreed, it is our intention to use this as a template for the other JB's. Given the timing of the audit cycle for the other JB, it will be Q4 of 2017/18 before these can be put in place.</p>	Chief Internal Auditor EIJB: 30 June 2017 Other JB's: 31 March 2018

# Governance, Risk and Best Value Committee

10.00am, Thursday, 9 March 2017

## Internal Audit Charter Update

Item number	7.4
Report number	
Executive/routine	
Wards	All

### Executive Summary

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The Internal Audit Charter (the Charter) sets out the scope of the Internal Audit function. The Charter also sets out the roles, responsibilities, objectives and reporting structures for the Internal Audit function.

The Public Sector Internal Audit Standards (PSIAS) require that the Charter be periodically updated and presented for approval. The Internal Audit function has elected to update the Charter annually.

### Links

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Coalition pledges

Council outcomes

[CO25](#)

Single Outcome Agreement

## Internal Audit Charter update

### 1. Recommendations

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- 1.1 To approve the revised Internal Audit Charter.

### 2. Background

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- 2.1 The attached Charter is an update of the existing Internal Audit Charter. Under the PSIAS, the chief audit executive must review the Internal Audit Charter periodically and present it to senior management and the board for approval. The Internal Audit function has elected to update the Charter annually.
- 2.2 Within the Council, the role of the chief audit executive is fulfilled by the Chief Internal Auditor, the role of senior management is fulfilled by the Corporate Leadership Team and the board role is undertaken by the Governance, Risk and Best Value Committee (GRBV).
- 2.3 Internal Audit normally presents the Charter for approval in February each year but this year, Internal Audit elected to await the results of the External Quality Assessment (EQA) being undertaken by the internal audit function of North Lanarkshire under the auspices of the Scottish Local Authorities Chief Internal Auditors Group, in case this EQA made any recommendations that impacted upon the Charter. In the event the EQA did not make any such recommendations. The outcome of the EQA is considered further in Internal Audit's March 2017 Quarterly Update.

### 3. Main report

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- 3.1 The Charter sets out the role, scope and objectives of the Internal Audit function. It also sets out the framework for Internal Audit in the following areas:
  - 3.1.1 Independence and objectivity of the Internal Audit function;
  - 3.1.2 Professionalism of Internal Audit Officers;
  - 3.1.3 Authority and reporting lines of the Internal Audit Function;
  - 3.1.4 The internal audit plan and resourcing requirements;
  - 3.1.5 Responsibilities in connection with fraud and corruption; and
  - 3.1.6 The Quality Assurance & Improvement Programme.

- 3.2 The Charter has been reviewed and minor amendments made to refresh it for 2017/18. The amendments made are:
- 3.2.1 The section covering 'Independence and Objectivity' has been amended to reflect Internal Audit's direct reporting line to the Head of Legal & Risk under the current Council structure.
  - 3.2.2 Appendix 1 has been amended to reflect the Major Project Assurance reviews that we will shortly commence undertaking (see the 2017/18 Internal Audit Plan for further details). It has also been updated to recognise that we are currently reporting to CLT four weeks in advance of GRBV rather than two.
  - 3.2.3 Appendix 2 has been updated to reflect the audit work that we conduct for the Edinburgh Integration Joint Board. It is anticipated that the Lothian and Borders Community Justice Authority will be removed at the next update after its planned dissolution this year but as we have yet to complete our final commitment to the Lothian and Borders Community Justice Authority, it is retained in the current version.

#### **4. Measures of success**

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- 4.1 A robust and independent Internal Audit function that is compliant with the PSIAS. The Audit Charter is a key component in ensuring that an appropriate governance structure is in place to allow the Internal Audit function to be compliant.

#### **5. Financial impact**

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- 5.1 None.

#### **6. Risk, policy, compliance and governance impact**

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- 6.1 Approval of this Charter will assist the Internal Audit service to operate within PSIAS requirements.

#### **7. Equalities impact**

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- 7.1 None.

#### **8. Sustainability impact**

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- 8.1 None.

## 9. Consultation and engagement

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9.1 None.

## 10. Background reading/external references

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10.1 None.

### **Magnus Aitken**

Chief Internal Auditor

E-mail: [magnus.aitken@edinburgh.gov.uk](mailto:magnus.aitken@edinburgh.gov.uk) | Tel: 0131 469 3143

## 11. Links

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### **Coalition pledges**

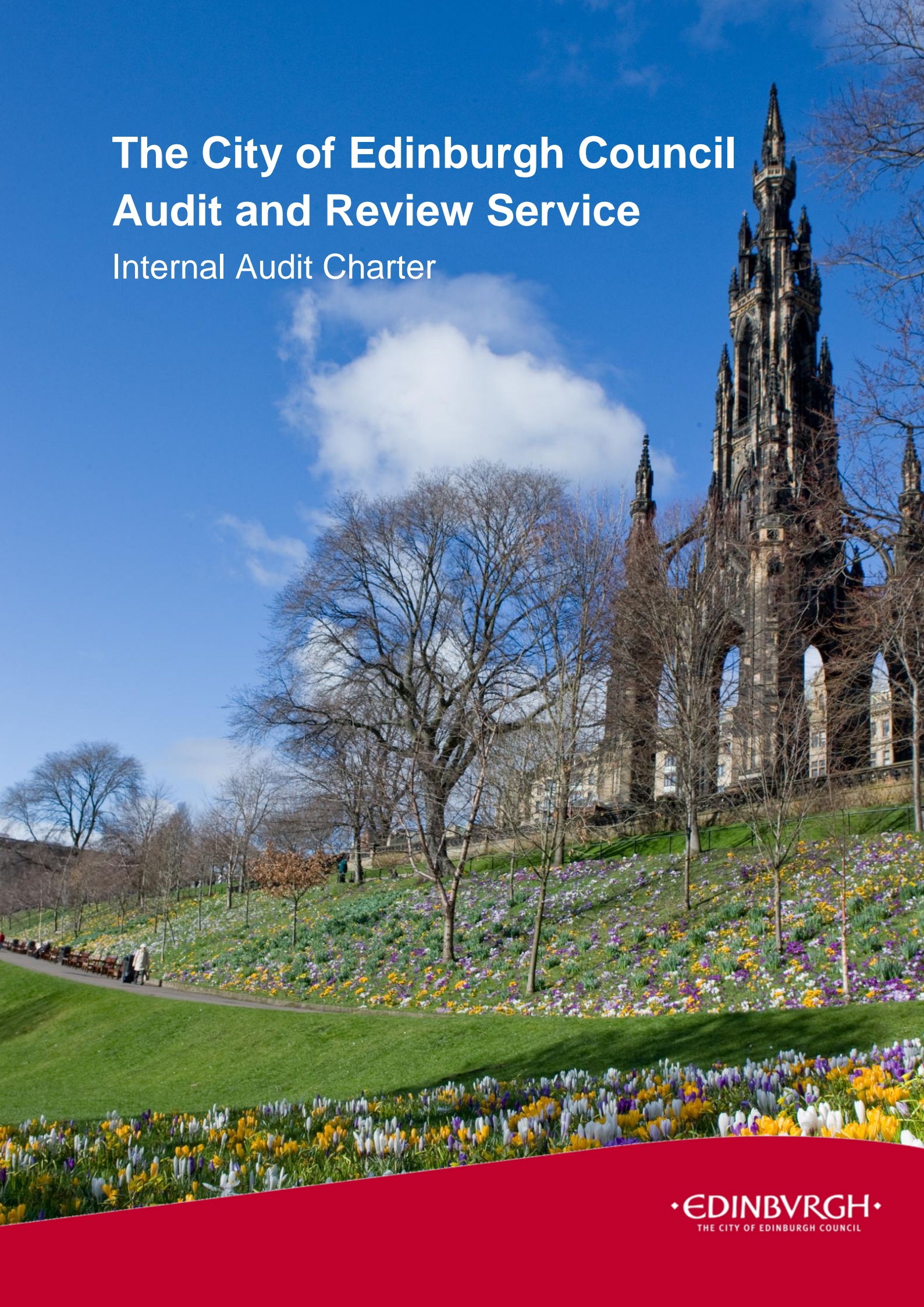
**Council outcomes** CO25 - The Council has efficient and effective services that deliver on objectives.

### **Single Outcome Agreement**

**Appendices** Appendix 1: Internal Audit Charter



# The City of Edinburgh Council Audit and Review Service Internal Audit Charter



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## Executive Summary

This Charter sets out the purpose, scope, authority and responsibility of the City of Edinburgh Council's (the Council) Internal Audit function in accordance with the Public Sector Internal Audit Standards (PSIAS). The PSIAS, which are applicable across the whole of the public sector are intended to ensure sound corporate governance and set out roles and responsibilities with regard to delivery of internal audit services

The main objective of Internal Audit is to provide, in accordance with the PSIAS, a high quality, independent audit service to the Council which provides assurance in relation to internal controls and overall governance arrangements.

In addition to this primary role, Internal Audit will also:

- Support the Chief Executive in the discharge of his duties
- Support the Executive Director of Resources in undertaking his duties as the 'Section 95 Officer'
- Support the Monitoring Officer in undertaking his duties
- Advise on the internal control implications of system or process changes within the Council
- Assist the Council management in their duties to prevent and detect fraud and corruption
- Aim to add value to the Council management in all of its undertakings.

The PSIAS recognises that internal audit's remit extends to the entire control environment of the organisation and not just to financial controls.

## Purpose of Internal Audit

The objective of Internal Audit is to provide a high quality independent audit service to the Council, in accordance with the requirements of PSIAS, which provides assurance over the control environment and overall governance arrangements.

Internal Audit helps ensure that an appropriate level of risk management and control is in place within the Council. Internal Audit adds value by reviewing the financial and business processes and objectively assessing the effectiveness of the controls, established by Management.

The purpose of this charter is to set out the role, responsibilities, objectives and authority of Internal Audit within the Council and to outline the scope of their work. The responsibilities of Internal Audit and its Auditees in respect of individual audit assignments are detailed in **Appendix 1**.

## Role and Scope

The role of Internal Audit is to act as an independent, objective assurance and consulting function, designed to add value and improve the operational effectiveness of the Council.

The Internal Audit function is established by the Council's full Council. The scope of Internal Audit is defined by the Governance, Risk and Best Value Committee (GRBV) as part of its oversight role.

The Internal Audit scope covers all the Council's activities, and the activities of external parties listed in **Appendix 2**. Internal Audit will execute a schedule of audit work designed to meet its objectives and provide assurance which will assist management in establishing and monitoring appropriate risk management and internal controls (both financial and non-financial), to help ensure that business objectives are achieved.

The nature of evolving business risks makes it likely that assignments may need to be completed outside of the scope of the annual audit plan and consequently Internal Audit will be flexible in their response to such changes. Significant variations from the annual audit plan will be considered by GRBV who will monitor and review the performance of Internal Audit.

## Definitions

The PSIAS requires that all public sector Internal Audit charters define the terms 'Chief Audit Executive (CAE)', 'Senior Management' and 'Board'

Within the Council, the role of the 'CAE' is fulfilled by the Chief Internal Auditor (CIA), the role of the 'Chief Financial Officer' is fulfilled by the Executive Director of Resources (who is also the Section 95 Officer), the role of the 'Senior Management' is fulfilled by the Council's Corporate Leadership Team (CLT) and the 'Board' role is undertaken by GRBV.

The Council has adopted the PSIAS definition of internal auditing as follows:

*'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation establish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'*

The Council has adopted the PSIAS definition of assurance services as follows:

*'An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.'*

The Council has adopted the PSIAS definition of consulting services as follows:

*'Advisory and Auditee related service activities, the nature and scope of which are agreed with the Auditee, are intended to add value and improve an organisation's governance, risk*

*management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training’.*

## Objectives and Responsibilities of Internal Audit

The primary objective of Internal Audit is to independently review, appraise and report upon the adequacy and effectiveness of the system of risk management and internal controls as a contribution to the proper, economic, efficient and effective use of resources.

Internal Audit, therefore, requires and has unrestricted access to all activities undertaken in the Council, in order to independently review, appraise and report on:

- the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the risks facing the Council
- the extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures established by the Council and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies
- the extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause, and that adequate business continuity plans exist
- the suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify measure, classify and report such information
- the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council’s strategic goals
- the follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely
- the operation of the Council’s corporate governance arrangements
- The Council’s Internal Audit evaluates the risk of fraud as part of the audit work performed. Where required, the role of Internal Audit is to provide support to the officers appointed to investigate potential fraud cases.

It is the responsibility of the CIA to provide an independent and objective opinion annually on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. The CIA’s annual report will be presented to GRBV.

In addition to the primary assurance role, Internal Audit will, if requested, support the Chief Executive, the Section 95 Officer and the Monitoring Officer in discharging their responsibilities.

Internal Audit will ensure that it conduct its work with due professional care and in line with the requirements of the Public Sector Internal Audit Standards' (PSIAS) or other relevant professional standards.

When dealing with an external party, Internal Audit will clearly define the respective roles, responsibilities and other expectations (including restrictions on distribution of results of the engagement and access to engagement records).

## Authority

Internal Audit derives its authority from the Council's full Council and the CLT.

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised by the CLT to have full, free, and unrestricted access to any and all of the Council's records, assets, physical properties, and personnel pertinent to carrying out any engagement. All Officers are required to assist Internal Audit in fulfilling its roles and responsibilities. Internal Audit will also have free and unrestricted access to all Officers, the CLT and GRBV.

CLT and GRBV will review the scope and nature of the Internal Audit plan and receives summaries of the results of the work completed including assessments of the control environment in each area of the Council as well as a status report covering the implementation of agreed recommendations.

Internal Audit does not perform operational tasks as this would impair its objectivity; neither has it any direct responsibility for, nor authority over, the activities it reviews.

## Professionalism

Internal Audit will comply with the PSIAS mandatory guidance including the Definition of Internal Auditing and the Code of Ethics. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance.

The CIA is expected to report conformance on the PSIAS in the annual report.

Internal Audit operates within the code of ethics set out by the PSIAS. The four principles contained within the code are: Integrity, Objectivity, Confidentiality and Competency.

In addition, Internal Audit will adhere to the Council's relevant policies and procedures and Internal Audit's standard operating procedures manual.

## Independence and Objectivity

Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content, to permit maintenance of the necessary independent and objective mental attitude.

The PSIAS requires the CIA to report to a level within the organisation which allows Internal Audit to fulfil its responsibilities and ensure that organisational independence is maintained. Within the Council, the CIA reports to the Head of Legal & Risk, the Chief Executive and the GRBV. The CIA is however ultimately responsible to the GRBV.

In order to maintain auditor independence, internal auditors will have no operational responsibility or authority over any of the activities audited in order to prevent any conflicts of interest. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment. In addition, internal auditors will not be permitted to audit any activities for which they have previously been responsible within a period of one year.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The CIA will confirm to the GRBV at least annually the organisational independence of Internal Audit. The CIA will also inform the Convener of the GRBV of any real or potential impairment of organisational independence.

## Internal Audit Plan

Annually, the CIA will submit to the GRBV an internal audit plan, designed with the objective of giving an evidence based opinion, for their review and approval.

This plan will be developed, based on a prioritisation of the audit universe using a risk-based methodology, including input from the Chief Executive, the Monitoring Officer, the Executive Director of Resources, the Chief Risk Officer, the CLT and the GRBV.

The audit plan will be kept under review and any significant deviation from the approved internal audit plan (due to emerging risks, fraudulent activity or other factors that result in changes to planned Internal Audit or consulting activities) will be reported through the quarterly Internal Audit monitoring process to CLT and GRBV.

## Resourcing

The CIPFA Local Government Application note for applying UK Public Sector Internal Auditing Standards states that *'No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence based opinion. Local factors within each organisation will determine this minimum level of coverage'*.

Audit Scotland have advised that that they expect a risk based internal audit plan to be prepared and that they would expect sufficient resources to be in place to accommodate all high risk items identified.

The Council's internal audit plan will reflect Audit Scotland's requirements and include budgeted resource requirements for the following year. It will also include a contingency to address unplanned work. Should circumstances arise during the year that suggests that available resource levels will fall or appear to be falling below the level required to deliver the plan, the CIA will communicate the impact of resource limitations and significant interim changes to the GRBV.

## Management Responsibility

The CLT is responsible for the Council's systems of internal control to ensure that the Council's resources are properly applied in the manner and on the activities intended as detailed in the Financial Regulations.

Management will co-operate with Internal Audit on assignments and provide access to records, systems and staff as required within a reasonable timeframe following the request.

Where an audit report is delivered, management are required to provide formal responses to all recommendations, including specifying responsibility and anticipated dates for the implementation of the solutions within two weeks of the draft report being issued. They are also responsible for the implementation of the solutions and this implementation will be monitored and subject to follow-up review.

## Reporting and Monitoring

All audit and consulting assignments will be the subject of formal reports or formal management letters. Draft reports will be sent to the responsible management for agreement as to the factual accuracy of findings and for their completion of action plans. After agreement, the reports will be issued to the relevant department.

It is for management to accept and implement internal audit findings and recommendations, or to accept the risk resulting from not taking action. However, the CIA will escalate to GRBV any areas where management intend to accept risk, where it is felt that the risk should not or need not be borne.



The Internal Audit team will track the implementation of agreed management actions and seek to confirm that they have been undertaken within the agreed timescale.

Internal Audit reports regularly on the results of its work to CLT and the GRBV. The CIA is accountable to the GRBV for:

- providing regular assessments of the adequacy and effectiveness of the organisation's systems of risk management and internal control based on the work of Internal Audit
- reporting significant control issues and potential for improving risk management and control processes
- periodically providing information on the status and results of the annual audit plan, the status of agreed management actions which are past their agreed implementation date and the sufficiency of Internal Audit resources.

## Fraud and Corruption

Management is responsible for the prevention and detection of fraud or corruption. Internal Audit will assist management in the discharge of this responsibility.

Audit procedures alone cannot guarantee that fraud or corruption will be detected. Internal Audit will however exercise an appropriate level of professional skepticism during audit field work and be alert to risks and exposures that could allow fraud or corruption to occur.

Discovery of any fraud or irregularity that affects the Council's affairs should be reported immediately to the CIA as specified within the Council's Fraud Prevention Policies, Anti-Bribery Policies and the Employee Code of Conduct, to inform the annual audit opinion and the risk based plan.

## Quality Assurance and Improvement Programme

Internal Audit will maintain a quality assurance and improvement programme that covers all aspects of Internal Audit activity. The programme will include an evaluation of Internal Audit's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement.

The CIA is also responsible also for providing periodically a self-assessment of Internal Audit, as regards its consistency with the Audit Charter (purpose, authority, and responsibility) and performance relative to its Plan.

The CIA will communicate to the CLT and the GRBV on Internal Audit's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years.

## Approval

This charter is subject to approval by the Governance, Risk and Best Value Committee on an annual basis.

**Signed by:**

Chief Internal Auditor:

Convener of the Governance, Risk and Best Value Committee:

Content approved by the Governance, Risk and Best Value Committee: 9 March 2017

## Appendix 1

### Key Audit Stages, Responsibilities and Timetable

Area	Principles	Further guidance
<b>Planning the audit or project assurance review</b>	Agreeing the scope and objectives	<ul style="list-style-type: none"> <li>Internal Audit will determine and make arrangements for sufficient resources to achieve the audit or review objectives. This will be based on an evaluation of the nature and complexity of each audit or review, time constraints and available resources.</li> <li>An initial planning meeting will be held between Internal Audit and the responsible Director/ Manager for each audit or review. The planning meeting will be held in advance of the audit fieldwork commencing. The purpose of the meeting will be to agree the scope and objectives for the audit or review, requirements during the process and a reporting and closeout timetable.</li> <li>The responsible Director/Manager will identify the personnel who have the relevant knowledge and are best placed to answer questions in relation to the audit or review scope. The Director/Manager will be responsible for notifying these staff of the scope and any other requirements agreed with Internal Audit during the planning meeting.</li> <li>Internal Audit shall be responsible for organizing meetings with relevant staff</li> </ul>
<b>Audit/review fieldwork</b>	Timely communication of issues identified during fieldwork	<ul style="list-style-type: none"> <li>The auditee/reviewee will be informed of the progress of the audit on a regular basis.</li> <li>Any issues identified during the fieldwork by Internal Audit will be discussed with the relevant staff to ensure that they are accurate and proposed recommendations are valid and achievable.</li> <li>Any material issues (Critical) will be raised by Internal Audit with the responsible Director/Manager immediately as they arise.</li> </ul>
<b>Reporting</b>	Closeout meeting to discuss and agree the report	<ul style="list-style-type: none"> <li>A closeout meeting will be undertaken with the Director/Manager at the end of audit fieldwork.</li> <li>Internal Audit will provide the responsible Director/Manager with a copy of the draft report within two weeks of completing the fieldwork.</li> </ul>

Area	Principles	Further guidance
<b>Reporting</b>	Management response to the report	<ul style="list-style-type: none"> <li>The responsible Director/Manager will have two weeks to provide management comments. During this period, where appropriate, the responsible Director should consult with the Director of Resources and/or the CLT on the findings and recommendations in the report.</li> <li>Internal Audit will issue the final report within one week of receipt of management comments to the responsible Director, Audit Scotland and if appropriate, the Chief Executive, the Executive Director of Resources and the Head of Legal &amp; Risk.</li> </ul>
<b>Reporting</b>	Reporting of findings to the CLT	<ul style="list-style-type: none"> <li>Four weeks before the GRBV Committee meeting, the CIA and CLT will meet to review the internal audit findings being reported to the GRBV Committee.</li> </ul>
<b>Reporting</b>	Reporting of findings to the GRBV Committee	<ul style="list-style-type: none"> <li>Internal Audit shall prepare an internal audit update report quarterly for the GRBV Committee. The update report will summarise the findings arising from each finalised report.</li> </ul>
<b>Follow up</b>	Monitoring the implementation of recommendations	<ul style="list-style-type: none"> <li>Internal audit will track the status of all open recommendations. Medium- and high-rated recommendations that are overdue will be reported to the GRBV committee on a quarterly basis. Internal Audit will advise departments at least quarterly of all open recommendations and invite departments to provide evidence that the recommendations have been actioned.</li> </ul>
<b>Follow up</b>	Auditee/reviewee feedback	<ul style="list-style-type: none"> <li>A questionnaire will be issued to be completed by the auditee/reviewee to allow opportunity to comment directly to the CIA on the satisfaction of the audit service provided. This forms part of the Internal Audit Quality Review program.</li> </ul>

## Appendix 2

### External bodies for which the City of Edinburgh Council Internal Audit carries out internal audit work

- The Edinburgh Integration Joint Board
- Lothian & Borders Criminal Justice Authority
- Lothian Valuation Joint Board
- South East of Scotland Transport Partnership
- The Royal Edinburgh Military Tattoo (Charities) Limited

# Governance, Risk and Best Value Committee

10.00am, Thursday, 9 March 2017

## Roads Contract Management: Follow up

Item number	7.5
Report number	
Executive/routine	
Wards	

### Executive summary

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In audit SFC1505: Roads Contract Management issued in April 2016, Internal Audit reported on the findings of a review of the Council's controls over scheduling and delivering maintenance and improvement works.

