

# Notice of meeting and agenda

## Governance, Risk and Best Value Committee

10:00am, Tuesday, 20 March 2018

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 –

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## **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 If any

## **4. Minutes**

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- 4.1 Minute of the Governance, Risk and Best Value Committee of 20 February 2018 – submitted for approval as a correct record (circulated)

## **5. Outstanding Actions**

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- 5.1 Outstanding Actions – 20 March 2018 (circulated)

## **6. Work Programme**

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- 6.1 Governance, Risk and Best Value Work Programme – 20 March 2018 (circulated)

## **7. Reports**

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- 7.1 Internal Audit Quarterly Update Report: Quarter 3 – (1 October – 31 December 2017) - report by the Chief Internal Auditor (circulated)
- 7.2 Internal Audit Annual Plan 2018-19 – report by the Chief Internal Auditor (circulated)
- 7.3 Internal Audit Charter - Annual Update – report by the Chief Internal Auditor (circulated)
- 7.4 Internal Audit: Overdue Recommendations and Late Management Responses – report by the Executive Director of Resources (circulated)
- 7.5 City of Edinburgh Council: External Audit Plan 2017/18 – joint report by the Chief Executive and the Executive Director of Resources (circulated)
- 7.6 Audit Scotland Report: Equal Pay in Scottish Councils– report by the Executive Director of Resources (circulated)

- 7.7 Annual Treasury Strategy 2018/19 – referral from the City of Edinburgh Council (circulated)
- 7.8 Corporate Catering Service - Update – report by the Executive Director of Resources (circulated)
- 7.9 Roads Services Improvement Plan – report by the Executive Director of Place (circulated)
- 7.10 Licensing Forum – Review of Constitution and Membership – report by the Executive Director of Place (circulated)
- 7.11 Welfare Reform – referral from the Corporate Policy and Strategy Committee (circulated)
- 7.12 Whistleblowing Update – report by the Chief Executive (circulated)
- 7.13 Whistleblowing Annual Report – 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), Main (Vice-Convener), Bird, Ian Campbell, Jim Campbell, Gordon, Lang, Munro, Rae, Watt and Webber.

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

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The Governance, Risk and Best Value Committee consists of 11 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 remaining items of business likely to be considered in private, see separate agenda.

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## Governance, Risk and Best Value Committee

10.00am, Tuesday, 20 February 2018

### Present

Councillors Mowat (Convener), Main (Vice-Convener), Bird (substitute for Councillor Ritchie), Doggart (substitute for Councillor Webber), Ian Campbell, Jim Campbell, Gordon, Lang, Munro, Rae and Watt.

### 1. Licensing Forum: Review of Constitution and Membership

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#### a) Deputation – Tollcross Community Council

The deputation expressed concern over the lack of consultation on the process for the appointment of the Licensing Forum members. They felt that there was a lack of transparency on how the current Licensing Forum members were appointed and that the rules and regulations surrounding this should be clarified.

The deputation asked the Council to review the arrangements for the appointment of members to the Forum and felt that there was a need to establish a basis for a properly constituted Forum.

#### b) Report by the Executive Director of Place

The Committee had called for a further report reviewing the process for the appointment of the Licensing Forum members.

Details were provided on the review of the Forum membership, including consultation with the existing membership at the time, which had taken place during 2017. The Council had approved a revised constitution and membership in November 2017.

### Decision

- 1) To note the approach taken for reviewing the constitution and appointment of members for the Forum, as reported to Council on 23 November 2017.
- 2) To call for a report to the next meeting of the Committee on the current appointment process to the Licensing Forum together with the timelines for reviewing the current process.
- 3) To request a review of the Licensing Forum's appointment process.

(References – Governance, Risk and Best Value Committee 28 November 2018 (item 3); report by the Executive Director of Place, submitted.)

## 2. Minute

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### Decision

To approve the minute of the Governance, Risk and Best Value Committee of 16 January 2018 as a correct record subject.

## 3. Outstanding Actions

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

### Decision

- 1) To agree to close the following Actions:
  - Action 10** – Governance of Major Projects – Progress Report
  - Action 12** – Monitoring Officer Investigation
  - Action 21** – GRBV Work Programme – November 2017
  - Action 22** – Re-basing the 2017-18 Internal Audit Plan
  - Action 26** – Corporate Leadership Team Risk Update
  - Action 27** – Status of the ICT Programme.
- 2) To note the remaining outstanding actions.  
(Reference – Outstanding Actions – 2 February 2018, submitted.)

## 4. Work Programme

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### Decision

To note the work programme.

(Reference – Governance, Risk and Best Value Committee Work Programme – 20 February 2018, submitted.)

## 5. Revenue Monitoring 2017/18 – Month Eight Position – referral from the Finance and Resources Committee

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The Finance and Resources Committee had referred a report on the projected budget for 2017/18 based on analysis of actual expenditure and income to the end of November 2017, to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

### Decision

To note the report.

(References – Finance and Resources Committee 23 January 2018 (item 7); referral report from the Finance and Resources Committee, submitted.)

## **6. Capital Monitoring 2017/18 – Month Nine Position – referral from the Finance and Resources Committee**

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The Finance and Resources Committee had referred a report on the overall position of the Council's capital budget at the nine month position (based on month eight data) and the projected outturn for the year, to the Governance, Risk and Best Value Committee for consideration as part of its work-plan.

### **Decision**

To note the report.

(References – Finance and Resources Committee 23 January 2018 (item 10); referral report from the Finance and Resources Committee, submitted.)

## **7. Edinburgh Shared Repairs Service (ESRS) and Legacy – Programme Progress Report – referral from the Finance and Resources Committee**

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The Finance and Resources Committee had referred a report which provided a progress update for the Edinburgh Shared Repairs Service (ESRS) and the legacy work related to the former Property Conservation Service, to the Governance, Risk and Best Value Committee for scrutiny.

### **Decision**

- 1) To note the report.
- 2) To record the Committee's appreciation of the work carried out by staff to bring forward the improvements to the Shared Repairs Service.

(References – Finance and Resources Committee 23 January 2018 (item 6); referral report from the Finance and Resources Committee, submitted.)

## **8. Risks Arising from Carillion PLC Entering Administration**

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The Committee had requested a report on the risks to the Council arising from the decision by Carillion PLC to enter into administration.

Details were provided on the checks instituted by the Council's Finance, Commercial and Procurement Services, and Legal Services teams to assess any risk to the authority including subsidiaries, joint ventures and sub-contractors.

### **Decision**

- 1) To note the report by the Executive Director of Resources and the assurance of the Council's position in respect of the potential impacts arising from this.
- 2) To note that the Council was also undertaking a review of other construction companies that may have issued profit warnings to assess any further potential risks.

- 3) To request a written member briefing on how the Council would monitor the risk with third party contracts and how this could be incorporated into the Council's risk management process.

(References –Governance, Risk and Best Value Committee 16 January 2018 (item 9); report by the Executive Director of Resources, submitted.)

## **9. Change Management Reform**

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Details were provided of proposals to implement a portfolio and a coordinated change management approach to the planning and delivery of change.

### **Decision**

- 1) To note the current governance arrangements for major projects.
- 2) To endorse the proposed enhancements to current governance arrangements, standards and processes in line with good project and programme delivery practice.
- 3) To endorse the approach to change management and implementation of a portfolio management approach to support delivery of outcomes required to deliver the business plan.

(Reference – Corporate Policy and Strategy Committee 5 December 2017 (item 7); report by the Chief Executive, submitted.)

## Governance, Risk and Best Value Committee

March 2018

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	May 2018		Work has been undertaken looking at different options. An option has been identified and funding options are being explored.
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.	Executive Director of Resources	June 2018		A verbal update on appointments was provided in February 2017. An update on new service model will be provided after one year.  Assurance of

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							progress was provided within the Internal Audit Opinion Report considered on 1 August 2017.
3	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 scrutiny.	Executive Director of Resources	December 2018		<p>A report was submitted to the Corporate Policy and Strategy Committee in December 2017 who have called for a further update in 12 months.</p> <p>The update report will then be referred to this Committee.</p>
4	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	Ongoing		The Edinburgh Health and Social Care Partnership developed a high-level plan to

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
	29/09/17		To ask the Chief Officer, Edinburgh Health and Social Care Partnership to provide an update on why the new ICT system for shift allocation was not implemented earlier in the year				address the challenges faced by the Partnership in the short- and medium-term. Objectives and detailed action plans for the priority workstreams would follow. The review of home care services would be included in this, although it is not possible at this stage to say when plans would be available.
5.	22/12/2016	<a href="#">Internal Audit Quarterly Update Report: 1 July 2016 – 30 September 2016</a>	To request an update report on the recommendation for Edinburgh Buildings Services by November 2017.	Executive Director of Place	May 2018		The update for members on the Internal Audit recommendation for Edinburgh Buildings Services would be delayed to coincide with the 17/18 audit

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>plan review on the area which was due to finish in December 2017.</p> <p>Audit work has completed the draft report is being prepared. Completion of the audit was delayed due to the time taken to retrieve records from storage to support our testing. Audit report will be finalised by 31<sup>st</sup> March and an update can be provided to the April GRBV Committee meeting.</p>



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
6	09/03/2017	<a href="#">Outstanding Actions</a>	To request that the report on the Governance of the Edinburgh Partnership would be referred from the Communities and Neighbourhoods Committee to the Governance, Risk and Best Value Committee.	Chief Executive	May 2018		16.01.18 An update has been requested for the timescales.
	26/09/17	<a href="#">Outstanding Actions – 26 September 2017</a>	To request a timeline for the development of governance arrangements for the Edinburgh Partnership	Chief Executive			Timescales have been pushed back as this work has been subsumed into the review of Edinburgh Partnership Governance, which is currently underway.
7.	20/04/2017	<a href="#">Governance of Major Projects: progress report</a>	1) To note the review underway for how change was reported and managed across the Council which will also include strengthening of governance arrangements around project and programme delivery. This would be	Chief Executive	February 2018	20 February 20118	<i>Action 1</i> - The report on Portfolio of Change, key themes, schedule of delivery and the refreshed governance arrangements was considered on 20 February 2018.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>reported to the Governance, Risk and Best Value Committee with developed proposals in the next reporting period.</p> <p>2) To request that members of Governance, Risk and Best Value Committee have input into the scope of the lessons learned report to be drafted on the New Boroughmuir High School and that this report was referred to the Governance, Risk and Best Value Committee following consideration at the Education, Children and Families Committee.</p>		TBC		<p><i>Action 2</i> - The lessons learned exercise will be carried out as part of the normal project activity at the end of the project. The scope will be shared with elected members for comment.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			3) To request communication with teachers, parents and parent councils on the progress with WIFI provision in schools		June 2017	June 2017	Action 3 – The Chief Information Officer/Head of ICT has met with the Parent Council of JGHS to update them on the progress of WiFi in the school
8.	29/08/2017	<a href="#">Status of the ICT Programme</a>	<p>To ask the Executive Director for Communities and Families for a report on:</p> <p>1) How the decision was taken to enable pupils attending James Gillespie's High School to bring their own IT devices rather than Council devices.</p> <p>2) What advice James Gillespie's High School were given by the directorate on the</p>	Executive Director for Communities and Families	January 2018	17 November 2017	<p>GRBV Committee on 17 November 2017.</p> <p>This action will not close until it has been considered by the Education, Children and Families Committee.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>implications of their decision.</p> <p>3) Further information of other schools within the City who are in the same situation and their experiences.</p> <p>4) Possible solutions to the issue raised by the deputation on the lack of wi-fi at the High School and related timescales.</p>				
9	01/08/2017	<a href="#">Governance, Risk and Best Value Work Programme – 1 August 2017</a>	To note an investigation report on retention of case records would be reported to the appropriate committee and a timescale for this would be provided as soon as possible.	Executive Director for Communities and Families	September 2018		<p>The internal auditor's investigation is still ongoing therefore it may take a few months before and update is provided.</p> <p>The Executive Director for</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>Communities and Families will provide an update once the Chief Internal Auditor's investigation is concluded.</p> <p>The final audit report would be referred from the Corporate Policy and Strategy Committee to GRBV.</p>
10	01/08/2017	<a href="#">Employee Engagement Update 2017</a>	To request the action plan drafted following the 2017 employee survey was reported to GRBV for scrutiny and approval prior to implementation	Executive Director of Resources	June 2018		The report will be provided following completion of the employee survey which is due to commence in March 2018 and following an analysis and reporting of the results an action

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							plan will be developed and reported to committee to address the results.
11	29/08/2017	<a href="#">Roads Services Improvement Plan</a>	To ask for a report back in 6 months time	Executive Director of Place	March 2018		<b>Recommended for Closure</b> Report on the agenda for this meeting
12	26/09/2017	<a href="#">Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017</a>	To request information on: 1) the total spend on homelessness provision 2) the checks in place for recovering money from the Government. 3) the governance of the Homelessness Taskforce	Acting Head of Safer and Stronger Communities	May 2018		A report on the total spend on homelessness provision, recovery of money from the government and governance of the Homelessness Taskforce will be referred to GRBV following consideration by the Housing and Economy Committee

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
13	26/09/2017	<a href="#">Internal Audit: Overdue Recommendations and Late Management Responses</a>	<p>1) To request an update on:</p> <p>a) the progress of actions due to close in September.</p> <p>b) Mortuary Services</p> <p>2) To request a scoping report with proposals to address the outstanding actions for Health and Social Care back to GRBV with an appendix highlighting who is responsible for each area.</p>	Chief Internal Auditor	May 2018		<p>The requested updates were circulated to members on 9 October 2017.</p> <p>Following discussion with the Chief Officer, it has been agreed that overdue H&amp;SC recommendations will be reviewed in conjunction with the findings of the IJB H&amp;SC purchasing budget audit that is due to complete by 31 March 2018. It is expected that the emerging findings from this review will replace a number of the historic overdue findings.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
14	26/09/2017	<a href="#">Principles to Govern the Working Relationships between the City of Edinburgh Council Governance, Risk and Best Value Committee and the Edinburgh Integrated Joint Board Audit and Risk Committee</a>	To accept the high-level principles subject to further information on how elected members could best engage with the process.	Chief Internal Auditor	May 2018		An update will be provided to Committee in May 2018 on how elected members can best engage with the process.
15	26/09/2017	<a href="#">City of Edinburgh Council – 2016/17 Annual Audit Report to the Council and the Controller of Audit</a>	<p>1) To request an update report in January 2018 on the progress of the improvements recommended in the action plan.</p> <p>2) To request a briefing to members on Edinburgh Catering</p>	Chief Executive	May 2018	October 2017	The briefing on Edinburgh Catering Services was circulated to



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			Services including the current situation and a breakdown of what has caused the deficit				members on 9 October 2017. A report on this matter was on the October 2017 agenda.
16	31/10/2017	<a href="#">Complaints Management</a>	<p>1) To note that an update report would be presented to Committee in Spring 2018</p> <p>2) To include the previous years' comparative figures any future report.</p>	Chief Executive	May 2018		
17	31/10/2017	<a href="#">Spot-checking on the Dissemination of Council Policies</a>	To note that a report which explored with directorates more effective ways to monitor the dissemination and understanding of Council	Chief Executive	May 2018		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			policies by employees would be submitted by Spring 2018.				
18	31/10/2017	<a href="#">Edinburgh Catering Services</a>	To note the actions proposed as part of a general turnaround and improvement plan for the service and to receive a further report which outlined progress made in March 2018.	Executive Director of Resources	March 2018		A full report is to be presented to the Finance and Resources Committee in June 2018 and a brief update will be provided to this Committee in March 2018.
19	28/11/17	<a href="#">ICT in Schools - Update</a>	To note that a further report on ICT in schools would be brought to Committee in January 2018	Executive Director for Children and Families	March 2018		Report is to be submitted to the Education, Children and Families Committee on 6 March 2018.
20	28/11/17	<a href="#">Corporate Governance Framework 2016-2017</a>	To delegate authority to the Corporate Governance Manager, in consultation with the Convener, to establish a	Corporate Governance Manager	February 2018		A workshop with elected members was held on 8 March 2018.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			Member/Officer Working Group to look at how to improve the co-ordination, reporting and use of the strategic management information				
21	16/01/18	<a href="#">Internal Audit Quarterly Update Report - Quarter 2 (1 July-30 September 2017)</a>	To note that a further update on longer-term actions would be provided to the Committee's meeting in May 2018.	Chief Executive and Executive Director of Resources	May 2018		
22	16/01/18	External Audit Review of CGI IT Security Controls – Progress Update (B Agenda)	To ask for a report providing an update on the audit actions and covering general security for the May Committee meeting.	Executive Director of Resources	May 2018		The Executive Director of Resources met with Scott Moncrieff on 13 February 2018 and this report is being prepared for Committee.
23	20/02/18	<a href="#">Risks Arising from Carillion PLC Entering Administration</a>	To request a written member briefing on how the Council would monitor the risk with third party contracts and how this	Executive Director of Resources	April 2018		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			could be incorporated into the Council's risk management process.				
24	20/02/18	<a href="#">Licensing Forum - Review of Constitution and Membership</a>	<p>1) To call for a report to the next meeting of the Committee on the current appointment process to the Licensing Forum together with the timelines for reviewing the current process.</p> <p>2) To request a review of the appointment process to the Licensing Forum.</p>	<p>Executive Director of Place</p> <p>Executive Director of Place</p>	<p>March 2018</p> <p>TBC</p>		

## Governance, Risk and Best Value Committee

	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: Overdue Recommendations and Late Management Responses		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	20 March 2018 5 June 2018 September 2018
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	20 March 2018 5 June 2018 September 2018

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	5 June 2018
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	20 March 2018
5	Accounts Commission	Annual report	Local Government in Scotland: Financial Overview	External Audit	Executive Director of Resources	Council Wide	Annually	January 2019
6	Accounts Commission	Annual report	Local Government in Scotland: Performance and Challenges	External Audit	Executive Director of Resources	Council Wide	Annually	May 2018
7	Annual Audit Plan	Scott Moncrieff	Annual audit plan	External Audit	Executive Director of Resources	Council Wide	Annually	March 2018
8	Annual ISA 260 Audit Report	Scott Moncrieff	Annual Audit Report	External Audit	Executive Director of Resources	Council Wide	Annually	September 2018
9	Interim Audit Report	Scott Moncrieff	Interim audit report on Council wide internal financial control framework	External Audit	Executive Director of Resources	Council Wide	Annually	September 2018
10	IT Audit Report	Scott Moncrieff	Scope agreed during annual external audit planning cycle	External Audit	Executive Director of Resources	Council Wide	Annually	October 2018

11	Audit Charter			External Audit	Executive Director of Resources	Council Wide		March 2018
<b>Section B – Scrutiny Items</b>								
12	Governance of Major Projects	TBC	To ensure major projects undertaken by the Council were being adequately project managed	Major Project	Chief Executive	All	TBC	TBC
13	Welfare Reform	Review	Regular update reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	March 2018
14	Review of CLT Risk Scrutiny	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	8 May 2018 September 2018
15	Whistleblowing Quarterly Report		Quarterly Report	Scrutiny	Chief Executive	Internal	Quarterly	March 2018
16	Workforce Control	Staff	Annual report	Scrutiny	Executive Director of Resources	Council Wide	Annual	8 May 2018
17	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best Value Committee	Annual	Date TBC Re-examine after improved information tracking.
18	Monitoring of Council Policies	Democracy	Annual report	Scrutiny	Chief Executive	Council Wide	Annual	Spring 2018
19	Edinburgh Shared Repairs Service and Legacy Closure	Review	Progress reports	Scrutiny	Executive Director of Resources	All	Six-monthly	August 2018

	Programme							
20	Revenue Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	May 2018 August 2018
21	Capital Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	May 2018 August 2018
22	Revenue Outturn	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2018
23	Capital Outturn and Receipts	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2018
24	Treasury – Strategy report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	8 May 2018
25	Treasury – Annual report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2018
26	Treasury – Mid-term report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	January 2019
<b>Section C – Council Companies</b>								
27	Edinburgh Leisure	Review	Progress Report	Scrutiny	Executive Director for Communities and Families	Council Wide	Annual	November 2018
28	Festival City Theatres Trust	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	November 2018



## GRBV Upcoming Reports

## Appendix 1

Report Title	Type	Flexible/Not Flexible
<b>8 May 2018</b>		
Review of CLT Risk Scrutiny	Risk Management	Flexible
Workforce Control	Scrutiny	Flexible
Treasury - Strategy Report	Scrutiny	Flexible
City of Edinburgh Council – 2016/17 Annual Audit Report to the Council and the Controller of Audit - Update	Scrutiny	Flexible
Accounts Commission Annual Report	Scrutiny	Flexible
Complaints Management	Scrutiny	Flexible
Spot Checking on the Dissemination of Council Policies	Scrutiny	Flexible
Status of ICT Programme	Scrutiny	Flexible
External Audit Review of CGI IT Security Controls – Progress Update	Scrutiny	Flexible

Committee Report Process	Scrutiny	Flexible
Principles to Govern the Working Relationships between the City of Edinburgh Council Governance, Risk and Best Value Committee and the Edinburgh Integrated Joint Board Audit and Risk Committee	Scrutiny	Flexible
Accounts Commission Report Regarding Wall at Oxfangs Primary School	Scrutiny	Flexible
<b>5 June 2018</b>		
Internal Audit: Overdue Recommendations and Late Management Responses	Scrutiny	Flexible
Internal Audit Quarterly Activity Report	Scrutiny	Flexible
IA Annual Report for the Year	Scrutiny	Flexible
Internal Audit – Audit and Risk Service: Delivery Model Update	Scrutiny	Flexible
Employee Engagement Update 2016	Scrutiny	Flexible
Project Management/Change Portfolio	Scrutiny	Flexible
National Report on Early Learning and Childcare	Scrutiny	Flexible

# Governance, Risk and Best Value Committee

10.00am, Tuesday 20 March 2018

## Internal Audit Quarterly Update Report: Quarter 3 – (1 October – 31 December 2017)

Item number 7.1  
Report number  
Executive/routine  
Wards  
Council Commitments

### Executive summary

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This report provides details of Internal Audit (“IA”) reviews completed in Quarter 3 and an update on progress with delivery of the 2017/18 Internal Audit plan.

As at 31 December, Internal Audit had issued a total of 11 reports (5 were issued in Quarter 2). The 5 reports issued in Quarter 2 included 18 Findings (2 High; 8 Medium; 5 Low and 3 Advisory). The 2 High rated Findings related to Lothian Pension Fund. Further detail is included at 3.1 below.

The Edinburgh Alcohol and Drug Partnership, Contract Management and Asset Management Strategy reports are recommended for referral to the Edinburgh Integration Joint Board (EIJB) Audit and Risk Committee. No reports were referred by the EIJB Audit and Risk Committee to the Governance, Risk and Best Value Committee (“GRBV”) at their meeting on 1 December 2017.

The rebased IA plan presented to GRBV on 16 January 2018 included a balance of 29 audits to be completed by 31 March 2018. Of these, 2 are completed; 25 are in progress, of which 13 are at draft reporting stage; with 2 audits to be started.

## Internal Audit Quarterly Update Report: Quarter 3 – (1 October – 31 December 2017)

### 1. Recommendations

---

#### 1.1 Committee is recommended to:

- 1.1.1 Note the content of this report;
- 1.1.2 Note that only 2 High rated Findings were raised from work completed in Quarter 3. These relate to the Lothian Pension Fund and will be presented to the Pensions Sub-Audit and Audit Committees respectively for scrutiny at their March 2018 meetings;
- 1.1.3 Approve the recommendation to refer the Edinburgh Alcohol and Drug Partnership Contract Management and Asset Management Strategy audit reports to the EIJB Audit and Risk Committee as the findings raised in these reports could have a direct impact on the services delivered by the Health and Social Care Partnership; and
- 1.1.4 Note that no reports were referred by the EIJB Audit and Risk Committee to GRBV at their meeting on 1 December 2017.

### 2. Background

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- 2.1 Internal Audit is required to deliver an annual plan of work, which is scoped using a dynamic and 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 GRBV Committee for consideration on a quarterly basis.

### 3. Main report

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#### Internal Audit 2017/18 Plan Progress

- 3.1 As at 31 December 2017 Internal Audit had issued a total of 11 final reports in the 2017/18 plan year, with 5 reports issued in Quarter 3. These reports included 2 High; 8 Medium; 5 Low; and 3 Advisory rated recommendations. Further analysis is included at Appendix 1. Details of the High rated findings have not been provided as they relate specifically to Lothian Pension Fund and will be presented at the March Pensions Sub-Audit and Audit Committees for scrutiny.

#### Referrals to and from the Edinburgh Integration Joint Board

- 3.2 The reviews of Edinburgh Alcohol and Drug Partnership, Contract Management and Asset Management Strategy completed in Quarter 2 could have a direct impact on the services delivered by the Health and Social Care Partnership. These reports are therefore being recommended for referral by GRBV Committee to the next meeting of the EIJB Audit and Risk Committee.
- 3.3 No reports were referred by the EIJB Audit and Risk Committee to GRBV at their meeting in December 2017.

#### 2017/18 Annual Plan Completion

- 3.4 The position at 31 December 2017 left a balance of 29 audits, based on the rebased IA plan, to be completed by 31 March 2018. Progress with these audits as at 9 February is detailed below:

Audits to be completed by 31st March (per rebased IA plan)	29
Completed	2
Draft reports issued	4
Draft reports in preparation	9
Audits in progress (fieldwork)	3
Audit in progress (planning)	9
Audits to be started – note that these are PwC specialist audits	2

- 3.5 Further detail is included at Appendix 2 below.