There were two high risk findings relating to budgetary control and quality assurance arising from our original review, and four medium risk findings. This is an update on management's progress in implementing the actions they proposed to address the weaknesses identified by Internal Audit.

### Links

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Coalition pledges	
Council outcomes	.
Single Outcome Agreement	

## Roads Contract Management: Follow up

### 1. Recommendations

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- 1.1 It is recommended that the Committee notes this report.
- 1.2 It is recommended that the outstanding actions from audit SFC 1505: Roads Contract Management are closed as they have been superseded by the Edinburgh Roads Service (ERS) Improvement Plan.
- 1.3 It is recommended that the Committee notes that the Portfolio and Governance team within Strategy and Insight, will include the ERS Improvement Plan within the portfolio of projects that they support and assure going forwards.
- 1.4 It is recommended that the Committee notes that Internal Audit will undertake a review of the service delivery model proposed under the ERS Improvement Plan in Quarter 3, 2017/18.

### 2. Background

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- 2.1 In audit SFC1505: Roads Contract Management, Internal Audit reported on the findings of a review of Council's controls over scheduling and delivering maintenance and improvement works. Testing during the audit was limited to work completed by the internal Edinburgh Roads Service (ERS), and commissioned by the West Neighbourhood Office. The auditor also considered the processes used by the Transport Design and Delivery team (TDD) to manage works carried out by ERS.
- 2.2 There were two high risk findings relating to budgetary control and quality assurance arising from our original review, and four medium risk findings. West Neighbourhood Office, ERS and TDD between them proposed 16 actions to address the weaknesses identified by Internal Audit.
- 2.3 Both high risk findings and two medium risk findings remained open at the date of our last quarterly reporting to GRBV in December 2016. The original implementation date for the actions attached to these findings was June 2016. Given the length of the delay in implementing these actions, on 22 December GRBV requested an update on progress.

### 3. Main report

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#### Follow Up Audit

- 3.1 Internal Audit conducted a follow up review during which we interviewed officers from ERS, TDD, and the North West Locality Transport and Environment team and inspected documentation for a sample of jobs in order to assess progress in implementing the agreed management actions. Our detailed assessment of the current status of each action can be found in Appendix 1.
- 3.2 As with the original audit, we only considered jobs commissioned by the North West Locality or TDD where ERS was the contractor.
- 3.3 A number of actions which had been closed previously were reopened as a result of this follow up audit work either because the services have not continued agreed actions after they were closed, or because actions had been progressed by TDD but have not been rolled out to the Localities. Actions which were closed in December 2016 are indicated by an asterisk in Appendix 1.
- 3.4 The central TDD manages medium and large capital improvement works across the City, which they commission either ERS or a framework contractor to complete.
- 3.5 Locality Transport and Environment teams manage revenue works, such as pothole repairs, and small capital works using the local capital budget and as part of the Neighbourhood Environmental Programme. Locality teams commission ERS to carry out most revenue and small capital works.
- 3.6 It became apparent during our follow up audit work that the open audit actions were indicators of fundamental operating issues being experienced by the Roads Maintenance and Improvement programme in the Localities. The process is not currently operating effectively.
- 3.7 We have identified four areas where there are fundamental issues in operational practices in the Localities and at ERS, and in relationships between ERS and its clients that need to be addressed if the Council is to deliver an effective roads maintenance and improvement programme.

People
<p><u>Collaboration</u></p> <p>Engineers in the TDD are experienced in delivering capital improvement works and managing external contractors. They have a robust Quality Management System, and addressed audit recommendations on budgetary control when ERS are used, and joint working with Localities to prioritise and schedule works by the agreed implementation date.</p>



However, there has not historically been a culture of collaborative working between TDD, ERS and the Localities. The Localities have not benefited from the in-house expertise of the TDD: for example, the Quality Management System is not in use in the Localities.

There is evidence this is being partially addressed with monthly meetings between Localities Transport and Environment managers and TDD, strategic planning involving both the Localities and TDD, and the appointment of experienced officers from TDD to the Localities. However, building effective working relationships across the Council's roads teams must be a key part of the ERS/Roads Improvement Programme.

#### ERS Commercial Team

ERS does not currently have a Commercial Team or Works Programmer in post. This has delayed work to develop a schedule of rates for improved transparency over interdepartmental billing (see 'Finance'). It also means that monthly co-ordination meetings between Locality Transport and Environment Teams and ERS have ceased, and there is no ERS representation at monthly planning meetings with TDD.

ERS is currently recruiting for the Commercial Manager position to address this gap.

#### Loss of experience

A significant number of staff left both ERS and the Localities under VERA. Posts in the new structures are now being filled, but there does not appear to have been effective planning to capture accumulated knowledge and experience before staff left. There appear to be skills gaps in both services, particularly around financial and project management, with a loss of service specific knowledge causing difficulties in delivering the Roads Maintenance and Improvement Programme as illustrated below (see 'Confirm').

### **Systems**

There are three different systems used across the roads services. They are not integrated.

#### Confirm

Confirm was introduced in 2013 as a works management system. It is used by the Localities to commission both revenue and capital works: works orders are issued to ERS, who are expected to pick them up and log work in real time using handheld devices.

Use of Confirm halted over the summer, as staff with access to the system left ERS under VERA. It is now being used again by both ERS and the Localities, but it is recognised that staff using it have had only rudimentary training (trained 'superusers' have left the Council) and do not make full use of its capabilities. It is not fully embedded into Locality or ERS working practices, which means the service is not capturing the full efficiency benefits of the system.

The contract with the system providers ends in 2018, after which point the system will be unsupported unless the contract is extended.

### Axim

Axim is used by ERS to record costs and charge the Localities and TDD for labour, plant and materials. There is no link between Axim and Confirm, and different job references are used which makes it difficult for the Localities to reconcile the two systems and monitor costs.

To illustrate this, during our follow up work we were given both Confirm and Axim job codes for five small capitalised projects by the North West Locality, but when checked with ERS, we found those codes related to different projects, and in one case did not exist.

On our return visit to the North West Locality as part of the follow up work, team leaders no longer had access to Axim which means they can no longer monitor project costs, such as daily labour costs, in real time but must rely on reports generated by ERS on request. Given the Localities are billed labour, plant and materials item by item and, as noted above, project codes do not reconcile, it is difficult for the Localities to verify the accuracy of charges and challenge errors retrospectively.

### Telford

Telford is the works management system used by the central TDD team for all capital works. It is not integrated with Axim. While the system is functional and is adequate for the capital portfolio which has a relatively limited number of projects each year, it is old, is not user friendly, and is only capable of producing limited management information. It would not be suitable for the volume of revenue and small capital works handled by the Localities each year.

## **Finance**

Our audit identified that there was little transparency over interdepartmental billing between ERS and its clients. There has limited progress in the past year, and the weaknesses reported in audit SFC1505 still apply:

- There is no schedule of rates for works carried out by ERS. This means it is difficult for Localities to estimate the cost of works, and to determine whether they have been charged accurately or whether works have been delivered to budget;
- ERS are not required to obtain approval from the commissioning manager for an extension to approved works, or where additional labour, plant or materials are required;
- As ERS is part of the Planning and Transport service, payment for labour, plant and materials is by internal transfer which does not have to be authorised by the commissioning manager from the Transport department or the Neighbourhood Office; and
- The additional costs of any remedial works are charged to the commissioning roads teams on top of the original budget. They are not able to reclaim those costs from ERS.

### Developments – Transport Design and Delivery team

TDD have agreed a protocol with ERS which states that costs must be agreed at planning. The price of the project is determined by reference to the schedule of rates for the external framework contract.

This has been trialled on one project to date. A price was agreed between ERS and

the Senior Engineer, but ERS required support from TDD in applying the schedule of rates appropriately as they do not yet have the in-house commercial experience to price a job (see 'People' above).

While a protocol has been agreed for billing, stating that requests for payment must be submitted by ERS and checked and approved by the TDD commissioning manager, no project has yet reached this stage. It is not yet clear how TDD/ERS will facilitate pre-approval of payments with the current Council systems (see above).

#### Developments – Localities

On our return visit to the North West Locality, we found that ERS charges for medium and large revenue works are now often billed to a 'bucket code'. It has therefore become even more difficult to reconcile charges to individual projects, making it practically impossible to monitor the costs of individual jobs.

The billing protocol agreed between TDD and ERS has not been rolled out to the Localities.

#### Schedule of Rates

ERS recognise the need for a schedule of rates, and intend to develop and introduce one for the new financial year. This project has been delayed to date due to difficulties in recruiting a Commercial Team.

### **Quality**

TDD use a robust Quality Management System, with well documented evidence of site visits and sign off by TDD engineers at key stages of each project, and daily site diaries completed by the clerk of works.

The Quality Management System for roads repairs and renewals was developed for use across the Council's roads services. However, while Localities Transport and Environment Teams indicated that they do carry out regular site visits, they were unable to provide evidence of these visits, or key documents such as project acceptance, site diaries or site-specific Health and Safety risk assessments.

N.B. Generic Health and Safety risk assessments for each type of repair are available and reviewed annually.

### **Going forward**

- 3.8 Place recognises that work is required to accelerate improvement in the condition of Edinburgh's roads and improve public perception. An investment strategy has been developed to consider how this can be delivered collaboratively between the Central Infrastructure teams, the Locality Roads Teams and ERS. A Roads Asset Management Plan will be presented to the Transport and Environment Committee in 2017.
- 3.9 An Improvement Plan is underway at ERS to transform working practices and make the service competitive with framework providers. This will include introducing a schedule of rates so work can be priced more accurately and to make it easier for client services to monitor budgets. It will also review how ERS works with its client services (being TDD and the Localities). The timescale for completing the Improvement Plan is c.18 months.

- 3.10 We propose that the actions from audit report SFC1505 and CW1503 (which also pertain to ERS) are closed and are not tracked in future Internal Audit quarterly follow up reports. While they were appropriate responses to the control weaknesses identified at that time, the deterioration in the service is such that a comprehensive redesign is required (the ERS Improvement Plan) and there is little value in tracking what are likely to become obsolete recommendations.
- 3.11 The Strategy and Insight, Portfolio and Governance team will include the ERS improvement plan within the portfolio of projects that they support going forward. This will facilitate an appropriate level of scrutiny of the ERS Improvement Plan as it develops.
- 3.12 We have agreed with the ERS Senior Manager that Internal Audit will conduct a 'review recommend' of the proposed service delivery model in October 2017, before it is fully embedded. This review will focus on project management and interaction with the Locality Transport and Environment teams.
- 3.13 An early 'review recommend' is appropriate for a service in development as it allows the service to address potential control weaknesses before working practices are entrenched. This would normally be followed by a risk and controls based internal audit 12-18 months later to verify that the new processes and controls are operating effectively.

#### **4. Measures of success**

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- 4.1 Improvement in control environment identified in 'review recommend' of Edinburgh Roads Service Improvement Plan in Quarter 3 2017/18.

#### **5. Financial impact**

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- 5.1 No direct financial impact.

#### **6. Risk, policy, compliance and governance impact**

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- 6.1 The findings of the work performed by Internal Audit should inform the development of the Edinburgh Roads Service Improvement Plan.

#### **7. Equalities impact**

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- 7.1 There are no adverse equalities impacts arising from this report.

## 8. Sustainability impact

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8.1 There are no direct adverse sustainability impacts arising from this report.

## 9. Consultation and engagement

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9.1 The Internal Audit team consulted with representatives from Edinburgh Roads Services, the Transport Design and Delivery team, and the North West Locality in conducting this follow up review.

## 10. Background reading / external references

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10.1 None.

### **Magnus Aitken**

Chief Internal Auditor

## Links

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**Coalition pledges**

**Council outcomes**

**Single Outcome Agreement**

**Appendices**

Appendix 1 – Status of Actions from SFC1505: Roads Contract Management

Finding	Business Implication	Finding Rating	Recommendation	Management Action	Responsible Officer	Estimated Implementation Date	Status	Comments
<p>There is no consistent or robust process for managing the costs of works undertaken by ERS. Through discussions with officers at the West Neighbourhood Office and the Central Transport department we noted that:</p> <ul style="list-style-type: none"> <li>There is no schedule of rates for works carried out by ERS. This means budgets for works cannot be completed accurately;</li> <li>ERS are not required to obtain approval from the commissioning manager for an extension to approved works, or where additional labour, plant or materials are required;</li> <li>As ERS is part of the Planning and Transport service, payment for labour, plant and materials is by internal transfer which does not have to be authorised by the commissioning manager from the Transport department or the Neighbourhood Office;</li> <li>There was no evidence retained that costs charged by ERS are reviewed by the commissioning manager;</li> <li>Costs are recorded on Axim, while the estimated works budget is recorded on the Confirm project management system. There is no link between the systems, so budget variances must be calculated manually; and</li> <li>The additional costs of any remedial works are charged to the commissioning roads teams on top of the original budget. They are not able to reclaim those costs from ERS.</li> </ul>	<ul style="list-style-type: none"> <li>Service is unable to demonstrate compliance with Contract Design Management regulations;</li> <li>Budgets for proposed works may be inaccurate;</li> <li>Local area roads managers do not have accurate financial management information; and</li> <li>ERS are not financially accountable for poor quality work.</li> </ul>	HIGH	<p>The road and footway contract process should include robust monitoring of contract expenditure. This should include:</p> <ul style="list-style-type: none"> <li>Accurate budgeting of work assisted by a schedule of rates;</li> <li>Documented approval of variations to agreed work;</li> <li>Exception reporting to highlight overspend against budget; and</li> <li>End of works review of expenditure to ensure commissioning managers are satisfied that all work and costs are appropriate.</li> </ul>	<p>For Locality (Revenue) Work, estimated costs are prepared and noted on Confirm (Works Management System) making use of compound rates. Ensure that future works estimates make use of agreed and future schedule of rates.</p>	North West Local Transport and Environment Manager	01-Jun-16	No progress	<ul style="list-style-type: none"> <li>Localities estimate the cost of works using compound rates, but are billed itemised works and labour costs by Edinburgh Roads Service (ERS). The two do not reconcile.</li> <li>Team leaders in the locality visited no longer have access to Axim (the billing system used by ERS) to monitor costs independently. Costs are billed to a 'bucket code' so cannot be reconciled to individual jobs.</li> <li>ERS intend to develop a schedule of rates to be used by both the localities and ERS for the new financial year. However, it is not clear that they have the resources to do this given key posts are unfilled, or that the systems will support this.</li> </ul>
				<p>For Locality (Revenue) Works, introduce a protocol to ensure that additional works are agreed, where reasonably possible, with the Commissioning team prior to commencement.</p>	North West Local Transport and Environment Manager	01-Oct-16	No progress	<ul style="list-style-type: none"> <li>Variation orders are prepared and authorised where additional works are required on capital works managed by the Transport Design and Delivery team (TDD), whether the contractor is external or ERS. This was already in place at the time of our audit.</li> <li>This protocol has not been adopted by the localities for capital works managed locally, or adapted for revenue works.</li> </ul>
				<p>For all Capital and Revenue Work, introduce an internal contract process to manage works estimating, charging, completion sign off by the client and final account closure.</p>	Transport and Infrastructure Manager	01/10/2016*	In progress	<ul style="list-style-type: none"> <li>An internal contract process has now been developed by the Transport Design and Delivery team for capital work they assign to ERS.</li> <li>This protocol has not been adopted by the localities for revenue works and capital works managed locally.</li> </ul>
				<p>Establish remedial works protocol to ensure Commissioning teams are not charged for defective works.</p>	Edinburgh Road Services Manager	01-Oct-16	No progress	<p>Both TDD and the localities are still billed automatically for remedial works on top of the original budget. They cannot reclaim these costs.</p>
<p>Reviews undertaken by the Transport Interim Quality Audit Team identified works and materials failures resulting in major remedial works at additional cost to the Council. The Transport Interim Quality Audit Team was a short-life working group and has now been disbanded.</p> <p>Officers were unable to demonstrate that site visits are carried out as a matter of routine by project or commissioning managers to confirm that the quality and extent of works completed are satisfactory</p>	<ul style="list-style-type: none"> <li>There is a risk that road and footway works fail due to poor quality construction resulting in an additional cost to the Council for remedial works; and</li> <li>Loss of neighbourhood partnership and community support due to extended road works and poor condition of carriageways.</li> </ul>	HIGH	<p>An end of works quality assessment should be conducted and documented before final payments are made to contractors and ERS.</p> <p>This review should be carried out by a qualified member of staff who can assess the work carried out against the industry standards and contract requirements.</p>	<p>Recommendation accepted - ongoing site visits to be adequately recorded and final quality inspection process to be developed, by the Locality Transport teams, for appropriate works.</p>	North West Local Transport and Environment Manager	01-Jun-16	No progress	<ul style="list-style-type: none"> <li>Locality officers stated that site visits are carried out for capital and large revenue works (as was indicated at the time of our audit), however site diaries are not kept and there are no records to demonstrate these happen.</li> <li>There is a Council Quality Management System which is still followed by the TDD, but is no longer used by the Localities.</li> </ul>
				<p>Sample Inspections for Revenue works (commissioned by Locality Teams) are currently undertaken and will be recorded through Confirm. (Audits of above to be undertaken to ensure compliance).</p>	North West Local Transport and Environment Manager	01-Jun-16	No progress	<p>No evidence of sample inspections of minor revenue works delivered by EBS for the localities.</p>
				<p>Site visits (and Final Inspections) to be carried out by commissioning teams for all Capital schemes and significant revenue works.</p>	Transport and Infrastructure Manager	01/06/2016*	Complete	<p>The TDD has a well-documented programme of site visits for each project, including daily site diaries completed by the clerk of works, photographs, pre-design and design visits, final inspections, and a visit 10 months after the project is completed.</p>
<p>A sample of 9 projects in 2013 and 2014 commissioned by the West Neighbourhood Office was selected in order to confirm that the process and key controls were operating effectively from design and commissioning to completion. Officers were unable to provide documents during the audit for 7 of the 9 projects selected to demonstrate that key contract and legislative requirements had been met, including:</p> <ul style="list-style-type: none"> <li>Works order with scope of work and costings;</li> <li>Health and Safety risk assessments;</li> <li>Project acceptance by a senior officer in the Neighbourhood Office;</li> <li>Project acceptance by Edinburgh Roads Service;</li> <li>Inspection of completed works by the project manager; and</li> <li>Final sign off of completed works by a senior officer in the Neighbourhood Office.</li> </ul> <p>The documents should have been retained to comply with the Council's Record Retention policy. It was unclear if they had ever existed and if so, whether they had been destroyed or archived in a manner which made them difficult to recover. Officers were able to provide some documents after the audit.</p> <p>We note that the samples tested predate the introduction of the new works management system,</p>	<ul style="list-style-type: none"> <li>Service is unable to demonstrate compliance with Contract Design Management and Health and Safety regulations;</li> <li>Failure to comply with Council Records Management policy;</li> <li>Insufficient management information to allow Service and contractor performance to be monitored effectively; and</li> <li>Poor record keeping impairs accountability for service delivery.</li> </ul>	HIGH	<p>The process for commissioning and managing road and footway maintenance undertaken by ERS should be mapped, with key documents such as a schedule of works, a health and safety risk assessment and final project sign off identified.</p> <p>Key documents must be retained in accordance with the Council's records management policy.</p>	<p>Recommendation accepted - A number of Contract records have been provided to the Auditor retrospectively as individuals involved in the audit were not responsible for commissioning. N.b. 9 Schemes selected date from 2013 and 2014.</p>	n/a	n/a	n/a	n/a
				<p>Management of internally commissioned works to ERS is now administered on a formal Works Management System (Confirm). Records relating to asset management, works orders, estimates and completion now recorded on Confirm.</p>	North West Local Transport and Environment Manager	'Complete'*	No progress	<p>There was minimal works documentation on Confirm. Works instructions and dates on site were recorded for the project reviewed, but there was no evidence of Health &amp; Safety risk assessments, costed works or site inspections.</p>

Finding	Business Implication	Finding Rating	Recommendation	Management Action	Responsible Officer	Estimated Implementation Date	Status	Comments
We identified cases where a works order was not closed at the end of the project. This meant the job code remained open, and the Edinburgh Roads Service had the ability to charge costs against it.	• There is a risk that additional costs are charged to completed projects which are no longer monitored.	MEDIUM	All projects should be closed as soon as the final payment is approved. A review of open projects should be undertaken to identify projects where works are complete and the final payment has been agreed, to ensure no further costs have been charged.	Introduce formal internal contract process to manage works estimating, charging (Schedule of Rates), completion sign off and final account closure for all Capital works and significant Revenue works.	Transport and Infrastructure Manager	01/10/2016*	In progress	<ul style="list-style-type: none"> <li>An internal contract process has now been developed by the Transport Design and Delivery team for capital work they assign to ERS. A budget for works agreed in advance, but has not yet been tested through to completion.</li> <li>This protocol has not been adopted by the localities for revenue works and capital works managed locally.</li> </ul>
				Works orders to be closed within 4 weeks of work finishing on site, unless alternative period agreed between ERS and commissioning managers.	Edinburgh Road Services Manager	01/06/2016*	Complete	Selected 5 completed jobs and confirmed works orders were closed.
<p>The Local Area Offices programme works on an annual basis, once their budget allocation for the financial year is confirmed. Programming is hindered by the length of time taken to complete the planning and design process.</p> <p>These delays affect the ability of ERS to complete work within the financial year and mean framework contractors are increasingly instructed to complete works for Local Area Offices. Local revenue budgets cannot be carried forward, while capital budgets can be carried forward for 3 years.</p> <p>We also noted that while 3-year capital programmes are circulated to the Neighbourhoods annually, co-ordination of corporate and local area capital programmes is limited. This increases the likelihood of duplication of works, inefficient use of resources and delays in contractor availability.</p>	<ul style="list-style-type: none"> <li>There may be inefficient use of Council resources where works are not prioritised effectively and co-ordinated across the Council;</li> <li>Programmed works cannot be completed due to delays.</li> </ul>	MEDIUM	<p>A review of Road and Footway works programming should be undertaken to identify the current blockages and duplication in the process, and to identify opportunities for co-ordination between the central capital programme, Local Area Offices and ERS. Amendments should be made to the current process based on the outcomes of this review to improve the efficiency and effectiveness of the road and footway works programme.</p>	Formal monthly co-ordination meetings to be arranged to agree future Capital and Revenue Works (involving Roads Renewal Manager, Area Roads Managers and ERS Works Programmer).	Transport and Infrastructure Manager	01/06/2016*	In progress	<ul style="list-style-type: none"> <li>Monthly co-ordination meetings take place between the Roads Renewal Manager and Area Roads Managers to agree future capital works, and revenue works where they can be co-ordinated with known capital works. The ERS Works Programmer post is vacant, so there is no ERS representative at these meetings.</li> <li>Monthly co-ordination meetings between Area Roads Managers and ERS to agree revenue works and capital works managed by the localities began in July 2016, but have not continued as the ERS Works Programmer post is vacant.</li> </ul>
				Annual programme meeting with (Roads Renewal Manager Transport Design & Delivery Manager, Area Roads Managers and ERS Works Programmer) to develop future year's Capital And Revenue Works Programme.	Transport and Infrastructure Manager	01/06/2016*	Complete	The Annual Programme Meeting to develop the Capital and Revenue Works Programme for 2017/18 took place on 24 November 2016.
				Formal ERS works planning and programming protocol to be introduced to improve project and budget planning for commissioning and ERS teams.	Edinburgh Road Services Manager	01/06/2016	No progress	This will be addressed as part of the ongoing review of ERS working practices in 2017/18.
<p>The Confirm works management system has been introduced to facilitate the process of scheduling, costing and contracting for roads contacts for revenue works.</p> <p>All new revenue works are planned and commissioned using Confirm as of December 2015. However at the time of the audit, Confirm had not been fully embedded across ERS and the Neighbourhood Offices.</p> <p>As a result, no revenue works commissioned by five of the six Local Area Offices have been included in the ERS works programme for Quarter 4 in 2015/16 as they had not been commissioned using Confirm. It is unclear when ERS will resume work for the Local Area Offices under revenue budgets.</p>	<ul style="list-style-type: none"> <li>There will be delays in Local Area Office work programmes as planned works need to be re-commissioned and sent to external framework contractors;</li> <li>There may be a risk that delays lead to increase in the extent of repairs required;</li> <li>Increased health and safety risk to road and footway users due to delayed repairs; and</li> <li>There is a risk that Local Area Offices work programmes cannot be completed within the financial year when there is available budget.</li> </ul>	MEDIUM	<p>ERS and Neighbourhood staff should be trained in the use of the Confirm system, to enable ERS to carry out commissioned work. Training provided should take account of the abilities of staff who will be using the system and remote devices.</p> <p>Take-up of Confirm should be monitored to identify areas where further training is required.</p>	All commissioning teams to use Confirm for ERS Revenue works order management.	North West Local Transport and Environment Manager	01/06/2016*	No progress	Use of Confirm halted over the summer, as staff with access to the system left ERS under VERA. It is now being used again by both ERS and the Localities to issue and pick up works orders, but it is recognised that staff using it have had only rudimentary training (trained 'supersusers' have left the Council) and do not make full use of its capabilities. It is not fully embedded into Locality or ERS working practices.
				Service Innovation team to assess Confirm roll out and support further development, training and support.	North West Local Transport and Environment Manager	01/06/2016*	No progress	
				ERS staff have been trained in the use of Confirm system, however further training /support will be delivered for Neighbourhood Staff commissioning work through Confirm.	North West Local Transport and Environment Manager	01/06/2016*	No progress	

# Governance, Risk and Best Value Committee

10.00am, Thursday, 9 March 2017

## Corporate Leadership Team Risk Update

Item number	7.6
Report number	
Executive/routine	
Wards	

### Executive summary

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The risk information attached is the Corporate Leadership Team's (CLT) prioritised risks as at January 2017. It reflects the current highest priority risks of the Council along with the key controls in place to mitigate these risks.

The risks and controls have been challenged and discussed by the CLT and mitigation plans have been developed for further review and scrutiny.

The risk register is a dynamic working document and has recently been updated as part of the annual procedure to refresh and reflect the changing risks of the Council.

The risk management process continues to enhance the capture and treatment of risk in the Council through the quarterly CLT and Senior Management Team (SMT) Risk Committees.

### Links

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[Coalition Pledges](#)

[Council Priorities](#)

[Single Outcome Agreement](#)



## Corporate Leadership Team Risk Update

### 1. Recommendations

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- 1.1 To review the attached prioritised risk information for the CLT and to invite relevant officers to discuss key risks as required.

### 2. Background

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- 2.1 The Council's Governance, Risk and Best Value (GRVB) Committee is responsible for monitoring the effectiveness of the Council's risk management arrangements, including monitoring internal financial control, corporate risk management and key corporate governance areas. The purpose of this report is to provide a quarterly update to the GRVB Committee on the key corporate level risks facing the Council.
- 2.2 The CLT last presented its Corporate Risk Register to the GRBV Committee in December 2016.

### 3. Main report

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- 3.1 The risk summary attached in Appendix 1 reflects the current priority inherent risks of the Council and demonstrates the controls to mitigate the risks.
- 3.2 Last quarter the CLT reviewed and refreshed the risk profile and prioritisation of risk in line with the Council's Risk Management Policy.
- 3.3 During the period management have focussed extensively on capturing the risks and mitigating activities around information security and data governance. In total 39 specific risks have been identified and a concerted focus on future mitigating actions and assurances will be developed with the support of the new Chief Information Officer. This work has dovetailed with the development of the proposed Internal Audit plan for Financial Year 2017.
- 3.4 An update on the risk approach to major projects was provided by the Portfolio and Governance Manager, setting out the new approach to risk management as well as assessing key risks in respect of the upcoming Enterprise Resource Planning (ERP) implementation.
- 3.5 The Chief Officer of the Edinburgh Health and Social Care Partnership confirmed that Risk 8, with respect to Health and Social Care procurement, was being stress-tested currently with the recent failing of a third party provider. A

comprehensive lessons learned review is underway which will likely lead to enhanced provider failure protocol and contract management procedures.

- 3.6 It was agreed that, at the next Risk Committee, each Service Area lead would present all residually 'red' risks for their Service Area and detailed plans to mitigate to an acceptable level, where appropriate.
- 3.7 Each risk reported in Appendix 1 has been assigned an indicator to show whether the risk is escalating or decreasing in profile as a result of activity in the quarter.
- 3.8 The risk register is a dynamic working document and is updated regularly to reflect the changing risks of the Council. The CLT Risk Register has recently undergone a refresh involving all members of the CLT.

#### **4. Measures of success**

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- 4.1 Fully embedded risk management practices should ensure that key risks of the Council are prioritised and relevant action plans are put in place to mitigate these risks to tolerable levels.

#### **5. Financial impact**

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- 5.1 None.

#### **6. Risk, policy, compliance and governance impact**

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- 6.1 Risk registers are a key management tool to help mitigate risks and to implement key strategic projects of the Council.

#### **7. Equalities impact**

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- 7.1 None.

#### **8. Sustainability impact**

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- 8.1 There is no direct sustainability impact arising from the report's contents

#### **9. Consultation and engagement**

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- 9.1 The attached risk summary has been challenged and discussed by Clan a plan has been developed for further review and scrutiny.

## 10. Background reading/external references

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10.1 [Corporate Leadership Team Risk Update, report to GRBV 22 December 2016](#)

### Hugh Dunn

Acting Executive Director of Resources

Contact: Richard Bailes, Chief Risk Officer

E-mail: [richard.bailes@edinburgh.gov.uk](mailto:richard.bailes@edinburgh.gov.uk) Tel: 0131 469 3144

### Links

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<b>Coalition pledges</b>	P30 - Continue to maintain a sound financial position including long-term financial planning Council outcomes CO25 - The Council has
<b>Council outcomes</b>	CO25 - The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1- CLT prioritised inherent risks January 2017

# Appendix 1 CLT prioritised inherent risks January 2017

Inherent risk ● Residual risk ①

## 1. Capital asset management

With reduced resources and a heightened need for structural inspection and maintenance the current asset management plan may be insufficient to cover the immediate need for capital improvements (eg improvement of highways, post PPP1 structural reviews and other capital infrastructure) which could result in continued underinvestment and assets that are not fit for purpose or meet health and safety consequences now and in the future.



## 2. ICT transformation and change program

Key deliverables, benefits and timescales for achieving IT transformation may not be achieved in line with business expectations, requirements & contractual agreements. This will result in adverse impacts on service delivery and the Council's ability to operate, its finances or its reputation.



## 3. Business continuity

A sudden high impact event causes buildings, people, systems to be non-operational for an unacceptable period of time.



## 4. Increased service with less resource

Funding reductions, legislative changes and increased demographic pressure, the requirements of the Local Development Plan and the anticipated need for further cost efficiencies will create an unexpected material pressure on our infrastructure, capital and revenue funding, the execution of our strategy and business plan with associated adverse reputational impact.



## 5. Budget management

Material overspends on service budgets may impact upon the funding of other services



## 6. Cyber security and data privacy

A significant cyber breach occurs resulting in sizeable loss of data integrity, confidentiality or availability with adverse reputational impact.



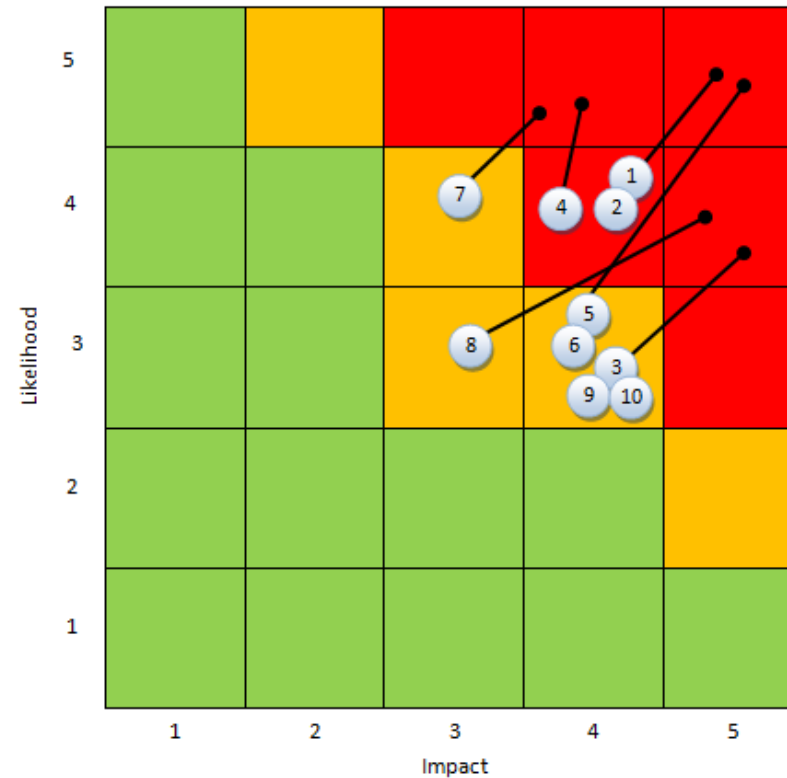
## 7. Customer expectations

Customer dissatisfaction around delivery of customer facing services (eg waste, roads, delayed discharge) may lead to increased complaints with consequential increased financial strain and reputational damage.



## 8. Health and Social Care procurement

Through either lack of CEC resource and/or provider capacity, the Council may be unable to secure appropriate contracts with its providers or deliver appropriate services as directed by the IJB. As a result we may be unable to deliver our own commitments and to delivery of the H&SC partnership's strategic plan.



## 9. Health and Safety

Non-compliance with Council Health and Safety policies and procedures and legal and regulatory requirements could lead to avoidable employee or 3rd party injury or ill health and/or regulatory fines and liability claims, and associated reputational damage.



## 10. ICT service delivery

The current stresses in the new IT provider's service delivery / management are such that it may not be able to recover service standards in the immediate future and there may be a sustained period of outage, degraded performance, or errors in processing for one or more services. This will result in adverse impacts on service delivery, the Council's ability to operate, its finances or its reputation and loss of confidence in the strategic alliance.



# CLT prioritised inherent risks with mitigating actions

Category	Risk description	Inherent Risk		Current key mitigating controls	Residual Risk		Further actions
		I	L		I	L	
1	Financial <b>Capital asset management</b> With reduced resources and a heightened need for structural inspection and maintenance the current asset management plan may be insufficient to cover the immediate need for capital improvements (eg improvement of highways, post PPP1 structural reviews and other capital infrastructure) which could result in continued underinvestment and assets that are not fit for purpose or meet health and safety consequences now and in the future.	4	4	<ul style="list-style-type: none"> <li>Property Management (IPFM) report to CLT</li> <li>Condition surveys performed routinely</li> <li>Property Rationalisation work-stream</li> <li>Asset registers in place with prioritised budget spend on those deemed of greatest risk to public safety.</li> <li>General Inspections carried out annually as part of asset management programme</li> </ul>	3	4	<ul style="list-style-type: none"> <li>Ensure asset management strategy clear, prioritised, affordable and deliverable</li> <li>Review to ascertain extent of any gaps in recording and inspection of fixed assets</li> <li>Produce North Bridge Improvement Plan</li> <li>Procurement underway for contract to inspect all boundary walls. Complete by Dec 2018.</li> </ul>
2	Operational <b>ICT transformation and change program</b> Key deliverables, benefits & timescales for achieving IT transformation may not be achieved in line with business expectations, requirements and contractual agreements. This will result in adverse impacts on service delivery and the Council's ability to operate, its finances or its reputation.	4	4	<ul style="list-style-type: none"> <li>Improved project governance, risk and compliance arrangements between CGI and CEC</li> <li>New plans for the key projects in terms of scoping and resources</li> </ul>	3	4	Extend focus of improvements to lower profile projects and commitments in the change program
3	Operational <b>Business continuity</b> A sudden high impact event causes buildings, people, systems to be non-operational for an unacceptable period of time.	4	4	<ul style="list-style-type: none"> <li>Formal Business Continuity Plan in place</li> <li>ICT Disaster Recovery arrangements</li> <li>BCP and ITDR stress tested annually</li> </ul>	3	3	
4	Financial <b>Increased service with less resource</b> Funding reductions, legislative changes and increased demographic pressure, the requirements of the Local Development Plan and the anticipated need for further cost efficiencies will create an unexpected material pressure on our infrastructure, capital and revenue funding, the execution of our strategy and business plan with associated adverse reputational impact.	4	4	<ul style="list-style-type: none"> <li>Provision for demographics built into long term financial plans</li> <li>Assumptions reviewed regularly and reported to F&amp;R with mitigating actions</li> <li>Regular review of funding gap with Members Core Group</li> <li>Service Areas update assumptions half yearly</li> </ul>	4	3	<ul style="list-style-type: none"> <li>As Transformation Programme rolls out this will include attention to service delivery priorities</li> </ul>

Category	Risk description	Inherent Risk		Current key mitigating controls	Residual Risk		Further actions		
		I	L		I	L			
5	Financial	<b>Budget management</b> Material overspends on service budgets may impact upon the funding of other services		<ul style="list-style-type: none"> <li>Monthly budget monitoring includes KPIs reported regularly</li> <li>Quarterly reporting to Members Core Group</li> <li>Regular reporting by Directors of budget pressures</li> <li>Savings and implementation plans monitored</li> </ul>	4	4	3	3	
6	Operational	<b>Cyber security and data privacy</b> A significant cyber breach may occur resulting in sizeable loss of data integrity, confidentiality or availability with adverse reputational impact.		<ul style="list-style-type: none"> <li>Refreshed Information security policy introduced</li> <li>Laptop and media encryption</li> <li>Service automation controls in place</li> <li>New IT Security managed Service procured with requirements to adopt CESG and ISO best practice approaches and improve the security defences, monitoring and awareness of the security threat landscape.</li> <li>Leavers process includes removal of access to IT applications</li> </ul>	4	4	3	3	<ul style="list-style-type: none"> <li>Assess impact of delays in delivery of IT systems</li> <li>Ensure effective embedding of new information security policy</li> <li>Rolling Internal Audit of detection systems</li> </ul>
7	Operational	<b>Customer expectations</b> Customer dissatisfaction around delivery of customer facing services (eg waste, roads, delayed discharge) may lead to increased complaints with consequential increased financial strain and reputational damage.		<ul style="list-style-type: none"> <li>Waste improvement plan</li> <li>New Roads Manager now in place</li> </ul>	4	4	3	3	Roads Service Improvement Plan to be finalised March 2017
8	Strategic	<b>Health and Social Care procurement</b> Through either lack of CEC resource and/or provider capacity, the Council may be unable to secure appropriate contracts with its providers or deliver appropriate services as directed by the IJB. As a result we may be unable to deliver our own commitments, for example, to enable efficient discharge from hospital and consequently risk not fulfilling our duty of care to customers and to delivery of the H&SC partnership's strategic plan		<ul style="list-style-type: none"> <li>New structure for procurement designed to ensure appropriate skills</li> <li>Access to external experts for capacity and capability and knowledge sharing</li> <li>Partnership working with Service Areas and IJB (IJB Procurement Board)</li> <li>Contract register includes end of contract action plans</li> <li>Exceptional items escalated to CLT quarterly</li> <li>The Chief Officer is a member of CEC CLT</li> </ul>	4	4	3	3	<ul style="list-style-type: none"> <li>Rationalise number of contracts</li> <li>Consider co-production with voluntary sector</li> <li>Design MI reporting to include RAG status on progression of contracts and exceptions</li> </ul>

Category	Risk description	Inherent Risk		Current key mitigating controls	Residual Risk		Further actions		
		I	L		I	L			
9	Hazard	<b>Health and Safety</b> Non-compliance with Council Health and Safety policies and procedures and legal and regulatory requirements could lead to avoidable employee or 3rd party injury or ill health and/or regulatory fines and liability claims, and associated reputational damage.		4	4	<ul style="list-style-type: none"> <li>Progress on Corporate H&amp;S Strategic Plan is reported annually to CLT and Finance and Resources Committee</li> <li>H&amp;S performance measured and reported to CLT Risk Committee quarterly</li> <li>Oversight of assurance programme to CLT Risk Committee quarterly</li> <li>H&amp;S risks and issues are reported to CLT each week. H&amp;S is a standing agenda item</li> <li>Corporate H&amp;S Training programme – available across all levels</li> </ul>	3	3	
10	Operational	<b>ICT service delivery</b> The current stresses in the new IT provider's service delivery / management are such that it may not be able to recover service standards in the immediate future and there may be a sustained period of outage, degraded performance, or errors in processing for one or more services. This will result in adverse impacts on service delivery, the Council's ability to operate, its finances or its reputation and loss of confidence in the strategic alliance.		4	4	<ul style="list-style-type: none"> <li>Contract defines standards to be attained.</li> <li>Full review Close management by ICT Service staff to review issues and trigger appropriate service management reporting and subsequent improvement plans</li> </ul>	3	3	Head of ICT to carry out full review across the programme, service, change and security. Initial focus to be on a 90 day plan to drive demonstrable progress across these areas. To be developed into overall programme of works that will ultimately deliver the business objectives

# Guidance for assessing Impact and Likelihood of risk

Likelihood	1 – Rare	2 – Unlikely	3 – Possible	4 – Likely	5 – Almost Certain
Probability	0-15%	16-35%	36-60%	61-80%	81-100%
Chance of Occurrence	Hard to imagine, only in exceptional circumstances	Not expected to occur, unlikely to happen	May happen, reasonable chance of occurring	More likely to occur than not	Hard to imagine not happening
Timeframe	Greater than 10 years	Between 5-10 years	Likely between 3-5 years	Likely between 1-3 years	Likely within 1 year

Impact	1 – Negligible	2 – Minor	3 – Moderate	4 – Major	5 - Catastrophic
Effect on outcomes	Minimal effect	Minor short term effect	Part failure to achieve outcomes	Significant failure to achieve obligations	Unable to fulfil obligations
Financial effect	Corporate: up to £250k Services: up to £100k	Corporate: £250k - £750k Services: £100k - £300k	Corporate: £750k - £5m Services: £300k - £1m	Corporate: £5m - £20m Services: £1m - £5m	Corporate: £20m + Services: £5m +
Reputational damage	None	Minor	Moderate loss of confidence and embarrassment	Major loss of confidence and adverse publicity	Severe loss of confidence and public outcry

<b>Likelihood</b>	<b>5 – Almost Certain</b>	Low	Medium	High	High	High
	<b>4 – Likely</b>	Low	Low	Medium	High	High
	<b>3 – Possible</b>	Low	Low	Medium	Medium	High
	<b>2 – Unlikely</b>	Low	Low	Low	Low	Medium
	<b>1 – Rare</b>	Low	Low	Low	Low	Low
		<b>1 – Negligible</b>	<b>2 – Minor</b>	<b>3 – Moderate Impact</b>	<b>4 – Major</b>	<b>5 - Catastrophic</b>



# Governance, Risk and Best Value Committee

10.00am, Thursday, 9 March 2017

## City of Edinburgh Council: External Audit Plan 2016/17

Item number	7.7
Report number	
Executive/routine	
Wards	

### Executive Summary

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In October 2016, Scott-Moncrieff assumed the role of external auditor to the Council and a number of associated bodies for a five-year term covering the period from 2016/17 to 2020/21 inclusive. A number of introductory meetings with senior officials have now been held, informing the development of a draft 2016/17 audit plan for the Council and its charitable trusts.

### Links

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Coalition Pledges	<a href="#">P30</a>
Council Priorities	<a href="#">CP13</a>
Single Outcome Agreement	<a href="#">SO1</a> , <a href="#">SO2</a> , <a href="#">SO3</a> , <a href="#">SO4</a>

## City of Edinburgh Council: External Audit Plan 2016/17

### 1. Recommendations

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- 1.1 Members of the Governance, Risk and Best Value Committee are asked to note:
- 1.1.1 the contents of the External Audit Plan for 2016/17; and
  - 1.1.2 that periodic updates on the work set out therein will be provided to the Committee.

### 2. Background

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- 2.1 In October 2016, Scott-Moncrieff assumed the role of external auditor to the Council and a number of associated bodies for a five-year term covering the period from 2016/17 to 2020/21 inclusive. A number of introductory meetings with senior officials have now been held, identifying key systems and associated personnel, as well as internal and external environmental factors influencing the Council and its wider risk environment.
- 2.2 A timetable of activities and associated outputs has been developed, the first of which is development by March 2017 of the external audit plan for financial year 2016/17, included as Appendix 1. Staff from Scott-Moncrieff will attend the Committee meeting to provide an overview of the plan's contents and respond to any queries members may have.

### 3. Main report

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- 3.1 The plan comprises sections setting out the responsibilities of Scott-Moncrieff as independent auditor, the proposed audit strategy and more technical commentary on the detailed audit work to be undertaken, before presenting key areas for consideration as part of the "wider scope audit". The wider scope audit reflects a revised approach to auditing Best Value, agreed by the Accounts Commission in June 2016, and will be adopted across the term of the appointment through a combination of on-going annual audit work and discrete packages of work examining specific areas. The key findings of this work will be reported through both the annual audit and a Best Value Assurance Report issued for each council

considered by the Accounts Commission at least once during the five-year appointment period.