#### Overdue Internal Audit Recommendations

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

## **Resourcing**

- 3.7 Sufficient temporary resource has been obtained from a combination of the market and PwC to support delivery of the 2017/18 IA plan. This will enable completion of all remaining audits in the Plan to draft reporting stage by 31 March 2018.
- 3.8 Recruitment for the vacant Principal Audit Manager has been successfully completed and the appointed candidate will join the team in March 2018. Further recruitment is being undertaken for the increased Senior Auditor capacity approved by the Executive Director of Resources. Workload and capacity issues are being reviewed on an ongoing basis within the team at present.

## **4. Measures of success**

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

## **5. Financial impact**

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- 5.1 Additional unplanned costs of up to £100k have been incurred that are not reflected in the current 2017/18 Internal Audit budget. This additional spend has been approved by the Executive Director of Resources on a one-off basis using Resources Directorate contingency funding. This will not lead to a recurring increase in the Internal Audit budget.

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

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- 6.1 If the rebased Internal Audit plan is not fully delivered, there will be insufficient coverage of the Council's High and Medium rated risks, which could impact upon the 2017/18 Internal Audit opinion.

## **7. Equalities impact**

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- 7.1 There are no specific equalities implications arising from the content of this report. Individual IA reports with equalities impacts are addressed with the responsible management owner.

## 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.

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## 11. Appendices

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**Appendix 1:** Summary of Internal Audit reports issued and findings raised during Quarter 3 2017/18 (1<sup>st</sup> October 2017 – 31<sup>st</sup> December 2017).

**Appendix 2:** Summary of work in progress as at 9<sup>th</sup> February 2017.

## Appendix 1

### Summary of Internal Audit reports issued and findings raised during Quarter 3 2017/18 (1 October 2017 – 31 December 2017)

Internal Audit reports	Findings			
	High	Medium	Low	Advisory
Ross Bandstand Project Assurance Review	-	1	-	-
* Lothian Pension Fund – Information Governance	-	2	3	1
*Lothian Pension Fund Business Continuity / Disaster Recovery	2	-	-	-
# Edinburgh Alcohol and Drug Partnership – Contract Management	-	2	-	1
# Asset Management Strategy	-	3	2	1
<i>Total</i>	2	8	5	3
<b>No Audit reports have been referred to the Governance, Risk and Best Value Committee by the Edinburgh Integration Joint Board Audit and Risk Committee.</b>				
<b>*These reports are subject to scrutiny by the Pensions Audit Committee, but have been included for completeness.</b>				
<b># These reports are recommended for referral to the Edinburgh Integration Joint Board as they may have either a direct or indirect impact on the services delivered by the Edinburgh Health and Social Care Partnership.</b>				



## Appendix 2

### Audits to be completed by 31 March 2018 – Status as at 9 February 2018

<u>Audit Title</u>	<u>Status</u>	<u>Comments</u>
<b>Health and Social Care</b>		
Care Homes	Complete	Final report issued 11 <sup>th</sup> February 2017
Health and Social Care Social Work Centres – Bank Account Reconciliations	Draft report issued	Will complete end February 2018
Care Inspectorate Report	Planning	
<b>IJB</b>		
Purchasing Budget Management	Fieldwork	Timeframes for completion extended to 31 March 2018.
Community Care Capacity and Access	Planning	
<b>Resources</b>		
Customer Transformation	Draft Report issued	Will complete end February 2018
HR and Payroll - Drivers	Planning	This review will cover a number of Service Areas where drivers are employed.
CGI Contract Management and Cyber Maturity (PwC)	Not started	Will be delivered by PwC specialists, but will require IA time and support
<b>Safer and Stronger</b>		
CCTV Infrastructure	Draft report issued	Will complete end February 2018
<b>Communities and Families</b>		
Foster Care	Draft report preparation	Will complete end February 2018

<b>Resources - Lothian Pension Fund</b>		
Payroll Outsourcing	Draft report preparation	Will complete end February 2018
Pension Tax	Draft report preparation	Draft report being prepared. Will complete end February 2018
<b>Place</b>		
Port Authority Security	Draft report preparation	Will complete end March 2018
St James project	Draft report preparation	Will complete end February 2018
Zero Waste project	Draft report preparation	Will complete end February 2018
Planning Control	Draft report issued	Will complete end February 2018
Edinburgh Building Services	Draft report preparation	Will complete end February 2018
Edinburgh Roads Services	Cancelled	Engagement with Place has confirmed that there has not been sufficient progress with implementation of the new roads plan to support IA review. This has now been replaced with a review of Structures and Flood Prevention (see below).
Structures and Flood Prevention	Planning	Replaces planned review of Edinburgh Roads Services.
Meadowbank Project	Cancelled	Engagement with Place has confirmed that the project has not progressed sufficiently to support IA review. Discussions ongoing with Place to determine whether this can be replaced with a review of the Fleet project.
Fleet Project	Planning	Was removed from plan as per December 2017 rebase. Discussions are ongoing with Place to determine whether project has sufficiently progressed to reinstate in plan and replace Meadowbank project review.

Health and Safety – Waste and Recycling (PwC)	Not started	Will be delivered by PwC specialists, but will require IA time and support
<b>Chief Executive's - Strategy and Insight</b>		
Programme Management and Benefits Realisation	Complete	Final report issued 30 <sup>th</sup> January 2017.
Resilience	Planning	
<b>Council Wide</b>		
Phishing	Draft report preparation	Will be delivered by PwC specialists, but will require IA time and support.
Records Management – St Katherine's	Fieldwork	Completion date to be determined. A project has now been established within Strategy and Insight to support completion. Likely that this review will continue into the 2018/19 plan year.
Validation of previously closed recommendations	Fieldwork	Addition to the plan in quarter 3.
GDPR Readiness (PwC)	Planning	Will be delivered by PwC specialists, but will require IA time and support.
<b>Other</b>		
Edinburgh Tattoo	Draft Report preparation	One review performed per annum.
SesTran	Planning	One review performed per annum.
Lothian Valuation Joint Board	Planning	One review performed per annum.

# Governance, Risk and Best Value Committee

10.00am, Tuesday 20 March 2018

## Internal Audit Annual Plan 2018-19

Item number	7.2
Report number	
Executive/routine	
Wards	
Council Commitments	

### Executive Summary

---

The purpose of this paper is to present the draft Internal Audit (IA) plan and supporting risk assessment for the period 1 April 2018 to 31 March 2019 (the 2018/19 plan) to the Committee for approval.

It is Internal Audit's opinion that the draft plan will provide the appropriate level of assurance on the control frameworks designed to manage the Council's most significant risks, and that the plan can be delivered by currently available and planned Internal Audit resources.

A total of 48 reviews are included in the draft 2018/19 plan, including 9 audits to be delivered for arms-length and external organisations.

The current co-source arrangement with PwC will continue be used in 2018/19, where the required skills sets are not available within the IA team.

No reliance will be placed on assurance reviews performed by other second and third line of defence assurance providers to support the 2018/19 Internal Audit Annual Opinion.

## Internal Audit Annual Plan 2018-19

### 1. Recommendations

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- 1.1 The Committee is requested to review and approve 2018/19 Internal Audit plan and supporting risk assessment.

### 2. Background

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- 2.1 The IA plan is driven by Public Sector Internal Audit Standards (PSIAS) requirements; the Council's organisational objectives and priorities; and an assessment of the risks that could prevent the Council from meeting those objectives and providing services to citizens.
- 2.2 The approach applied in developing the plan considered the outcomes of work performed by across the Council by other second and third lines of defence assurance providers, and the extent to which reliance can be placed upon them.
- 2.3 The Audit Scotland Code of Audit Practice 2016 has also been considered and a coordinated and integrated approach with Scott Moncrieff (the Council's External Auditors) has been applied in developing the plan.
- 2.4 The risk assessment that supports development of the Internal Audit annual plan and drives the frequency of coverage across service areas is based upon a review of the Council's current risk registers; ongoing Internal Audit attendance at quarterly CLT and Directorate Risk Committee meetings; knowledge of new projects and initiatives undertaken by the Council; consideration of prior year Internal Audit findings; and consideration of the current open and overdue Internal Audit recommendations position.
- 2.5 Adequacy and capability of Internal Audit resources has also been reviewed to confirm that sufficient resources, skills and capability are available to support delivery of the plan.

### 3. Main report

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- 3.1 The internal audit plan reflects the key areas of Internal Audit focus for 2018/19 and is based upon the PSIAS; the Council's organisational objectives and priorities; and an assessment of the CLT risks that could prevent the Council from meeting those objectives and providing services to citizens.

- 3.2 The plan includes an increased number of Council-wide and multiple service area reviews. These have been included to provide assurance on the key controls established to manage the most significant risks associated with services and processes that span across the Council.
- 3.3 A total of 48 reviews are included in the 2018/19 Internal Audit plan. Of these, 39 will be delivered across the Council reflecting a decrease of one audit in comparison to the 2017/18 plan.
- 3.4 As in 2017/18, 9 audits will be delivered for arm's length and external organisations: 3 for the Lothian Pension Fund, and the remaining 6 for the Lothian Valuation Joint Board (1); SEStran (1); the Edinburgh Royal Military Tattoo (1) and the Edinburgh Integration Joint Board (3).
- 3.5 The plan also includes two key Internal Audit activities: the monthly follow-up process (circa 10% of total plan days); and time for internal Internal Audit quality assessment. The last external quality assessment (EQA) was performed in 2016/17, and the next will be completed in 2021/22, in compliance with the five-year EQA cycle requirement specified in the PSIAS.
- 3.6 Some specialist skills will be required during the year and PwC will be requested to deliver 5 specialist audits. This will leave a balance of 43 audits to be delivered by the Council's Internal Audit team requiring a total of 1,345 audit days.. Contingency time (70 days) has also been reflected within the plan, although as with 2017/18 the audit plan may need to be reviewed during the year to deal with any changes in resource availability or areas of risk requiring reactive focus.
- 3.7 The Council has commenced recruitment for two additional members of staff to further reduce reliance on external providers. This approach will increase internal delivery capacity, allowing increased focus on supporting and validating implementation of management actions whilst maintaining broadly the same audit coverage as in the 2017/18 plan year.
- 3.8 A 'reserve list' of audits has also been prepared that have not been included in the plan. Where any planned audits cannot be completed (for example, where a decision has been taken that a major project will not progress), the risks associated with the areas included on the reserve list will be considered and an alternative audit selected.
- 3.9 Whilst assurance work performed by other second and third line assurance providers have been considered as part of the risk assessment processes, Internal Audit will not place reliance upon these other sources of assurance to support the 2018/19 annual Internal Audit Opinion.
- 3.10 Additional key points to note in relation to the plan are:
  - 3.10.1 Ongoing focus on major projects with four project governance assurance reviews included in the plan;
  - 3.10.2 Follow-up days have increased from 55 to 140 with the objective of supporting Service Areas in effectively implementing agreed management

actions by the agreed implementation dates and reducing the volume of overdue Internal Audit recommendations; and

3.10.3 A 'validation' audit has been introduced to assess whether management actions implemented to address historic control gaps raised by Internal Audit have been sustained and remain effective.

3.10.4 The plan also includes indicative quarterly timeframes for reviews, however some reviews (for example Payroll) require to be completed within a specific quarter to enable external audit to work with or place reliance upon Internal Audit.

3.11 A summary of specific service area coverage in comparison to 2017/18 is detailed below. Please note that specific service area coverage will increase as a result of the increased number of Council -ide and thematic reviews.

Directorate	2018/19 reviews	2017/18 reviews	Comments
Council Wide	8	5	Council wide reviews will predominantly focus on Health and Social Care; Safer and Stronger Communities; Place; and Resources (Customer)
Major Project Reviews	4	5	
Resources	11	10	
Chief Exec / Strategy and Insight	3	3	
Communities and Families	2	3	Whilst the volume of reviews has decreased, adequate assurance will be provided by inclusion in planned Council Wide reviews
Health and Social Care	1	3	Covered by Council Wide Reviews
Place	10	8	Includes 2 annual reviews of Scottish Government and Department for Transport
Safer and Stronger Communities	-	3	Whilst the volume of reviews has decreased, adequate assurance will be provided by inclusion in planned Council Wide reviews
Totals	39	40	

## **4. Measures of success**

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- 4.1 Delivery of a risk based plan that provides assurance on the key risks facing the Council and supports the 2018/19 Internal Audit Annual Opinion.

## **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 IA plan has been prepared in compliance with the annual planning requirements specified by the Public Sector Internal Audit standards.

## **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 The Corporate Leadership Team; Senior Management; political groups; and elected members of the Governance, Risk and Best Value Committee have been consulted and engaged when developing the plan.

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

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- 10.1 [Public Sector Internal Audit Standards](#)

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Chief Internal Auditor


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## **11. Appendices**

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Appendix 1 – Internal Audit Annual Plan 2018-19



The background image shows the Scott Monument, a tall Gothic Revival tower in Edinburgh, Scotland. The monument is dark stone with intricate carvings and a spire. It is set against a bright blue sky with a few white clouds. In the foreground, there is a green lawn with a path. A large, leafless tree stands to the left of the monument. The ground is covered with a dense field of colorful flowers, including purple and yellow ones. A few people are visible walking on the path.

# The City of Edinburgh Council

## **Draft** Internal Audit Annual Plan 2018/19



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# 1. Introduction and Approach

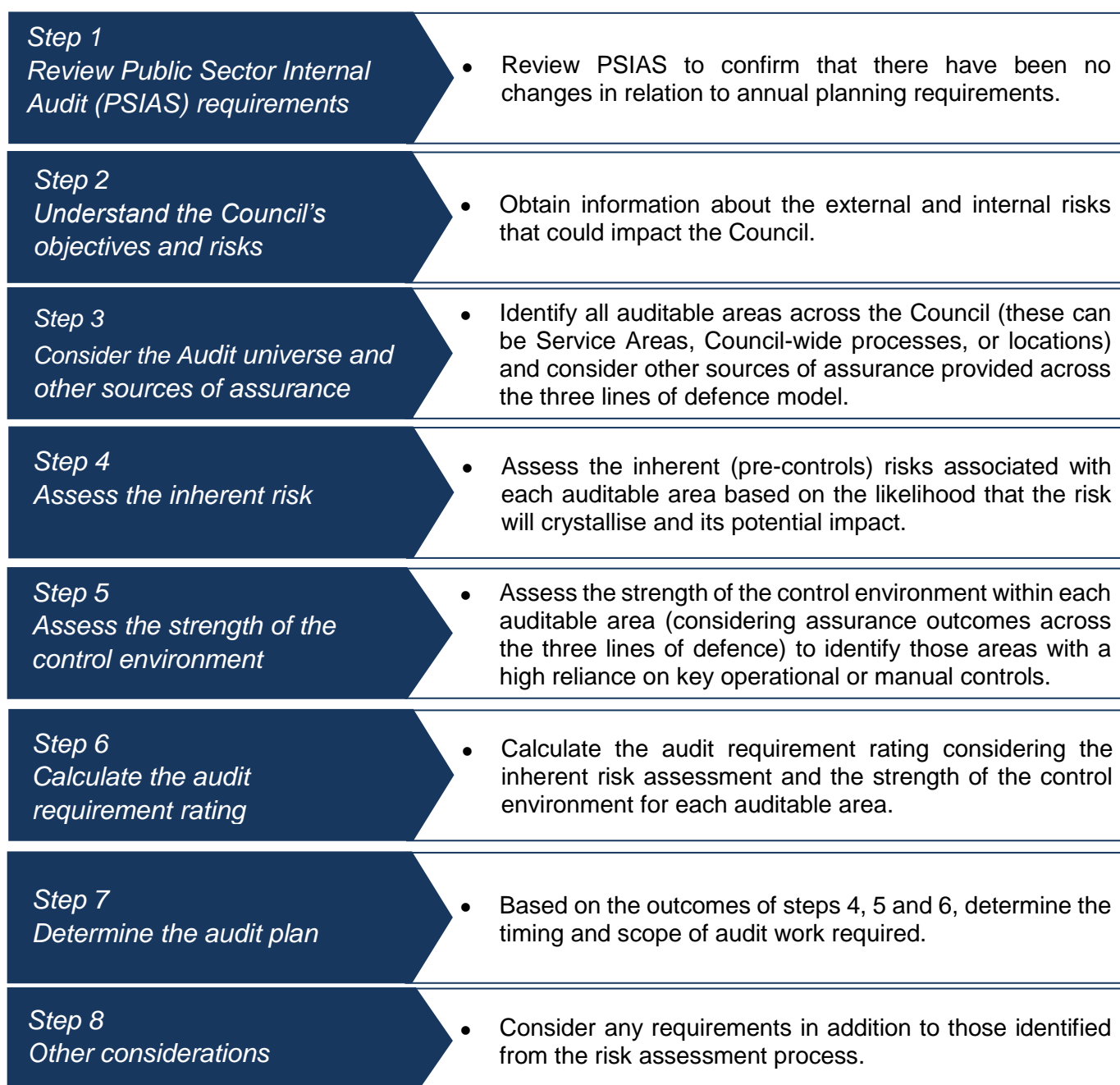
## 1.1 Introduction

This document sets out the scope of the Internal Audit (IA) 2018/19 annual plan and supporting risk assessment for The City of Edinburgh Council (the Council). The objective of the plan is to deliver assurance on the design adequacy and operating effectiveness of the key controls established across Council Service Areas to mitigate the Council's most significant risks.

## 1.2 Approach

A summary of the approach applied when assessing the Council's key risks and preparing the annual plan is set out below in Figure 1. The IA plan is driven by Public Sector Internal Audit Requirements (PSIAS); the Council's organisational objectives and priorities; and an assessment of the risks that could prevent the Council from meeting those objectives and providing services to citizens. A more detailed description of our approach can be found in Appendices 1 and 2.

Figure 1: Approach applied in developing the 2018/19 IA Annual Plan



### **1.3 Public Sector Internal Audit Standards Requirements – Step 1**

The IA plan has been developed based on the requirements of the Public Sector Internal Audit Standards (PSIAS) which specify that:

- the Chief Internal Auditor (CIA) must develop a risk based plan that is consistent with the organisation's goals, and determines the priority of IA activity;
- the plan must be based on a documented risk assessment, undertaken at least annually, with input from senior management and the board;
- the CIA must consult with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, and associated risks and risk management processes;
- the plan must consider the requirement to produce an annual internal audit opinion;
- the plan must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to organisational objectives and priorities;
- the CIA must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval;
- the CIA must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan;
- the plan must explain how internal audit's resource requirements have been assessed. Where the CIA believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board; and
- the CIA must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.

### **1.4 Understand the Council's Objectives and Risks – Step 2**

The annual Internal Audit Plan is based on an annual assessment of the key risks across the Council's Service Areas (the audit universe). The outcomes of the risk assessment process are included at Section 2.

The risk assessment process involved attendance at relevant risk and governance meetings, combined with stakeholder engagement across the Council to understand their perspective on the Council's objectives and new and emerging risks.

Meeting attendance and documentation review:

- Review of the Council's current Risk Registers (Corporate Leadership Team; Directorate; and Service Areas);
- Ongoing IA attendance at quarterly CLT and Directorate Risk Committee meetings;
- Regular meetings with the Chief Risk Officer, Executive Directors, and Heads of Service to identify any new and emerging risks.
- Knowledge of new projects/initiatives undertaken by the Council;
- Consideration of prior year Internal Audit findings; and
- Consideration of the status of open and overdue IA recommendations.

Stakeholder engagement:

- Elected members from all political groups
- Directors and Heads of Service;
- Members of the Governance, Risk, and Best Value Committee; and

- External audit (Scott Moncrieff).

*Further details on the risk based approach and methodology applied are included at Appendices 1 and 2.*

## **1.5 The Audit Universe and other assurance providers – Step 3**

The Council's audit universe is essentially its entire organisational structure. For completion of the risk assessment and development of the annual plan, the structure has been divided into central support service areas within Resources and Strategy and Insight and citizen support service areas that provide services directly to the citizens of Edinburgh found in all Directorates.

### **1.5.1 Localities Model**

Both the Health and Social Care Partnership and Place operate locality models, where services provided by the Council are grouped and managed under four geographic localities (North East; North West; South East; and South West) that are common to both the Council and other public and third sector organisations across Edinburgh. Localities are also supported by the 12 existing Neighbourhood Partnerships.

Whilst Localities have not been identified as distinct auditable areas within the plan, audit work performed will cover how Council services are provided across the four Localities and will consider the potentially different risk profiles across the Localities.

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

The Portfolio and Governance team within Strategy and Insight are in the process of developing a new approach to the management of change to ensure effective oversight of the Council's Portfolio of Change and application of a consistent project management approach across all significant projects. To confirm that the new approach has been implemented effectively and is being consistently applied, IA will perform a number of project governance and management reviews of major projects as part of the 2018/19 plan. These projects have not been included as auditable areas for the purposes of the risk assessment supporting the plan. Further details of the projects to be reviewed are included at section 3.5.4.

### **1.5.3 Centre visits**

A further review of Care Homes has also been included in the 2018/19 IA plan. This will focus specifically on the three Care Homes that were rated as 'red' following our review of the Council's ten Care Homes completed in 2017/18 in conjunction with Health and Safety and Information Governance, and will assess whether the operational control weaknesses identified have been satisfactorily addressed.

### **1.5.4 Lothian Pension Fund**

The Council's IA team also provides audit services to the Lothian Pension Fund. This comprises three audits each year and a total of 60 audit days. These audits will be performed for the Pensions Audit and Sub Audit committees and will not be subject to scrutiny by GRBV.

### **1.5.5 Edinburgh Integration Joint Board**

Audit services are also provided by the Council's IA team to the Edinburgh Integration Joint Board (EIJB) This comprises three audits each year and a total of 75 audit days. These audits are performed for the EIJB and will not be subject to scrutiny by GRBV. However, it is expected that the EIJB Audit & Risk Committee would refer any relevant internal audit reports to GRBV under the existing reciprocal referral arrangements.

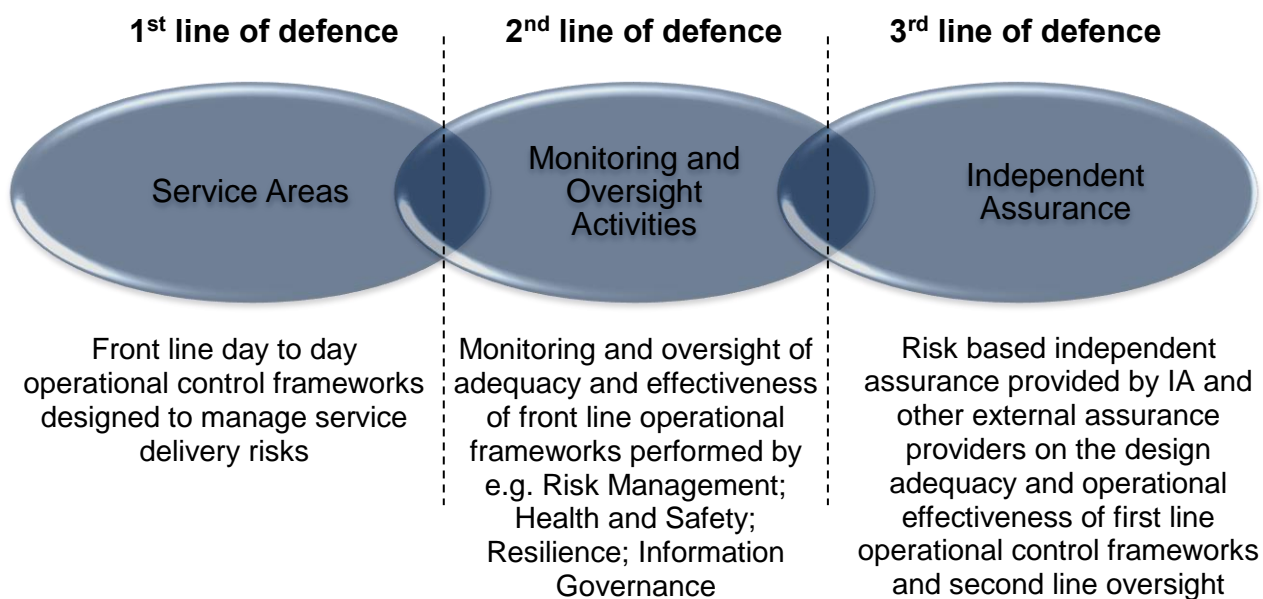
## 1.5.6 Other Organisations

Assurance is also provided by the Council's IA team to three external arm's length organisations (the Lothian Valuation Joint Board; the Royal Edinburgh Military Tattoo; and the South East of Scotland Transport Partnership (SEStran)). This involves one audit for each organisation and a total of 45 audit days.

## 1.5.7 The Three Lines of Defence Model

The approach applied in developing the plan also considers Internal Audit's role as one of the Council's 3<sup>rd</sup> line of defence independent assurance providers. The diagram below outlines the three lines of defence assurance model.

Figure 2: The Three Lines of Defence Model



## 1.5.8 Other sources of assurance – 2<sup>nd</sup> and 3<sup>rd</sup> Lines of Defence

In developing the IA risk assessment and plan we have considered other sources of assurance provided to the Council across the second and third lines of defence and have assessed the extent to which reliance can be placed upon them. These include:

- **Second Line** - Risk Management; Health and Safety; Information Governance; Resilience; Portfolio and Governance; and Quality, Governance and Regulation.
- **Third Line** - Care Inspectorate; Child Protection Inspection Unit; Education Scotland; Scottish Government; and the Information Commissioner.
- **Third Line** - External audit performed by Scott Moncrieff.