- 3.2 The wider scope audit considers four key dimensions, namely:
- **Financial sustainability** – considering whether the audited body is planning effectively to allow it to continue to fulfil its functions in an affordable and sustainable manner;
  - **Financial management** – assessing financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively;
  - **Governance and transparency** – considering the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information; and
  - **Value for money** – using resources effectively and continually improving services.
- 3.3 Further details of the specific approach to be adopted to assess the Council's activities in each of these areas is included on pages 17 to 21 of the plan.
- 3.4 For 2016/17, in addition to the core audit of the financial statements, audit work will focus on the Council's arrangements for demonstrating Best Value in financial and service planning, financial governance and resource management. The Governance, Risk and Best Value Committee considered the Council's own self-assessment against these areas as part of the annual review of its corporate governance framework in August 2016, with the positive overall evaluation reflected in both the Council's Annual Audit Report and Scott-Moncrieff's initial assessment.
- 3.5 The Accounts Commission has also agreed five strategic priorities that will guide 2016/17's work, these being:
- The clarity of a council's priorities and quality of long-term planning to achieve these priorities;
  - How effectively a council is evaluating and implementing options for significant changes in delivering services;
  - How effectively a council is ensuring members and officers have the right knowledge, skills and time to lead and manage delivery of its priorities;
  - How effectively a council is involving citizens in decisions about services; and
  - The quality of a council's public performance reporting regime to help citizens gauge improvement.
- 3.6 Performance and progress in each of these areas will be assessed as appropriate as part of the wider scope audit.
- 3.7 The penultimate section of the report provides an indicative timeline of key activities and audit outputs (culminating in the issuing of an opinion on the audited financial statements by 30 September 2017), along with the proposed fee for the Council's audit which, following a Scotland-wide review of fee levels, is 12% lower than for

2015/16. A brief profile of the key staff assigned to working with the Council is then included.

#### **4. Financial impact**

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- 4.1 The proposed audit fee is consistent with the level of provision contained within the Council's approved budget for 2017/18.
- 4.2 The wider scope aspects of the external audit will assess the appropriateness and adequacy of the Council's arrangements in respect of financial management and sustainability.

#### **5. Measures of success**

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- 5.1 The Council receives an unqualified audit certificate from the external auditor by 30 September 2017.
- 5.2 Appropriate steps are undertaken to address the measures within the action plan in accordance with the timescales indicated.

#### **6. Risk, policy, compliance and governance impact**

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- 6.1 The Committee's remit includes the review of all matters relating to external audit, including reports and action plans to monitor implementation of external audit recommendations.
- 6.2 The wider scope aspects of the external audit will assess the appropriateness and adequacy of the Council's arrangements across these areas.

#### **7. Equalities impact**

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- 7.1 There are no direct equalities and rights implications arising from the report's contents but taking appropriate account of equalities and rights issues forms an integral part of the delivery of Best Value.

#### **8. Sustainability impact**

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- 8.1 There are no direct impacts on carbon, adaptation to climate change and sustainable development arising from this report but, as with equalities and rights, taking appropriate account of these aspects forms an integral part of the delivery of Best Value.

## 9. Consultation and engagement

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- 9.1 The financial statements will be made available for public inspection in July for a period of 15 working days in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014.

## 10. Background reading/external references

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- 10.1 [Corporate Governance Framework 2015-2016](#), GRBV August 2016

### Andrew Kerr

Chief Executive

### Hugh Dunn

Acting Executive Director of Resources

Contacts: Hugh Dunn, Acting Executive Director of Resources

E-mail: [hugh.dunn@edinburgh.gov.uk](mailto:hugh.dunn@edinburgh.gov.uk) | Tel: 0131 469 3150

Laurence Rockey, Head of Strategy and Insight

E-mail: [laurence.rockey@edinburgh.gov.uk](mailto:laurence.rockey@edinburgh.gov.uk) | Tel: 0131 469 3493

## 11. Links

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<b>Coalition Pledges</b>	P30 - Continue to maintain a sound financial position including long-term financial planning
<b>Council Priorities</b>	CP1 3 - Deliver lean and agile Council services
<b>Single Outcome Agreement</b>	SO1 - Edinburgh's economy delivers increased investment, jobs and opportunities for all SO2 – Edinburgh’s citizens experience improved health and well-being, 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
<b>Appendices</b>	Appendix 1 – External Audit Plan, 2016/17



Scott-Moncrieff  
business advisers and accountants

# City of Edinburgh Council

External Audit Plan  
2016/17

March 2017

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**1**

# Introduction



# Introduction

1. This document summarises the work plan for our 2016/17 external audit of City of Edinburgh Council and the charitable trusts administered by the Council.
2. The core elements of our work include:
  - an audit of the 2016/17 annual accounts, for both the Council and the charitable trusts, and related matters;
  - an interim audit, taking into consideration the work of internal audit, on accounting systems;
  - a review of arrangements for governance and transparency, financial management, financial sustainability and value for money;
  - an assessment of the arrangements for the collection and publication of statutory performance information in accordance with the Accounts Commission direction;
  - provision of opinions on a number of grant claims and returns;
  - providing existing evidence and intelligence for, and participating in, shared risk assessment (SRA) processes leading to the preparation of a local scrutiny plan for the Council;
  - contributing to best value audits and other scrutiny responses agreed through the SRA process; and
  - any other work requested by Audit Scotland, for example, local performance audit work.
3. The Accounts Commission is an independent body appointed by Scottish Ministers responsible for securing the audit of local authorities and other local government bodies. The Commission's work is governed mainly by the Local Government (Scotland) Act 1973.
4. Audit Scotland is an independent statutory body that provides the Accounts Commission with the services required to carry out their statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Accounts Commission has appointed Scott-Moncrieff as external auditor of the Council for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2016/17 and summarises:
  - the responsibilities of Scott-Moncrieff as external auditors;
  - our audit strategy;
  - our planned audit work and how we will approach it;
  - our proposed audit outputs, timetable and fee; and
  - background to Scott-Moncrieff and the audit team.

## Adding value through the audit

6. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.
7. Any comments you may have on the service we provide would be greatly appreciated at any time. Full contact details for your audit team can be found in Appendix 1.
8. While this plan is addressed to the Council, it will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Audit appointment

3. The Accounts Commission is an independent body appointed by Scottish Ministers responsible for securing the audit of local authorities and other local government bodies. The Commission's work is governed mainly by the Local Government (Scotland) Act 1973.
4. Audit Scotland is an independent statutory body that provides the Accounts Commission with the services required to carry out their statutory functions, including monitoring the performance of auditors through a quality control process.

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# Responsibilities of Scott-Moncrieff

# Responsibilities of Scott-Moncrieff

## Code of Audit Practice

9. The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.
10. A new Code of Audit Practice was published in 2016 and applies to external audits for financial years starting on or after 1 April 2016. This Code replaces the previous one issued in 2011.

## Auditor responsibilities

11. The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the annual accounts, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.
12. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.

## Best Value

13. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincides with the new five year appointments.
14. A key feature of the new approach is that it integrates Best Value into the wider scope audit work, which will influence audit planning and reporting. Best Value will be assessed comprehensively over the five year audit appointment, both through the on-going annual audit work, and also through discrete packages of work to look at specific areas. Conclusions and judgements will be reported through:
  - The Annual Report on the Audit
  - An annual assurance and risks report that the Controller of Audit will provide to the

**Exhibit 1: Audit dimensions of wider scope public audit**

Audit area	Scope
<b>Financial sustainability</b>	Financial sustainability looks forward to the medium (two to five years) and the longer term (over five years) to consider whether the body is planning effectively to allow it to continue to fulfil its functions in an affordable and sustainable manner.
<b>Financial management</b>	Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
<b>Governance and transparency</b>	Governance and transparency covers the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.
<b>Value for money</b>	Value for money is concerned with using resources effectively and continually improving services.

Commission that will highlight findings from across all 32 councils

- A Best Value Assurance Report (BVAR) for each council that will be considered by the Accounts Commission at least once in a five year period.
15. In 2016/17 we will focus on the Council's arrangements for demonstrating Best Value in financial and service planning, financial governance and resource management. We

will also consider, where applicable, the Council's response to previous Best Value reports. Our work will be integrated into our audit approach, including our work on the wider scope audit dimensions and will be reported in our Annual Report on the Audit.

ensure that, so far as practicable, everything published is accurate and complete.

## Strategic audit priorities for local government audits

16. For 2016/17, the Accounts Commission has agreed five Strategic Audit Priorities. These are:
- The clarity of a council's priorities and quality of long term planning to achieve these priorities;
  - How effectively a council is evaluating and implementing options for significant changes in delivering services;
  - How effectively a council is ensuring members and officers have the right knowledge, skills and time to lead and manage delivery of its priorities;
  - How effectively a council is involving citizens in decisions about services; and
  - The quality of a council's public performance reporting regime to help citizens gauge improvement.
17. We are required to consider these priorities in our 2016/17 audit work. The extent to which we will report on these will be dependent on the findings of our work as it relates to the four dimensions referred to above and is considered in section 6 of this plan.

## Statutory performance information

18. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish for performance comparison and benchmarking purposes. The 2015 Statutory Performance Information Direction published by the Commission requires councils to report a range of information in accordance with, but not confined to, the requirements of the Local Government Benchmarking Framework (LGBF).
19. As external auditors we have a statutory duty to ensure that the Council has made such arrangements for collecting, recording and publishing performance data as are required to

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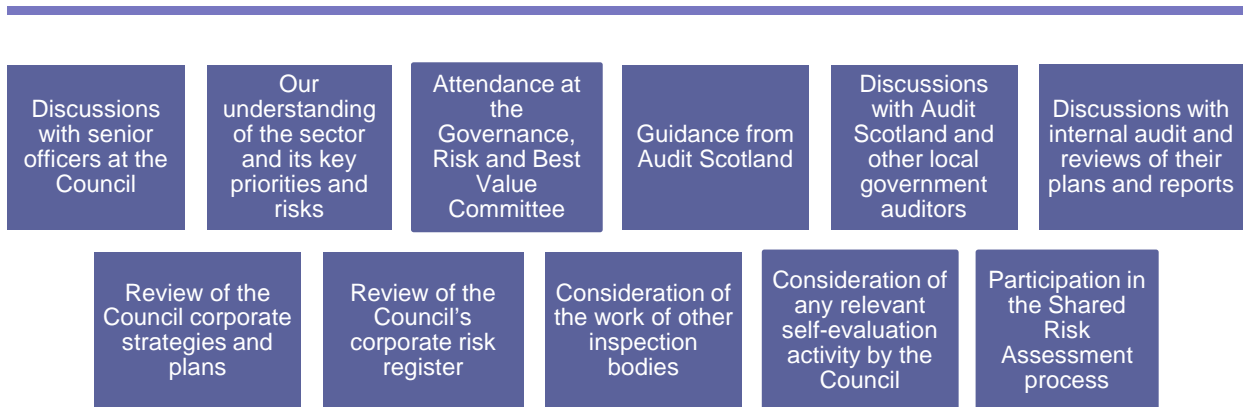
# Audit strategy

# Audit strategy

## Risk-based audit approach

20. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Council. This ensures that our audit focuses on the

areas of highest risk. Our audit planning is based on:



21. Planning is a continuous process and our audit plans are therefore updated during the course of our audit to take account of developments as they arise.

## Communications with those charged with governance

22. Auditing standards require us to make certain communications throughout the audit to those charged with governance. We have agreed with the Council that these communications will be through the Governance, Risk and Best Value Committee (GRBV).

## Professional standards and guidance

23. We perform our audit of the annual accounts in accordance with International Standards on Auditing (UK and Ireland) (ISAs), the International Standard on Quality Control 1 (UK and Ireland), Ethical Standards, and applicable Practice Notes and other guidance issued by the Auditing Practices Board (APB).

## Partnership working

24. We will coordinate our work with Audit Scotland, internal audit and other external auditors, recognising the increasing integration of service delivery and partnership working within the public sector.

## Shared risk assessment and joint scrutiny planning

25. A key aspect of the Scottish Government's scrutiny agenda is to better co-ordinate and streamline scrutiny and achieve greater effectiveness, while at the same time protecting the independence of scrutiny bodies. The Scottish Government requested that the Accounts Commission take on the role of facilitating and co-ordinating scrutiny. The scrutiny bodies that engage with the Council have established a shared risk assessment approach to identify the scrutiny risks facing the Council and develop a range of proportionate approaches in response to the risk assessment.

26. A local area network (LAN) has been established for each council in Scotland. The LAN brings together local scrutiny representatives, including external audit. Local area networks are responsible for drafting local scrutiny plans which set out planned scrutiny activity over the coming year.

27. We are currently participating in a refresh of the Council's shared risk assessment. The Council 2017/18 local scrutiny plan will be published on the Audit Scotland website in May 2017. We will update our 2016/17 external audit plan if required following completion of this exercise.

## Audit Scotland

28. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with them throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We will share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.
29. Audit Scotland undertakes national performance audits on issues affecting the public sector. We will review the Council's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We plan to assess the extent to which the Council use the national performance reports as a means to help improve performance at the local level.
30. During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

## Internal audit

31. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the Council's total audit resource. The Council's internal audit service is provided in-house; with additional support from PWC. We will consider the findings of the work of internal audit within our audit process and look to minimise duplication of effort, to ensure the total audit resource to the Council is used efficiently and effectively.



# Annual accounts – City of Edinburgh Council



# Annual accounts

## Introduction

32. Audited bodies' annual accounts are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section sets out our approach to the audit of the Council's annual accounts.

## Approach to audit of annual accounts

33. Our opinion on the annual accounts will be based on:

### Risk-based audit planning

34. We focus our work on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting the audit risk relating to each of the key systems on which the annual accounts will be based.

### An audit of key systems and internal controls

- 35. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.
- 36. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We will examine and test compliance with best practice and the Council's own policies and procedures.
- 37. We will take cognisance of any relevant internal audit reviews of systems and controls.
- 38. We will update the risk assessment following our evaluation of systems and controls and this will ensure that we continue to focus attention on the areas of highest risk.

### A final audit of the annual accounts

- 39. During our final audit we will test and review the material amounts and disclosures in the annual accounts. The extent of testing will be based on our risk assessment.
- 40. Our final audit will seek to provide reasonable assurance that the annual accounts are free from material misstatement and comply with the Code of Practice on Local Authority Accounting in the UK (the CIPFA Code).

## Independent auditor's report

41. Our opinion on whether the annual accounts give a true and fair view of the financial position and its income and expenditure will be set out in our independent auditor's report which will be included in the annual accounts.

## Materiality

- 42. Materiality is an expression of the relative significance of a matter in the context of the annual accounts as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.
- 43. Our initial assessment of materiality for the group and Council is set out in the table below. Our assessment of materiality is set with reference to a range of benchmarks (including gross service expenditure, surplus/deficit on provision of services and usable reserves). We consider these to be the principal considerations when assessing the performance of the Council. We will continue to review our assessment of materiality during the course of our audit. This will include the impact of consolidation of the Edinburgh Integrated Joint Board into the group in 2016/17.

Group materiality £million	Council materiality £million
14.1	12.6

44. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be of significant risk of material misstatement.

	Area risk assessment £million		
	High (45%)	Medium (55%)	Low (70%)
Group	6.3	7.8	9.8
Council	5.7	6.9	8.8

- Other misstatements below the £250,000 threshold that we believe warrant reporting on qualitative grounds.

## Key audit risks in the annual accounts

45. We will report any misstatements identified through our audit that fall into one of the following categories:
- All material corrected misstatements;
  - Uncorrected misstatements with a value in excess of £250,000; and

46. Auditing standards require that we inform the GRBV committee of our assessment of the risk of material misstatement in the annual accounts. We have set out our initial assessment below, including how the scope of our audit responds to those risks. We will provide an update to the GRBV committee if our assessment changes significantly during the audit.

## Exhibit 2 – Key audit risks in the annual accounts

### 1. Revenue recognition

Under ISA 240- *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Council could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.



47. Our work on income will include an evaluation of each type of revenue transaction and a review of the controls in place over revenue accounting. We will consider the Council's key revenue transactions and streams and carry out testing to confirm that the Council's revenue recognition policy is appropriate and has been applied consistently throughout the year.

### 2. Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the annual accounts. This is treated as a presumed risk area in accordance with ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.



48. In response to this risk we will review the Council's accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly.

## Exhibit 2 – Key audit risks in the annual accounts

### 3. Associated spend with new financial systems

In August 2015 the Council awarded CGI the contract for provision ICT services. Following a transition of services in late 2015 and early 2016, the CGI contract went live on 1 April 2016. The Council has reported a number of benefits from the first phase of implementation of the contract, including significantly increased network bandwidth in council schools and council offices.

A further 12 projects will be delivered through 2016 and 2017 as part of the CGI contract, with joint governance arrangements in place involving the Council, CGI and supply chain partners. Most of these projects have commenced, although officers have acknowledged that timescales for implementation of some projects, such as Enterprise Integration and Enterprise Resource Planning have slipped due to technical and resource challenges.

The Council is however currently reviewing the expenditure incurred to date and the associated accounting treatment. There is a risk that this is not correctly accounted for in the 2016/17 annual accounts.



- 49.** We will review the Council's proposed accounting treatment to ensure compliance with the CIPFA Code.

### Other risk factors

- 50.** Further to the identification of significant audit risks, we have also identified risk factors which could potentially result in a material misstatement to the annual accounts. We do not propose, at this stage to undertake specific audit procedures in response to these perceived risks. We will continue to monitor these areas during the year and adapt our audit approach as necessary.

#### School closures

- 51.** Following the collapse of a wall at Oxfangs Primary in January 2016, property surveys were undertaken at other schools built as part of the same schools PPP1 contract. In April 2016, 17 schools were closed temporarily as a consequence of the survey findings, and alternative accommodation arrangements put in place for school pupils. A range of remedial work was undertaken by the PPP operator, Edinburgh Schools Partnership (ESP), with a phased return of schools to the Council in operable condition between May and August 2016, prior to commencement of the new school term.
- 52.** £0.5million has been set aside for precautionary survey work on other council properties with similar design features to the PPP1 schools.
- 53.** There is a risk that the outcome of this survey identifies other flaws in the construction of

Council buildings which require remedial action and an accounting impairment.

#### Significant trading operations

- 54.** The Council's Edinburgh Catering Services – Other trading operation has previously failed to breakeven over a three year period. The Council has put in place a number of measures addressing the profitability of the service going forward, including a new pricing policy and reductions in vending equipment. The catering service is also included within the scope of the property and asset management strategy which is being pursued by the Council.

#### Revised financial statement formats

- 55.** From 2016/17 the Code requires authorities to present service segments on the face of the Comprehensive Income and Expenditure Statement (CIES) based on the way in which they operate and manage services. There is a risk that the Council does not fully comply with the requirements of the Code.

#### Loans Fund Accounting

- 56.** The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 came into force on 1 April 2016. The Regulations set out the powers of local authorities to borrow and maintain a loans fund and result in a change in accounting treatment from 2016/17. There is a risk that the Council does not have

arrangements in place to comply with the new accounting practices.

#### **Group accounting**

- 57.** The Council has a complex group which requires consolidation of a range of subsidiaries, associates and joint ventures. For 2016/17 this also includes consolidating the Edinburgh Integrated Joint Board. The complexity of the group arrangements leads to a risk over the accuracy and completeness of the group accounts.

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**Annual accounts -  
Charitable trusts  
administered by  
City of Edinburgh  
Council**

# Annual accounts – charitable trusts administered by City of Edinburgh Council

58. The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The Regulations require an auditor to prepare a report to the charity trustees where an audit is required by any other enactment. The Council's charitable funds are covered by the requirements of section 106 of the Local Government (Scotland) Act 1973 and consequently require a full audit. Each registered charitable trust has required a full audit since 2013/14.

59. Over the last few years, the Council has rationalised the number of charitable trusts down from over a hundred to seven. In 2011/12, 28 charities were consolidated into one new charity, the Edinburgh Education Trust.

## Charitable Trust Funds (as at 31 March 2016)

- Lauriston Castle
- Jean F. Watson
- Edinburgh Education Trust
- Nelson Halls
- Boyd Anderson
- Usher Hall Conservation Trust
- Royal Scots (The Royal Regiment) Monument Trust Fund

## Key audit risks in the financial statements

60. We have identified the following specific significant audit risk areas to be considered during our audit this year:

### 1. Revenue recognition

Under ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*, there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Council could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.



61. We will evaluate each type of revenue transaction and review the controls in place over revenue accounting. We will consider the Trusts' key revenue transactions and streams and carry out testing to confirm that the Trusts' revenue recognition policy is appropriate and has been applied consistently throughout the year.

### 2. Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the annual accounts. This is treated as a presumed risk area in accordance with ISA 240.



62. In response to this risk we will review the Trusts' accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly.

### 3. Lauriston Castle Trust external valuation

In 2014/15 Audit Scotland noted that the Lauriston collection had not been revalued since 1997. The Trust planned an external revaluation of the Trust assets in 2015/16 the results of which would be incorporated into the 2015/16 accounts.

An external revaluation of the collection commenced in January 2016 but the final results of that revaluation were not finalised until after the certification of the accounts on 29 September 2016.

There is a risk that the result of this valuation are incorrectly accounted for in the 2016/17 financial statements.



63. In response to this risk we will review the outcome of the valuation exercise and ensure the results have been correctly accounted for in the 2016/17 financial statements.

## Materiality

64. Our assessment of materiality is set with reference to a range of benchmarks (including receipts, net receipts/payments, gross assets and the statement of balances at the year-end). We consider these to be the principal considerations for the users of the accounts when assessing the financial performance of the charitable trust fund. Where transactions, or groups of transactions, and balances impact on the Statement of Financial Activities, materiality will be set at a lower level.

65. The table below sets out materiality for the seven charitable trust funds. We will however revisit our assessment during our audit of the financial statements.

	Materiality £
Lauriston Castle	108,670
Jean F. Watson	123,210
Edinburgh Education Trust	15,140
Nelson Halls	3,805
Boyd Anderson	2,125
Usher Hall Appeal	1,255
Royal Scots Memorial Trust	555

66. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area, as set out in the table below. We will perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be of significant risk of material misstatement.

Area risk assessment	Weighting
High	40%
Medium	55%
Low	75%

67. We will report any misstatements identified through our audit that fall into one of the following categories:

- All material corrected misstatements;
- Uncorrected misstatements with a value in excess of 2% of the overall materiality; and
- Other misstatements below the 2% threshold that we believe warrant reporting on qualitative grounds.

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# Wider scope audit



# Wider scope audit

## Introduction

68. The Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. As part of our annual audit we will consider and report against these four dimensions; financial sustainability, financial management, governance and transparency and value for money. At the outset we will consider the Council self-evaluation

arrangements as they relate to these four dimensions.

69. Exhibit 3 below sets out our initial risk assessment against these four audit dimensions. We will continue to review and update our assessment during the 2016/17 audit cycle.

### Exhibit 3 - Wider scope audit

**Financial sustainability:** Financial sustainability looks forward to the medium and longer term to consider whether the Council is planning effectively to continue to fulfill its functions in an affordable and sustainable manner.

Council responsibilities	Our audit approach
<p>It is the Council’s responsibility to put in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>Such financial monitoring and reporting arrangements as may be specified;</li> <li>Compliance with any statutory financial requirements and achievement of financial targets;</li> <li>Balances and reserves, including strategies about levels and their future use;</li> <li>How the Council plans to deal with uncertainty in the medium and long term; and</li> <li>The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>	<p>The Council has an approved financial strategy and medium-term revenue budget framework covering the period until 2019/20. The assumptions within the framework are reviewed on an at-least quarterly basis, with the most recent such update reported to the Finance and Resources Committee in January 2017.</p> <p>While the assumptions are, by extension, indicative, a high-level, ten-year revenue plan is also maintained.</p> <p>The revenue budget framework places particular emphasis on the sustainability of financial plans, with one-off mitigating actions highlighted in budget development and monitoring reports as a prompt to identifying sustainable measures.</p> <p>The potential for further pressures to emerge relative to the budget framework assumptions for 2018/19 and subsequent years has been acknowledged and the Council Leadership Team (CLT) has already initiated a process whereby a programme of potential options will be made available to the incoming Administration in May 2017.</p> <p>The Council is implementing a transformation programme aimed at building a lean and agile organisation with a focus on individuals and communities. Four core projects around localities, business and support services, customer and asset management have been developed and are supported by a number of cross-cutting workstreams. Total recurring annual savings of £70 million are anticipated</p>

### Exhibit 3 - Wider scope audit

	<p>through the delivery of the programme.</p> <p>The Council continues to make good progress in implementing the programme. Improved senior officer and elected member scrutiny of savings proposal development, implementation and monitoring has contributed to a marked increase in delivery, with over 92% of approved savings on track to be delivered in 2016/17.</p>
	<p><b>Audit approach</b></p> <p>During our 2016/17 audit we will consider the Council's financial standing. This will involve a review of the arrangements in place for short, medium and long term financial planning, budgetary control and financial reporting. It is important that such arrangements are adequate in order to properly control the Council's operations and use of resources.</p>

**Financial management:** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Council responsibilities	Our audit approach
<p>It is the Council's responsibility to ensure that its financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>The Council are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public Council at its disposal.</p> <p>It is the Council's responsibility to establish arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>	<p>Audit Scotland has previously reported that the Council has effective financial management arrangements in place. The Council has a good track record in delivering services within approved budgets, and robust scrutiny and challenge processes have ensured early identification of issues around the delivery of planned savings.</p> <p>In August 2015 the Council awarded CGI the contract for the provision ICT services. Following a transition of services in late 2015 and early 2016, the CGI contract went live on 1 April 2016. The Council has reported a number of benefits from the first phase of implementation of the contract, including significantly increased network bandwidth in council schools and council offices.</p> <p>A further 12 projects will be delivered through 2016 and 2017 as part of the CGI contract, with joint governance arrangements in place involving the council, CGI and supply chain partners. Most of these projects have commenced, although officers have acknowledged that timescales for implementation of some projects, such as Enterprise Integration and Enterprise Resource Planning have slipped due to technical and resource challenges.</p>

### Exhibit 3 - Wider scope audit

	<p>Progress updates on the workstreams are reported regularly to management team and committee.</p>
	<p><b>Audit approach</b></p> <p>During our 2016/17 audit we will review, conclude and report on the following:</p> <ul style="list-style-type: none"> <li>• Whether the Council has arrangements in place to ensure systems of internal control are operating effectively;</li> <li>• Whether the Council can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance;</li> <li>• How the Council has assured itself that its financial capacity and skills are appropriate;</li> <li>• Whether the Council has established appropriate and effective arrangements for the prevention and detection of fraud and corruption; and</li> <li>• The Council's participation and progress in the National Fraud Initiative.</li> </ul>

**Governance and transparency:** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Council responsibilities	Our audit approach
<p>It is the responsibility of the Council to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. The Council should involve those charged with governance in monitoring these arrangements.</p> <p>In May 2017 local government elections will take place. It is the Council's responsibility to manage any impact this may have on the governance of the organisation and reflect this appropriately in the Annual Governance Statement.</p> <p>The Council are also responsible for establishing effective and appropriate internal audit and risk management functions.</p>	<p>Audit Scotland concluded that the Council has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making, although there is scope for improvement in the governance of council companies and organisations.</p> <p>A new structure for executive directors was approved in December 2015. This rearranges some responsibilities, with areas such as ICT, Strategy &amp; Insight, and Communications now reporting directly to the Chief Executive and the Deputy Chief Executive post now replaced by an Executive Director of Resources.</p> <p>The scrutiny and governance arrangements in place for Council companies were reviewed in June 2016.</p> <p>The Council has established a Governance Hub that will scrutinise Council companies and is attended by the chief executives of the companies, before the</p>

### Exhibit 3 - Wider scope audit

	<p>information is then submitted for elected member scrutiny at committee.</p> <p>The Edinburgh Integration Joint Board has been established, meets every two months and has five elected members on its board. It also has an audit and risk committee.</p>
	<p><b>Audit approach</b></p> <p>We will review the effectiveness of the Council governance framework and the extent to which board and committee roles, membership and terms of reference comply with current guidance.</p> <p>We will consider the appropriateness of the disclosures in the Annual Governance Statement.</p> <p>We will consider whether the information provided to the board and committees is sufficient for members to assess the impact of decisions on resources and performance.</p> <p>Our work will include consideration of how risk management has been addressed within the Council. We will also consider the Council’s internal audit arrangements to determine their role in examining the control systems established by management.</p> <p>Audit Scotland will be carrying out a performance audit on issues relating to Arms-Length External Organisations (ALEOs) in 2017. We will contribute information on the ALEOs funded by the Council as part of this review.</p>

**Value for money:** Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.

Council responsibilities	Our audit approach
<p>Local authorities have a statutory responsibility to ensure that arrangements have been made to secure best value. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>	<p>The performance management framework is currently under development to align with the new Business Plan and will include reporting of financial information alongside progress towards outcomes delivered.</p> <p>The Council’s online Strategy and Performance hub provides an overview of all Council strategies and reports against progress and performance.</p> <p>The establishment of a Strategy division in May 2016 has supported the alignment of the corporate strategies and plans. The new Division leads the development,</p>

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### Exhibit 3 - Wider scope audit



revisions and implementation of the Council’s planning and performance management framework.

The Council assesses achievement of its high level commitments through a set of 53 Capital Coalition pledges. Achievement of these pledges is linked to a range of detailed dashboard and operational performance indicators.

**Audit approach**

We will work with the Council to identify and review evidence which demonstrates the achievement of value for money in the use of its resources.

We will seek evidence from the Council that outcomes are improving and there is sufficient focus on improvement and the pace of it.

Audit Scotland plans to undertake performance audit work in a range of areas covering local government during 2017/18. These include Arms-Length External Organisations (ALEOs), City Deals, Children’s Mental Health and Health and Social Care Integration. Any engagement with individual councils is still to be determined. We will work with Audit Scotland during the year to provide them with the required information as it relates to City of Edinburgh Council.



# Audit outputs, timetable and fees

# Audit outputs, timetable and fees

70. This section of our plan provides details of our audit outputs, timetable and proposed audit fees for the audit of the Council and the charitable trusts.

Audit output <sup>1</sup>	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2016/17.	March 2017
NFI audit questionnaire	Return	This return to Audit Scotland will reflect NFI activity undertaken by the Council.	June 2017
Financial statements strategy	Report to management	The purpose of this document is to provide management with a clear understanding of our requirements of the Council, and our approach and expectations, for the preparation of the financial statements for the year ending 31 March 2017.	June 2017
Interim Management Report	Report	This report will summarise our interim work on accounting systems and corporate governance arrangements.	June 2017
IT Audit Report	Report	Scope of IT audit yet to be agreed. Our findings from this review will be presented in a separate report.	August 2017
Independent Auditor's Report	Report	This report will contain our opinion on the truth and fairness of the annual accounts.	September 2017
Annual Report to the Council and the Controller of Audit	Report	We will issue an annual report setting out the nature and extent of our audit work for the year and summarising our opinions, conclusions and the significant issues arising from the work. This report will pull together all of our work under the Code of Audit Practice.	September 2017
Report to those charged with governance relating to the charitable trusts	Report	We will issue an ISA 260 report addressed to the trustees summarising our opinions, conclusions and the significant issues arising from our work.	September 2017
Whole of government accounts	Assurance Statement	This statement will contain our opinion on whether the consolidation pack is consistent with the Council's audited financial statements.	October 2017

<sup>1</sup> Refer to Appendix 3 for a list of all grant claims and returns to be audited in 2016/17.

## Audit outputs

71. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
72. The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

## Audit fee - Council

73. Audit Scotland has completed a review of funding and fee setting arrangements and as a result revised its fee strategy. It now sets an expected fee for each audit carried out under appointment that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. The expected fee will be reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.
74. As auditors we negotiate a fee with the audited body during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.
75. For 2016/17 the expected fee for the Council is £561,250. We propose setting the fee at this level. The total proposed fee for the Council for 2016/17 is as follows:

	2016/17
Auditor remuneration	£296,550
Pooled costs	£25,820
Performance audit and Best Value	221,170
Audit support costs	£17,710
<b>Total expected fee</b>	<b>£561,250<sup>2</sup></b>

<sup>2</sup> The audit fee in 2015/16 was £638,590 (excludes Lothian Pension Funds (£47,660) and the audit of the charitable trust funds (£4,250)).

76. We will take account of the risk exposure of the Council and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.

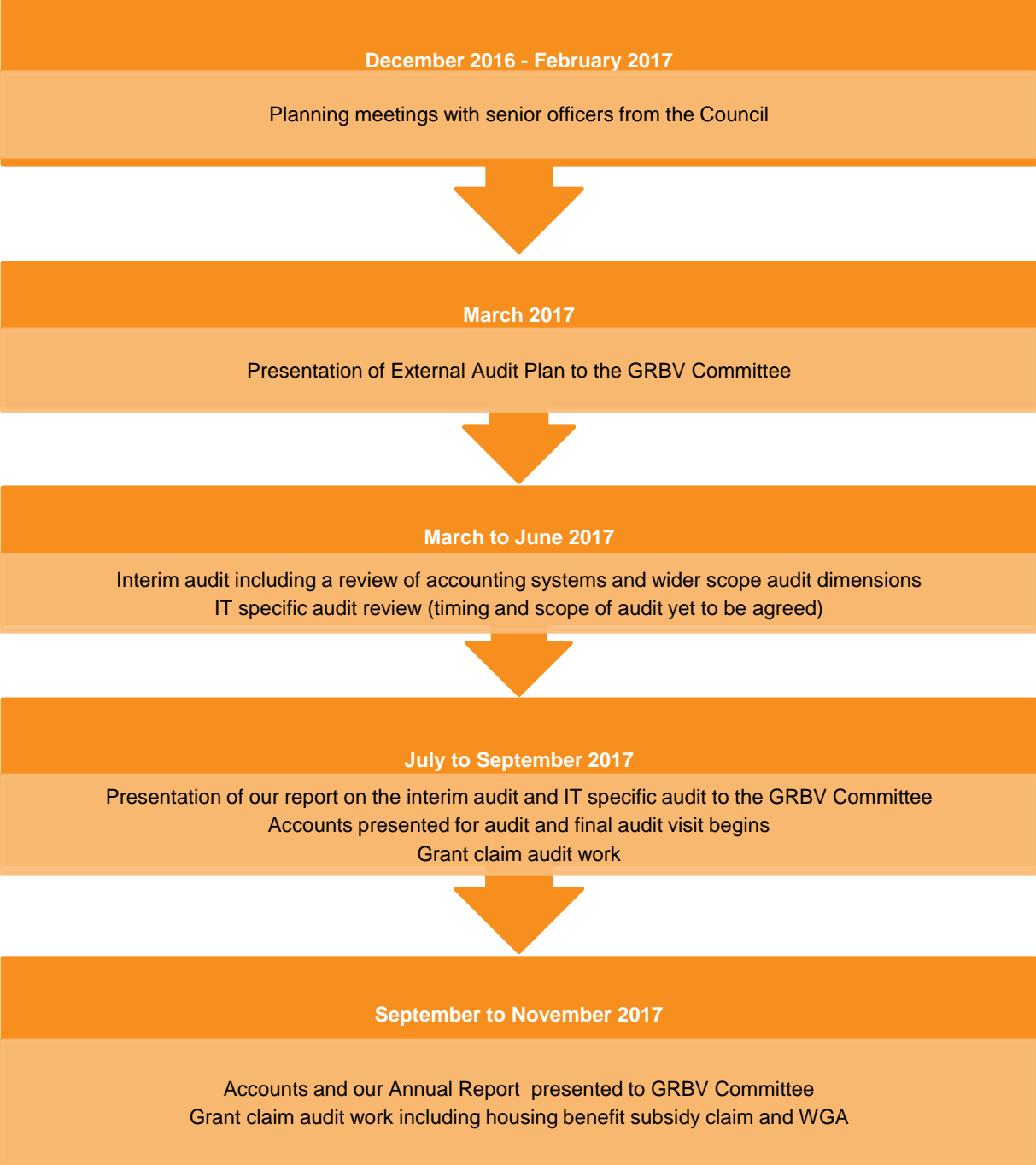
## Audit fee – Charitable Trust Funds

77. The expected fee does not include the cost of auditing charitable trust funds. We propose setting the audit fee for the audit of the charitable trusts at £7,500.

## Audit timetable

78. A summary timetable, including audit outputs, is set out as follows:





# 8

## Appendices

# Appendix 1: Your audit management team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 18 partners and over 200 staff operating from Edinburgh, Glasgow and Inverness. We are also part of the global Moore Stephens network.

We have been external auditors within the public sector for at least fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

Edinburgh	Glasgow	Inverness
Exchange Place 3 Semple Street Edinburgh EH3 8BL	25 Bothwell Street Glasgow G2 6NL	10 Ardross Street Inverness IV3 5NS
(0131) 473 3500	(0141) 567 4500	(01463) 701 940

## Your audit management team



**Nick Bennett ACA CA CPFA**

**Audit Partner**

[nick.bennett@scott-moncrieff.com](mailto:nick.bennett@scott-moncrieff.com)

Nick has over 25 years' experience of public sector auditing and has been heavily involved in developing public sector accounting standards. Nick's experience and expertise is acknowledged both by clients and by other professionals involved right across the public sector.



**Karen Jones CPFA**

**Director**

[karen.jones@scott-moncrieff.com](mailto:karen.jones@scott-moncrieff.com)

Karen has over 15 years' experience of public sector auditing. She has considerable experience in planning and delivering audits, producing management reports and liaising with senior officers.



**Michael Lavender CPFA**

**Manager**

[michael.lavender@scott-moncrieff.com](mailto:michael.lavender@scott-moncrieff.com)

Michael has been part of the external audit team of our local government bodies since he started with the firm, working closely with Karen on the financial statements and governance audit process over this time.



**Rachael Blenkinsop CPFA**

**Assistant Manager**

[rachael.blenkinsop@scott-moncrieff.com](mailto:rachael.blenkinsop@scott-moncrieff.com)

Rachael has been part of our public sector external audit team since she started with the Firm and works closely with Karen on the audit of financial statements and governance arrangements for our public sector external audit appointments.



**Georgina Philp**  
**Assistant Manager**  
[georgina.philp@scott-moncrieff.com](mailto:georgina.philp@scott-moncrieff.com)

Georgina has over five years' public sector experience. She has delivered external audit services to a range of public sector bodies, including local government.



**Stacey Larkin**  
**Assistant Manager**  
[Stacey.larkin@scott-moncrieff.com](mailto:Stacey.larkin@scott-moncrieff.com)

Stacey has recently joined our public sector team, having trained at Grant Thornton. Stacey will work alongside Karen, Rachael and Georgina in the delivery of the audit of the annual accounts.



**Paul Kelly**  
**IT Director**  
[paul.kelly@scott-moncrieff.com](mailto:paul.kelly@scott-moncrieff.com)

Paul leads the delivery of computer audit services and has significant experience of delivering a range of services including network infrastructure and security reviews and determining compliance with the requirements of the information security standard, BS7799.

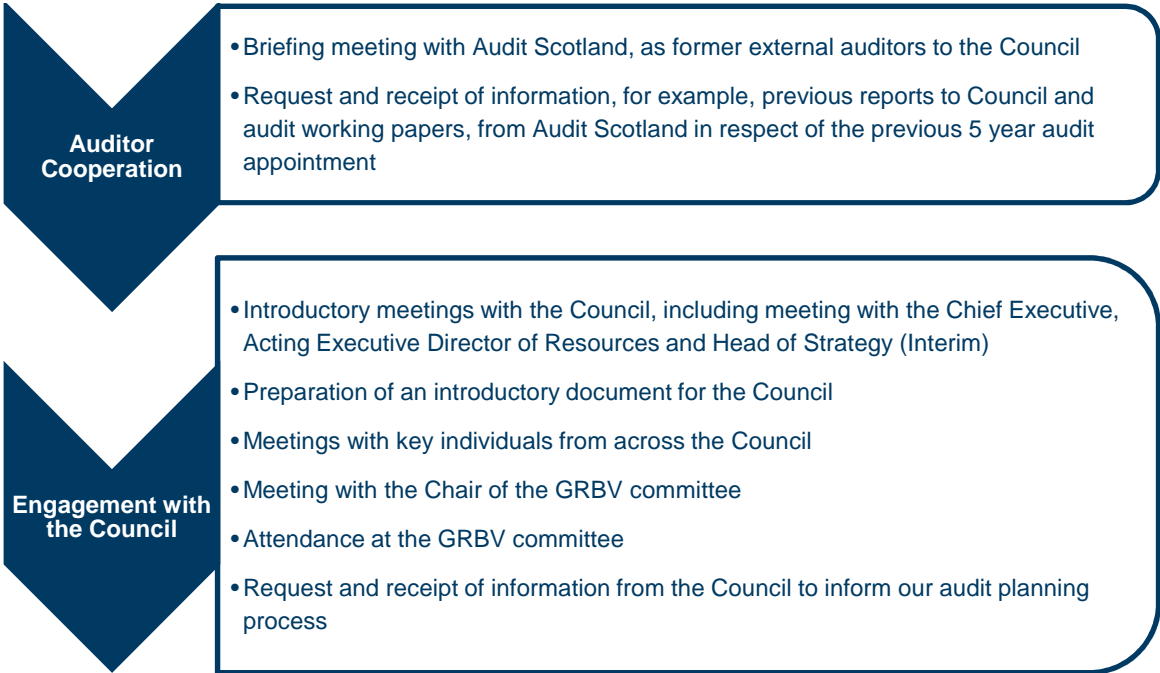
## Confirmation of independence

ISA 260 requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we will comply with APB Ethical Standard 1 – Integrity, Objectivity and Independence. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff and the Council, its elected members and senior management that may reasonably be thought to bear on our objectivity and independence.

# Appendix 2: The audit handover process

Rotating the appointment of the external auditor may present risks for the audited body and both the outgoing and incoming auditors if not properly managed. Auditors can minimise the disruption to all parties, and maximise the transfer of knowledge of the audited body by working in partnership with Audit Scotland and each other. We have set out below the steps we have taken to ensure an efficient handover of the audit (from Audit Scotland as former external auditors to the Council). We continue to work with the Council and correspond with Audit Scotland to ensure minimal disruption to all parties involved.



## Appendix 3 – Grant claims and returns to be audited in 2016/17

Grant claim/return	Certification date
Education maintenance allowance	31 July 2017
Criminal justice social work services grant claim	29 September 2017
Whole of government accounts	2 October 2017
Non domestic rate income return	9 October 2017
Housing benefit subsidy claim	30 November 2017

# Appendix 4: Statement of understanding

## Introduction

The purpose of this Statement of Understanding is to clarify the terms of our appointment and the key responsibilities of the Council and Scott-Moncrieff.

## Annual accounts

We will require the annual accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant Council staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit. We will issue a financial statements strategy which sets out roles, responsibilities and expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

## Scope of audit

As auditors we will take reasonable steps to plan and carry out the audit so as to meet the objectives and comply with the requirements of the Code of Audit Practice. Audit work will be planned and performed on the basis of our assessment of audit risks, so as to obtain such information and explanations as are considered necessary to provide sufficient evidence to meet the requirements of the Code of Audit Practice.

As auditors we do not act as a substitute for the Council responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from the Council during the course of the audit on matters having a material effect on the annual accounts. This will take place by means of a letter of representation, which will require to be signed by the Acting Executive Director of Resources.

## Internal audit

It is the responsibility of the Council to establish adequate internal audit arrangements. The audit fee is agreed on the basis that an effective internal audit function exists.

We will liaise with internal audit to ensure an efficient audit process.

## Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

## Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants of Scotland.

## Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and extent of working papers and supporting documentation.

## Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting Nick Bennett. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of your not being satisfied by our response, you may also wish to bring the matter to the attention of the Institute of Chartered Accountants of Scotland.

We undertake to look at any complaint carefully and promptly and to do all we can to explain the position to you.

## Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work.

Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target

dates for implementation and details of the responsible officer.

### **Agreement of terms**

We shall be grateful if the GRBV committee would consider and note this Statement of Understanding. If the contents are not in accordance with your understanding of our terms of appointment, please let us know.





**Scott-Moncrieff**  
business advisers and accountants

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# Governance, Risk and Best Value Committee

10.00am, Thursday 9 March 2017

## Welfare Reform - Update - referral from the Corporate Policy and Strategy Committee

Item number	7.8
Report number	
Wards	All

### Executive summary

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The Corporate Policy and Strategy Committee on 28 February 2017 considered a report which provided an update on the progress being made by the Council and partners to develop arrangements in regard to the UK Government's welfare reforms. The report has been referred to the Governance, Risk and Best Value Committee for scrutiny.