IA does not place reliance upon these other sources of assurance to support the annual opinion. However, the outcomes of reviews performed by the second and third lines were considered when assessing the strength of the control environment for each auditable area as part of the risk assessment process.

## 1.5.9 Coordinated and Integrated approach with External Audit

The Audit Scotland Code of Audit Practice 2016 notes (at section 33) that it is important that external auditors coordinate their work with IA; Audit Scotland; other external auditors; and relevant scrutiny bodies to recognise the increasing integration of service delivery and partnership working within the public sector.

A coordinated and integrated approach also supports achievement of value for money by removing unnecessary duplication, and will provide a clear programme of assurance for the Council.

To support this objective, three specific audit reviews have been identified where a coordinated and integrated approach will be applied, with internal and external audit (Scott Moncrieff) working together to deliver assurance. These reviews include a review of the Tram extension project; systems access controls; and a review of the Enterprise Resource Planning (ERP) system project. A further two reviews have been identified (payroll, and payments and charges) where Scott Moncrieff will endeavour to place reliance on the work performed by IA for their 2018/19 financial statements review.

## 2. Risk assessment – Steps 4 to 6

### 2.1 Risk assessment results

Each auditable area across the Council has been assessed for inherent risk based on the impact and likelihood that the risk will crystallise, and the strength of the control environment which is based on completed IA reviews; the current open and overdue audit recommendations profile; and the outcomes of reviews performed by other second and third line assurance providers.

Inherent risk and control effectiveness has been scored by Internal Audit, and an audit requirement rating and frequency calculated in accordance with the detailed methodology set out in Appendices 1 and 2. The audit requirement rating drives the frequency of internal audit work for each auditable area. The audit plan is a rolling programme which aims to ensure that auditable units are subject to an internal audit at least once in a three-year cycle based the highest risk auditable areas.

Ref	Auditable Area	Inherent Risk	Control Effectiveness	Audit Requirement Rating	Frequency	Included in 2018/19 Plan	Included in 2017/18 Plan	Included in 2016/17 Plan	Other Assurance / Notes
<b>Key to audit requirement rating: ● Annual; ● Every 2 years; ● Every three years; ● No assurance work required</b>									
<b>Central Support Service Areas</b>									
<b>A</b>	<b>Resources</b>								
A.1	ICT	5	2	●	1	Y	Y	Y	Audit Scotland external audit performed by Scott Moncrieff.
A.2	Health and Safety	5	3	●	1	Y	Y	Y	Second Line Health and Safety Assurance Programme
A.3	Risk Management	4	2	●	2	N	N	Y	Due for review in 2018/19, but will be included in 2019/20 plan.
A.3	HR & Payroll	5	2	●	1	Y	Y	Y	Audit Scotland external audit performed by Scott Moncrieff.
A.4	Finance and Treasury	4	3	●	2	N	Y	Y	Audit Scotland external audit performed by Scott Moncrieff.
A.5	Procurement	4	3	●	2	Y	N	Y	



Ref	Auditable Area	Inherent Risk	Control Effectiveness	Audit Requirement Rating	Frequency	Included in 2018/19 Plan	Included in 2017/18 Plan	Included in 2016/17 Plan	Other Assurance / Notes
A.6	Investment and Pensions	5	3	●	1	Y	Y	Y	External audit performed by Scott Moncrieff, and regulatory compliance reviews performed by external consultants.
A.7	Insurance Services	2	3	●	0	N	N	N	Low risk – no IA coverage required
A.8	Customer	4	3	●	2	Y	N	Y	
A.9	Business Support	4	2	●	2	Y	Y	N	Will be included in 2018/19 Council Wide reviews
A.10	Properties and Facilities Management	5	3	●	1	Y	Y	Y	
<b>B</b>	<b>Strategy and Insight</b>								
B.1	Information Governance	5	3	●	1	Y	Y	Y	Information Commissioner's Office
B.2	Performance and Business Analytics	4	3	●	2	Y	Y	Y	
B.3	Portfolio and Governance	5	2	●	1	Y	Y	Y	
B.4	Resilience	5	3	●	1	Y	Y	N	ISO external certification
B.5	Corporate Governance	2	3	●	0	N	N	Y	
<b>Citizen Support Service Areas</b>									
<b>C</b>	<b>Communities and Families</b>								
C.1	Schools & Community Services	5	3	●	1	Y	N	Y	School inspections undertaken by Education Scotland; internal reviews performed by Quality, Governance, and Regulation.

Ref	Auditable Area	Inherent Risk	Control Effectiveness	Audit Requirement Rating	Frequency	Included in 2018/19 Plan	Included in 2017/18 Plan	Included in 2016/17 Plan	Other Assurance / Notes
C.2	Children's Services	5	3	●	1	Y	Y	Y	Care Inspectorate inspections; internal reviews performed by Quality, Governance, and Regulation. Will be included in 2018/29 Council Wide review of Emergency Prioritisation.
C.3	Operational Support	3	3	●	3	Y	N	N	Included as schools major project review for 2017/18.
<b>D</b>	<b>Health and Social Care</b>								
D.1	Accommodation	5	2	●	1	Y	Y	Y	Care Inspectorate inspections. Care homes follow-up review included in 2017/18 plan.
D.2	Assessment, Support, Planning, and Review	5	2	●	1	Y	Y	Y	Care Inspectorate inspections; internal reviews performed by Quality, Governance, and Regulation.
D.3	Community Based Support	4	3	●	2	N	Y	Y	Internal reviews performed by Quality, Governance, and Regulation.
D.4	Community Alarm and Telecare	4	3	●	2	Y	N	N	Included within scope of emergency prioritisation review in 18/19 plan.
D.5	Rights and Protection	5	3	●	1	Y	Y	N	Internal reviews performed by Quality, Governance, and Regulation. Will be included in 2018/19 Council Wide reviews.
D.6	Sensory Support - Disabilities	2	3	●	0	N	N	N	Care Inspectorate inspections
<b>E</b>	<b>Place</b>								
E.1	Waste and Cleansing	5	3	●	1	Y	Y	Y	
E.2	Scientific, Bereavement and Registration Services	5	3	●	1	Y	Y	Y	Included in scope of emergency prioritisation review.

Ref	Auditable Area	Inherent Risk	Control Effectiveness	Audit Requirement Rating	Frequency	Included in 2018/19 Plan	Included in 2017/18 Plan	Included in 2016/17 Plan	Other Assurance / Notes
E.3	Edinburgh Roads Services	5	2	●	1	Y	N	Y	
E.4	Fleet and Workshops	4	2	●	2	Y	Y	N	
E.5	Parks, Greenspace, and Cemeteries	3	3	●	3	Y	N	N	Will be included in scope of Health and Safety Life Safety review.
E.6	Transport Infrastructure – street lighting, traffic signals, structures and flood prevention	5	4	●	1	Y	Y	Y	Due for review in 2018/19, but will be included in 2019/20 plan.
E.7	Culture	3	4	●	3	N	N	Y	Due for review in 2018/19, but will be included in 2019/20
E.8	Transport Network – road safety; public transport; citywide networks and parking and traffic regulation	3	3	●	3	Y	N	N	
E.9	Citywide Transport and Planning	3	3	●	3	N	N	N	Due for review in 2018/19, but will be included in 2019/20 plan.
E.10	Planning and Building Standards	4	2	●	2	Y	Y	N	
E.11	Sustainability	3	3	●	3	Y	N	Y	
E.12	Housing Management and Development	3	3	●	3	N	Y	Y	
E.13	Regulatory Services	4	3	●	2	Y	N	Y	
E.14	Economic Development	3	3	●	3	N	N	N	Due for review in 2018/19, but will be included in 2019/20 plan.
E.15	Housing Property	4	3	●	2	N	Y	Y	
<b>F</b>	<b>Safer and Stronger Communities</b>								

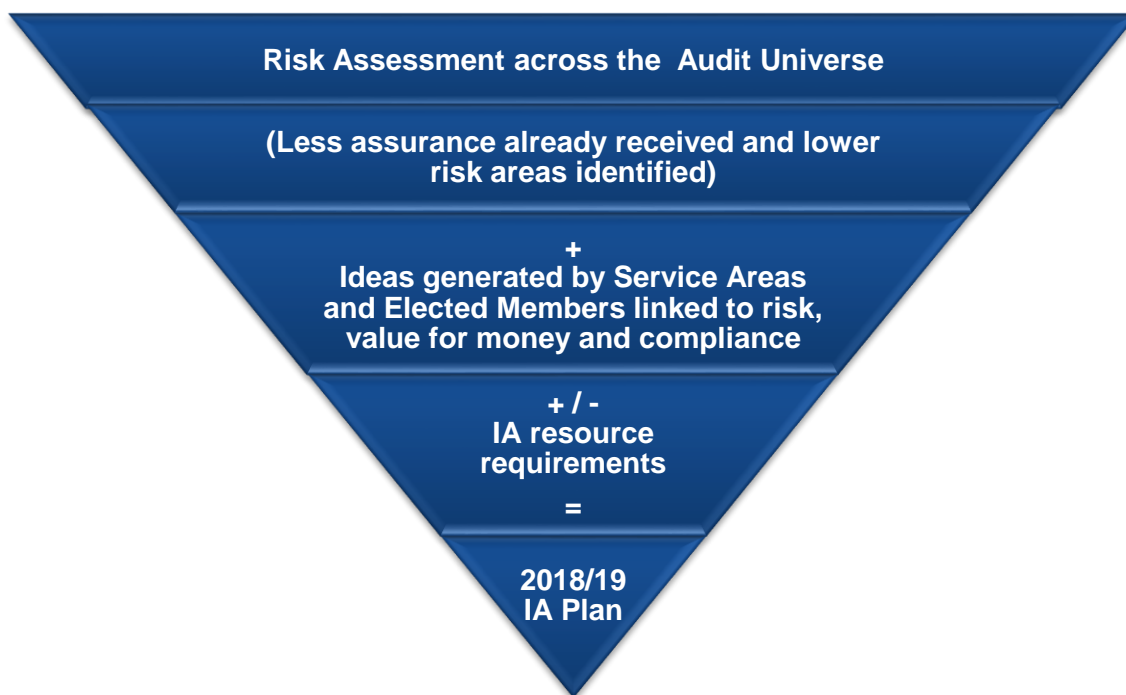
Ref	Auditable Area	Inherent Risk	Control Effectiveness	Audit Requirement Rating	Frequency	Included in 2018/19 Plan	Included in 2017/18 Plan	Included in 2016/17 Plan	Other Assurance / Notes
F.1	Homelessness and Housing Support	5	3	●	2	Y	Y	N	Care Inspectorate inspections. Council Wide review for 2017/18.
F.2	Community Justice	2	3	●	0	N	Y	N	Internal reviews performed by Quality, Governance, and Regulation.

### **3. Annual Internal Audit plan – Step 7**

#### **3.1 Developing the IA annual plan**

The next stage of the process following completion of the risk assessment is to build the annual IA plan, and figure 3 below illustrates how this is achieved.

Figure 3: IA annual planning process



#### **3.2 Internal Audit Resources**

As part of the annual planning process, the level of IA resources, experience and skills was considered. The overall capacity of currently projected available IA resources for 1 April 2018 to 31 March 2019 is 1,936 days. Allowing for time reserved to support team training and personal development; performance management, ongoing enhancement of our audit system, and governance and committee reporting activities, approximately 1,345 days (compared with 1,317 in 2017/18) are available to support delivery of the plan.

A co-source arrangement is also in place with PwC, with the potential to use them to support up to eight specialist audits where the required skills sets are not available within the IA team.

The current structure and arrangements provide sufficient capacity and capability to enable delivery of the proposed audit plan and provision of an appropriate level of assurance over the Council's most significant risks to support the annual Internal Audit opinion.

Any resourcing concerns that occur during the year will be discussed initially with the Head of Legal and Risk and the Executive Director of Resources; the CLT; and the relevant Convenors. If resourcing issues remain unresolved following these discussions, the matter will be highlighted to a full GRBV Committee Meeting.

#### **3.3 Basis of our annual internal audit opinion**

In developing the annual plan, we have considered the PSIAS requirement to produce an annual Internal Audit Opinion by determining the necessary level of internal audit coverage to provide assurance over the Council's audit universe and key risks.

Our annual Internal Audit Opinion will be based on and limited to the outcomes from internal audits completed during the year, and the reported overdue IA recommendations position as at 31 March 2019, with no reliance placed on assurance provided by other parties.

Internal audit work supporting the annual Opinion will be performed in accordance with our IA methodology which is aligned to PSIAS requirements. Consequently, our work and deliverables are not designed or intended to comply with any other auditing standards.

We do not believe that the current level of available IA resources will impact adversely on the provision of the annual Internal Audit Opinion for 2018/19.

### **3.4 Other considerations**

In addition to the audit work defined through the risk assessment process described above, we may be requested by, for example, GRBV Committee; a specific regulatory body: the Scottish Government; or the Council's statutory Monitoring Officer to complete additional reviews. Where this occurs, the Audit Plan will be reviewed to assess which audits can be cancelled to accommodate the additional request. All significant changes made will be risk based and subject to review by the CLT and GRBV Committee.

## **3.5 Internal Audit Annual Plan 2018 – 19**

### **3.5.1 Plan Summary**

The internal audit plan detailed below reflects the key areas of IA focus for 2018/19 and is based upon the PSIAS; the Council's organisational objectives and priorities; and an assessment of the CLT risks that could prevent the Council from meeting those objectives and providing services to citizens. Each proposed review for 2018/19 has been cross referenced to the corresponding key CLT risks, and the latest CLT risk register is also included at Appendix 4 for reference.

The plan includes an increased number of Council-wide reviews and multiple Service Area reviews that will focus predominantly on Health and Social Care; Safer and Stronger Communities; Place; and Resources (Customer). These have been included to provide assurance on the key controls established to manage the most significant risks associated with services and processes that span across the Council.

A total of 48 reviews are included in the 2018/19 IA plan. Of these 39 will be delivered across the Council reflecting a decrease of one audit in comparison to the 2017/18 plan.

As in 2017/18, 9 audits will be delivered for arm's length and external organisations: 3 for the Lothian Pension Fund, and the remaining 6 for the Lothian Valuation Joint Board (1); SEStran (1); the Edinburgh Royal Military Tattoo (1) and the Edinburgh Integration Joint Board (3).

The plan also includes two key IA activities: the monthly follow-up process (circa 10% of total plan days); and time for internal IA quality assessment. The last external quality assessment (EQA) was performed in 2016/17, and the next will be completed in 2021/22, as per the five-year EQA cycle requirement specified in the PSIAS.

PwC will be requested to deliver 5 specialist audits, leaving a balance of 43 audits to be delivered by the Council's IA team, using a total of 1,345 audit days based on currently available IA resources (refer section 3.2 above). Contingency time (70 days) has also been reflected in the plan.

A 'reserve list' of audits has also been prepared (refer Appendix 3), that have not been included in the plan. Where any planned audits cannot be completed (for example, a decision has been taken that a major project will not progress), the risks associated with the areas included on the reserve list will be considered and an alternative audit selected.

Additional key points to note in relation to the plan are:

1. Ongoing focus on major projects with four project governance assurance reviews included in the plan;
2. Follow-up days have increased from 55 to 140 with the objective of supporting Service Areas in effectively implementing agreed management actions by the agreed implementation dates and reducing the volume of overdue IA recommendations; and
3. A 'validation' audit has been introduced to assess whether management actions implemented to address historic control gaps raised by IA have been sustained and remain effective.

A summary of specific Service Area coverage in comparison to 2017/18 is detailed below. Please note that specific Service Area coverage will increase as a result of Council wide and thematic reviews.

Directorate	2018/19 reviews	2017/18 reviews	Comments
Council Wide	8	5	Council wide reviews will include all major service areas of the Council.
Major Project Reviews	4	5	
Resources	11	10	
Chief Exec / Strategy and Insight	3	3	
Communities and Families	2	3	Covered by Council wide Reviews
Health and Social Care	1	3	Covered by Council wide Reviews
Place	10	8	Includes 2 annual reviews of Scottish Government and Department for Transport
Safer and Stronger Communities	-	3	Covered by Council wide Reviews
Totals	39	40	

### ***3.5.3 Coordinated and Integrated approach with External Audit***

As noted at section 1.5 above, a coordinated and integrated approach will be adopted with IA and Scott Moncrieff working together to deliver assurance on three reviews: the Tram extension project; systems access controls; and a review of the Enterprise Resource Planning (ERP) system project. A further two reviews have been identified (payroll, and payments and charges) where Scott Moncrieff will endeavour to place reliance on the work performed by IA for their 2018/19 financial statements review.

### 3.5.4 Internal Audit Annual Plan 2018 - 19

Auditable Area	Description	Q1	Q2	Q3	Q4	Audit Days	Link to Risk	Fraud (H/M/L)
* Audit reviews where timing is specifically aligned to enable external audit to work with or place reliance on IA								
<b>Council-Wide – 8 reviews</b>								
All major Service Areas of the Council	(1) <u>Quality, Governance, and Regulation</u> Review the adequacy and effectiveness of the second line quality, governance, and regulation team, and assess their effectiveness in supporting the Chief Social Worker's annual attestation.	✓				25	CLT1	Medium
	(2) <u>Payments and Charges</u> Review will assess the design adequacy and control effectiveness to support payments processing and application of payments and charges across Health and Social Care (self-directed support payments and fees); Place (road traffic charges); and Schools and Lifelong Learning (school transport fees).			✓	✓	40	CLT1	High
	(3) <u>Transformation</u> Review will confirm whether transformation has been effectively implemented, with focus on service reduction or implementation of efficiency improvements supporting headcount reduction. We will also consider whether services provided by the Council to the Health and Social Care Partnership have been adversely impacted as a result of transformation.	✓				30	CLT3	Low
	(4) <u>GDPR Follow-up</u> Confirm whether GDPR implementation plans have been effectively progressed and implemented.			✓		PwC Review	CLT6	Low



Auditable Area	Description	Q1	Q2	Q3	Q4	Audit Days	Link to Risk	Fraud (H/M/L)
All major service areas of the Council	(5) <u>Emergency Prioritisation and Complaints</u> Assess design adequacy and operating effectiveness to receive and prioritise emergency requests received from citizens (with focus on child protection and community alarms and telecare) are prioritised and addressed. The process supporting complaints received in relation to emergency requests will also be reviewed.		✓	✓		40	CLT1 CLT7	High
	(6) <u>Life Safety</u> Compliance with Health and Safety Policies that cover life safety risks.				✓	PwC review	CLT8	Low
	(7) <u>Homelessness</u> Review will consider the appropriateness of the Council's short and longer terms strategies to address homelessness across the city, and also the adequacy and effectiveness of the operational control frameworks supporting the following key processes: homelessness registration and support; allocation of temporary shelter; and registration for council properties. The review will also consider who the proposed implementation of Universal Credit could impact upon current homelessness services.	✓	✓			40	CLT11	Medium
	(8) <u>Validation</u> Historic follow-up to confirm implementation and sustainability of agreed management actions		✓		✓	40	N/A	
<b>Resources – 14 Reviews including 3 Investment and Pension reviews</b>								
Human Resources	(1) <u>Payroll*</u> Assessment of the design adequacy and operating effectiveness of key payroll controls including employee changes; additional payments (standby; on call; and overtime) and adequacy and use of payroll exception reports. The review will also consider controls applied when providing payroll information to Lothian Pension Fund.	✓				30	CLT5	High

Auditable Area	Description	Q1	Q2	Q3	Q4	Audit Days	Link to Risk	Fraud (H/M/L)
Human Resources and Service Areas	(2) <u>Compliance with IR35 and Right to Work requirements</u> Review of design adequacy and operating effectiveness of key onboarding controls to ensure that all contractors are IR35 compliant, and that all new employees have a right to work in the UK. The review will also consider ongoing controls within Service Areas to ensure that right to work status is maintained.				✓	25	CLT9	Medium
ICT	(3) <u>System Access Controls*</u> Assessment of design adequacy and operating effectiveness of system access controls, with focus on key financial systems and SWIFT. Review will confirm that user profiles are appropriate for roles, that 'super user' access rights are appropriate, and that there are no toxic combinations that could result in fraud. Review will also consider effectiveness of ongoing user entitlement reviews by management to confirm that user access remains appropriate. This review will be performed in conjunction with Scott Moncrieff.	✓				25	CLT4	High
ICT	(4) <u>CGI Sub-contract management</u> Review the CGI model for management of performance and delivery of sub-contractors engaged to support delivery of operational ICT services or the Council.				✓	25	CLT4	Medium
ICT	(5) <u>Certifications and Software Licences</u> Assessment of design adequacy and operating effectiveness of CGI controls established to ensure that all technology certifications and software licences are renewed on time, with no adverse impact on the Council due to unnecessary expiry.			✓		PwC Review	CLT4	Low
ICT	(6) <u>CGI Change Management</u> Review the adequacy and effectiveness of the CGI change management model established to support delivery of the Council's change programme.		✓			25	CLT3	Low

Auditable Area	Description	Q1	Q2	Q3	Q4	Audit Days	Link to Risk	Fraud (H/M/L)
ICT	(7) <u>Out of Support Technology and Public-Sector Network Accreditation</u> Review the arrangements in place to ensure to identify and replace out of support technology systems, and the potential impact on public sector network accreditation requirements.			✓		PwC Review	CLT4	Low
ICT	(8) <u>Cyber Security – Public Sector Action Plan</u> Assess whether the current cyber security framework will meet the requirements of the Public Sector Cyber Security Action Plan.		✓			PwC Review	CLT4	
Finance and Service Areas	(9) <u>Supplier Management Framework and Construction Industry Scheme (CIS) Payments</u> Review of the design adequacy and operating effectiveness of the second line of defence framework established to ensure effective management of suppliers and sub-contractors used by Service Areas across the Council. The review will also assess effectiveness of the controls in place to ensure that any necessary construction scheme industry payments are made completely and accurately to HMRC.				✓	30	CLT4	Low
Investment and Pensions	(10) <u>Unlisted investment valuations and application of fund administration fees and charges</u> Review of the design adequacy and operational effectiveness of key controls supporting valuation of unlisted investment valuations. Review will focus on the consistency of the valuation process applied, ensuring that the valuation approach is aligned with applicable guidance, and also completeness and accuracy of the range of fund administration fees and charges applied by Lothian Pension Fund.		✓			PwC Review	N/A	Medium

Auditable Area	Description	Q1	Q2	Q3	Q4	Audit Days	Link to Risk	Fraud (H/M/L)
Investment and Pensions	(11) <u>Unitisation</u> Assessment of the design adequacy and operational effectiveness of the control framework supporting the unitisation process. The review will focus on ensuring appropriate segregation of assets; accurate allocation of cash flows; and accurate application of interest and charges. We will also consider completeness and accuracy of reporting to third parties.			✓		20	N/A	Medium
Investment and Pensions	(12) <u>Stock Lending</u> Review of the design adequacy and operational effectiveness of key controls support stock lending. The review will focus on adequacy of collateral provided to mitigate counterparty risk; adequacy of transfer and title arrangements (in the event that LPF require return of the stock to address market risk or for early settlement); compliance with best execution requirements; controls to mitigate conflicts of interest; and completeness and accuracy of income received from the counterparty.		✓			20	N/A	Medium
Properties and Facilities Management	(13) <u>Implementation of the asset management strategy and CAFM system</u> Review will consider progress with the implementation of the asset management strategy following allocation of additional budget funding, and the key controls supporting implementation and use of the CAFM system.			✓		30	CLT2	Medium
Properties and Facilities Management	(14) <u>Implementation and application of new Facilities Management Service Level Agreement</u> Review will assess the design adequacy and operating effectiveness of controls in place to confirm that the new FM SLA is consistently applied.	✓				25	CLT2	Medium

Auditable Area	Description	Q1	Q2	Q3	Q4	Audit Days	Link to Risk	Fraud (H/M/L)
<b>Chief Executive's Department – 3 reviews</b>								
Strategy and Insight	(1) <u>Portfolio Governance Framework</u> Review of implementation of the new portfolio governance framework to ensure that all significant projects are consistently and effectively managed across the Council				✓	25	CLT3	Low
Strategy and Insight	(2) <u>City Deal Governance</u> Review the adequacy and effectiveness of the governance framework established to support management of the City Deal.		✓			25	CLT3	Low
Strategy and Insight and Service Areas	(3) <u>Resilience</u> Review of existence and adequacy of business impact assessments prepared and maintained for Service Areas and their flow through into Council wide business resilience plans.				✓	25	CLT4	Low
<b>Communities and Families – 2 reviews</b>								
Children's Services	(1) <u>Looked After and Accommodated Children / St Katherines</u> Review of project established by Strategy and Insight to determine the population of LAAC children whose files may have been merged with adult files and incorrect retention dates applied.	✓		✓		30	CLT6	Low
Schools and Lifelong Learning	(2) <u>Schools First Line Assurance Framework</u> Assess adequacy and effectiveness of the first line operational control framework to ensure effective and consistent management of operational processes and compliance with Council policies across the devolved school management framework.	✓				25		Low

Auditable Area	Description	Q1	Q2	Q3	Q4	Audit Days	Link to Risk	Fraud (H/M/L)
<b>Health and Social Care – 1 review</b>								
Accommodation	(1) <u>Care Homes Follow-up</u> Follow-up on the implementation of action plans for the three Care Homes rated 'red' from the 2017/18 Care Homes review – Gylemuir; Royston Mains and Fords Road			✓	✓	40	CLT1	Medium
<b>Place – 10 reviews</b>								
Localities	(1) <u>Localities Operating Model</u> Review will assess the adequacy, effectiveness, and consistency of first line operational control frameworks designed to deliver services to citizens across the Localities.	✓	✓			40	CLT7	Medium
Place Development	(2) <u>Planning and s75 developer contributions</u> Review of design adequacy and operational control framework supporting operation of the planning process and management (including financial treatment) of the section 75 developer contribution process. The review will also consider the adequacy and effectiveness of management monitoring and oversight to ensure ongoing compliance with applicable legislation.				✓	25	CLT7	Medium
Place Development	(3) <u>Licensing</u> Review of design adequacy and operational control framework supporting operation of the licencing process. The review will also consider the adequacy and effectiveness of management monitoring and oversight to ensure ongoing compliance with applicable legislation.	✓				25	CLT7	Medium
Place Development	(4) <u>Building Standards Follow-up</u> Follow up on implementation of agreed actions from the 2017/18 IA report and Scottish Government recommendations		✓		✓	20	CLT7	Low

Auditable Area	Description	Q1	Q2	Q3	Q4	Audit Days	Link to Risk	Fraud (H/M/L)
Place Development	(5) <u>Transfer of the Management of the Development Funding Grant</u> Annual review performed to confirm that the development funding grant received from the Scottish Government has been disbursed as per the terms and conditions included in the grant offer letter.		✓			15		Medium
Place Development	(6) <u>Carbon Reduction Commitment Scheme</u> Assess the extent of compliance with the UK Government's Carbon Reduction Commitment Scheme.			✓	✓	20		Medium
Place Management	(7) <u>Waste Services</u> Review of the performance management framework for Waste Services with focus on the selection, monitoring and reporting of performance measures relating to waste collection.	✓				25	CLT7	Medium
Place Management	(8) <u>Edinburgh Roads Services</u> Review of the revised Edinburgh Roads Service service delivery model, with a focus on project management and interaction with Locality environment and roads teams.		✓			25	CLT7	
Place Management	(9) <u>Port Facility Security Plan</u> Annual review of existence and operation of the Port Facility Security Plan as per Department for Transport requirements.		✓			15		
Place Management	(10) <u>Street Lighting and Traffic Signals</u> Review of the design adequacy and operating effectiveness of the control frameworks designed to support ongoing management and maintenance of street lighting and traffic signals. The review will include focus on business impact assessment and continuity plans to deal with any significant impacts on the City's electrical supply.			✓		25	CLT7	

Auditable Area	Description	Q1	Q2	Q3	Q4	Audit Days	Link to Risk	Fraud (H/M/L)
<b>Major Projects – 4 reviews</b>								
	(1) <u>Tram extension*</u> Review options appraisal process and project governance, with subsequent review of procurement process and gateway decisioning and payments. This work will be performed in conjunction with Scott Moncrieff (External Audit) who will assess the assumptions supporting the funding model. IA will assess the ongoing controls supporting the funding model. Project management will be assessed against published best practice from HM Treasury Green; Scottish Transport; the National Audit Office; and Audit Scotland. The review will also consider whether the lessons learned from the Tram Inquiry have been considered and applied.	✓		✓	✓	90	CLT3	Medium
Communities and Families	(2) Major Schools Project		✓			25	CLT3	
Resources	(3) Customer Transformation			✓		25	CLT3	
Resources	(4) Enterprise Resource Planning System Implementation		✓	✓		40	CLT3	
<b>Other Organisations – 6 reviews</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	EIJB – provision of internal audit services		✓			25	N/A	N/A
				✓		25		
					✓	25		



Auditable Area	Description	Q1	Q2	Q3	Q4	Audit Days	Link to Risk	Fraud (H/M/L)
<b>Miscellaneous – 2 reviews</b>								
Internal Audit	Monthly follow up of outstanding audit actions	✓	✓	✓	✓	180	N/A	N/A
Internal Audit	Internal Audit Quality Assurance		✓	✓		30	N/A	N/A
Total Plan Days						1,345		
Total number of audit reviews						50		

## Appendix 1: Detailed methodology

### 1. Inherent risk assessment process

The internal audit plan should focus on the highest risk areas of the Council. Consequently, each auditable area is allocated an inherent risk rating (the numbers highlighted in white in the table below) that considers the impact of the risk should it crystallise, and the likelihood that the risk will crystallise. The criteria used to assess impact and likelihood are recorded in Appendix 2.

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

### 2. Control environment assessment

The strength of the control environment within each auditable area is assessed on a scale of 1 to 5 where 1 reflects a poor control environment and to 5 a strong control environment.

This assessment is based on:

- Revisiting the outcomes from previous internal audits, including the current open and overdue IA recommendations position;
- Consultation with Senior Management; GRBV Committee members; and political groups.
- Considering the outcomes of the 2<sup>nd</sup> and 3<sup>rd</sup> line of defence oversight and assurance providers.

In assessing the strength of the control environment of auditable areas the following points are considered:

- The nature & magnitude of control gaps identified;
- Whether they are systemic or restricted to individual service areas and processes;
- The significance of the process impacted;
- The nature, urgency & robustness of management's response to any issues arising; and
- Whether there are any wider cultural implications.

### 3. Audit requirement rating

The inherent risk and the control environment ratings are then used to calculate the audit requirement rating. The formula ensures that audit work is focused on areas with high reliance on controls and high residual risk where controls may not be adequately designed and / or operating effectively.

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

### 4. Key to frequency of audit work

Audit Requirement Rating	Frequency
●	Annual
●	Every two years
●	Every three years
●	No assurance work required

## 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 – Reserve List of Audits for the IA Plan***

<b>Directorate</b>	<b>Service Area</b>	<b>Proposed Audit</b>
Communities and Families	Schools & Lifelong Learning	Allocation of Attainment gap funding
Communities and Families	Children’s Services	Child Protection
Council Wide	Legal and Risk	Health and Safety Statutory compliance testing and inspection
Resources	Customer	Corporate Fraud
Resources	Finance	Banking and purchasing cards
Resources	Human Resources	Mandatory training
Resources	HR	Sickness and Absence Management
Resources / CEO Office	ICT and Communications	Website Management
Resources	Legal and Risk	Risk Management
Resources	Property and Facilities Management	Corporate Catering
Place	Culture and Place Management	Cultural Venues and Depots
Place	Major Project	Meadowbank
Place	Citywide Transport and Planning	
Place	Economic Development	
Safer and Stronger Communities	Community Safety	Community Policing

# Governance, Risk and Best Value Committee

10.00am, Tuesday 20 March 2018

## Internal Audit Charter – Annual Update

Item number	7.3
Report number	
Executive/routine	
Wards	
Council Commitments	

### Executive Summary

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The purpose of this paper is to present the revised Internal Audit (IA) Charter for 2018/19 to the Governance, Risk and Best Value Committee for approval.

Public Sector Internal Audit Standards (the “Standards”) specify that the purpose, authority, and responsibility of Internal Audit (IA) must be formally defined in an Internal Audit Charter (the “Charter”) that is periodically reviewed, and presented to senior management (the Corporate Leadership Team (CLT) and the board (the Governance, Risk, and Best Value Committee) for approval. The Council’s IA charter fulfils this requirement.

## Internal Audit Charter Update

### 1. Recommendations

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- 1.1 The Committee is requested to review and approve the refreshed 2018/19 IA Charter.

### 2. Background

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- 2.1 The Standards specify (at section 1000) that the purpose, authority, and responsibility of IA must be formally defined in a charter that is periodically reviewed, and presented to senior management and the board for approval.
- 2.2 The Standards state that the IA Charter must also define the terms 'board' and 'senior management' for the purposes of IA activity; cover arrangements for appropriate resourcing; define the role of IA in any fraud-related work; and include arrangements for avoiding conflicts of interest if IA audit undertakes non-audit activities.
- 2.3 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 CLT, and the board role is undertaken by the GRBV.
- 2.4 The IA charter is presented to both the CLT and GRBV annually in March for scrutiny and approval.

### 3. Main report

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- 3.1 The Charter specifies the authority; role; scope; and objectives of IA and outlines the IA operational framework. The content covers the following specific areas:
  - 3.1.1 Objectives and responsibility;
  - 3.1.2 Authority;
  - 3.1.3 Professionalism;
  - 3.1.4 Independence and objectivity (including reporting lines);
  - 3.1.5 Annual plan and resourcing;
  - 3.1.6 Management responsibility;
  - 3.1.7 Reporting and monitoring;
  - 3.1.8 Responsibilities in relation to fraud and corruption; and
  - 3.1.9 The Quality Assurance and Improvement Programme.

- 3.2 The Charter has been reviewed and appropriate amendments made to refresh it for 2018/19. The amendments made are set out in the revision marked document attached in Appendix 1 to this report. A clean version is attached in Appendix 2. In addition to the minor changes made, Committee is asked the note the following:
- 3.2.1 The Executive Summary and Definitions sections (pages 3 and 4) have been updated to reflect that the section 95 statutory responsibilities are performed by the Council's Head of Finance.
  - 3.2.2 IA's authority has been updated to include two changes. The first reflects the ability for IA to raise findings where significant control gaps are identified out with the scope of audit reviews included in the IA annual plan. This allows IA to readily highlight any major weaknesses. The second change reflects the authority of IA to review and report on the adequacy of the content of the annual governance attestations prepared by the Chief Executive and the Executive Directors, to confirm whether they appropriately reflect the outcomes of completed audit work and progress with implementation of agreed management actions.
  - 3.2.3 The section on Independence and Objectivity now reflects IA reporting lines through the Head of Legal and Risk and statutory Monitoring Officer, to the Executive Director of Resources. This section also states that IA should not have responsibility for any operational processes to ensure that independence and objectivity is maintained. Additional narrative has also been included detailing how IA independence will be maintained where consultancy services are provided, as per the requirements of the standards.
  - 3.2.4 The IA Plan section has been updated to reflect that the plan is annual, with input provided by both elected members and senior officers of the Council.
  - 3.2.5 Resourcing now reflects the requirement for the Chief Internal Auditor to communicate the impact of resource limitations and significant interim changes in the team to both the CLT and GRBV, rather than just to GRBV.
  - 3.2.6 Reporting and monitoring and Appendix 1 to the Charter have been updated to reflect that follow-up of implementation of management recommendations will be performed monthly, and that IA may include a historic validation review in the annual plan to confirm whether historic management actions implemented to address control gaps have been effectively sustained.
  - 3.2.7 Appendix 2 to the Charter has been updated to reflect that audit assurance is no longer provided to the Lothian and Borders Community Justice Authority, which has now been dissolved.

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

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- 4.1 A robust and independent IA function that is fully compliant with the Standards. The Audit Charter is a key component in ensuring that an appropriate governance structure is in place enabling ongoing IA compliance.



## **5. Financial impact**

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5.1 There is no direct financial impact arising from this report.

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

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6.1 Approval of the Charter will enable IA to operate within the requirements specified in the Standards.

## **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 The draft Charter has been reviewed and approved by the Corporate Leadership Team prior to submission to the Governance, Risk and Best Value Committee.

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

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10.1 [Public Sector Internal Audit Standards](#)

### **Lesley Newdall**

Chief Internal Auditor

Legal and Risk, Resources Directorate

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## **11. Appendices**

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Appendix 1 – 2018/19 Internal Audit Charter showing proposed changes

Appendix 2 - 2018/19 Internal Audit Charter showing proposed changes (clean version)



# The City of Edinburgh Council

## ~~Audit and Review Service~~

Internal Audit Charter 2018–2019

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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 ("IA") function in accordance with the Public Sector Internal Audit Standards (PSIAS). The PSIAS, ~~which~~ are applicable across the whole of the public sector ~~and~~ are intended to ensure sound corporate governance and set out roles and responsibilities with regard to delivery of ~~internal audit~~ IA services

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

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

- Support the Chief Executive ~~as the Council's statutory Head of Paid Service~~ in the discharge of ~~his~~ their duties;
- Support the ~~Executive Director~~ Head of ~~Resources in undertaking his duties~~ Finance as the ~~Council's statutory Chief Finance Officer in undertaking their duties as the~~ 'Section 95 Officer';
- Support the ~~Head of Legal and Risk as the Council's statutory~~ Monitoring Officer in undertaking ~~his~~ their 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; ~~and~~
- Aim to add value to the Council management in all of its undertakings.

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

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## 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 ~~established to manage the Council's key risks~~ and overall governance arrangements.

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Internal Audit helps ensure that an appropriate level of risk management and control is in place within the Council. ~~Internal Audit, and~~ 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.

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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 and scrutiny role.

The Internal Audit scope covers all ~~the Council's~~ Council activities, and the activities of external parties listed in **Appendix 2**. Internal Audit will ~~execute a~~ deliver an annual 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~~ the Council's strategic and operational 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 the that all public sector Internal Audit charters define the terms 'Chief Audit Executive (CAE)', 'Senior Management' and 'Board'

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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~~ Council's Head of Resources Finance (who is ~~also~~ the designated statutory 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, that 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.

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Internal Audit, therefore, requires and has unrestricted access to all activities undertaken in the Council, in order to independently review, appraise evaluate 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 any weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;
- the operation of the Council's corporate governance arrangements; and
- 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.

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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.

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

Internal Audit will ensure that it ~~conduct~~conducts 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 Corporate Leadership Team (CLT).

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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~~receive 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 also has the authority to raise findings in relation to any control gaps identified that could expose the Council to significant risk where these are identified outwith the scope of audit reviews included in the Internal Audit annual plan.

Internal Audit will also review and report on the content of the annual governance attestations prepared by the Council's Chief Executive and the Executive Directors to confirm whether the content in relation to effective management of risk and control across the services delivered by the Council appropriately reflects the outcomes of completed audit work and progress with implementation of agreed management actions.

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.

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## 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.

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The CIA is expected to report ~~conformance~~ on ~~the~~ PSIAS compliance 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.

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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

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

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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 Executive Director of Resources, the Chief Executive and ~~the~~ GRBV. The CIA is however ~~ultimately~~ professionally responsible ~~and accountable to GRBV for the GRBV~~ performance of their functions.

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 perform operational processes, implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair ~~the internal auditor's~~ judgment or independence. 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.

Where consulting services are provided, the Internal Audit role will be specifically restricted to providing guidance, views and opinions. To comply with PSIAS independence requirements Internal Audit will not be involved in any aspects of operational decisions subsequently taken by management.

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.

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## Internal Audit Plan

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

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This plan will be developed, based on a prioritisation of the audit universe using a risk-based methodology, including input, as a minimum, from Elected Members, the Chief Executive, the Monitoring Officer, ~~the~~ Executive Director of Resources, the Head of Legal and Risk (statutory Monitoring Officer), the Head of Finance (statutory section 95 Chief Financial Officer), 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'*.

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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 both the CLT and 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.~~

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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~~ Service Areas.

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It is ~~for management~~ management's responsibility 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~~ intends to accept the risk, where it is ~~felt~~ considered that the risk should not or need not be borne.

The Internal Audit team will track and report against the implementation of agreed management actions on a regular basis and seek to confirm that they have been undertaken within the agreed timescale. This will involve a review of evidence provided by management to support implementation of agreed management actions, and reperformance testing (where necessary). Additionally, IA may opt to include a 'validation' audit in the annual plan that will challenge and confirm whether historic management actions implemented to address control gaps and mitigate risks have been appropriately sustained and embedded.

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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 Council'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; and.
- 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.

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## Fraud and Corruption

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

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Audit procedures alone cannot guarantee that all 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 compliance with PSIAS requirements and an evaluation of whether internal auditors apply the Code of Ethics. The

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programme also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement.

The CIA is also responsible also for providing ~~periodically~~ as periodic 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.

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### Signed by:

Chief Internal Auditor:

Convener of the Governance, Risk and Best Value Committee:

Content approved by the Governance, Risk and Best Value Committee: 920 March  
20172018

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## Appendix 1

## Key Audit Stages, Responsibilities and Timetable

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

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Area	Principles	Further guidance
Reporting	Management response to <del>the</del> internal audit report	<ul style="list-style-type: none"> <li>The responsible Director/Manager will have two weeks to provide management comments. <del>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.</del></li> <li>Internal Audit will issue the final report within one week of receipt of management comments to the responsible <u>Executive</u> Director, Audit Scotland and if appropriate, the Chief Executive, the Executive Director of Resources and the Head of Legal <u>&amp;and</u> Risk.</li> </ul>
Reporting	Reporting of <u>internal audit</u> findings to the CLT	<ul style="list-style-type: none"> <li>Four weeks before the GRBV Committee meeting, <del>the</del> CIA and CLT will meet to review the internal audit findings being reported to the GRBV Committee.</li> </ul>
Reporting	Reporting of <u>internal audit</u> 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 <u>internal audit</u> report.</li> </ul>
Follow up	Monitoring the implementation of <u>internal audit</u> recommendations	<ul style="list-style-type: none"> <li>Internal audit will track the status of all open recommendations <del>- on a regular basis.</del> Medium <del>-</del> and high-rated recommendations that are overdue will be reported to the GRBV committee on a quarterly basis. Internal Audit will <u>regularly</u> advise departments <del>at least quarterly</del> of all open recommendations and invite departments to provide evidence that the recommendations have been actioned. <u>Reperformance testing will be performed where considered necessary.</u></li> <li><u>Sustainability of previously implemented agreed management actions will be assessed via a historic validation review that will be included in the annual plan at an appropriate frequency.</u></li> </ul>
Follow up	Auditee <del>/reviewee</del> feedback	<ul style="list-style-type: none"> <li>A questionnaire will be issued to be completed by <del>the auditee/reviewee</del> <u>Auditee</u> 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>

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## 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



# The City of Edinburgh Council

## Internal Audit Charter 2018–2019





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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 ("IA") function in accordance with the Public Sector Internal Audit Standards (PSIAS). The PSIAS are applicable across the whole of the public sector and are intended to ensure sound corporate governance and set out roles and responsibilities with regard to delivery of IA services

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

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

- Support the Chief Executive as the Council's statutory Head of Paid Service in the discharge of their duties;
- Support the Head of Finance as the Council's statutory Chief Finance Officer in undertaking their duties as the 'Section 95 Officer';
- Support the Head of Legal and Risk as the Council's statutory Monitoring Officer in undertaking their 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; and
- Aim to add value to the Council management in all of its undertakings.

The PSIAS recognise 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 established to manage the Council's key risks and overall governance arrangements.

Internal Audit helps ensure that an appropriate level of risk management and control is in place within the Council, and adds value by reviewing the financial and business processes and objectively assessing the effectiveness of 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 full Council. The scope of Internal Audit is defined by the Governance, Risk and Best Value Committee (GRBV) as part of its oversight and scrutiny role.

The Internal Audit scope covers all Council activities, and the activities of external parties listed in **Appendix 2**. Internal Audit will deliver an annual 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 the Council's strategic and operational objectives are achieved.

The nature of evolving 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 the 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 Council's Head of Finance (who is the designated statutory 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, that 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, evaluate 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 any weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;
- the operation of the Council's corporate governance arrangements; and
- 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 statutory Section 95 Officer and the statutory Monitoring Officer in discharging their responsibilities.

Internal Audit will ensure that it conducts its work with due professional care and in line with the requirements of the Public Sector Internal Audit Standards' 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 full Council and the Corporate Leadership Team (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 receive 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 also has the authority to raise findings in relation to any control gaps identified that could expose the Council to significant risk where these are identified outwith the scope of audit reviews included in the Internal Audit annual plan.

Internal Audit will also review and report on the content of the annual governance attestations prepared by the Council's Chief Executive and the Executive Directors to confirm whether the content in relation to effective management of risk and control across the services delivered by the Council appropriately reflects the outcomes of completed audit work and progress with implementation of agreed management actions.

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 on PSIAS compliance 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

To ensure maintenance of Internal Audit independence and objectivity, Internal Audit will remain free from interference from anyone within the Council in relation to audit selection, scope, procedures, frequency, timing, and report content.

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 and Risk, the Executive Director of

Resources, the Chief Executive and GRBV. The CIA is however professionally responsible and accountable to GRBV for the performance of their functions.

In order to maintain 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 perform operational processes, implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair judgment or independence. 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.

Where consulting services are provided, the Internal Audit role will be specifically restricted to providing guidance, views and opinions. To comply with PSIAS independence requirements Internal Audit will not be involved in any aspects of operational decisions subsequently taken by management.

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 for the following audit year, designed with the objective of providing 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, as a minimum, from Elected Members, the Chief Executive, the Executive Director of Resources, the Head of Legal and Risk (statutory Monitoring Officer), the Head of Finance (statutory section 95 Chief Financial Officer), 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 both the CLT and GRBV.

## Management Responsibility

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 Service Areas.

It is management's responsibility 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 intends to accept the risk, where it is considered that the risk should not or need not be borne.

The Internal Audit team will track and report against the implementation of agreed management actions on a regular basis and seek to confirm that they have been undertaken within the agreed timescale. This will involve a review of evidence provided by management to support implementation of agreed management actions, and reperformance testing (where necessary). Additionally, IA may opt to include a 'validation' audit in the annual plan that will challenge and confirm whether historic management actions implemented to address control gaps and mitigate risks have been appropriately sustained and embedded.

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 Council'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; and,
- 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 are 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 all 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 compliance with PSIAS requirements 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 a periodic 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: 20 March 2018



## Appendix 1

## Key Audit Stages, Responsibilities and Timetable

Area	Principles	Further guidance
<b>Planning the audit or project assurance review</b>	Agreeing the audit scope and objectives	<ul style="list-style-type: none"> <li>Internal Audit will determine and make arrangements for sufficient resources to achieve the audit objectives. This will be based on an evaluation of the nature and complexity of each audit, time constraints and available resources.</li> <li>An initial planning meeting will be held between Internal Audit and the responsible Executive Director/Manager for each 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, requirements during the audit and a reporting and closeout timetable.</li> <li>The responsible Executive Director/Manager will identify the personnel who have the relevant knowledge and are best placed to answer questions in relation to the audit scope. The Executive Director/Manager will be responsible for notifying these staff of the audit scope and any other requirements agreed with Internal Audit during the planning meeting.</li> <li>Internal Audit shall be responsible for organising meetings with relevant staff</li> </ul>
<b>Audit fieldwork</b>	Timely communication of issues identified during fieldwork	<ul style="list-style-type: none"> <li>The Auditee 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 Executive Director/Manager immediately as they arise.</li> </ul>
<b>Reporting</b>	Closeout meeting to discuss and agree the internal audit report	<ul style="list-style-type: none"> <li>A closeout meeting will be undertaken with the Executive Director/Manager at the end of audit fieldwork.</li> <li>Internal Audit will provide the responsible Executive 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 internal audit report	<ul style="list-style-type: none"> <li>The responsible Director/Manager will have two weeks to provide management comments.</li> <li>Internal Audit will issue the final report within one week of receipt of management comments to the responsible Executive Director, Audit Scotland and if appropriate, the Chief Executive, the Executive Director of Resources and the Head of Legal and Risk.</li> </ul>
<b>Reporting</b>	Reporting of internal audit 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 internal audit 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 internal audit report.</li> </ul>
<b>Follow up</b>	Monitoring the implementation of internal audit recommendations	<ul style="list-style-type: none"> <li>Internal audit will track the status of all open recommendations on a regular basis. Medium - and high-rated recommendations that are overdue will be reported to the GRBV committee on a quarterly basis. Internal Audit will regularly advise departments of all open recommendations and invite departments to provide evidence that the recommendations have been actioned. Reperformance testing will be performed where considered necessary.</li> <li>Sustainability of previously implemented agreed management actions will be assessed via a historic validation review that will be included in the annual plan at an appropriate frequency.</li> </ul>
<b>Follow up</b>	Auditee feedback	<ul style="list-style-type: none"> <li>A questionnaire will be issued to be completed by the Auditee 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

- Edinburgh Integration Joint Board
- 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, Tuesday 20 March 2018

## Internal Audit: Overdue Recommendations and Late Management Responses

Item number 7.4  
Report number  
Executive/routine  
Wards  
Council Commitments

### Executive Summary

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This report sets out all overdue Internal Audit (IA) recommendations across the Council as at 19 January 2018, providing further status updates and likely implementation dates where they have been provided by Service Areas (Appendix 1).

There were 69 open Internal Audit recommendations across Service Areas as at 19 January (in comparison to 65 at 26 October 2017). Of these 47 (68%) are overdue in comparison to 31 (48%) as at 26 October. During the period, 6 overdue recommendations were closed and a further 22 are now reporting as overdue. Further detail is included at 3.5 to 3.11 below.

This report also highlights audit reports that have been issued in draft where final management responses have not been received within our two-week service standard. As at 19 January there were 2 draft reports where management responses were not received within the two-week requirement, and 1 report that has been delayed due to changes in the Internal Audit team. Further details are provided at 3.16.

## Internal Audit: Overdue Recommendations and Late Management Responses

### 1. Recommendations

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- 1.1 Members of the Governance, Risk and Best Value Committee are requested to note:
  - 1.1.1 the status of the overdue Internal Audit recommendations as at 19 January 2018;
  - 1.1.2 that there are were two reports issued in draft as at 19 January where management responses were not received within our two-week service standard, and that one of these has been delayed due to changes in the Internal Audit team; and
  - 1.1.3 the proposals included at section 3.3 and 3.4 to address challenges associated with timing of audit responses received and quality of evidence provided to support closure of recommendations.