### Links

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<b>Coalition pledges</b>	See attached report
<b>Council outcomes</b>	See attached report
<b>Single Outcome Agreement</b>	See attached report
<b>Appendices</b>	Appendix 1 – report by the Acting Executive Director of Resources

# Terms of Referral

## Welfare Reform - Update

### Terms of referral

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- 1.1 On 28 February 2017, the Corporate Policy and Strategy Committee considered a report which provided an update on the progress being made by the Council and partners to develop arrangements in regard to the UK Government's welfare reforms.
- 1.2 The Corporate Policy and Strategy Committee agreed:
  - 1.2.1 To note the ongoing work to support Universal Credit and Welfare Reform, in particular the extension of the Benefit cap in Edinburgh.
  - 1.2.2 To note the current spend projections for Discretionary Housing Payments, Council Tax Reduction Scheme; and the Scottish Welfare Fund.
  - 1.2.3 To refer the report to Governance, Risk and Best Value Committee on 9 March 2017 as part of the Committee scrutiny process.

### For Decision/Action

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- 2.1 The Corporate Policy and Strategy Committee has submitted the report to the Governance, Risk and Best Value Committee for scrutiny.

### Background reading / external references

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Corporate Policy and Strategy Committee 28 February 2017.

### Laurence Rockey

Head of Strategy and Insight

Contact: Louise Williamson, Assistant Committee Clerk

E-mail: [louise.p.williamson@edinburgh.gov.uk](mailto:louise.p.williamson@edinburgh.gov.uk) | Tel: 0131 529 4264

## Links

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<b>Coalition pledges</b>	See attached report
<b>Council outcomes</b>	See attached report
<b>Single Outcome Agreement</b>	See attached report
<b>Appendices</b>	Appendix 1 - report by the Acting Executive Director of Resources

# Corporate Policy and Strategy Committee

10.00am, Tuesday, 28 February 2017

## Welfare Reform - Update



**Item number**  
**Report number**  
**Executive/routine**  
**Wards**

### Executive Summary

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The Department for Work and Pensions (DWP) implemented Universal Credit for new single claimants in Edinburgh on 9 March 2015. The Council is involved in a new Delivery Partnership Agreement (DPA) to support citizens through the transition into Universal Credit for 2016/17.

The benefit cap is a limit on the total amount of income from certain benefits a household can receive. From Autumn 2016 this was reduced to £335 for a couple or single person with children and £258 for a single person. As part of a Central Government roll out programme this was applied to appropriate claimants within Edinburgh from 9 January 2017. As a result, Housing Benefit is reduced until a claimant's income is brought beneath the cap. The numbers of claimants affected by benefit cap has been significantly less than anticipated.

From the 6 April 2017, there will be restrictions on the assessment of Housing Benefit in respect of households with three or more children in accordance with the Welfare Reform and Work Act 2016.

### Links

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**Coalition Pledges**  
**Council Priorities**  
**Single Outcome Agreement**

## Welfare Report - Update

### 1. Recommendations

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- 1.1 It is recommended that the Corporate Policy and Strategy committee note:
- 1.1.1 the ongoing work to support Universal Credit and Welfare Reform, in particular the extension of the Benefit cap in Edinburgh;
  - 1.1.2 the current spend projections for Discretionary Housing Payments, Council Tax Reduction Scheme; and the Scottish Welfare Fund; and
  - 1.1.3 this Welfare Reform update will be referred to Governance Risk and Best Value Committee (GRBV) on 9 March 2017 as part of the Committee scrutiny programme.

### 2. Background

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- 2.1 The Welfare Reform update is reported to the Corporate Policy and Strategy Committee on a quarterly basis, to align with the Working Group meeting cycle. The last report was considered by Committee on 08 November 2016.

### 3. Main report

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#### Universal Credit (UC)

- 3.1 Universal Credit in Edinburgh is available to new single claimants who would previously have been eligible for Job Seekers Allowance. As part of the ongoing rollout programme the DWP's digital service was extended to Musselburgh Job Centre on 23 March 2016. This extended UC from single claimants to all working age categories seeking work in East Lothian. Both Penicuik and Dalkeith Job Centres will see an extension of UC from single claimants to all working age categories seeking work in Midlothian in March 2017. Work is being undertaken to identify any Edinburgh claimants using these job centres who could potentially be affected.
- 3.2 The corporate cross Council team continues to work with DWP and Job Centre Plus (JCP+) to support citizens' transition to the new UC system. The team has also agreed a further Delivery Partnership Agreement with the DWP for 2016/17.

- 3.3 The Government announcement of a slowdown of the extension of the UC digital service in July 2016 will mean Housing Benefit will continue to be administered by local authorities into the next decade.

### **UC Caseload in Edinburgh**

- 3.4 At 8 December 2016 the DWP reported:

UC Claimants in Edinburgh	2688
UC Claimants seeking work	1411 (52%)
UC Claimants with element of employment	1277 (48%)

### **SWF and UC Claims**

- 3.5 In order to assess the impact of Universal Credit waiting and assessment periods on alternative funding streams, separate information is collated on claimants citing UC as a reason for applying for a Crisis Grant from the Scottish Welfare Fund. Since April 2016 there have been 27 UC related applications for Crisis Grants, with a value of £3220.
- 3.6 The process of referring citizens in the first instance to DWP for a short term Benefit advance continues.

### **Personal Budgeting Support Referrals and UC**

- 3.7 The existing Delivery Partnership Agreement between DWP and the Council requires the delivery of a personal budgeting support referral service. This service includes the co-location of the Council's Personal Budgeting Support officer with the DWP. The Council and the DWP are working together to increase take-up to ensure citizens are supported throughout the UC process.

### **Council Housing Services and Universal Credit (UC)**

- 3.8 There are 476 council tenants known to be receiving UC. The total value of rent to be collected per month from these tenants is approximately £195,000 per month (£2.34m per annum).
- 3.9 The management of UC cases with housing rent arrears continue to be progressed in accordance with the Council's standard arrears process. Specific detailed advice and information is provided to help tenants understand their rent payment obligations and to manage a monthly household budget. Tenants moving onto UC at present are doing so as a result of a change of circumstances and 90% (431

tenants on UC) are in some level of arrears. This includes tenants with pre-existing arrears.

### **Temporary and Supported Accommodations**

- 3.10 Households in temporary accommodation affected by the benefit cap and/or under occupation, continue to be provided with advice and assistance in applying for Discretionary Housing Payments (DHP). This is however impacted by the recent DHP policy change in relation to Benefit cap applicants to the fund. Households are placed in temporary accommodation that reduces the likelihood of under occupancy, however on occasion they may be placed in a larger property to meet their emergency housing need. There are currently 21 out of 420 households who are under occupying in temporary accommodation.
- 3.11 Details of the new Benefit capping levels were received on 9 January 2017. The capping rates were already being applied to 62 temporary accommodation occupants, including Link Private Sector Leasing properties. A further 163 residents were subject to the reduced capping rates in January, bringing the total number to 225 households in the temporary accommodation sector.
- 3.12 A report by the Head of Safer and Stronger Communities was presented to Finance and Resources on 23 February 2017. The title of this report is '[Strategic Direction for Tackling Homelessness in Edinburgh](#)' and gives detail on the City's response to this issue.

### **Advice Services**

- 3.13 During April 2016 to September 2016 there were a total of 2573 people seen by funded agencies for debt advice. This compares to 3322 in 2015/16. The Advice Shop assisted 253 people in this period compared to 1817 in 2015/16, the difference being due to changes in resources and the way enquiries are recorded.
- 3.14 The level of debt presented was £710,622. This compares to £456,300 in 2015/16. The Advice Shop dealt with debt totalling £3,125,365 compared to £6,228,987 in 2015/16, again due operational changes.
- 3.15 Welfare rights services assisted 4896 people in this period compared to 7649 in the same period last year.
- 3.16 The level of client financial gain achieved in this period was £2,547,968 compared to £3,360,821 in 2015/16. The Advice Shop's client financial gains for this period was £7,005,350 compared to £3,654,943 in 2015/16. This increase is due to improved recording, particularly through the telephone advice line.
- 3.17 The number of Benefit Tribunals that advice services have represented at during this period is 172 compared to over 300 in 2015/16. The success rate for these Tribunals varies depending on the benefit in dispute overall. Advice services are achieving a success rate of around 70%.



- 3.18 The impact of the Benefit Cap is featuring in more enquiries, increasing the demand for this type of advice. Some clients have been able to access other sources of income that have removed them from the Benefit Cap while others have been able to obtain DHP. Advice services are directing clients to the DWP and other services for assistance with employability and housing options. There are several clients who are single parents with three to five children who have not been able to identify longer-term options that will either mitigate the impact of the Benefit Cap or take them out of its scope.
- 3.19 The transition of claimants from DLA to PIP appears to be accelerating with the Advice Shop experiencing more enquiries from people concerned about actual or potential losses to their income.
- 3.20 The number of PIP applications the Advice Shop assisted with in 2016:

2016	PIP Applications	PIP Mandatory Reconsiderations	PIP Appeals	Total Advice for PIP
January March	165	40	52	257
April – June	152	57	74	283
July – Sept	178	34	56	268
Oct – Dec	151	48	63	262

- 3.21 As previously reported, work has commenced on the development of new proposals for Advice Services, with the intention of producing a business case for approval for April 2017. It has been agreed that the review will focus on savings target for 2018/19 and allow for a full engagement with both internal and external providers. Design workshops took place in February and took account of the Councils move to localities and priority areas.

### **Extension of Benefit Cap**

- 3.22 As noted above the cap is a limit on the total amount of income from certain Benefits a household can receive. If citizens receive more than the cap then their Housing Benefit will be reduced until they are brought back within the income cap. From Autumn 2016 this was reduced to £335 for a couple or single person with children and £258 for a single person.
- 3.23 The DWP provided information in April and August 2016 which allowed affected citizens to be identified. The DWP information received in August 2016 identified

894 tenants living in Edinburgh who at that point would be affected, once the extended Benefit Cap was implemented in Edinburgh in January 2017.

- 3.24 The reduced income level was applied to those individuals already capped at higher levels in November 2017. The table below indicates the total loss of benefit to these individuals.

<u>Tenancy Type</u>	<u>Number of Clamaints</u>	<u>Average weekly loss in Housing Benefit</u>
CEC Mainstream	13	£74.12
Temporary Accommodation	55	£286.89
PSL( LINK PSL)	7	£191.39
Housing Association	4	£60.48
Private Tenancy ( LHA)	44	£146.75

- 3.25 The details of individuals subject to the extension of the benefit cap were received in January 2017 and the cap has now been applied to these cases.

Tenure	No of Households Affected	Average Weekly Loss in Benefit	% of All Benefit Cap cases
Temporary Accommodation	42	£117.14	10%
Mainstream Council Tenancies	76	£36.50	18%
Private Rented Sector	137	£59.23	32%
Housing Association (RSL)	34	£33.97	8%
LINK PSL	136	£25.69	32%

- 3.26 The number of claimants affected by the extension of the Benefit cap in January has been significantly less than anticipated, with an additional 425 households affected. It should be borne in mind that all stakeholder agencies have used the data provided in the earlier scans to engage with citizens, ensuring their Benefits

were appropriate and potentially moving individuals into groups protected from the cap. Citizens moving into employment of 16 hours for a single person and 24 hours for a couple are also not subject to the Benefit cap.

- 3.27 DWP and the City of Edinburgh have established a joint working partnership to support these citizens in Edinburgh through the transition. The remit of the group is to look for innovative and positive solutions and outcomes for citizens and organisations affected by the changes, driven by partnership working and support. Employability events have been organised during February 2017 at four neighbourhood localities, with providers from Employability, Welfare Rights and Housing Options in attendance to provide advice and support.

### **Restrictions to Housing Benefit in three child or more Households**

- 3.28 From the 6 April 2017, there are restrictions on the assessment of Housing Benefit in respect of households with three or more children in accordance with the Welfare Reform and Work Act 2016. Currently it is still unclear if the Scottish Government will also apply the restrictions to Council Tax Reduction.
- 3.29 There is protection for existing claimants who have more than two children and they will continue to receive Benefit based on the actual number of children they have. If they subsequently end their Housing Benefit and then make a new claim then this protection will be lost. If an existing claimant has any additional children after the 5 April 2017 no additional applicable amount for that child will be awarded, potentially reducing the amount of Housing Benefit that could be awarded.
- 3.30 There are some exceptions in allowing additional child allowances however this will be the decision of HM Revenue and Customs, not at the discretion of local authorities.
- 3.31 The restriction assessment on the number of children in a household does not affect the room allowance used to calculate Housing Benefit.
- 3.32 There is likely to be an increased demand of Discretionary Housing Payments due to this change in legislation as claimant's incomes will be restricted but their expenditure has increased due to additional children.

### **Council Tax Reduction Scheme (CTRS)**

- 3.33 The DWP has confirmed that it will continue with the CTRS funding arrangement for 2016/17. This reflects the evolving nature of CTRS and the staged implementation and migration of Housing Benefit to UC. The national Settlement and Distribution Group continue to consider the distribution of CTRS funding and will advise local authorities when there are any significant changes.
- 3.34 CTRS is not part of the UC package of Benefits, with the fund being independently administered by each local authority. Every effort is being made to raise awareness of CTRS and to ensure customers make the separate CTRS claim at the point of any UC claim. Local arrangements with Job Centres across the City are in place to support this.

- 3.35 The demand on the 2016/17 budget continues to be monitored on a monthly basis, in line with changes to customer circumstances. Whilst CTRS uptake continues to fall, Council Tax collection continues to improve, indicating a reduced need for assistance of this nature. Appendix 1 outlines the Council's CTRS spend profile at December 2016.
- 3.36 Consideration will be given to CTRS to improve Benefit uptake amongst groups where there is a perceived entitlement but low take-up. This is a project being undertaken by the advice services. The recent changes to Council Tax charges at band E and above may result in increased demand on the fund as a result of more individuals qualifying for the reduction.

### **Scottish Welfare Fund (SWF) – Crisis Grants and Community Care Grants**

- 3.37 Both Crisis Grants and Community Care Grant applications continue to be considered for medium and high priority cases. Appendix 2 outlines the Council's SWF spend profile on 31 December 2016.

<b>Grant</b>	<b>Budget £</b>	<b>Carry Over to 2016/17</b>	<b>Total Budget Available £</b>	<b>2016/17 Spend as of December 2016</b>
Crisis Grants	660,000	0.00	660,000	£512,293.38
Community Care Grants	1,424,325	330,000	1,754,325	£1,306,556.09
<b>Total</b>	<b>2,084,325</b>	<b>330,00.00*</b>	<b>2,414,325</b>	<b>£1,818,849.47</b>

- 3.38 The SWF 2<sup>nd</sup> Tier Reviews are heard by the Scottish Public Services Ombudsman. There have been seven appeals to date, with five upheld.

### **Discretionary Housing Payments (DHP)**

- 3.39 The DWP's 2016/17 allocation for Edinburgh is £1.45m. This includes £863,701 to alleviate hardship on **non** Under Occupancy and £587,168 towards mitigating hardship in relation to Under Occupancy.
- 3.40 The Scottish Government's initial allocation for Edinburgh to mitigate Under Occupancy in 2016/17 is £2.56m. The remaining £9m of Scottish Government funding to fully mitigate Under Occupancy will be distributed to councils following the publication of the 2016/17 DHP statistics in May 2017. Edinburgh's anticipated additional allocation brings the estimated total DHP fund to £4.7m for 2016/17. The Council will continue to monitor DHP spend on a monthly basis and an appropriate claim will be made to the Scottish Government at year end.

3.41 As of 31 December 2016, the Council's DHP financial position was:

Total Fund: £4,016,372\*

Net Paid to Date: £3,473,810

Committed: £878,653

*\* exclusive of additional 20% to be allocated in 2017.*

3.42 There have been 6217 DHP applications up to 31 December 2016 of which 583 were refused. The overall refusal rate is 9.4%, the most common reasons for refusal is where a customer's income exceeds their expenditure.

3.43 At 31 December 2016 the number of days to process a request for a DHP was three days.

3.44 Appendix 3 outlines the Council's DHP spend profile at December 2016. The additional Scottish Government funding is expected to fully mitigate under occupancy in 2016/17.

3.45 In recognition of the extension of the Benefit cap, and the affordability of financial support in this area, a revised DHP policy was approved at Corporate Policy and Strategy Committee on 6 December 2016.

### **Foodbanks**

3.46 The Council continues to work with foodbanks to address citizens in need. The working party set up to look at provision across the City continues to meet, with a view to better supporting those providers who provide holistic services alongside emergency food aid. This group is chaired by Councillor Lewis Ritchie, Deputy Convenor of Communities and Neighbourhoods, and its membership includes cross Council services, foodbanks and representatives from Citizens' Advice Bureau, Cyrenians, DWP and NHS Scotland. Appendix 4 provides detail of foodbank use across the City.

### **The Welfare Reform Working Group**

3.47 The Welfare Reform Working Group met in January 2017. Items discussed were:

- Extension of the Benefit Cap
- Advice Services review
- Benefit Uptake Campaign
- Financial Inclusion
- Universal Credit Update
- Welfare Reform Impacts on Temporary Accommodation
- Discretionary Housing Payments Policy

## **The Welfare Reform Core Group**

3.48 The Welfare Reform Core Group continues to meet quarterly to agree the delivery of the key actions to achieve outcomes in terms of:

- Prevention of hardship and worsening inequality;
- Effective response to crisis needs for housing heat and food;
- Effective support for vulnerable individuals and families; and
- Partnership action to sustain Edinburgh's social security.

## **The Welfare Reform Partners' Forum**

3.49 The Welfare Reform Partners' forum met in November 2016 with partners from a range of advice agencies in attendance. The next meeting will take place in April 2017.

## **4. Measures of success**

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4.1 The success of the programme will continue to be measured through:

- reductions in forecast loss of income; and
- customer satisfaction with advice and advocacy services relating to benefit changes, including increased benefit take up and minimises losses by ensuring people get their full entitlement under the new arrangements.

## **5. Financial impact**

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5.1 The increase in numbers of people experiencing hardship has led to increased demand for services across the Council and also partner advice agencies. There is a risk to Council income, particularly in relation to rent arrears, changes to subsidy levels for temporary accommodation and service charges. Known risks include:

- loss of rental income to the Housing Revenue Account (HRA) arising from Housing Benefit reforms and Direct Payment under Universal Credit;
- Scottish Welfare Fund and Discretionary Housing Payment budget will be insufficient to meet demand longer term;
- the spend on Council Tax Reduction Scheme exceeds the available funding;
- reduced DWP Administration Subsidy due to the abolition of Council Tax Benefit, the phasing out of Housing Benefit and Central Government budget savings;
- increased demand on advice and advocacy both for the Council and Third Sector advice agencies; and
- increase in homeless population where delays in payment of rent due to assessment periods for UC in the private sector.

## **6. Measures of success**

---

- 6.1 The success of the programme will continue to be measured through:
- reductions in forecast loss of income; and
  - customer satisfaction with advice and advocacy services relating to benefit changes, including increased benefit take up and minimises losses by ensuring people get their full entitlement under the new arrangements.

## **7. Risk, policy, compliance and governance impact**

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- 7.1 The financial risk to the Council as well as the risk to the Council's reputation is being monitored regularly. Actions taken to assess and mitigate these risks and ensure effective governance include:
- updates provided to Corporate Policy and Strategy on a quarterly basis;
  - annual update to the Governance, Risk and Best Value Committee;
  - dedicated teams introduced to provide support and assistance; and
  - quarterly meetings with Elected Members, Council Officers and External Partners.

## **8. Equalities impact**

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- 8.1 The UK Government has prepared Equalities and Human Rights assessments for the welfare reform proposals. The Council will undertake an EHRIA when necessary for any of its proposals.

## **9. Sustainability impact**

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- 9.1 Welfare Reform is expected to have general implications for environmental and sustainability outcomes, for example in relation to fuel poverty and financial exclusion.

## **10. Consultation and engagement**

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- 10.1 Council officials continue to engage with the UK and Scottish Governments, directly and through COSLA, with the DWP, the Third Sector, the NHS and other partners. The Council is also engaging with citizens, both in and out of work, who rely on benefit income and tax credits.
- 10.2 The Council continues to participate in groups with the looking at the impacts of Welfare Reform, namely COSLA's Welfare Reform Local Authority Representative Group.

- 10.3 Recent community engagement has resulted in plans for joint working initiatives to provide Food bank Plus models which will address immediate crisis as well as preventative action to reduce use of such services in the future.