### 2. Background

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- 2.1 Following concerns expressed by the Corporate Leadership Team (CLT) and elected members of the Governance, Risk, and Best Value Committee (GRBV) about the number of overdue Internal Audit recommendations being reported to the GRBV each quarter, CLT has requested a monthly update.
- 2.2 It is anticipated that the greater visibility that this monthly reporting provides will result in more Internal Audit recommendations being closed off in a timely manner.
- 2.3 At the CLT meeting on 10 July 2017, revised proposals for monitoring and reporting on overdue Internal Audit recommendations were approved. This paper provides an update on overdue recommendations in line with the revised approach.
- 2.4 The Internal Audit definition of an overdue recommendation is any recommendation where all agreed actions have not been implemented by the final date agreed and recorded in Internal Audit reports

### 3. Main report

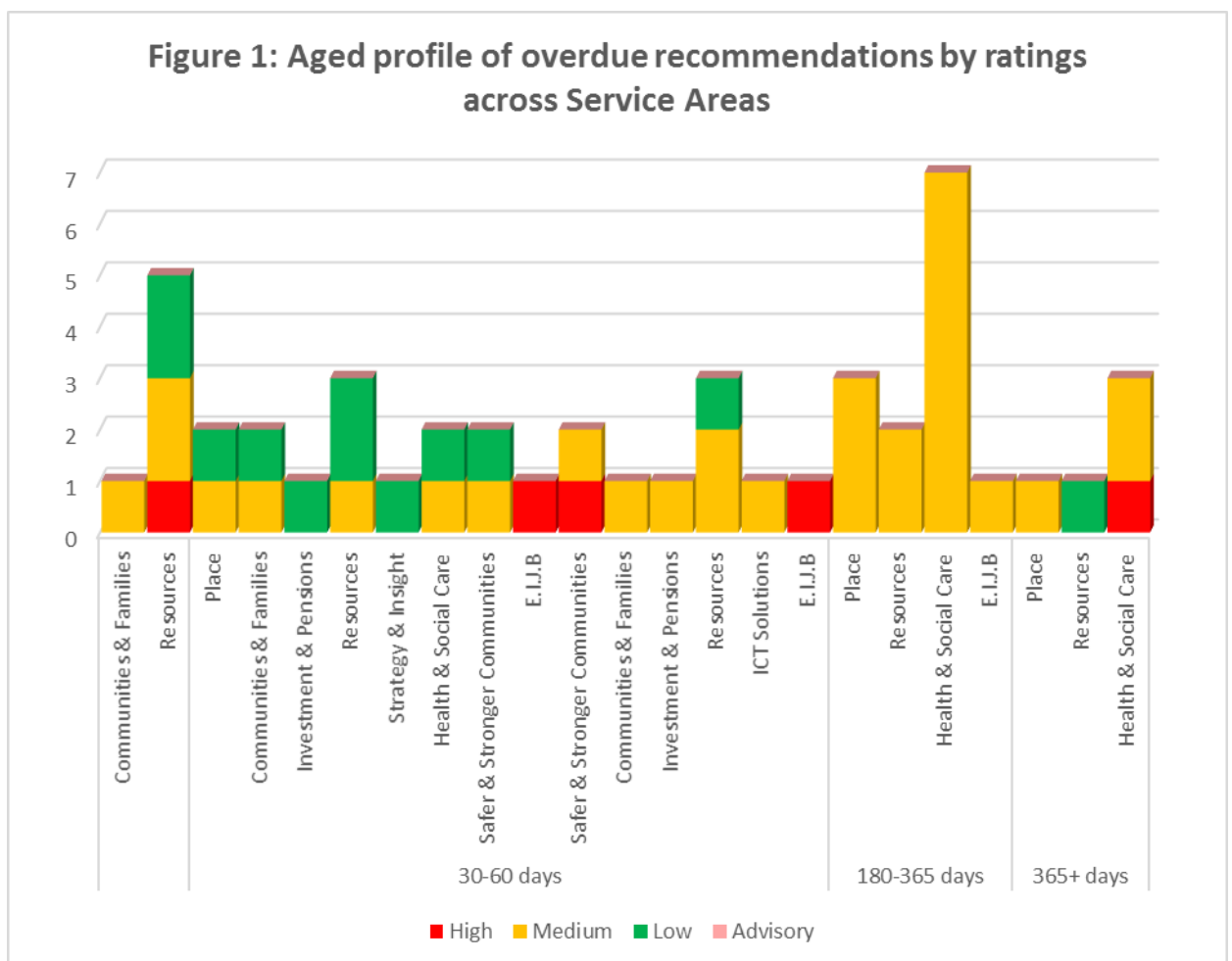
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- 3.1 The revised Internal Audit Process to obtain updates from Service Areas on all open recommendations by the 15<sup>th</sup> of each month was implemented in September 2017. This has resulted in more proactive engagement on both open and overdue recommendations Service Areas, however, a number of updates continue to be received late.
- 3.2 Quality of evidence provided to support validation remains an ongoing challenge. Agreed actions are often confirmed as completed by Senior Management whilst subsequent Audit validation confirms that controls have not been fully and effectively implemented. This results in Audit providing further advice and often reperforming validation work to support final closure.
- 3.3 At CLT on 1 November 2017 it was agreed that each Service Area would nominate a representative who will be responsible for coordination of all audit updates and responses (including provision of evidence), and that IA would facilitate a workshop with all representatives to explain the validation process and expectations in relation to quality of evidence to support closure of recommendations.
- 3.4 Since then, IA has been exploring whether the TeamMate audit system could be reconfigured to support automation of the open and overdue recommendations reporting process. We have now confirmed that this is possible and are working with the system providers to make the relevant changes. These changes will enable:
- 3.4.1 generation of automatic reminders for Service Areas as in advance of completion dates;
  - 3.4.2 nominated representatives from Service Areas to enter progress updates and attach evidence directly into the system;
  - 3.4.3 automatic generation of monthly dashboards for each Service Area that illustrates their open and overdues position; and
  - 3.4.4 automated reporting on the overall position across the Council to support both CLT and Governance, Risk, and Best Value Committee updates.
- A further meeting with the system supplier took place on 7 February, and a pilot of the new process is planned for March and April, with a view to implementing the new process in July 2018.
- These timeframes will enable completion of the pilot and implementation of the new process, supported by provision of training for service area representatives. The agreed actions noted at 3.3 will be incorporated within our system implementation plans.
- 3.5 There were 69 open Internal Audit recommendations across Service Areas as at 19 January 2018. Of these, 47 (68%) were overdue (5 High; 30 Medium; and 12 Low) in comparison to 31 (48%) as at 26 October. During the period, 6 overdue recommendations (2 High; 2 Medium; and 2 Low) were closed and a further 22 (3 High; 9 Medium; and 10 Low) are now reporting as overdue.

- 3.6 This increase in overdue recommendations is attributable to the high volume of recommendations that were due for closure in November and December, and also recommendations in relation to shadow IT (4 Medium) and service level agreements with outside entities (6 Low) that were allocated across all Service Areas (following agreement by CLT on 30 August 2017) that have not yet been fully concluded.
- 3.7 Evidence has been provided by Service Areas for 13 of the overdue recommendations (7 Health and Social Care (H&SC); 4 Resources; and 2 Safer and Stronger Communities (SSC)). IA has reviewed the evidence provided and is engaging with management, however, evidence provided is not yet sufficient to close these recommendations.
- 3.8 Six Medium overdue recommendations have been closed in the period across the following Service Areas:
- Health and Social Care (1 High)
  - Resources (1 High; 1 Low)
  - Place (1 Medium; 1 Low)
  - Strategy and Insight (1 Medium)
- 3.9 22 recommendations (3 High; 9 Medium; and 10 Low) have now become overdue. These are:
- **Edinburgh Integrated Joint Board (EIJB) / H&SC (3)** – 1 High (\*\*HSC1604ISS.1 – IJB Data Integration and Sharing); 1 Medium (CW1602ISS.1 – Disaster Recovery / Shadow IT) and 1 Low (HSC1715ISS.4 - EADP Contract Management);
  - **Resources (7)** – 1 High (\*\*RES1601ISS.1 – Supplier Management); 3 Medium (RES1615ISS.4 and ISS5 – Property Maintenance and \*\*RES1712ISS.2 – Asset Management Strategy); and 3 Low (\*\*RES1712ISS3 and 4 – Asset Management, RES1705ISS3 and RES1605ISS.1 – Service Level Agreements with Outside Entities);
  - **Investment and Pensions (2)** – Low (RES1605ISS.1 – Service Level Agreements with Outside Entities and RES1705 – Information Governance);
  - **Strategy and Insight (1)** – Low (RES1605ISS.1 – Service Level Agreements with Outside Entities);
  - **Safer and Stronger Communities (4)** – 1 High (\*\*SSC1701 – Short Term Homelessness); 2 Medium (SSC1701ISS.4 – Short Term Homelessness and CW1602ISS.1 – Disaster Recovery / Shadow IT); and 1 Low (RES1605ISS.1 – Service Level Agreements with Outside Entities); and
  - **Communities and Families (3)** – 2 Medium (CF1621ISS.3 – GIRFEC Named Person and CW1602ISS.1 – Disaster Recovery / Shadow IT) and 1 Low (RES1605ISS.1 – Service Level Agreements with Outside Entities)
  - **Place (2)** – 1 Medium (CW1602ISS.1 – Disaster Recovery / Shadow IT) and 1 Low (RES1605ISS.1 – Service Level Agreements with Outside Entities)

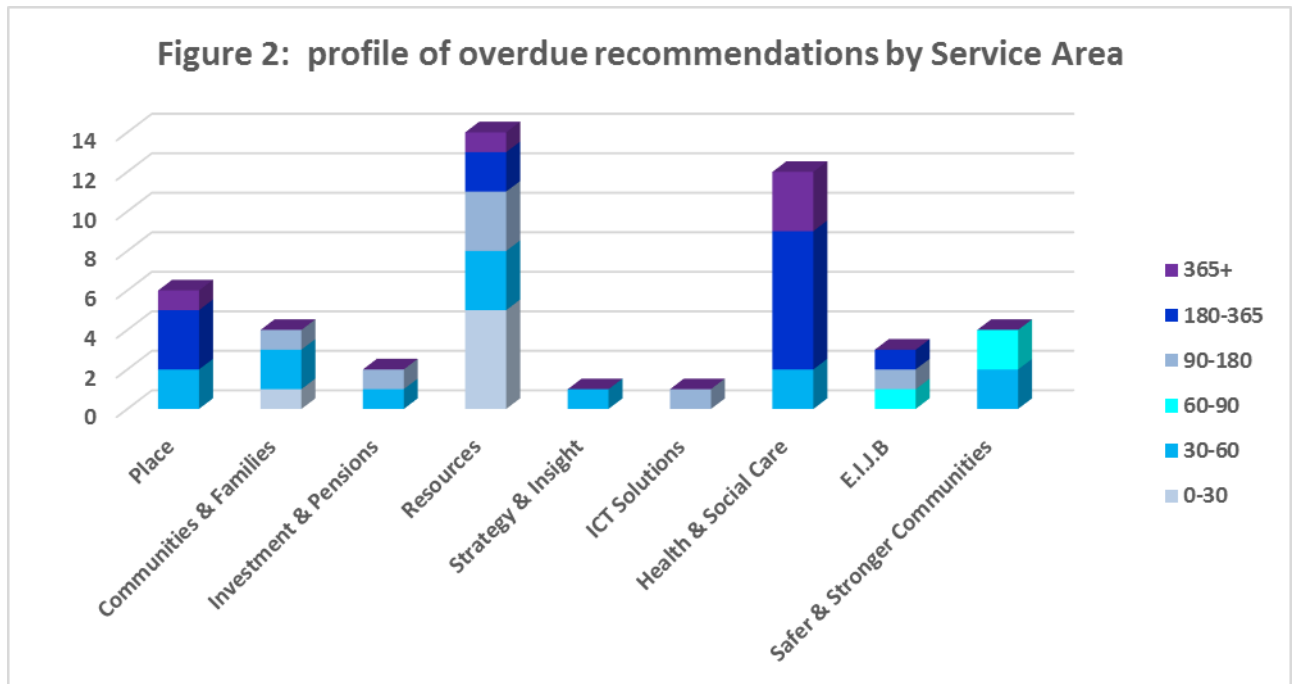
Where recommendations are noted as \*\* in the list above, initial evidence has been provided and IA is working with management to obtain sufficient additional evidence to support full closure.

- 3.10 One High rated recommendation owned by Health and Social Care was due for completion by 31 January 2018 (HSC1604ISS.2 – IJB Data Integration and Sharing). It is expected that this recommendation will be closed imminently following approval of a pan Lothian memorandum of understanding in relation to information sharing between relevant Councils and the NHS by the Health and Social Care’s Chief Officer and the Council’s Chief Executive on 14 February 2018.
- 3.11 One Medium recommendation (Resources – Asset Management Strategy RES1712ISS.3) has been reduced to a Low based on evidence provided by management that confirms the risk has been partially addressed.
- 3.12 Figure 1 illustrates the ageing profile of all overdue recommendations by rating across Service Areas. Of the 47 overdue items, 18 are more than 180 days overdue (1 High; 16 Medium; and 1 Low) in comparison to 17 at the end of October, with 5 of the 18 (1 High, 3 Medium and 1 Low) more than 365 days overdue in comparison to 6 last month.

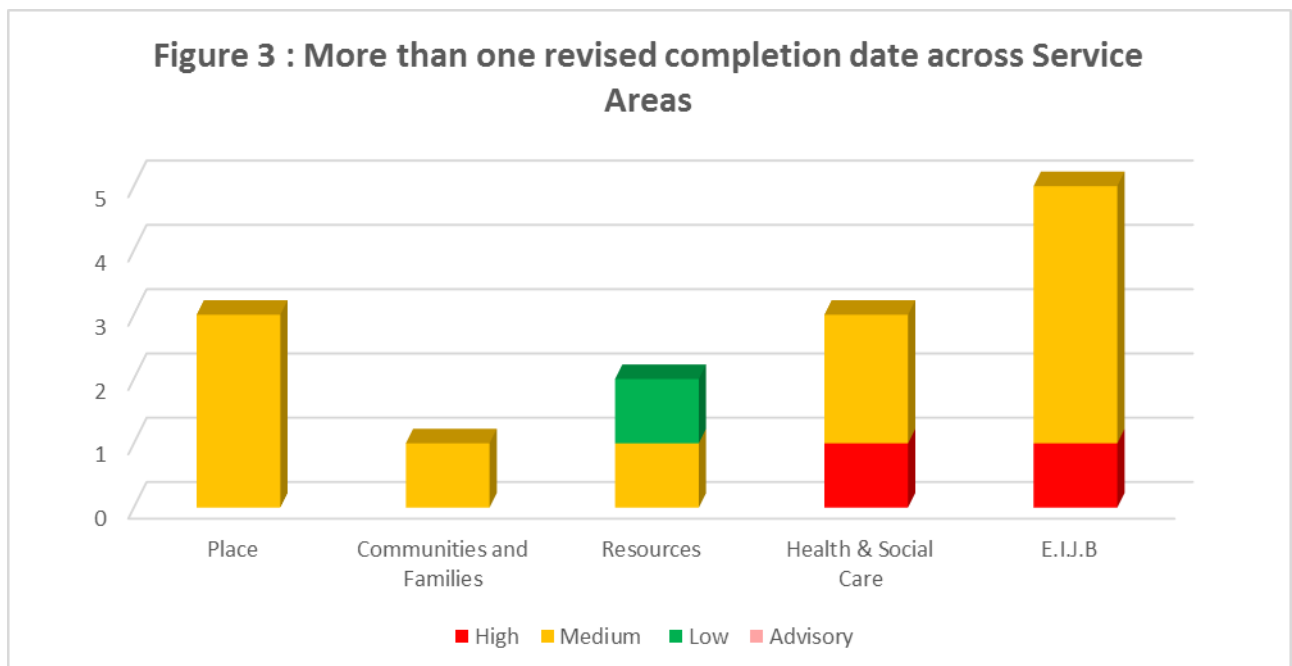




3.13 Figure 2 highlights the ageing profile of overdue Internal Audit recommendations for each Service Area.



3.14 Figure 3 illustrates that there are 14 overdue recommendations where completion dates have been revised more than once since the implementation dates agreed with Service Areas when finalising audit reports. This is a decrease of 6 in comparison to October. This decrease is driven by EIJ.B (+1); Health and Social Care (-1); Strategy and Insight (-2); Resources (-2); and Place (-2)



- 3.15 There are also five open (not overdue) recommendations where agreed dates for specific actions have been missed. These are:
- Strategy and Insight - ICO Follow Up (RES1606ISS.2 – Medium);
  - Strategy and Insight – Complaints Process (CF1619ISS.1 – Medium);
  - Health and Social Care – IJB Data Integration and Sharing (HSC1604ISS.4 - Medium); and
  - Resources – Asset Management Strategy (RES1712ISS.5 – Low).
- 3.16 Internal Audit has categorised all overdue Internal Audit actions by Directorate showing the latest status updates where received. The detailed results of this categorisation are set out in Appendix 1.
- 3.17 There were 2 Internal Audit reports issued in draft as at 19 January where management responses had not been received within our two-week service standard. These are:
- 3.17.1 Health and Social Care – Care Homes Assurance review. Draft report was issued mid-October for management responses. The Interim Chief Officer, Health and Social Care Partnership attended the Governance, Risk, and Best Value Committee on 16 January 2018 to provide an update on progress with this report. The final report was issued on 11 February 2018, and details of the High recommendations raised will be provided to GRBV as part of the June 2018 quarterly IA update report.
- 3.17.2 Resources – Customer Transformation Programme. Review was subject to handover from the Principal Audit Manager who left in August to the Chief Internal Auditor. Further work was required and has now been completed with a report out in draft for management comment. The Audit should have been completed by end August 2017, and has not yet been finalised.

## **4. Measures of success**

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- 4.1 An increase in the implementation and closure of Internal Audit recommendations within their initial estimated closure date.
- 4.2 An improvement in the time taken to receive management responses and finalise Internal Audit Reports

## **5. Financial impact**

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- 5.1 Not applicable.

## **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 effective risk management, compliance, and governance.

## **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 Not Applicable.

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

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- 10.1 Not Applicable.

### **Stephen S. Moir**

Executive Director of Resources

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## **11. Appendices**

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Appendix 1 – Status report: Overdue Recommendations Detailed Analysis

Unique No	Project Code	Project Name	Group	Issue Coor Rating	Finding	Business Implication	Recommendation	Agreed Management Action	Status	Due Date	Revised Date	Revisions	Status Update	Owner	
CW1602SS.1	CW1602	Disaster Recovery	Communities & Families	ISS.1	Medium	Following the transition of IT managed services to CGI, a DR programme has been established which, it is anticipated, would allow the Council to recover critical services and data in the event of major disruption or loss of IT infrastructure. However, enhancements are required to allow confidence that the DR programme will meet the recovery requirements of the Council and its stakeholders. The weaknesses in the DR programme, set out below, may adversely impact upon the ability of the Council to recover critical systems effectively. Robust testing, in line with the CGI contractual requirement, of the Council's recovery processes has not been performed to determine whether the recovery solution is fit for purpose and to validate the effectiveness of the current design of recovery provisions and processes. The approach to classifying critical systems, as either P1, P2 or P3 (High, Medium, Low), is not consistent and does not consider other prioritisations within the Council. The application of these ratings are determined by business owners and is a subjective process, which may result in systems being misclassified from a Council wide perspective. The inventory of system dependencies between critical Council systems is not regularly reviewed or maintained. Management review this on an ad hoc basis or when CGI identify any weaknesses in infrastructure. There is no mandatory requirement for, or oversight of, DR provisions or testing for IT systems that are procured, managed or maintained either outside the CGI contract or without oversight from ICT. Business owners and stakeholders for IT systems and services have not been updated, which may result in delays in implementing improvements and establishing business requirements.	Without an embedded DR programme in place that has been robustly tested and captures all Council critical services and systems, there is a risk that following significant ICT disruption (for example the loss of a datacentre or a major cyber security breach) the Council is unable to recover all critical data and resume business operations in a timely manner. The loss of critical ICT services for an extended period of time or the inability to successfully recover data could result in significant operational and reputational damage to the Council.	Management should ensure that ICT systems within the Council have been identified and classified appropriately. Disaster recovery processes should be rigorously tested to validate the ability of the Council to successfully recover systems and data within the defined timescales set by stakeholders. For systems that are identified which are not managed by central ICT (Shadow IT), Management should consider how they could work with the system owners in ensuring that these systems are resilient and can recover following a major incident.	Service Areas will identify all shadow IT systems, applications and websites historically procured and implemented by Services that are not managed corporately by ICT in conjunction with CGI and provide details of these to the Head of ICT. Information to be provided will include: - Name of the application - Details of the application provider - Information on the Council service that the system supports - Details of any support agreements and licence arrangements in place with the system provider, including their expiry date - Information re any recent cyber or security attacks that impacted the operation of the system. - Any available information on how the system is backed up to ensure that source data held on the system can be recovered. - An initial assessment of the system's criticality based on definitions provided by ICT.	Overdue	30/11/17			IA Note: This is a new recommendation allocated across all Directorates / Service areas as agreed at CLT in September. No update required for the current month. Please provide evidence that this has been prepared and submitted to ICT and we will close.	Alistair Gaw, Executive Director of Communities and Families
RES1605SS.1	RES1605	Service Level Agreements with Outside Entities	Communities & Families	ISS.1	Low	We reviewed the arrangements in place with 5 organisations to which the Council provides professional services. Organisation Services provided 2015/16 Fees Lothian Valuation Joint Board Payroll services Accountancy services Internal Audit £ 20,100 SEStran Accountancy services Payments and procurement Insurance Treasury management Internal Audit Payroll services £ 23,350 Lothian & Borders Community Justice Authority Accountancy services Payments Internal Audit £ 22,000 CEC Holdings Accountancy services £ 20,000 Royal Edinburgh Military Tattoo Payroll services Treasury management Internal Audit £ 1,500 There was a current Service Level Agreement (SLA) in place with only one of those 5 entities (SEStran). The agreement had been set up in June 2013 for a period of 12 months, and has been extended a further 3 times since then. There was a further SLA with the Lothian & Borders Community Justice Authority. This SLA expired in March 2010. The Council has continued to provide accounting support including accounts preparation to LBCJA at the rates agreed in 2009. Additional services including accounts payable and internal audit were not included in this SLA. There were no SLAs in place with the remaining 3 entities. Services provided and fees charged were understood to be historic arrangements.	If service levels are not formally agreed with the other organisation, there is a risk that: There is reputational damage and increased resource pressure if the Council does not deliver services as expected by the counter party; The Council may not receive appropriate remuneration for services provided; and Arrangements in place may not be appropriate or may conflict with other Council duties.	Service Level Agreements with the organisations to which the Council provides professional services should be reviewed and/or established. These should set out services provided, key activities and deliverables, and the respective roles and responsibilities of the Council and the counterparty. Service Level Agreements should be for a defined period and refreshed regularly to ensure that agreed services and charges remain appropriate.	Directors will ensure that a service level agreement (SLA) has been established with all arms level organisations (ALEOs) that they support. The SLA should set out all services provided and received by the Council, key activities and deliverables, and the respective roles and responsibilities of the Council and the counterparty. The agreements should be for a one year period and refreshed annually to ensure that agreed services and charges remain appropriate.	Overdue	30/11/2017			IA Note: This is a new recommendation allocated across all Directorates / Service Areas as agreed at CLT in September. No update required in the current month. Can you please provide evidence that this has now been completed and we will close?	Alistair Gaw, Executive Director of Communities and Families
CF1621SS.3	CF1621	GIRFEC Named Person	Communities & Families	ISS.3	Medium	Although the GIRFEC legislation does not require documentation of chronology in Wellbeing Concern (WC) files, this currently works well in Child Protection (CP) files to enable analysis of history and patterns of concern, and is to be promoted as good practice. There is no single repository for all Wellbeing Concern and Child Protection notes to enable data sharing between SCD and Named Persons. Testing identified relevant information being recorded in the following mediums: Paper files; SEEMIS pastoral notes; Off the shelf packages such as "on the button" and SWIFT Testing evidenced that the current GIRFEC Child Protection records management requirements are not being fully adhered to, resulting in breaches of the Council's data protection policy and General Data Protection Regulations (GDPR) (April 2017). The following areas for concern were identified: Child Protection meeting notes retained in Pupil Progress Records (PPR files) Additional Child Protection files being sent to a feeder High School for pupils not transitioning on to their S1 role. There is currently no systematic process of review of compliance with records management requirements. Such a process would assist learning amongst professionals involved in Child Protection and allow Senior Management in School & Lifelong Learning area to identify and address any systematic weaknesses.	Lack of chronology in Wellbeing Concern files can result in difficulty analysing the history and patterns of concerns raised. Lack of a single repository to share data prevents professionals from being able to access the full picture for each child, and enhances the risk of inaccurate or insufficient action being taken to ensure a child's wellbeing is maintained. Data protection legislation and policy could be breached and not identified.	A standard chronology template should be prepared for WC files and supported with guidance on the analysis of data, trends and preparing planning meeting summaries. Whilst we understand that management accept the risk posed in relation to the current inability to share data, they should investigate the feasibility of using an established or introducing a new Data Management System (DMS) option by which the wellbeing chronology can be securely shared between relevant parties. Additionally, the SL and SCD registers should be updated to reflect the risk that data cannot currently be shared and could result in the risk of inaccurate or insufficient action being taken to support a child. Guidance on the application of Records Management policy and procedures should be prepared and appropriate training provided, drawing on existing good practice in special schools. A review process to assess compliance with data protection; record management; and GIRFEC policies should be introduced. The 'Self assessment framework currently being implemented within Communities and Families' could be used as a vehicle to provide this assurance.	Current seconded staff will develop a template for chronology. GIRFEC training will reinforce the need for named person in school to put in place a chronology of wellbeing concerns. Training will also specify that where the level of concern leads to a lead professional being appointed (e.g. social worker), that person then becomes responsible for the preparation of the single child plan including subsequent versions of the chronology. The risk of continuing to operate with separate electronic recording systems for schools and social care is accepted by senior management as no practicable solution currently exists within any of the 32 Local Authorities in Scotland. SL and SCD will update their risk registers to reflect this accepted risk. 38.4 There is good practice evident in special schools in relation to records management. The officers currently seconded to develop GIRFEC recording practice in schools will review the learning from this, issue guidance to schools about application of Records Management policy/procedures, and offer training as appropriate. They are also undertaking work to embed the use of the wellbeing app within SEEMIS which will standardise recording of child concerns within schools.	Overdue	29/12/17			Current Position 22/11/17 - Current Position: Partial evidence provided by Implementation Officer regarding the new Wellbeing concerns chronology.	Alistair Gaw, Executive Director of Communities and Families
CF1619 ISS.3	CF1619	Complaints Process	C&F	ISS.3	Medium	The Chief Social Work Officer conducted a review of complaints handling for secondary schools in 2015, and surveyed the head teachers of the 18 secondary schools which had not recorded a complaint in the previous 2 years. 9 head teachers responded that they were unsure what type or level of complaint should be shared with the Advice and Complaints (Education) Service; and 4 acknowledged that they had not followed the complaints procedure. Perhaps as a result of increased awareness of the complaints procedure following the Chief Social Work Officer's review at least one Stage 1 complaint was recorded by each secondary school in 2015/16 or 2016/17. However, 29 primary schools have not recorded a Stage 1 complaint in 2015/16 or 2016/17. This represents 32% of the primary school estate. It seems unlikely that these schools did not receive any complaints in that period. This suggests that the Communities & Families complaints performance data is likely to be incomplete.	Performance information is inaccurate as it does not include all Stage 1 complaints. There is a risk that complaints are not being reported/handled appropriately by the schools, meaning problems are not addressed early on and may escalate; Communities and Families do not have complete management information on complaints, so can not identify and address common service issues.	We recommend the Advice & Complaints (Education) Service issues guidance to schools on what is considered a complaint, and how a complaint should be handled and recorded. This may be delivered most effectively through forums such as the Communities & Families Risk Group or Head Teachers Groups. We note that complaints recording is more difficult in schools as they cannot use Capture and complaints can only be recorded on Jadu once resolved. As noted in Finding 1, the Council is procuring a new complaints handling system and will overhaul the complaints handling process as part of this. We recommend that Communities & Families Advice & Complaints (Education) Service works with Strategy Insight to ensure that their complaints handling processes are aligned, and messages to head teachers are consistent.	The current Jadu form will be reviewed, in consultation with the wider work ongoing within Strategy & Insight, to ensure that complaint information can be collected at an earlier stage in the process.	Overdue	31/08/17	31/07/18	31/08/17 31/07/18	October Update: The complaints action cannot progress in isolation as there is a Council wide complaints project underway which will determine the way our complaints are recorded. The update provided in September which is recorded in the spreadsheet provides the details. There is nothing further we can add at this time.  September Update: 11/09/17 - The current Jadu form will be reviewed, in consultation with the wider work ongoing within Strategy & Insight, to ensure that complaint information can be collected at an earlier stage in the process. As a result of the Corporate Review of Complaints, a Corporate Complaints Improvement Plan has been developed. The action for Education will be covered by the following workstream within the Improvement Plan: "Agree a strategy to minimise the number of databases currently being used across service areas to record, manage and report complaints" This will involve meeting with all services that do not use Capture or Confirm, research possible solutions, consult services affected by recommendations to agree future arrangements and to review training provided on alternative systems to ensure alignment with standardised complaints training. The timescale for this action is November 2017 - July 2018. Please note the procurement of a new CRM (customer relationship management) is currently on hold.	Frances Smith, Advice & Complaints Officer (Education)
E.L.B and Health & Social Care															
CW1602SS.1	CW1602	Disaster Recovery	Health & Social Care	ISS.1	Medium	Following the transition of IT managed services to CGI, a DR programme has been established which, it is anticipated, would allow the Council to recover critical services and data in the event of major disruption or loss of IT infrastructure. However, enhancements are required to allow confidence that the DR programme will meet the recovery requirements of the Council and its stakeholders. The weaknesses in the DR programme, set out below, may adversely impact upon the ability of the Council to recover critical systems effectively. Robust testing, in line with the CGI contractual requirement, of the Council's recovery processes has not been performed to determine whether the recovery solution is fit for purpose and to validate the effectiveness of the current design of recovery provisions and processes. The approach to classifying critical systems, as either P1, P2 or P3 (High, Medium, Low), is not consistent and does not consider other prioritisations within the Council. The application of these ratings are determined by business owners and is a subjective process, which may result in systems being misclassified from a Council wide perspective. The inventory of system dependencies between critical Council systems is not regularly reviewed or maintained. Management review this on an ad hoc basis or when CGI identify any weaknesses in infrastructure. There is no mandatory requirement for, or oversight of, DR provisions or testing for IT systems that are procured, managed or maintained either outside the CGI contract or without oversight from ICT. Business owners and stakeholders for IT systems and services have not been updated, which may result in delays in implementing improvements and establishing business requirements.	Without an embedded DR programme in place that has been robustly tested and captures all Council critical services and systems, there is a risk that following significant ICT disruption (for example the loss of a datacentre or a major cyber security breach) the Council is unable to recover all critical data and resume business operations in a timely manner. The loss of critical ICT services for an extended period of time or the inability to successfully recover data could result in significant operational and reputational damage to the Council.	Management should ensure that ICT systems within the Council have been identified and classified appropriately. Disaster recovery processes should be rigorously tested to validate the ability of the Council to successfully recover systems and data within the defined timescales set by stakeholders. For systems that are identified which are not managed by central ICT (Shadow IT), Management should consider how they could work with the system owners in ensuring that these systems are resilient and can recover following a major incident.	Service Areas will identify all shadow IT systems, applications and websites historically procured and implemented by Services that are not managed corporately by ICT in conjunction with CGI and provide details of these to the Head of ICT. Information to be provided will include: - Name of the application - Details of the application provider - Information on the Council service that the system supports - Details of any support agreements and licence arrangements in place with the system provider, including their expiry date - Information re any recent cyber or security attacks that impacted the operation of the system. - Any available information on how the system is backed up to ensure that source data held on the system can be recovered. - An initial assessment of the system's criticality based on definitions provided by ICT.	Overdue	30/11/17			IA Note: This is a new recommendation allocated across all Directorates / Service areas as agreed at CLT in September. No update required for the current month. Please provide evidence that this has been prepared and submitted to ICT and we will close.	Michelle Miller, Interim Chief Officer, EH&SCP
HSC1604SS.1	HSC1604	UB Data Integration & Sharing	E.L.B.	ISS.1	High	The governance processes in place are not sufficiently mature to support the vision of seamlessly sharing data between both parties to the UB. We observed the following areas of weakness: Roles and responsibilities. Roles and responsibilities are not well defined or communicated between CEC and NHS, in particular relating to: Management of access to critical systems. Reporting and escalation of issues; and Ensuring compliance with legal information governance regulations. Management structure. A process is currently ongoing to establish and capture cross party system access requirements for the NHS, CEC and external parties (e.g. GP practices). While we recognise that this exercise is now complete, at the time of the review, a management structure to manage access has not been established, and there is no clear roadmap or timeline that details when and how access will be implemented. The interim system access is being granted to individuals on an ad-hoc basis. Communication strategy. During our review, it was observed that the communication strategy is not well defined. The UB does not promote awareness of its remit or the benefits it can facilitate to staff within CEC and NHS. This has resulted in a lack of awareness on the types of data, not originating from their 'home' organisation, which is now available to staff.	There is a risk that without clear roles and responsibilities, legal requirements or regulations are not met or are addressed in isolation. There is a risk that UB members and the executive board cannot monitor progress against strategic objectives effectively. With no clear implementation roadmap, the UB might experience resourcing issue or miss important dependencies between requirements. If internal communication is not well defined, there is the risk that employees do not make best use of the available data with a knock on impact on patient/customer outcomes.	The UB should ensure roles and responsibilities for the management of access to critical systems, reporting and escalation of issues and compliance with legal regulations are clearly defined and communicated.	Nominated officer to be identified in respect of ICT and Information Governance to take responsibility for ensuring that appropriate governance arrangements are in place for both the Edinburgh Integration Joint Board (EIB) and the Edinburgh Health & Social Care Partnership (EHSCP).	Overdue - IA Validation in progress	30/08/17	31/12/17		Current Position 15.01.18 - - Overdue - IA Validation in Progress. A new Operations Manager role has been created in the H&SC partnership for a 6 month period with funding provided by CEC. Role spec and job description has been provided by H&SC. IA has reviewed these and reverted with some follow up questions. Current status is recommendation IA validation in progress, and evidence is included at E1.9 to E1.13 in the IA system. November update: an individual has now been appointed to the post, funded by Resources and will begin to develop a work plan. A hand over will be arranged with the existing action owner. Copy of offer of post and job role to be submitted by separate email. October Update: The Council's Executive Director for Resources has agreed to fund a temporary post that will take on responsibility for coordinating core infrastructure activity, including information governance in the HSC Partnership.	Michelle Miller, Interim Chief Officer, EH&SCP

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							The UB should have a clear roadmap, detailing which requirements are to be implemented when, highlighting resources needs and eventual cross-dependencies.	Roadmap of ICT requirements to be developed based upon priorities for delivery of the UB Strategic Plan.	Overdue - IA Validation in progress	30/09/17	31/03/18		Current Position 15.01.18 - Overdue - IA Validation in Progress A presentation detailing the range of work taking place that will lead to the identification of ICT requirements was discussed at the ICT and Information Governance Steering Group on 21/11/17 and the need to establish a clear mechanism for recording ICT requirements for consideration by the Group agreed. A copy of the presentation has been issued to Internal Audit for validation by separate email. November update: the HSCP ICT and Information Governance Steering Group will consider a paper on 21/11/17 setting out how the Statement of Intent being presented to the UB on 17/11/17 provides a way forward in developing an ICT strategy/roadmap. Papers submitted by separate email. October update: The interim senior management team for the Health and Social Care Partnership is reviewing priorities and has agreed a new approach with the UB. This approach will impact on the priorities for ICT. Agreement of priorities will be overseen by the Health and Social Care Partnership ICT and Information Governance Steering Group, which is chaired by the Interim Chief Officer. ICT support is being provided on an ad hoc basis to support specific projects, such as the establishment of the locality teams. Proposed revised completion date 31/3/18 to allow for work on reshaped priorities to be completed.	Wendy Dale, Strategic Commissioning Manager	
							A clear prioritisation process should be implemented. Priorities should be revised each time a new requirement is gathered.	Prioritisation of requirements to be agreed through the EHSCP ICT and Information Governance Steering Group.	Overdue - IA Validation in progress	30/09/17	31/03/18	30/09/2017	Current Position 15.01.18 - Overdue - IA Validation in Progress A presentation detailing the range of work taking place that will lead to the identification of ICT requirements was discussed at the ICT and Information Governance Steering Group on 21/11/17 and the need to establish a clear mechanism for recording ICT requirements for consideration by the Group agreed. A copy of the notes from the ICT and Information Governance Steering Group will be sent by separate email. Revised completion date 31/3/2018. IA note: notes from ICT and Information Governance Steering Group still to be received. November update: the HSCP ICT and Information Governance Steering Group will consider a paper on 21/11/17 setting out how the Statement of Intent being presented to the UB on 17/11/17 provides a way forward in developing an ICT strategy/roadmap. Part of the discussion of this paper will include proposals for the identification, approval and prioritisation of ICT requirements. Papers submitted by separate email. October update: It is the role of the Health and Social Care Partnership ICT and Information Governance Steering Group to agree and prioritise requests for specific pieces of work from ICT outside business as usual. This Group has agreed to oversee the delivery of the recommendations within this audit report.	Wendy Dale, Strategic Commissioning Manager	
							The UB should ensure they communicate their visions and goals to the NHS and CEC staff.	Vision and goals in respect of ICT to be conveyed through the development and publication of an ICT Strategy for the EHSCP.	Overdue	31/10/17	31/10/18		Current Position 15.01.18 - Overdue A report on the outputs from the workshop held in November will be submitted to the Strategic Planning Group on 2/2/2018. November Update: a workshop to determine the information and communication needs of the UB, staff working within the Health and Social Care Partnership and the public, took place on 1/11/17. The outputs from that workshop are currently being analysed to determine the best way to move forward. October update: A workshop is taking place on 1 November 2017 to discuss the information and communication needs of the UB, staff working within the Health and Social Care Partnership and the public. Following the workshop we will produce an evaluation of the needs identified, how these are currently met, any gaps and how they need to be addressed. This will be shared with staff, UB members and other stakeholders.	Wendy Dale, Strategic Commissioning Manager	
HSC1715ISS.4	HSC1715	Edinburgh Alcohol and Drug Partnership (EADP) - Contract Management	Health & Social Care	ISS.4	Low	On 2nd June 2017, the main provider contracted under the Adult Community Treatment Services Contract went into 'Administration'. The Joint Programme Manager advised that the provider contacted the EADP team towards the end of May to inform them of this and to advise that the contract terms and conditions were being transferred to another provider with immediate effect. It is understood at that point that the original providers' staff had already been 'TUPE'd' over to the new contract provider. The Joint Programme Manager noted that the Council was in the process of signing a Novation Agreement to transfer the terms and conditions over to the new contract provider. However, it is understood that the Novation Agreement is still unsigned (as at our audit closing meeting of 3rd October) although the provider has been providing service delivery under contract since the transfer of staff in June.	Risk of breach of contract which cannot be addressed as there is no signed contract between both parties.	The EADP Novation Contract Agreement should be signed by both parties immediately.	EADP Joint Commissioning Officer will follow up the novation agreement for the new contract and resolve by the end of November 2017.	Overdue	22/12/17			David Williams, EADP Joint Commissioning Officer	
HSC1503 ISS.3	HSC1503	Personalisation SDS - Option 3	E.L.I.B.	ISS.3	Medium	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 such as: Eligibility for services (on which data is required by Scottish Government) has been recorded since January 2015; 'Initial steps to support' assessments were in use for new contacts between August 2014 and May 2015 but are now used only for crisis care. A new personal support plan was introduced in October 2015. Where a new personal support plan is used, 'Option 4' is now recorded as a combination of Options 1, 2 and 3. 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.	Data on Swift is used to provide internal and external reporting which is likely to be incorrect. Data quality is affected where several processes to capture the same information are in use. There are over 500 practitioners completing assessments on Swift; multiple process changes over a short period of time increase the likelihood of errors in data input.	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. 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.	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 them into account. A summary of all changes and the impact on data extraction has also been produced.	Overdue - IA Validation in progress	30/06/16	31/03/18	31/12/17 30/06/17	Current Position at 11/01/18 - Overdue - IA Validation in Progress Compliance and Data Quality Team Manager now in place, rest of the team starts on 8/1/18. Draft project plan agreed by Assessment and Review Board (copy supplied to Internal Audit for validation). Position at 21/11/17 - Overdue - IA Validation in Progress The establishment of the Compliance and Data Quality Team has been agreed; the manager will take up post on 4/12/17 and the rest of the team on 8/1/18. A prioritised work plan will be drawn up for the team and include the development and implementation of a change management process. Delivery date to be extended to 31/3/18. Position at 25/10/17 - Overdue - IA Validation in Progress Updated following discussion with Internal Audit and Business Services Manager on 25/10/17. The development and implementation of the change management process will be part of the proposed Compliance and Data Quality Team. Establishment of this team is awaiting approval from CLT. Owner of action changed from Strategic Commissioning Manager to Business Services Manager. Current Position at 24/10/17 - Overdue - IA Validation in Progress Discussions are currently taking place to establish where responsibility for change management should sit within the Health and Social Care Partnership. August Update: Chief Officer and Strategic Commissioning Manager provided an update at GRBV meeting of 01.08.17 that noted that a revised implementation date of December was required. 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	Mary McIntosh, Business Services Manager
HSC1503 ISS.6	HSC1503	Personalisation SDS - Option 3	E.L.I.B.	ISS.6	Medium	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.	The quality of personal support plans is a vital aspect of delivering SDS and ensuring that people receive the care that they choose and need. A lack of review may affect the quality of care received.	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.	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. Data quality reports will be set up to identify any support plan signed off by the assessor who produced the plan. Sector Managers and seniors to ensure appropriate oversight and sign off by senior for the personal care plans	Overdue - IA Validation in progress	30/06/16	30/06/18	31/12/2017	Current Position at 11/01/18 - Overdue - IA Validation in Progress Compliance and Data Quality Team Manager now in place, rest of the team starts on 8/1/18. Draft project plan agreed by Assessment and Review Board (copy supplied to Internal Audit for validation). Position at 21/11/17 - Overdue The establishment of the Compliance and Data Quality Team has been agreed; the manager will take up post on 4/12/17 and the rest of the team on 8/1/18. A prioritised work plan will be drawn up for the team and include the outstanding tasks in order to address this recommendation. Delivery date to be extended to 30/6/18. Position at 25/10/17 - Overdue - IA Validation in Progress: Updated following discussion with Internal Audit and Business Services Manager on 25/10/17. The running of data quality reports and ensuring compliance with processes will be part of the role of the proposed Compliance and Data Quality Team. Establishment of this team is awaiting approval from CLT. Owner of action changed from Strategic Commissioning Manager to Business Services Manager. Current Position at 24/10/17 - Overdue - IA Validation in Progress: Work is actively taking place with colleagues in Internal Audit to agree what action now needs to take place in terms of evidence and verification. September Update: meeting arranged with Internal Audit to discuss how best to progress this issue. August Update: Report has now been set up so it will automatically identify cases where the support plan was created and signed off by the same person. Evidence of this has been supplied to Internal Audit. Business Support Teams will be asked to run these reports monthly initially. The outstanding issue here relates to support plans that have not been signed off. We had asked if an additional category of 'closed before completion' could be created in SWIFT but have been advised that this is not possible. Strategic Commissioning Manager will arrange to have a discussion as to how we resolve this with Senior Strategy and Planning Officer and Internal Audit. Suggest revised date to end December to allow time for Audit to check this is working. July Update: Preparer and approver of five Personal Care Plans compared manually on 19/07/2017: no cases identified where a Personal Care Plan had been signed off by the assessor who produced it. This manual comparison will be repeated monthly for all new care plans. Risk rating reduced from 'medium' to 'low'. Changes to system requested to allow electronic exception reporting, and to record status ('in progress/terminated') and 'go live' date to identify any care packages which have not been authorised. This is already checked manually by the Service Matching Unit each time a new care package is allocated to a care provider. Revised date: 31/08/2017 June Update: Assessments are no longer signed off, but costed Personal Support Plans up to the value of £650 p.w. are signed off by a senior. To close these findings, we need to confirm that sign off is being monitored through exception reporting to identify Plans which haven't been signed off, or that have been prepared and signed off by the same person.	Mary McIntosh, Business Services Manager
HSC1504 ISS.1	HSC1504	Care Sector Capacity	E.L.I.B.	ISS.1	Medium	A Joint Strategic Needs Assessment (JSNA) has been drafted by the Research and Information team in preparation for health and social care integration. This analyses demographics across the city and the attendant pressures on social care provision such as life expectancy, morbidity, deprivation, prevalence of unpaid carers and employment levels (affecting both need for social care and the availability of carers). While the JSNA gives a sophisticated analysis of the current demographic and economic profile of the city, it is a snapshot based on historic statistics. Forecasting is limited to percentage growth according to the National Records of Scotland population projections by age group. The demographic trends and pressures on social care provision identified in the JSNA have not been translated into the likely effect they will have on demand for services in the medium- to long-term. This means that the Council does not have a robust forecasting model of demand for social care in the City to inform its strategic planning.	Lack of robust forecasting models impedes informed strategic planning of future service provision. New service structures and initiatives may be created in an attempt to address current problems which are not suitable for changing demands caused by foreseeable movements and trends in the population.	Forecasting The JSNA should be developed into a robust forecasting model for demand for social care in the City. This should involve an appropriate level of scrutiny of the reliability of the data used and the assumptions used in the model. We recommend that an officer from Health and Social Care is involved in the development of the JSNA in order to assess the assumptions used. The forecasting model should include a sensitivity analysis to assess the likely impact of variation in forecast trends. This is particularly important given the recognised breadth and complexity of social and economic factors affecting demand for care. Gap Analysis Once demand for homecare services has been forecasted, the Service should identify the gap between current and required capacity. If the forecast is sufficiently nuanced, the Service will be able to identify the gap between available resources and need for different groups, types of care, and localities. Implementation To date, population projections have generally been used to illustrate the need for service reform. The forecasting model and gap analysis should be used to inform strategic planning of Health and Social Care services.	Forecasting The Edinburgh Health and Social Care Partnership's Strategic Plan includes as a priority the improvement of our understanding of the strengths and needs of the local population through the ongoing development of the JSNA. A working group has been established to carry out this work. Members include colleagues from Public Health in NHS Lothian as well as from the Health and Social Care Partnership. One of the work streams which have been identified for the group is to further investigate methods of forecasting needs among specific groups, and our Public Health colleagues are supporting this work. Sensitivity analyses will be built into forecasting models. Gap Analysis Existing methods enable the gap to be identified between demand and supply in broad terms. Further work will be done in conjunction with Strategic Planning and Contracting colleagues to provide analyses in relation to specific service models. Implementation Improved understanding of the strengths and needs of local populations, and the gap between demand and supply, will be used to develop service models and will inform strategic planning.	Overdue - IA Validation in progress	30/04/17	31/12/17		November Update: - Overdue - IA Validation in progress Further evidence supplied by Eleanor Cunningham for validation by Hugh Thomson. Current Position at 24/10/17 - Overdue - IA Validation in Progress A meeting took place with Internal Audit on 17/10/17 to discuss the current approach to forecasting and what evidence is required for this recommendation to be closed. It was agreed that further evidence would be submitted for consideration by Internal Audit. September update: A meeting has been arranged for mid October with Internal Audit to provide them with evidence of recent work undertaken in relation to demand forecasting in order to establish whether or not this addresses the concerns raised in the report. This action is being taken forward through the ongoing development of the JSNA and the development of the Capacity and Demand Plan for Older People.	Wendy Dale, Strategic Commissioning Manager
HSC1601 ISS.6	HSC1601	Care Home Debt Management	E.L.I.B.	ISS.6	Medium	Section 2(2) of the National Assistance Act 1948 states that "the payment (which a person is liable to make) for any such accommodation shall be in accordance with a standard rate fixed for that accommodation by the council managing the premises in which it is provided (and that standard rate shall be representative of the full cost of the authority of providing the accommodation)". Historically the Council have not charged the full cost of accommodation provision and provided the accommodation at a discount to the full unit cost. The Chief Officer of the Edinburgh Health and Social Care Partnership is responsible for reviewing charges on an annual basis. Unit costs are updated regularly by Finance and are available to Health and Social Care senior management to inform decisions on charges. Rates charged to residents for Care Homes are currently based on a historic costs exercise thought to have been completed in approximately 2005, then updated by "inflationary" increases in subsequent years. These uplifts were not linked to the actual cost increases in delivering accommodation and in 2015/16 a cohort of 9 residents receiving specialist dementia care at the North Merchiston Care Home appear to have been charged £9.80 per week in excess of the Home's unit cost of care provision for all or part of the year (total over-charge: £3,059), an apparent breach of the National Assistance Act 1948. This situation did not recur in 2016/17 due to the contract changes with the company running the care home on behalf of the Council. The unit cost of care increased by 3.9% in 2016/17 while the rate charged to residents remained constant, resulting in the unit cost of care being greater than the unit cost for patients in this category at the North Merchiston Care Home.	The Council appears to have charged this cohort of residents a sum in excess of what is permitted under the National Assistance Act 1948. The rates charged to residents in all Council provided accommodation needs to be reviewed for 2017/18 to ensure that they better reflect the actual cost of the care provided and prevent a similar recurrence.	The incident of apparent overcharging requires to be investigated and if substantiated, refunds provided to the individual residents affected.	The Team Manager - Social Care Finance - Transactions, will identify the clients who have been overcharged for 2015/16 by the Billing Team and make the appropriate refunds.	Closed - Verified					Elizabeth Davern, Team Manager: Social Care Finance - Transactions
							The rates charged to residents in all Council provided accommodation will be reviewed for 2017/18 to ensure that they better reflect the actual cost. Finance will update unit costs to inform this review.	The rates charged to residents in all Council provided accommodation will be reviewed for 2017/18 to ensure that they better reflect the actual cost. Finance will update unit costs to inform this review.	Overdue	31/03/17	31/12/17	30/06/17 31/12/17	December Update: The recommendation changes the current policy and therefore will be presented for approval to the Corporate Policy and Strategy Committee on 28/02/18. November update: briefing paper for SMT drafted to be finalised following a meeting of key players on 20/11/17. Evidence of meeting and draft paper submitted by separate email. Current Position at 24/10/17 - Overdue - IA validation in Progress Meeting arranged for 18/10/17 to develop an agreed approach to annual updates in respect of in-house care home fees for recommendation to the Health and Social Care Senior Management Team. September update: Meeting to be held with Finance to agree an annual process for updating charges. Update requested July - finding owner on annual leave returning 17/7. A meeting is being arranged between the Strategic Planning and Quality Manager for Older People and colleagues in Finance to progress this action. NB: no changes have been made to care home charges for 2017/18, work to review their appropriateness in light of actual costs incurred will start once the revised staffing structures following the conclusion of the organisational review are in place. Suggest dependency be pushed implementation back to the end of June.	Katie McWilliam, Strategic Planning and Quality Manager for Older People	