## 11. Background reading/external references

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[Welfare Reform – Update: report to Corporate, Policy and Strategy Committee, 9 August 2016](#)

[Welfare Reform – Update: report to Corporate, Policy and Strategy Committee, 17 May 2016](#)

[Welfare Reform – Update report to Corporate Policy and Strategy Committee 23 February 2016](#)

[Welfare Reform - Update: report to Corporate Policy and Strategy Committee 3 November 2015](#)

[Welfare Reform – update – Finance and Resources Committee, 28 August 2014](#)

[Discretionary Housing Payment Policy – Corporate Policy and Strategy Committee, 5 August 2014](#)

### Hugh Dunn

Acting Executive Director of Resources

Contact: Neil Jamieson – Senior Customer Manager

E-mail: [neil.jamieson@edinburgh.gov.uk](mailto:neil.jamieson@edinburgh.gov.uk) | Tel: 0131 469 6150

Sheila Haig – Customer Manager - Transactions

E-mail: [Sheila.haig@edinburgh.gov.uk](mailto:Sheila.haig@edinburgh.gov.uk) | Tel: 0131 469 5088

## 12. Links

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### Coalition Pledges

### Council Priorities

### Single Outcome Agreement

SO2 – Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health

### Appendices

Appendix 1 – Council Tax Reduction Scheme Spend

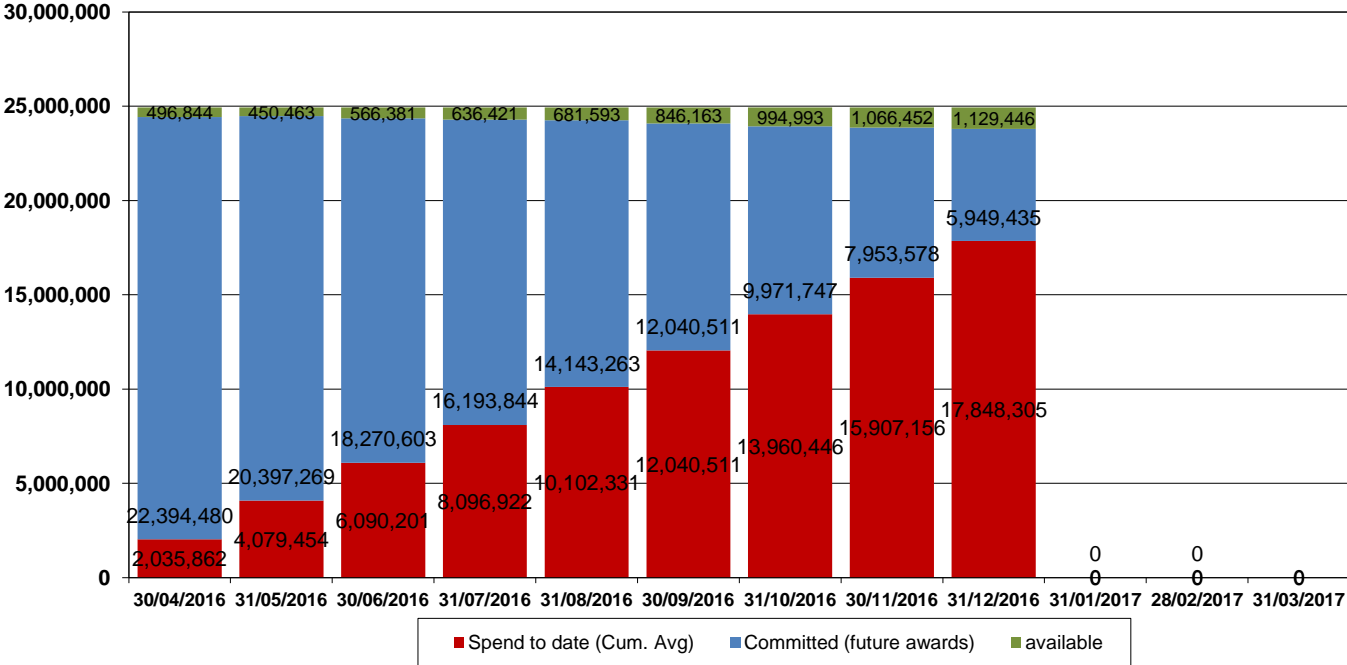
Appendix 2 – Scottish Welfare Fund Spend

Appendix 3– Discretionary Housing Payment Spend

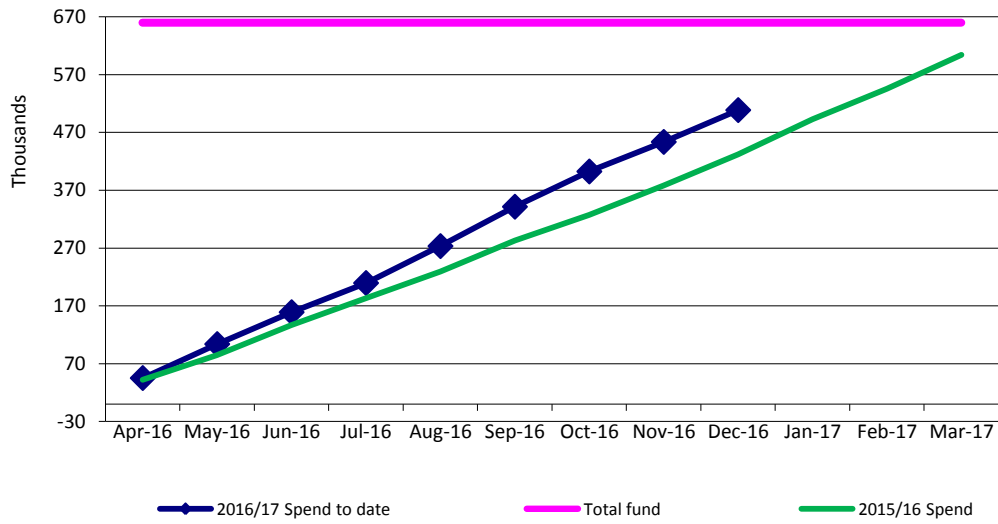
Appendix 4 – Foodbank Use in Edinburgh



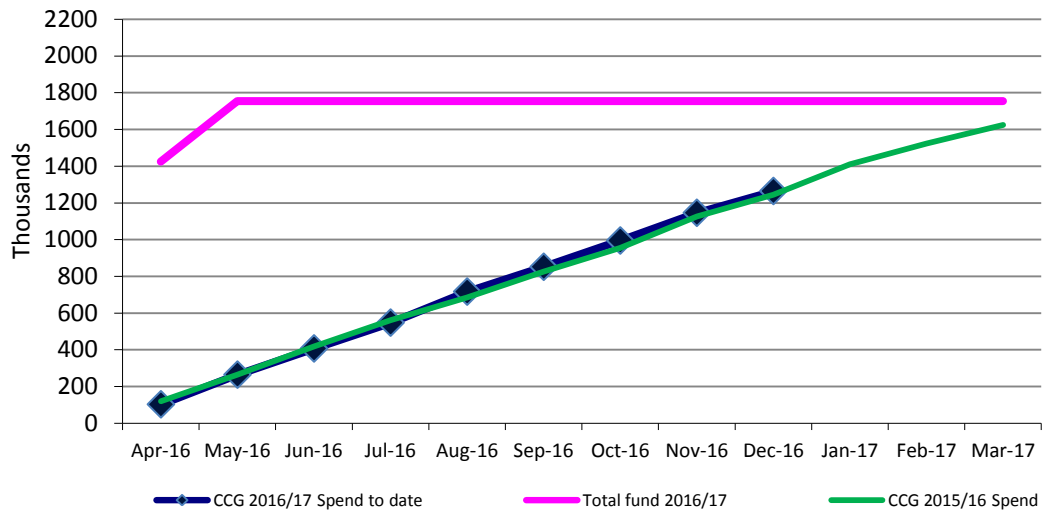
### CTRS Distribution 2016/17



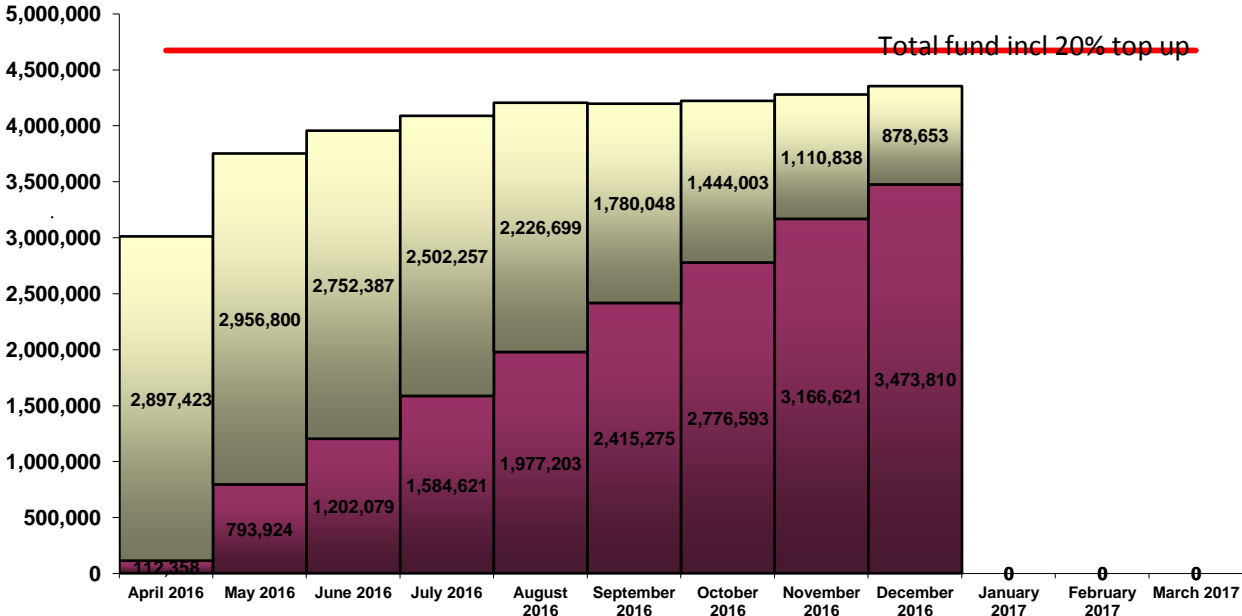
**Crisis Grant Allocation 2016/17**



**Community Care Grant Allocation 2016/17**



DHP Fund Allocation 2016/17



**Foodbank Use in Edinburgh**

The Foodbank Working Group last met on Tuesday 13th December 2016. The main discussion was around how the Council can continue to work with Foodbanks across Edinburgh to provide support to customers and reduce repeat visits, through crisis intervention, appropriate advice, support and signposting. The table below shows the number of referrals made to foodbanks in Edinburgh by each locality.

<b>Basics Bank</b>	Number of referrals
Newington	61
Granton	48
Leith	123
Bruntsfield	2
Portobello	47
Corstorphine	14

<b>Trussell Trust</b>	Number of Referrals
Pilton	175
Broughton	107
Tollcross	218
Grassmarket	335
Craigmillar	36
Oxgangs	16
Rannoch	34
Southouse Blythswood	8
Salvation army Gorgie	150
Kirkliston	5
<b>Broomhouse Foodbank</b>	222

# Governance, Risk and Best Value Committee

10am, Thursday 9 March 2017

## Whistleblowing annual report

Item number	7.9
Report number	
Executive/routine	
Wards	

### Executive summary

---

This report provides a high level overview of whistleblowing activity between 1 December 2015 and 30 November 2016.

### Links

---

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

## Whistleblowing annual report

### Recommendations

---

- 1.1 To note the report.

### Background

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- 2.1 The Council re-procured its whistleblowing service with a new two year contract commencing in April 2016.
- 2.2 Safecall was the successful bidder and provides a whistleblowing hotline and associated services to the Council.

### Main report

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#### Reports to Safecall

- 3.1 During the reporting period Safecall received 11 reports:

Category	Number of disclosures
Major/significant qualifying disclosures	2
Minor/operational qualifying disclosures	6
Non-qualifying disclosures	3

#### Investigations

- 3.2 Six investigations were completed during the reporting period with outcomes and management action reported quarterly to the Governance, Risk and Best Value Committee. One investigation is ongoing and will be reported to the Governance, Risk and Best Value Committee on completion.
- 3.3 One disclosure could not be investigated as the information provided was inadequate. Despite encouragement and attempts at reassurance the

whistleblower stopped communicating with the Council and would not engage with Safecall or Police Scotland.

- 3.4 Three reports did not qualify as disclosures under the whistleblowing policy but the Whistleblowing Team sought assurances that the concerns raised were being addressed via the appropriate channels eg. customer complaints process, grievance procedure, where appropriate.
- 3.5 Investigation skills training for Investigating Officers has had to be postponed until such time as staff teams in service areas are settled and suitable nominees can be identified.

### **Outcomes**

- 3.6 Many of the recommendations that have resulted from investigations have led to amendments to policy, improvements to procedures and processes, the development and sharing of best practice and improved service delivery.
- 3.7 Where the service provider has an open line of communication with the whistleblower they have been able to provide feedback on the outcome of an investigation and where this has not been possible they have stored the information for dissemination to the whistleblower should they make further contact.

### **Improvement objectives**

- 3.8 Progress has been made against all outstanding actions with implementation and completion expected during the current reporting year:
  - 3.8.1 full alignment and cross referencing between the Whistleblowing and other HR policies, including the development of an aligned investigation framework
  - 3.8.2 the development of a formal process and improved guidance for managers receiving internal disclosures
  - 3.8.3 the development of an experienced, skilled internal pool of investigating managers trained on the investigation framework, approach and techniques
  - 3.8.4 improved staff engagement including a refreshed communications strategy, distribution of promotional materials, improved Orb guidance and feedback via the Employee Survey
  - 3.8.8 improved awareness of policy requirements and associated processes through a programme of briefings and awareness sessions for groups of staff who might be involved in the process e.g. senior managers, directorate liaison officers.

## Measures of success

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- 4.1 Full implementation of the review action plan during 2017.
- 4.2 Improved satisfaction levels through the bi-annual Employee Survey.

## Financial impact

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- 5.1 The cost of the whistleblowing service between 1 December 2015 and 30 November 2016 was £23,422 + VAT.

## 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 with the trades unions was undertaken to secure a local agreement in relation to the revised whistleblowing policy.
- 9.2 Investigating officers are being consulted over the development and the testing of a new whistleblowing investigation toolkit.

## 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 and Insight

E-mail: [kirstylouise.campbell@edinburgh.gov.uk](mailto:kirstylouise.campbell@edinburgh.gov.uk) | Tel: 0131 529 3654

**Links**

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<b>Coalition pledges</b>	P27 – seek to work in full partnership with Council staff and their representatives.
<b>Council outcomes</b>	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.
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 – Safecall Annual Management Information Report

**safe**call

A Law Debenture Company

The  
Whistleblowing  
Company®

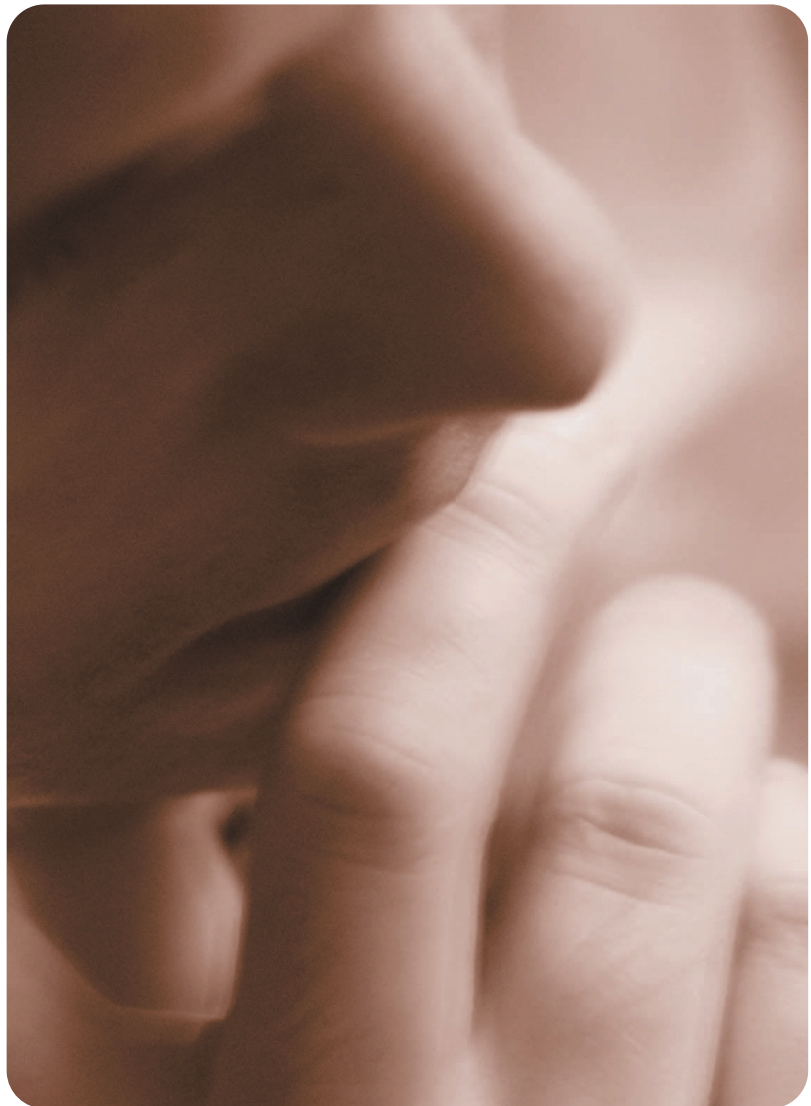
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# Annual Report for The City of Edinburgh Council

## 1st December 2015 to 30th November 2016

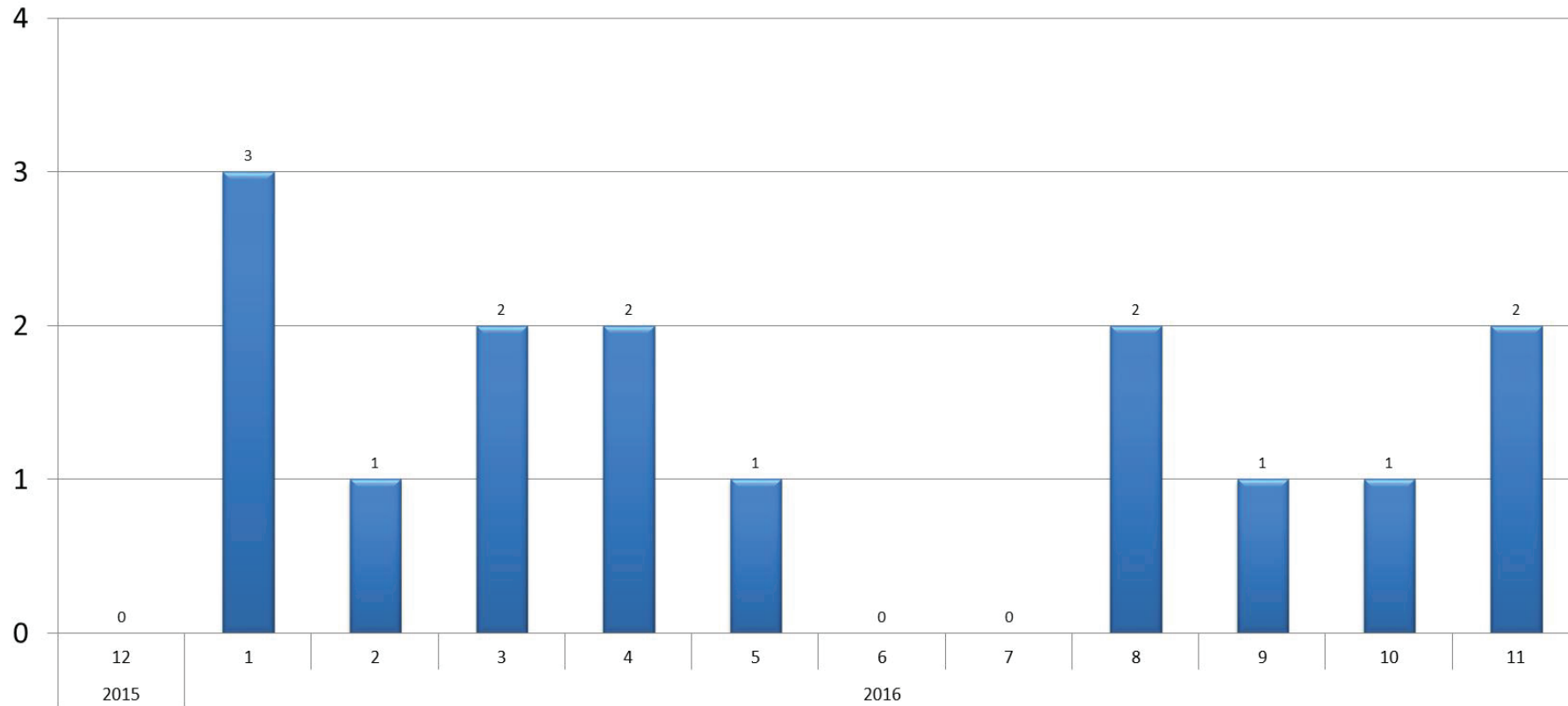
(Please note: report volumes include repeat contact)