Unique No	Project Code	Project Name	Group	Issue Cor Rating	Finding	Business Implication	Recommendation	Agreed Management Action	Status	Due Date	Revised Date	Revisions	Status Update	Owner	
HSC1603 ISS.4	HSC1603	Management Information [EUB]	E.L.J.B.	ISS.4 Medium	There is one member of the NHS Data Set Team responsible for pulling together and circulating delayed discharge reports to locality managers each week. We selected a sample of 5 weeks and confirmed that the report had been generated and circulated. We identified: One week where no delayed discharge report was circulated as the officer responsible was on annual leave; One week where additional information was missing as the officer responsible did not have time to complete it.	Locality managers do not have sight of delays if the staff member responsible for preparing management information is absent. There is a risk that this means resources cannot be targeted effectively, and the number of delays increases. There is a reliance on existing NHS and Council professional support arrangements which may not meet the needs of the EUB.	Delayed Discharge At least one other member of the NHS or Council Data Set Teams should be trained in preparing delayed discharge reports to provide cover in the event of staff absence. Lessons Learned In developing the Performance Management Framework, the Edinburgh Health and Social Care Partnership should identify resources required to collect and analyse performance data and maintain a consistent quality of reporting to locality managers, the Executive Board, and the EUB.	The resource requirements to meet the performance management requirements of the EUB will be identified as part of the development and implementation of the new operating structure in Health and Social Care.	Overdue	31/03/17	31/12/17	31/07/17 31/12/17	Current Position at 11/01/18 - Overdue No status update received for January - H&SC have been contacted for a response. October update: Resourcing issues in respect of performance management to be addressed as part of Phase 3 of the Health and Social Care transformation. Owner for this action to be changed to Michelle Miller September update: the interim Chief Officer is currently exploring any key gaps in infrastructure support such as performance management and identifying how to address these. Implementation date extended: the support services part of the new structure has not progressed as quickly as anticipated.	Michelle Miller, Interim Chief Officer, EH&SCP	
HSC1604 ISS.2	HSC1604	UB Data Integration & Sharing	E.L.J.B.	ISS.2 High	During interviews conducted with NHS and CEC, it was noted that two processes (specifically access management and communication protocols for data sharing) do not fully support the objectives of the UB. Responsibilities for ensuring that access rights to NHS and CEC systems remains appropriate have not been established. Currently, managers within NHS should notify CEC and vice versa of staff joiners, leavers or movers. This allows access rights to be updated in line with revised operational requirements. However, there is no formal documented process or guidance that sets out the requirement to notify the two bodies of staff changes, and interviewees reported that access control is inconsistently applied (for example not all managers notify their 'non-home' organisation of staff changes). Currently, communication protocols for data sharing are in place. However, we observed that these protocols were not fully established and not sufficiently mature enough on data protection to properly support the objectives of UB.	There is a risk of managers not being aware of their responsibilities to notify their 'non-home' organisation of staff changes. This could lead to access rights not being updated for leavers or movers and result in confidentiality of sensitive citizen data being put at risk, leading to regulatory fines or censure. Inappropriate data sharing protocols increase the risk of data being inappropriately handled or misused, putting the confidentiality of sensitive citizen data at risk, leading to regulatory fines or censure.	UB should ensure the communication protocols for data sharing are fully established and mature on data protection.	A pan Lothian General Data Sharing Protocol that facilitates trust among all parties (NHS Lothian, Edinburgh, East, West and Mid Lothian Councils and IBs) is now in place and the Memorandum of Understanding (MOU) defining the joint data controller responsibilities between the City of Edinburgh Council, NHS Lothian and the EUB is the final draft. It is envisaged that the MOU will be signed off by all parties by the end of June 2017. Once sign off has been achieved details will be shared with staff through the regular staff newsletter.	Overdue	31/07/17	31/01/18	31/10/17	December update: The Pan Lothian Agreement (final draft) has been circulated to respective Lothian Council legal teams for comment and CEO sign-off. CEC Legal Services have agreed document; other legal teams are holding up the process. Meeting has been arranged for mid-January to hopefully get agreement from all signatories and organisations involved. Suggested revised date: Jan 2018. November update: the memorandum of understanding is now in the final draft but is still with the Legal Teams in CEC and NHS. At the EH&SCP ICT and Information Governance Steering Group on 21/11/17 the Chief Officer will be asked to escalate this issue. October update: Once the Memorandum of Understanding has been signed by all parties, a communication will be produced for distribution to all staff linked to the communication following the workshop to be held on 17/11/17. See response to the action above.	Kevin Wilbraham, Information Governance Manager, Corporate Governance.	
							The processes for notifying system owners of staff changes should be well defined and communicated to stakeholders. Controls should be implemented to ensure access to CEC and NHS systems remain appropriate. This should include processes to ensure that changes are applied in a timely manner and access rights are regularly recertified. This would provide assurance to system owners over the operating effectiveness of these controls.	The existing processes within the Council and NHS Lothian for notifying system owners of staff changes will be communicated to all managers of integrated teams. Establishing an integrated system setting out the systems access requirements for all posts and the mechanism for gaining access for new staff and notifying system owners of leavers and changes in role will be a priority for the nominated officer to be identified in respect of ICT and Information Governance.	Overdue	30/09/17	31/03/18	30/09/17	Current Position at 16/01/18 - Overdue Change of 'Issue' Owner'. A 'Handover meeting' was held between the Strategic Commissioning Manager and the Operations Manager on 08/01/18. IA Note: The Operations manager met with Internal Audit on 11/01/18 and it was agreed that the required update would be deferred to the following month. November update: an individual has now been appointed to the post. Funded by Resources and will begin to develop a work plan. A hand over will be arranged with the existing action owner. October update: This recommendation will be progressed by the post funded by Resources. The post will have a range of responsibilities, including information governance, business continuity and resilience, health and safety and coordination of the HSC Partnership risk register. As it is anticipated that recruitment may not be completed before 31/12/17 a completion date of 31/3/18 is proposed	Wendy Dale, Strategic Commissioning Manager	
HSC1604 ISS.3	HSC1604	UB Data Integration & Sharing	E.L.J.B.	ISS.3 Medium	During our audit procedures, we observed there are compatibility and connectivity issues when using CEC hardware at NHS locations or to access NHS owned systems and vice versa. CEC staff have experienced difficulties in connecting through Wi-Fi at NHS sites (and vice versa) in order to access their emails, and some systems cannot be accessed using specific hardware such as mobile devices (i.e. tablets, mobile phones).	There is a risk of the operational efficiency and effectiveness being impacted by an inability to access system in a timely manner.	The UB should ask for a review of connectivity and hardware compatibility to be conducted in NHS and CEC sites, to ensure all staff can be fully operational wherever they are located.	The ICT and Information Governance Steering Group will request a review of connectivity and hardware compatibility to be conducted across all sites housing integrated teams and consider any recommendations arising from that review.	Overdue	30/06/17	31/03/18	31/12/17	Current Position 17/01/18 - Overdue The ICT and Information Governance Steering Group tasked specific individuals to produce the Survey Monkey questions for agreement at the next meeting of the Group on 22/1/2018. Revised implementation date 31/3/2018. November update: following discussion with ICT colleagues in CEC and NHS. It will be recommended to the ICT and Information Governance Steering Group on 21/11/17 that all staff in integrated teams access to both CEC and NHS systems are required are asked to take part in a survey (via Survey Monkey) to identify any issues relating to access to systems. October update: A formal request for the review to be undertaken will be lodged. September update: This action has been discussed at the EH&SCP ICT and Information Governance Steering Group where it was agreed that the review required could not take place until the new integrated teams are in place in the localities, this will be completed by the end of this month. Completion date extended to 31/12/17	Wendy Dale, Strategic Commissioning Manager	
HSC1503 ISS.1	HSC1503	Personalisation SDS - Option 3	H&SC	ISS.1 High	The Social Care (Self-directed Support) (Scotland) Act 2013 states that the authority must "inform the supported person of the amount that is the relevant amount for each of the options for self-directed support from which the authority is giving the person the opportunity to choose, and the period to which the amount relates." The "relevant amount" is defined as "the amount that the local authority considers is a reasonable estimate of the cost of securing the provision of support for the supported person". 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.	There is a risk of non-compliance with The Social Care (Self-directed Support) (Scotland) Act 2013. The supported person may not have sufficient financial information to make an informed decision on the feasibility and affordability of arranging their own care under Option 1.	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.	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 and in particular revised the issue of whether local authorities need to notify individuals of the indicative budget for each of the four options or just provide a single indicative budget which is what most authorities seem to be doing in practice. 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. The current process and practice in relation to providing individuals with an indicative budget will be reviewed and updated and clear guidance issued to staff taking account of any change in guidance from the Scottish Government. In either case, an indicative budget will be given to individuals before they are asked to select their preferred option.	Overdue	31/10/16	31/03/18	31/12/17 30/06/17	Current Position at 10/01/18 - Overdue: Progress in delivering this action has been slower than anticipated. A revised completion date on 31/3/18 is requested. IA Note: Revised completion date updated as requested; however, clarification of current implementation status has been requested from action owner. IA assistance to be provided if required. Progress made will be included within next months update. Position at 21/11/17 - Overdue: The working group is due to meet again to update on progress and agree next steps on 29/11/17. Position at 24/10/17 - Overdue: A working group has been established to take forward the revision/replacement of the existing Funding Allocation System that has been used to generate the indicative budget. The Group has held initial meeting on 19/10/17. September Update: Leaflet on independent advocacy for the public has been produced by the providers who have been awarded the contract and will shortly be published. Orb content advising staff about independent advocacy has also been prepared. Discussions are ongoing with the SWIFT team to establish the best way of identifying people who would benefit from advocacy and referring them to the appropriate service. August Update: Chief Officer and Strategic Commissioning Manager provided an update at GBWV meeting of 01.08.17 that noted that a revised implementation date of December 2017 is required. This was confirmed with Strategic Commissioning Manager 22/08/17. Revised completion date of 31/12/2017 agreed. June Update: New assessment, personal care plan and budget process introduced in May 2017. Indicative budgets no longer calculated as part of assessment; calculated once personal care plan set. This means service users are not given an indicative budget to enable them to make an informed choice about their support; non-compliance with legislation remains. Finding remains open. 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'. Planned completion date: to be confirmed by 24/2/17 following response from ICT Services.	Wendy Dale, Strategic Commissioning Manager	
SW1601 ISS.4	SW1601	Social Work: Pre-Employment Verification	H&SC	ISS.4 Medium	There was insufficient evidence to support the PVG checks of three nominated candidates who were existing Council employees. The original PVG certificate is destroyed at the initial point of employment. Therefore recruiting managers of nominated candidates, who are existing employees, may not be aware of the 'vetting information' included in the original PVG Check. This restricts managers' ability to make an informed decision to proceed with the employment. It should be noted that Scheme Record Updates (which carry out a check between the original PVG Certificated issued; to the date of the requested update) do not include details of any 'vetting information' held within the original certificate. The current 'Recruitment and Selection Guidance for Managers Pre-Employment Checks for Nominated Candidates' states that "no further check is required if the individual is a PVG Scheme member in the Council for the same type of 'regulated work'. There is potential for staff to be recruited to a role which is not appropriate given their previous convictions. For example; a person with fraud convictions may properly be recruited to a care home if they are not handling cash but a future appointment to the home care service; with access to vulnerable people's funds may be approved without due consideration of the risk. In October 2016 a carer in East Lothian was convicted of Fraud amounting to £46,000 from two clients.	Recruiting managers may have insufficient evidence of PVG 'vetting information' to allow them to make an informed decision over whether to proceed with employment. This may lead to recruitment of staff not appropriate to the role.	The 'Recruitment and Selection Guidance for Managers Pre-Employment Checks for Nominated Candidates' should be updated to reflect the above change in procedure.	Employees should currently retain vetting information received as a result of a PVG disclosure check for regulated work. If an existing employee working in regulated work is the nominated candidate for another position within the Council which is also regulated work then that candidate should evidence the vetting information for the original PVG check. It should be noted that Disclosure Scotland have confirmed that Scheme Record Updates now contain original vetting information. Employees who fail to evidence the original vetting information will result in the Council requiring to pay for a Scheme Record update. The cost of this update is £18, this will be an additional cost to the Council. The vetting information will continue to be destroyed by the People Support Recruitment Team as it is not deemed efficient to retain huge amounts of vetting information on a 'just in case basis'. The required documentation will be sought on a 'need' basis. In the first instance the responsibility to provide information will be the employees. The requirement to evidence vetting information when recruiting staff internally will be included in the guidance at its next review.	Closed - Verified						Grant Craig, People Support Manager
							All nominated candidates should be requested to bring their copy of the PVG certificate to the pre-employment checks meeting; in order to allow managers to make an informed decision as to whether to proceed with the recruitment process or to rescind the offer.	Locality Managers to obtain confirmation from their recruiting managers that nominated candidates are being requested to bring their PVG certificate to the pre-employment checks meeting. This requirement has been effectively communicated to all relevant managers / staff and a mechanism will be introduced to ensure that the requirement is being adhered to. This procedure will be embedded within the HSC and Safer & Stronger Communities protocol.	Overdue - IA Validation in progress	31/03/17	30/11/17	30/11/2017	Current Position at 11/01/18 - Overdue IA Validation in Progress Stronger recruitment processes are currently in place following active improvement contributions between HSC Senior Management Team and Recruitment Coordination team. Reminder emails are sent as standard and embedded in the Partnership's new recruitment process to ensure that all nominated candidates pre-employment checks are made. Evidence submitted to Internal Audit for Validation. IA Note: Meeting held with Operations Manager 11.01.18 Agreement reached on further evidence required. Position at 22/11/17 - Overdue November Update not received. Position at 26/10/17 - Overdue IA met with Executive Business Support Manager 25.10.17 and was advised that this work is still on-going. Action has a revised implementation date of 30.11.17. August Update - Required evidence to close off issue has been discussed and agreed with Executive Business Support Manager. Once evidence has been collated IA will carry out further review of evidence provided. Revised implementation date of 30/11/2017 agreed. July Update - Meeting held with Health and Social Care early July to agree actions and evidence required. Finding owner currently on annual leave and will process on return. IA has been advised that H&SC awaiting evidence from Localities. 31.08.17 Update: Required evidence to close off issue has been discussed and agreed with Executive Business Support Manager. Once evidence has been collated IA will carry out further review of evidence provided. Revised implementation date of 30/11/2017 agreed.	Cathy Wilson, Executive Business Support Manager	
SW1601 ISS.5	SW1601	Social Work: Pre-Employment Verification	H&SC	ISS.5 Medium	Testing identified that working practices between recruiting managers, HSC Recruitment, and HR Recruitment are not fully documented and this has led to inconsistencies including: - bypassing the HSC Recruitment Co-ordination Team; - inadequate recording of Criminal Convictions form (CCF) and PVG information; - inappropriate record management; and - no clear formal procedure has been issued to Recruiting Managers to advise them of the requirement to formally document the decision to proceed with or rescind the offer of employment; following receipt of 'vetting information' in respect of the nominated candidate.	Key information may not be retained. HSC Recruitment Staff and HR Recruitment may not be aware of what is expected of them. Risk of non-compliance with Disclosure Scotland's 'Code of Practice'.	All relevant policies and procedures should be updated with the requirement to formally record the Recruiting Managers' decision on the 'PVG / Disclosure Risk Assessment form' and 'Record of Meeting on PVG / Disclosure Information' form in order to show clear evidence of the decision made. Once complete these procedures should be formally communicated to all relevant staff / Recruiting Managers. This should include the safe storage and retention periods of both forms.	The forms 'PVG / Disclosure Risk Assessment form' and 'Record of Meeting on PVG / Disclosure Information' should be forwarded to the Council Recruitment Team checked then retained as part of the employees personal file. This will evidence the decision of the recruiting manager to offer or rescind employment. A process review will be carried out and implemented by 31/12/2016 As part of the process review between the HSC Team and HR Recruitment the HSC Team have made a commitment to communicate to all relevant staff and recruiting managers.	Closed - Verified					Grant Craig, People Support Manager	
							Procedures should be produced by the HSC Recruitment Co-ordination Team in conjunction with HR Recruitment Team and senior HSC Management to ensure the recruitment process is safe, consistent and compliant with appropriate legislation and CEC policies. This should include the requirement to complete the 'PVG/ Disclosure Risk Assessment Form' and 'Record Of Meeting on PVG/ Disclosure Risk Form'	HSC Recruitment Co-ordination Team will work with HR Recruitment Team to develop safe and consistent procedure including the requirement to update both of the PVG / Disclosure Forms noted. Procedures to be strengthened to ensure that we are up to date to reflect safe storage and retention procedures. HSC to formally communicate this to all relevant staff and recruiting managers, including the safe storage and retention periods of both forms. Confirmation of this to be sent to Locality Managers.	Overdue - IA Validation in progress	31/03/17	30/11/17	30/11/17 31/5/17	Current Position at 11/01/18 - Overdue - IA Validation in Progress For every new candidate, standard email to all recruitment managers from HSC Recruitment Coordination Team now includes: 'Candidate needs to bring photographic identification on the first day at work. Candidate needs to be informed that failure to bring the appropriate identification may result in the candidate being refused to start work within the Council. This is a shared responsibility of the candidate, HR Recruitment Team and line manager to cross-check photographic identification. Candidate needs to bring PVG Certificate on the first day at work. Candidate needs to be informed that failure to bring the document may result in the candidate being refused to start work within the Council. PV: Photographic identification and PVG certificate should have at least one piece of information matching: Current address and/or date of birth'. - Sample email evidence submitted to Internal Audit. Request to close this item. IA Note: Meeting held with Operations Manager 11.01.18 Agreement reached on further evidence required. Position at 22/11/17 - Overdue November Update not received. Position at 26/10/17 - Overdue IA met with Executive Business Support Manager 25.10.17 and was advised that this work is still on-going. Action has a revised implementation date of 30.11.17. September Update: Further work required to support closure. Revised Implementation date of 30/11/2017 agreed. August Update - Audit validation in progress July Update - meeting held with Health and Social Care early July to agree actions and evidence required. Finding owner currently on annual leave and will progress on return.	Cathy Wilson, Executive Business Support Manager	