A Law Debenture  
Company



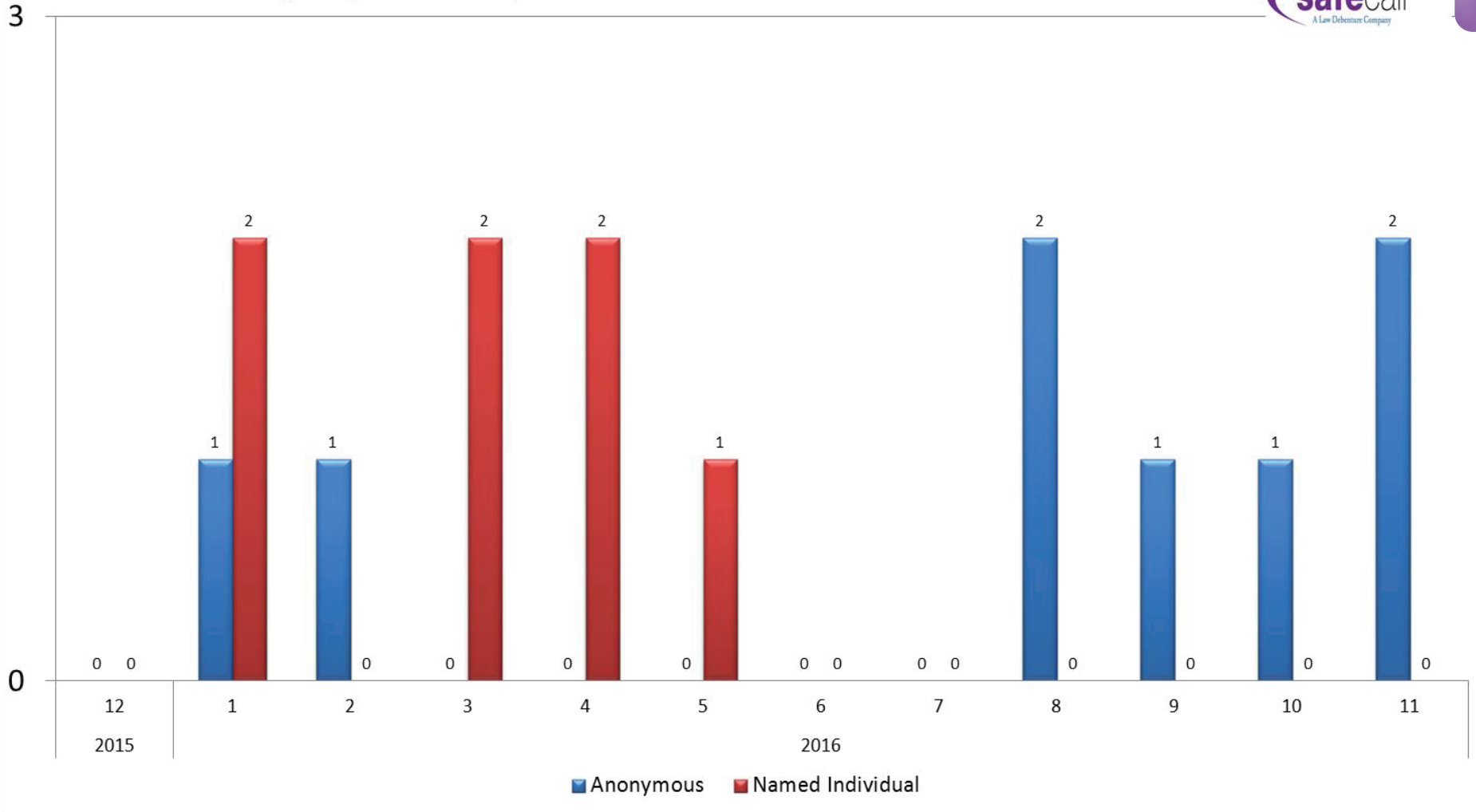


### Reports per Month Edinburgh City Council



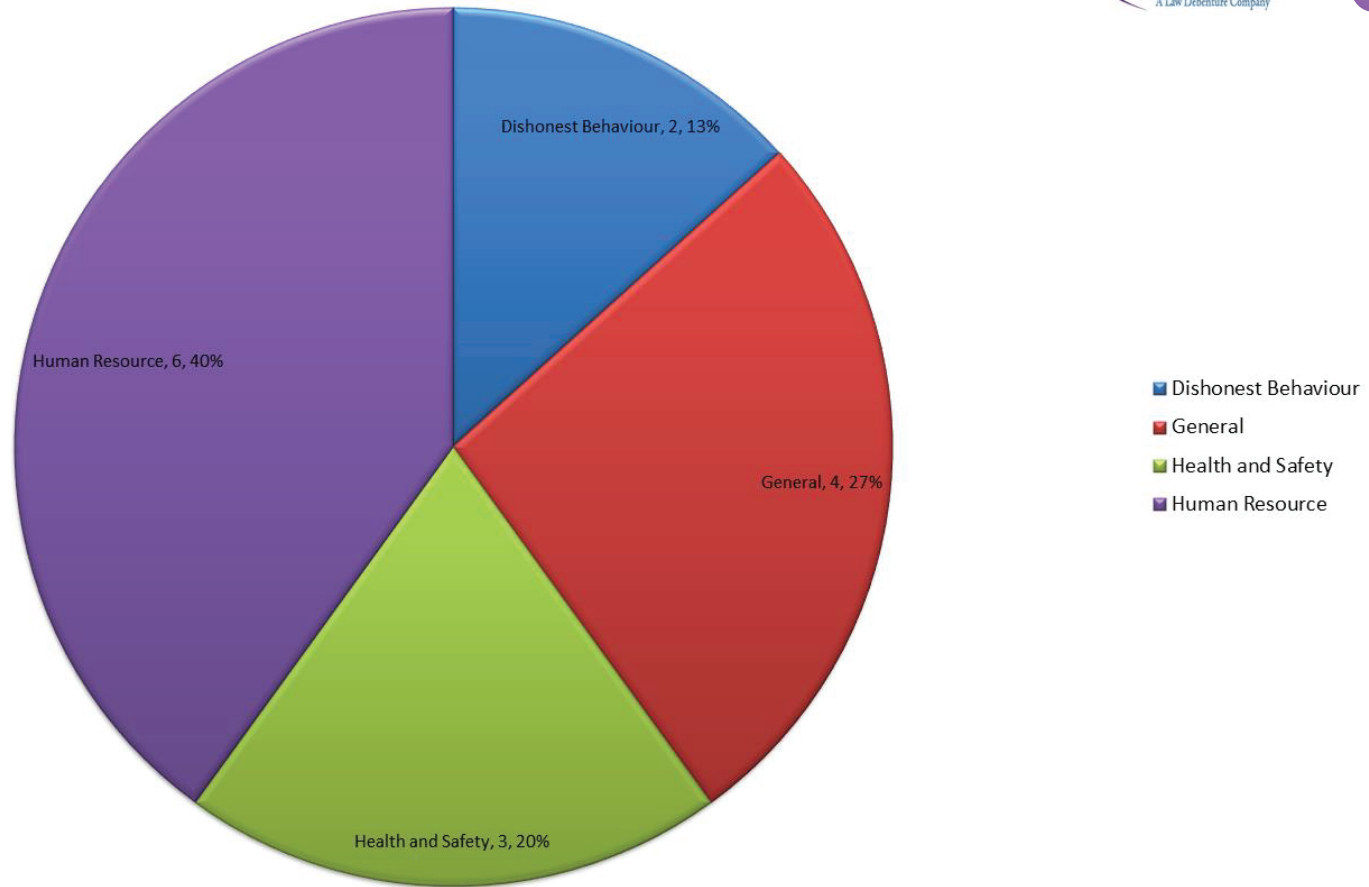


**Edinburgh City Council Anonymous v Named Calls from December 2015 to November 2016**



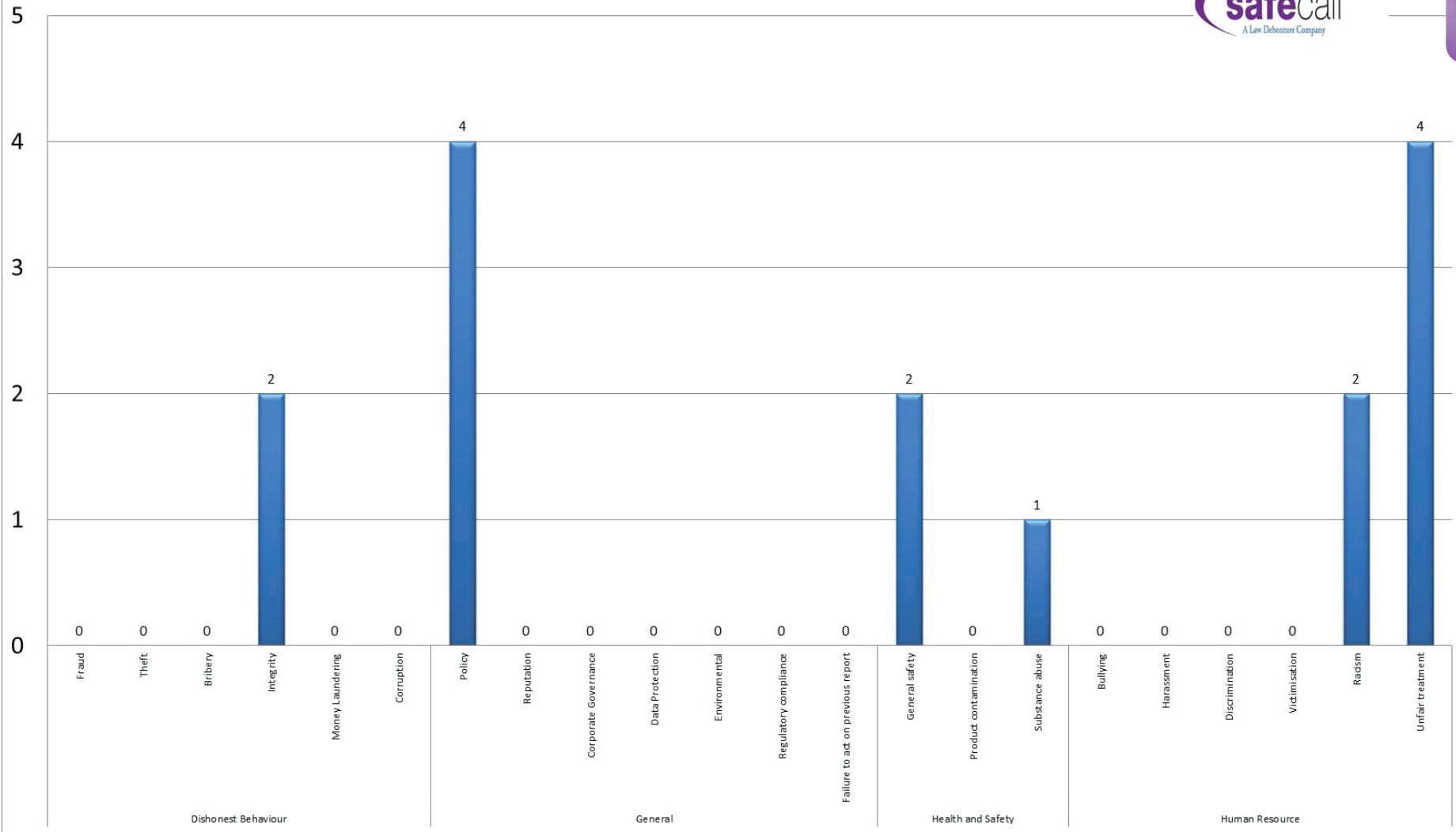


Reports By Classification Edinburgh City Council from December 2015 to November 2016



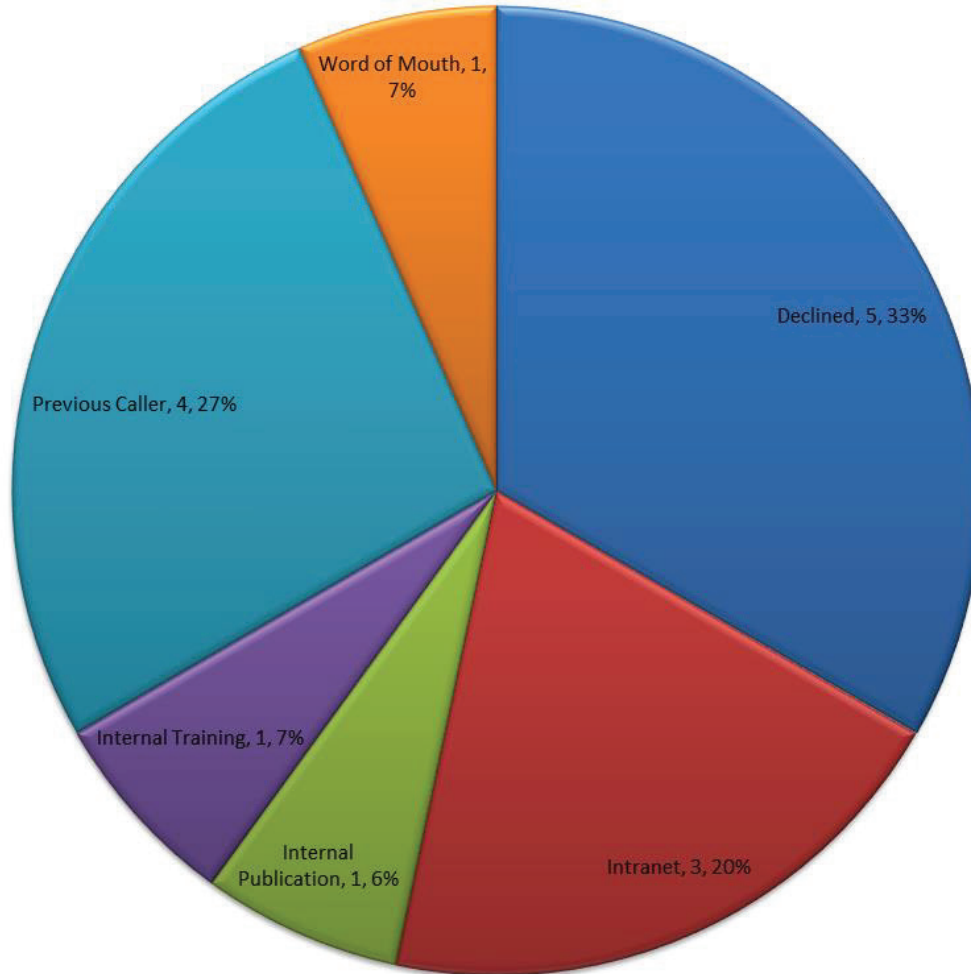


Reports by Sub Classification Edinburgh City Council from December 2015 to November 2016



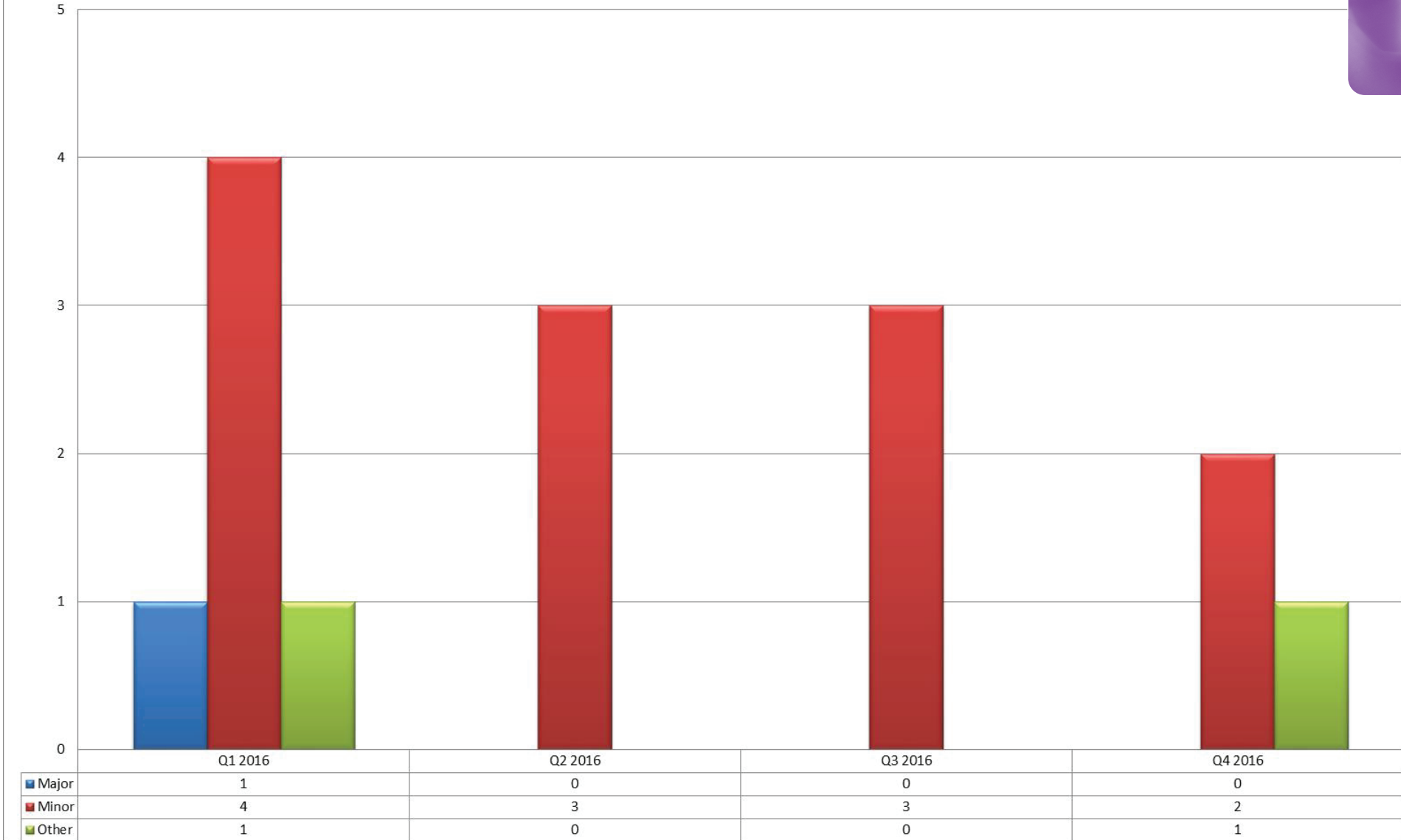


Edinburgh City Council - How caller became aware of Safecall from December 2015 to November 2016





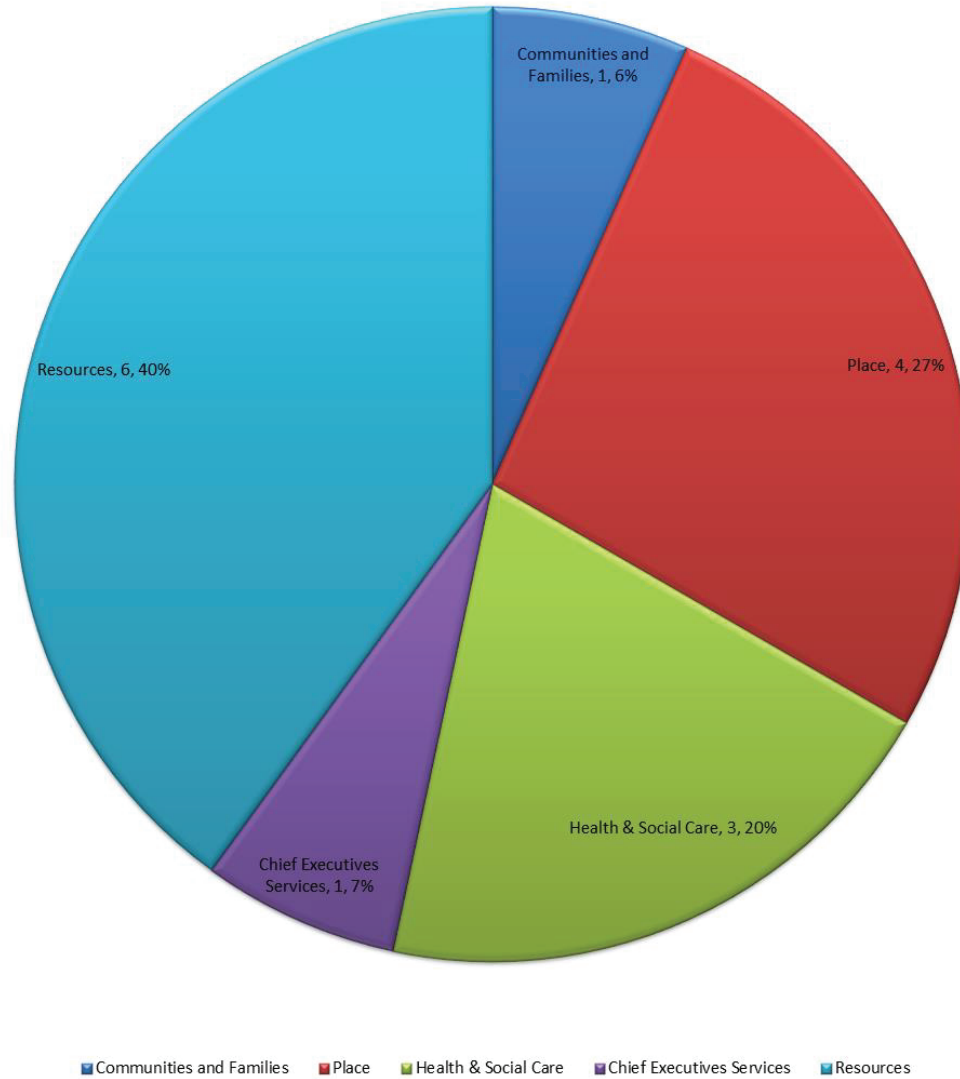
### Major or Minor Reports from December 2015 to November 2016







**Reports by Directorate from December 2015 to November 2016**





Date	Month	Year	Quarter	Classification	Sub classification	Ref	Anonymous	Marketing	Major / Minor	Department
11/01/2016	January	2016	Q1	General	Policy	01/16	No	Intranet	Minor	Chief Executives Services
18/01/2016	January	2016	Q1	Health and Safety	General Safety	02/16	No	Not disclosed	Not yet assessed	Resources
29/01/2016	January	2016	Q1	Human Resource	Unfair treatment	03/16	Yes	Intranet	Minor	Communities & Families
25/02/2016	February	2016	Q1	Health and Safety	Substance Abuse	04/16	Yes	Not disclosed	Major	Place
10/03/2016	March	2016	Q1	Dishonest Behaviour	Integrity	05/16	No	Internal publication	Minor	Place
16/03/2016	March	2016	Q1	Dishonest Behaviour	Inegrity	05/16(Add)	No	Previous Caller	Minor	Place
21/04/2016	April	2016	Q2	General	Policy	06/16	No	Not disclosed	Minor	Resources
25/04/2016	April	2016	Q2	General	Policy	06/16(Add)	No	Previous Caller	Minor	Resources
26/05/2016	May	2016	Q2	General	Policy	07/16	No	Not disclosed	Minor	Place
25/08/2016	August	2016	Q3	Human Resource	Racism	08/16	yes	intranet	Minor	Health & Social Care
28/08/2016	August	2016	Q3	Human Resource	Racism	08/16 (add)	yes	previous caller	Minor	Health & Social Care
29/09/2016	September	2016	Q3	Human Resource	Unfair Treatment	09/16	yes	Not disclosed	Minor	Resources
05/10/2016	October	2016	Q4	Human Resource	Unfair Treatment	09/16 (add)	yes	previous caller	Minor	Resources
07/11/2016	November	2016	Q4	Human Resource	Unfair Treatment	10/16	yes	Induction training	NQD	Resources
17/11/2016	November	2016	Q4	Health and Safety	General Safety	11/16	yes	Word of Mouth	Minor	Health & Social Care

# Governance, Risk and Best Value Committee

10am, Thursday 9 March 2017

## Whistleblowing update

Item number	7.10
Report number	
Executive/routine	
Wards	

### Executive summary

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This report provides a high level overview of the operation of the Council's whistleblowing hotline for the period 1 October to 31 December 2016.

### Links

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

## 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 October to 31 December 2016.

### Main report

---

#### Reports to Safecall

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

Category	Number of disclosures
Major/significant qualifying disclosures	1
Minor/operational qualifying disclosures	1
Category to be determined	0
Non-qualifying disclosures	3

#### Whistleblowing Review - Action Plan Progress

- 3.2 Progress has been made against all outstanding actions from the plan, though some work streams have progressed more slowly than was anticipated due to resourcing pressures.

- 3.3 The Council's Whistleblowing Policy has been reviewed to reflect the findings of the pilot review and will be presented to the Finance and Resources Committee for approval in March 2017.
- 3.4 A whistleblowing toolkit, to assist all of those who might be involved in the process, is being drafted for publication on the Orb.
- 3.5 A guide and toolkit for investigating officers has been drafted and is currently being tested by a senior manager investigating a minor disclosure.
- 3.6 Safecall have identified a suitably skilled and qualified expert to assist with the delivery of investigative training to the Council's nominated investigating officers. With service area reviews nearing completion, it is hoped that it will shortly be possible to compile a new list of nominees from service areas to be trained as investigating officers.

### **Scottish Parliament Public Petitions Committee**

- 3.7 The Committee wrote to the Chief Executive on 16 September 2016 inviting the Council to comment on Petition PE1605 (Whistleblowing in the NHS – a safer way to report mismanagement and bullying).
- 3.8 The petitioner had cited the Council's whistleblowing arrangements, in particular the provision of an independent hotline, as a potential model for NHS Scotland.
- 3.9 The Interim Head of Strategy & Insight, who manages the service on behalf of the Council, responded on behalf of the Chief Executive.
- 3.10 The Committee subsequently asked the Interim Head of Strategy & Insight to appear before them, on 9 February 2017, to answer members' questions relating to whistleblowing arrangements at the Council.

### **CIPFA Public Finance Innovation Awards 2017**

- 3.11 The Council's whistleblowing service has been shortlisted as a finalist in the Good Governance Award category, to be decided in London in April 2017.

## **Measures of success**

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- 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**

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- 5.1 The cost of the whistleblowing hotline for the three month period 1 October to 31 December 2016 was £4,725 + VAT.

## **Risk, policy, compliance and governance impact**

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- 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**

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- 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**

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- 9.1 A range of stakeholders, including whistleblowers and trades unions, were consulted during the pilot review.
- 9.2 There has been consultation with the trades unions to secure a local agreement in relation to the revised whistleblowing policy.

## **Background reading/external references**

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[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](mailto:kirstylouise.campbell@edinburgh.gov.uk) | Tel: 0131 529 3654

## Links

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<b>Single Outcome Agreement Appendices</b>	