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SW1601 ISS.7	SW1601	Social Work: Pre-Employment Verification	H&SC	ISS.7	Medium	The HSC Recruitment Co-ordination Team carry out 'Bulk Interviews' on a monthly basis for Care Home and Homecare posts where there are a number of different posts required at different locations around the city. This is due to a high volume of staff movement within these posts, which due to the nature of the posts are required to be filled timeously. However, it was established that the 'Location Manager' who nominates candidates reports their first day of work is not necessarily the same manager who has interviewed the candidate or taken the candidate through the pre-employment checks to check their identification. It is acknowledged that this carries the risk that the person who turns up for work may not be the person that was interviewed.	Risk of identification fraud resulting in the Council employing a candidate who does not have the skills or experience required to fulfil the duties of the post. Risk of financial sanctions re Right to Work in UK Legislation	All nominated candidates be requested to bring photographic identification with them which should be checked and verified by the 'Location Manager' on the candidates first day of work. Failure to bring the appropriate identification should result in the candidate being refused to start work within the Council. This should be embedded within H&SC and Safer and Stronger Communities procedures and communicated to all relevant staff.	Locality Managers to seek confirmation from either recruiting managers and/or location managers to ensure that candidates are being requested to bring photographic ID on their first day of work. This process will also be embedded within the H&SC and Safer & Stronger Communities procedures and communicated to all relevant staff.	Overdue	31/03/17	30/11/17	30/11/17 31/5/17	Current Position at 11/01/18 - Overdue In addition to the Recruitment Coordination Team's emails (see previous audit item), it is recommended that Recruitment Manager's line management team carry out periodic staff file checks to ensure staff ID files are stored safely. Request to provide locality-wide evidence submission prior to 31/03/18. IA Note: Meeting held with Operations Manager 11.01.18 Agreement reached on further evidence required. Position at 22/11/17 - Overdue November Update not received. Position at 27/10/17 - Overdue - IA Validation in Progress. Communication has gone to all Locality Managers to ensure compliance with mandatory first day ID verification for new employees on first day. Work is still ongoing to ensure that this is being adhered to. Verification process to be completed throughout November. September Update: Further work required to support closure. Revised Implementation date of 30/11/2017 agreed. August Update - Audit validation in progress July Update - meeting held with Health and Social Care early July to agree actions and evidence required. Finding owner currently on annual leave and will progress on return. IA has been advised that HSC awaiting evidence from Localities	Cathy Wilson, Executive Business Support Manager
SW1601 ISS.8	SW1601	Social Work: Pre-Employment Verification	H&SC	ISS.8	Medium	The Council's Recruitment and Selection Policy states that "all individuals in the recruitment and selection of potential candidates on behalf of the Council" must receive Council training in equality issues, Safer Selection, and the application of the policy". The CECIL Competency Based Recruitment and Selection module under "Safer Selection and Pre-employment Checks; notes the Council's approach to safer selection includes 'Mandatory training for all recruits' and that if a manager recruits on a regular basis they should repeat the modules every 2 years. Checks were carried out on twenty individual managers who were involved in the recruitment of the nine nominated candidates whose PVG check had returned 'vetting information'. Testing highlighted that seven of the twenty managers have either not received the mandatory training or the fact that they have completed the training, has not been recorded on the iTrent system. Details of the seven managers noted above were subsequently provided to the HSC Business Manager.	Managers are not complying with Council Policy. Managers may be undertaking the recruitment process without having the required skills to make an informed decision as to whether the candidate is suitable for the post.	All managers identified through audit testing as not complying should be contacted to establish whether they have completed the mandatory training. The iTrent system should be updated with the date completed.	The HSC Business Manager will resolve this issue with the individual Locality Managers and ensure iTrent is updated on satisfactory completion.	Overdue - IA Validation in progress	31/05/17	30/11/17	30/11/2017	Current Position at 11/01/18 - Overdue IA Validation in progress. Updated iTrent list (produced by OD Team) submitted to Internal Audit confirming recruitment managers completion list. In addition, new recruitment process attached, signed off by Interim Chief Officer, that requires an additional burden of proof of recruitment selection training completion prior to being allowed to advertise for a new post. Request to close this item. IA Note: Meeting held with Operations Manager 11.01.18 Agreement reached on further evidence required. Position at 22/11/17 - Overdue November Update not received. Position at 26/10/17 - Overdue The Interim Chief Officer has instructed and communicated to all HSC Partnership managers that the 'Recruitment and Selection' module on CeCIL must be completed. Non-compliance will result in managers being unable to be part of the recruitment process. Control Following agreement at October SMT, there is now a new recruitment process for all HSC Partnership posts: - Managers must now submit a vacancy business case to the Chief Officer's generic mailbox (healthsocialcareintegration@edinburgh.gov.uk). - If the business case has been approved, managers must provide evidence that all members of the recruitment panel have successfully completed the Council recruitment and selection e-learning module before final approval will be given to advertise the post. - To verify this, a CeCIL screenshot of the completion record for each panel member to an email addressed to healthsocialcareintegration@edinburgh.gov.uk. Once confirmed, only then will managers receive final approval to advertise a vacancy. This also applies to NHS managers, where these are managing Council employees. IA Note: Partial evidence has been received 25.10.17 and is in the process of being validated. Further evidence has been requested. September Update: Managers have been reminded that mandatory training must be completed before undertaking any recruitment activity and to ensure that the iTrent system needs to be updated with the date training was completed. Awaiting evidence from the Locality Managers. Revised implementation date of 30/11/17. July Update: Meeting held with Health and Social Care early July to agree actions and evidence required. Finding owner currently on annual leave and will progress on return. Managers have been reminded that mandatory training must be completed before undertaking any recruitment activity and to ensure that the iTrent system needs to be updated with the date training was completed. Awaiting evidence from the Locality Managers.	Cathy Wilson, Executive Business Support Manager
							A review of the iTrent information held for each recruiting manager within Health and Social Care should be undertaken to establish any manager who has not completed the Recruitment and Selection training within the last 2 years. Any manager who is identified as not having completed with this training requirement should be requested to complete the training as soon as possible and not recruit staff until they have undertaken the training. A mechanism for monitoring the mandatory requirement should be introduced. In the interim, Locality Managers and Safer and Stronger Communities Senior Managers should remind all recruiting managers that they are required to have completed the training before undertaking any further recruitment.	Locality Managers have been requested to remind all recruiting managers that they are required to have completed the training before undertaking any further recruitment and confirm that this has been completed. The H&SC Partnership has been going through an organisational re-design, with staff being appointed to posts within the new structure under Phase 1, 2 and 3. The organisational re-design of the team has inevitably meant changes to recruiting managers. It is envisaged that Phase 2 of the organisational re-design will be completed by January 2017. Under phase 2, new recruiting managers will be appointed. Once these appointments have been made, a review of their recruitment and selection training will be reviewed by the respective Locality Managers and the appropriate measures taken, to ensure full compliance.	Overdue - IA Validation in progress	31/05/17	30/11/17	30/11/17	Current Position at 11/01/18 - Overdue IA Validation in progress. New Recruitment process map ensures that Senior Managers, Locality Managers and Recruitment Coordination Team are adhering to mandatory training requirements. See previous item for evidence (circulation list and process map). Request to close this item. IA Note: Meeting held with Operations Manager 11.01.18 Agreement reached on further evidence required. Position at 22/11/17 - Overdue November Update not received. Position at 22/10/17 - Overdue See above update. September Update: Interim Chief Officer - Edinburgh Health and Social Care Partnership issued email to managers which highlights the required actions to be taken in order to implement the recommendation. August Update: Required evidence to close off issue has been discussed and agreed with Executive Business Support Manager. Once evidence has been collated IA will carry out further review of evidence provided. Revised Implementation date of 30/11/2017 agreed. July Update: Meeting held with Health and Social Care early July to agree actions and evidence required. Finding owner currently on annual leave and will progress on return. IA has been advised that HSC awaiting evidence from Localities	Cathy Wilson, Executive Business Support Manager	
CW1602ISS.1	CW1602	Disaster Recovery	Place	ISS.1	Medium	Following the transition of IT managed services to CGI, a DR programme has been established which, it is anticipated, would allow the Council to recover critical services and data in the event of major disruption or loss of IT infrastructure. However, enhancements are required to allow confidence that the DR programme will meet the recovery requirements of the Council and its stakeholders. The weaknesses in the DR programme, set out below, may adversely impact upon the ability of the Council to recover critical systems effectively. Robust testing in line with the CGI contractual requirement, of the Council's recovery processes has not been performed to determine whether the recovery solution is fit for purpose and to validate the effectiveness of the current design of recovery provisions and processes. The approach to classifying critical systems, as either P1, P2 or P3 (High, Medium, Low), is not consistent and does not consider other prioritisations within the Council. The application of these ratings are determined by business owners and is a subjective process, which may result in systems being misclassified from a Council wide perspective. The inventory of system dependencies between critical Council systems is not regularly reviewed or maintained. Management review this on an ad hoc basis or when CGI identify any weaknesses in infrastructure. There is no mandatory requirement for, or oversight of, DR provisions or testing for IT systems that are procured, managed or maintained either outside the CGI contract or without oversight from ICT. Business owners and stakeholders for IT systems and services have not been updated, which may result in delays in implementing improvements and establishing business requirements.	Without an embedded DR programme in place that has been robustly tested and captures all Council critical services and systems, there is a risk that following significant ICT disruption (for example the loss of a datacentre or a major cyber security breach) the Council is unable to recover all critical data and resume business operations in a timely manner. The loss of critical ICT services for an extended period of time or the inability to successfully recover data could result in significant operational and reputational damage to the Council.	Management should ensure that ICT systems within the Council have been identified and classified appropriately. Disaster recovery processes should be rigorously tested to validate the ability of the Council to successfully recover systems and data within the defined timescales set by stakeholders. For systems that are identified which are not managed by central ICT (Shadow IT), Management should consider how they could work with the system owners in ensuring that these systems are resilient and can recover following a major incident.	Service Areas will identify all shadow IT (systems, applications and websites) historically procured and implemented by Services that are not managed corporately by ICT in conjunction with CGI and provide details of these to the Head of ICT. Information to be provided will include: - Name of the application - Details of the application provider - Information on the Council service that the system supports - Details of any support agreements and licence arrangements in place with the system provider, including their expiry date - Information re any recent cyber or security attacks that impacted the operation of the system. - Any available information on how the system is backed up to ensure that source data held on the system can be recovered. - An initial assessment of the system's criticality based on definitions provided by ICT.	Overdue	30/11/17			December Update: Overdue - ICT has confirmed that a non-standard partial return was received in early December. Email requesting correct format was sent on 5/1/18. No response by deadline of COB 12/1/18. Chased on on 15/1/18. November Update: Information on Shadow IT system currently being gathered for Place and will be submitted before the end of November to fit with the December CLT report.	Paul Lawrence, Executive Director of Place and SRO
RES1602ISS.1	RES1605	Service Level Agreements with Outside Entities	Place	ISS.1	Low	We reviewed the arrangements in place with 5 organisations to which the Council provides professional services. Organisation Services provided 2015/16 Fees Lothian Valuation Joint Board Payroll services Accountancy Services Internal Audit £ 20,100 SEStran Accountancy services Payments and procurement Insurance Treasury management Internal Audit Payroll services £ 23,350 Lothian & Borders Community Justice Authority A county services Payments Internal Audit £ 22,000 CEC Holdings Accountancy services £ 20,000 Royal Edinburgh Military Tattoo Payroll services Treasury management Internal Audit £ 1,500 There was a current Service Level Agreement (SLA) in place with only one of those 5 entities (SEStran). The agreement had been set up in June 2013 for a period of 12 months, and has been extended a further 3 times since then. There was a further SLA with the Lothian & Borders Community Justice Authority. This SLA expired in March 2010. The Council has continued to provide accounting support including accounts preparation to BCCA at the rates agreed in 2009. Additional services including accounts payable and internal audit were not included in this SLA. There were no SLAs in place with the remaining 3 entities. Services provided and fees charged were understood to be historic arrangements.	If service levels are not formally agreed with the other organisation, there is a risk that: There is reputational damage and increased resource pressure if the Council does not deliver services as expected by the counter party. The Council may not receive appropriate remuneration for services provided; and Arrangements in place may not be appropriate or may conflict with other Council duties.	Service Level Agreements with the organisations to which the Council provides professional services should be reviewed and/or established. These should set out services provided, key activities and deliverables, and the respective roles and responsibilities of the Council and the counterparty. Service Level Agreements should be for a defined period and refreshed regularly to ensure that agreed services and charges remain appropriate.	Directors will ensure that a service level agreement (SLA) has been established with all arms level organisations (ALEOs) that they support. The SLA should set out all services provided and received by the Council, key activities and deliverables, and the respective roles and responsibilities of the Council and the counterparty. The agreements should be for a one year period and refreshed annually to ensure that agreed services and charges remain appropriate.	Overdue	30/11/17			December Update: Overdue - no response received November Update: Information on SLAs is being gathered for Place and will be complete by 30/11/2017. IA Note: This is a new recommendation allocate across all Directorates / Service Areas as agreed at CLT in September. No update required in the current month.	Paul Lawrence, Executive Director of Place and SRO
PL1601 ISS.4	PL1601	Recycling Targets	Place	ISS.4	Medium	There are a number of Council service areas and divisions effected by the waste management strategy but are unaware of key issues, regulation changes and decisions. This appears to have been as a result of key stakeholders not having been appropriately identified and engaged in all areas of the process. The key stakeholders for the Council's overall waste management strategy are wide ranging, affecting related strategies and span both across the Council and externally.	Key stakeholders not appropriately engaged leading to inefficiencies Lack of joined up working within the Council Regulation changes not appropriately communicated resulting in breaches Related strategies suffer from a lack of co-ordination.	A key stakeholder identification exercise should be performed to ensure all required individuals are included in the process. Key groups identified could include: Waste Services, Sustainability Team, Property Services and other external groups. In alignment with the creation of an internal waste management policy, stakeholders could be engaged through an overarching steering group with representation from each key group. This group would help ensure that relevant information is appropriately disseminated and that all stakeholders needs are considered. It would also enable stakeholders to monitor and challenge performance against the overall waste management strategy.	As outlined within the response to Action 2, it is our intention to refresh the existing strategy and to consult with both internal and external stakeholders to help shape the final strategy. A series of commitments/actions will be a key output from the strategy and progress against individual actions/commitments will form a key part of reporting progress to stakeholders.	Overdue	31/03/17	31/03/18	30/09/2017	Current Position at 18/12/17 - Overdue Waste and cleansing services have now been joined together. The strategy document has been redrafted following presentation to the new management team. The external waste services improvement plan will also be linked to this strategy. Aiming to have both approved by the internal management team by 31 st March 2018. Position at 25/10/17 An internal working draft will be circulated to management within the service by the end of this year (2017) with a view to sign off and approval by elected members by spring 2018. Thereafter we will carry out an approximately annual "light touch" review, with a more in depth review every 3-5 years, albeit this will be flexible in the event that we need to account for policy changes (e.g. resulting from a change of government). August Update: Information has been provided to internal Audit regarding the process of strategy review, this is unlikely to be ready for Committee before the revised September implementation date and a new date it to be provided. July Update: Work is continuing on the new Waste and Recycling strategy, this is not due to be presented to the Transport and Environment Committee until October at the earliest. A commitment to the date that the Waste and Recycling strategy is to be presented to committee, the committee papers and the outcome of the committee are to be provided to audit. The action can be reduced to low on the satisfactory receipt of this information. The strategy will then need to be communicated to stakeholders before the action can be closed Draft new Waste and Recycling strategy is not yet finalised. Communication of this strategy will form part of a delivery plan for implementation.	Angus Murdoch, Strategy Officer

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PL1601 ISS.5	PL1601	Recycling Targets	Place	ISS.5	Medium	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. The Council's strategic aim is to reduce overall waste being sent to landfill within the local authority by increasing recycling participation. Budgets have been set aside for schemes to increase public awareness and participation in an effort to achieve this strategic aim; however, a group of contributors to Edinburgh's overall waste (i.e. Council employees themselves) is being overlooked by not allocating sufficient resources to internal waste management schemes. In addition, there is a lack of data on how much waste is sent to landfill as a result of Council operations; therefore it cannot be accurately quantified how much the internally generated waste is costing the Council in landfill charges.	Lack of clarity over Council's own waste contribution that results in financial and environmental impact: - Risk of reputational damage due to lack of own strategy; and - Opportunity cost lost on not providing an overarching framework to support the Council's own recycling participation.	The Council should allocate sufficient resources to create and action an internal waste management or resource efficiency policy that embraces reducing, reusing and recycling. Many staff members will live in the City of Edinburgh Council, therefore generating waste at work and at home. Providing this awareness at work could realise additional benefits for the Council as a potential reduction for both internally generated waste and household generated waste within the local authority. With the continued future increases in landfill tax, it is advisable that the Council leads by example and gives consideration to monitoring its own waste data to ensure effective targeting of effort.	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 & Fleet Services will commit to taking the lead in establishment of the internal working group. Opportunities to improve the way in which the Council gathers and records data on its own waste arisings will be a key outcome of the working group. The Council's Trade Waste Service (part of the Waste & Fleet structure) has already met with Facilities Management to identify opportunities to increase the range of recycling opportunities across the Council estate. New services such as food waste recycling will be available in major Council offices such as Waverley Court and is already available across a number of schools.	Overdue	30/09/16	31/12/17	30/04/17	Current Position at 18/12/17 - Overdue There is no one with formal responsibility for internal Council waste. A working group of stakeholders has been established and work is ongoing with corporate policy staff to ensure the policy / strategy re internal council waste is updated. A report was prepared for the Corporate Policy and Strategy Committee in April 2016 that was not presented. Following this, employees left, and Facilities Management was still undergoing transformation. Main progress has been targeting food waste in schools and recycling across the Council estates. Actions are ongoing to address. Position at 25/10/2017 No change from September Update. September Update - Information provided to IA regarding the Changeworks SLA requirement to "Develop awareness among staff of the correct procedures and contact points to improve and resolve waste management problems within schools." A revised date of the 31/12/17 to develop the internal waste management policy. Working group now established between Facilities Management and Waste and Cleansing Services. This group meets regularly. July Update - meeting held 10/7/17 to discuss Recycling bins have been provided to corporate buildings. A Factsheet or Ceiling leaning module could be provided and tracked to evidence that users know how to use the recycling bins. If it can be evidenced that 70% of buildings have recycling bins the action rating can potentially be reduced to low risk.	Karen Reeves, Technical Team Leader
PL1603 ISS.3	PL1603	Mortuary Services	Place	ISS.3	Medium	The current Bereavement Services risk register, dated July 2015, outlines a range of controls in place as part of the mitigation strategy to manage the body holding capacity risk. The risk was escalated to the Place risk register, and as at April 2016 was in the top 10 Departmental residual risks, categorised as one of the most controlled risks due to the controls noted as being in place. The mitigation strategy includes the following: Mortuary plan in place; and Staff training and participation in a Service quality action group. The Scientific, Bereavement and Registration Services Senior Manager noted that there are no formal mortuary plans in place covering arrangements to minimise storage times, and no such training is currently being delivered. In addition, no Service KPIs or performance / service standards are currently produced. Quality documents for the Mortuary covering forms, plans and procedures are being drafted. The mitigation strategy also notes that Funeral Directors are contacted to increase collection rates, but this does not recognise that Mortuary staff are limited in the actions that they can take in this respect until the Funeral Director makes contact, as their service is assigned by the next of kin. The risk register does not reflect other issues outwith Council control, for example, the daily cap on the number of post mortems undertaken means there is always a backlog; and the uncertainty around service delivery post Crown Office contract expiry in 2020.	The lack of an accurate risk register and formal mortuary plan increases the risk that intended controls are not implemented in practice leading to inefficient use of resources and demand not being managed effectively.	The Bereavement Services risk register requires to be updated to reflect current controls in place. Issues currently outwith Council control should be added to facilitate wider discussion on ways to better manage these. A mortuary plan should be prepared covering the management of body holding capacity. The plan should include: An outline of current arrangements; An outline of all key stakeholders; Service standards expected of Mortuary staff to ensure an efficient, prompt and respectful service; Standards expected of key stakeholders, for example, processes to be followed by Police when storing a body out of hours, prompt notification from Funeral Directors when assigned, and prompt collection by Funeral Directors when notified that a body has been released for uplift; and A programme of regular staff training sessions to ensure that Mortuary staff are aware of their responsibilities to minimise storage. The plan should incorporate contingency arrangements for business as usual during periods of extended closure, for example, at Easter and Christmas.	Work with Environment Service and Place Directorate to update the risk register post transformation review. A mortuary plan is under development and should be completed before the end of December 2016. Implementation by 31/01/2017 is anticipated.	Overdue	31/03/17	31/10/17		Current Position at 18/12/17 - Overdue A risk register has been provided to IA, however this is in a draft state. The risks are still to be rated based on their impact and likelihood and the controls section hasn't been finalised. September Update The Risk Register is being updated in collaboration with the Council's Risk team this is anticipated to be complete by the end of September. Demand forecasts for future years have been made. Demand forecast(s) for seasonal variation within a year are to be completed by the end of October 2017. August Update - Information was provided on the 22/8/17 and is currently being reviewed by Internal Audit. July Update - meeting held 10/7 to discuss 1) A risk register is to be created. 2) Operational plan to be produced to track and forecast demand. This could be high risk as the Council is providing services to other local authorities and may not be able to meet the additional demand. 3) A contingency plan is to be produced to ease pressure on the council mortuary at times of high demand and it should be evidenced that this has been tested. 4) Potential for rating to be reduced to low if the risk register and operational plan can be evidenced. 5) Action can be closed on the receipt of evidence that the risk register, operational plan and contingency plan have been implemented and tested.	Robbie Beattie, Scientific, Bereavement & Registration Services SeniorManager
PL1603 ISS.5	PL1603	Mortuary Services	Place	ISS.5	Medium	The City Mortuary is a key stakeholder in the following plans: City of Edinburgh Council (CEC) Emergency Plan; Interim update Jul 2014; CEC Corporate Business Continuity Plan; Oct 2013; CEC Corporate Pandemic Influenza Business Continuity Plan; Jul 2009 (re-issue due Apr 2017); Emergency Mortuary Management Arrangements Module of CEC Emergency Plan; draft Apr 2015; Services for Communities Contingency Plan (Bereavement Services); draft Jul 2015; and Services for Communities Business Continuity Plans for Bereavement Services; Dec 2013. There are inconsistencies and gaps between the plans including: The Bereavement Services contingency plan includes no detailed action plan covering body storage arrangements in the event of an extensive emergency, such as a pandemic, where National / reciprocal body storage resources will not be available. This area is currently under review nationally via the Scottish Government Silver Swan exercise; and The Emergency Mortuary Management Arrangements module, covering arrangements in response to intensive emergencies outlines the locations and number of body storage units within the Council and externally. This does not reflect: The basic storage available at the Mortuary; The current location of the Council emergency units; Average spare capacity for NHS Lothian, as determined at Easter 2016; and Average spare capacity of the Queen Elizabeth Hospital in Glasgow (the 300 quoted includes day to day usage and gives no indication of any potential capacity issues here). Significant staff and organisational changes within Place and Bereavement Services over the past year have impacted on the preparation of, and key roles and responsibilities outlined within Place contingency documents. The Scientific, Bereavement and Registration Services Senior Manager recognises that all local plans need revised, with separate plans set up for Mortuary and Crematorium services.	If contingency plans in place are not comprehensive, with accurate and up to date capacity information, the required actions to be undertaken by Council staff may be unclear, increasing the risk of inappropriate treatment of fatalities.	All Mortuary Service contingency plans require to be reviewed and redrafted to ensure that they are up to date, comprehensive and reflect current government guidance. Capacity and location information within contingency documents should be corrected to reflect current arrangements. Following review and update of plans in place: Training should be rolled out to staff; and The Corporate Resilience Unit should be provided with updated extracts.	Work with Corporate Resilience Unit to update contingency plans drafted before transformation review. Work with NHS Lothian to support them taking on the role of host mortuary for mass fatalities, thus easing pressure on Council mortuary.	Overdue	31/03/17	31/12/17	30/4/17	Current Position at 20/11/2017 - Overdue A Business Impact assessment (BIA) has been completed for the Mortuary Service and provided to IA. The Business Continuity Plan is being updated in coordination with the Resilience Team and is to be reviewed by the service manager. This is to be provided to IA when complete as well as the outcomes of any discussions with NHS Lothian. November update Work continuing on the update of contingency plans. Scottish Government continue to progress a national mortuary review to reassess the most suitable organisations to assume statutory responsibility. Arrangements with NHS Lothian for contingency provision are well progressed with a licence agreement drawn up. A trial of the use of the NHS facility was undertaken recently to allow for essential maintenance of the CEC mortuary. September Update: A stakeholder plan has been evidenced. A contingency plan for mass fatalities events (either intensive or extensive) an agreement is in place that the RIE would be the control centre with the support of the council's staff. A memorandum of understanding advising of this arrangement has been submitted to members of the EoS RRR group. The draft contingency plan at the time of the audit has been provided to the service area to deal with busy periods that are not designated as mass fatalities incidents, this is to be updated due to changes in the Council structure and is anticipated to be complete by December 2017. August Update - Information was provided on the 22/8/17 and is currently being reviewed by Internal Audit. July Update - as per finding above, actions to resolve both are linked. Original implementation date 31/03/17	Robbie Beattie, Scientific, Bereavement & Registration Services SeniorManager
<b>Resources, ICT Solutions and Investment &amp; Pensions</b>															
RES1605ISS.1	RES1605	Service Level Agreements with Outside Entities	Resources	ISS.1	Low	We reviewed the arrangements in place with 5 organisations to which the Council provides professional services. Organisation Services provided 2015/16 Fees Lothian Valuation Joint Board Payroll services Accountancy services Internal Audit £ 20,100 SEStran Accountancy services Payments and procurement Insurance Treasury management Internal Audit £ 23,350 Lothian & Borders Community Justice Authority A accountancy services Payments Internal Audit £ 22,000 CEC Holdings Accountancy services £ 20,000 Royal Edinburgh Military Tattoo Payroll services Treasury management Internal Audit £ 1,500 There was a current Service Level Agreement (SLA) in place with only one of those 5 entities (SEStran). The agreement had been set up in June 2013 for a period of 12 months, and has been extended a further 3 times since then. There was a further SLA with the Lothian & Borders Community Justice Authority. This SLA expired in March 2010. The Council has continued to provide accounting support including accounts preparation to LBCJA at the rates agreed in 2009. Additional services including accounts payable and internal audit were not included in this SLA. There were no SLAs in place with the remaining 3 entities. Services provided and fees charged were understood to be historic arrangements.	If service levels are not formally agreed with the other organisation, there is a risk that: There is reputational damage and increased resource pressure if the Council does not deliver services as expected by the counter party; The Council may not receive appropriate remuneration for services provided; and Arrangements in place may not be appropriate or may conflict with other Council duties.	Service Level Agreements with the organisations to which the Council provides professional services should be reviewed and/or established. These should set out services provided, key activities and deliverables, and the respective roles and responsibilities of the Council and the counterparty. Service Level Agreements should be for a defined period and refreshed regularly to ensure that agreed services and charges remain appropriate.	Directors will ensure that a service level agreement (SLA) has been established with all arms level organisations (ALEOs) that they support. The SLA should set out all services provided and received by the Council, key activities and deliverables, and the respective roles and responsibilities of the Council and the counterparty. The agreements should be for a one year period and refreshed annually to ensure that agreed services and charges remain appropriate.	Overdue	30/11/17			December Update: IA Validation in progress. Schedule of SLA has been received from Resources, and copies of SLAs received from Finance and currently being reviewed. IA to select a sample of SLAs to confirm existence and that the format is standard. Refer E1.7 and 1.8 for evidence. IA has engaged with Resources re potential completeness of the SLA register and progress with the wider L&R SLA refresh.	Stephen Moir, Executive Director of Resources
RES1605ISS.1	RES1605	Service Level Agreements with Outside Entities	Investments and Pensions	ISS.1	Low	We reviewed the arrangements in place with 5 organisations to which the Council provides professional services. Organisation Services provided 2015/16 Fees Lothian Valuation Joint Board Payroll services Accountancy services Internal Audit £ 20,100 SEStran Accountancy services Payments and procurement Insurance Treasury management Internal Audit Payroll services £ 23,350 Lothian & Borders Community Justice Authority A accountancy services Payments Internal Audit £ 22,000 CEC Holdings Accountancy services £ 20,000 Royal Edinburgh Military Tattoo Payroll services Treasury management Internal Audit £ 1,500 There was a current Service Level Agreement (SLA) in place with only one of those 5 entities (SEStran). The agreement had been set up in June 2013 for a period of 12 months, and has been extended a further 3 times since then. There was a further SLA with the Lothian & Borders Community Justice Authority. This SLA expired in March 2010. The Council has continued to provide accounting support including accounts preparation to LBCJA at the rates agreed in 2009. Additional services including accounts payable and internal audit were not included in this SLA. There were no SLAs in place with the remaining 3 entities. Services provided and fees charged were understood to be historic arrangements.	If service levels are not formally agreed with the other organisation, there is a risk that: There is reputational damage and increased resource pressure if the Council does not deliver services as expected by the counter party; The Council may not receive appropriate remuneration for services provided; and Arrangements in place may not be appropriate or may conflict with other Council duties.	Service Level Agreements with the organisations to which the Council provides professional services should be reviewed and/or established. These should set out services provided, key activities and deliverables, and the respective roles and responsibilities of the Council and the counterparty. Service Level Agreements should be for a defined period and refreshed regularly to ensure that agreed services and charges remain appropriate.	Directors will ensure that a service level agreement (SLA) has been established with all arms level organisations (ALEOs) that they support. The SLA should set out all services provided and received by the Council, key activities and deliverables, and the respective roles and responsibilities of the Council and the counterparty. The agreements should be for a one year period and refreshed annually to ensure that agreed services and charges remain appropriate.	Overdue	30/11/2017			December Update - overdue - no update received. IA Note: This is a new recommendation allocated across all Directorates / Service Areas as agreed at CLT in September. No update required in the current month. Can you please provide evidence that this has now been completed and we will close?	Clare Scott Chief Executive Officer LPF



Unique No	Project Code	Project Name	Group	Issue Cor Rating	Finding	Business Implication	Recommendation	Agreed Management Action	Status	Due Date	Revised Date	Revisions	Status Update	Owner		
RES1610ISS.1	RES1601	Health and Safety	Resources	High	While the Council has a number of standing orders in place to provide guidance on Contractor procurement, there is no overarching strategy and/or policy in place for the control and management of contractors/suppliers. The standing orders in existence have been developed to meet various needs that are being identified as the procurement process becomes more robust. There is a need for a Contractor Management Policy to give structure to the whole process. There are three particular areas of weakness, we have identified: 'Unclear' roles and responsibilities. The lack of a structured contractor/supplier management process has led to a lack of clarity around roles and responsibilities with the majority of attention/responsibility reverting back to procurement. Procurement accepts that the initial phase of procuring contractors, is its responsibility but it does not accept that the ongoing monitoring should lie with Procurement. Contract owners are named under each framework, but the individuals are not currently mandated to do anything. In regards to H&S and, moreover, there is no guidance provided as to how they should discharge their duties. Contract owners are therefore unsure what is required of them which contributes to inconsistency across the Council with regards to how it manages contractors. For example, it is good practice to request health and safety documentation such as risk assessments, method statements and training certificates prior to commencing with safety critical works. However, all contract owners and contractors interviewed during the audit process reported that this is not currently taking place. Lack of contractor performance reporting/ review process. There is no quarterly or annual review of contractor performance, covering topics such as safety but also financial and quality aspects of contract performance. The council is therefore missing potentially valuable management information which could provide benefits such as cost saving and performance feedback. In certain cases, KPIs are set for contractors but there is no evidence that this information is requested and followed through to check how contractors are performing against agreed targets. Some contractors are providing this on a monthly basis but this is often being driven by the contractor rather than being specifically requested by the Council. Over-reliance on initial prequalification. There is an over-reliance on the initial prequalification of contractors as a safety risk control measure. The prequalification process can only provide a snapshot in time and should be supplemented by ongoing monitoring of contractors. For example, Procurement may request a sample of risk assessments and method statements to review during the tendering stage but that does not mean that this review should be relied upon for all on-going activities by contractors. Further review should be undertaken by Contract Owners within the Council.	The Council has a responsibility to ensure that its contractors and subcontractors operate to acceptable standards in all aspects of their performance including quality of work, financial cost and risk management. Failure to satisfactorily monitor contractors could result in substandard performance by Contractors exposing the Council to financial, regulatory & reputational risk.	(a) Create a central team that has cross departmental oversight and is responsible for driving the different facets (Financial, Operational and Risk, plus Policy owners for H&S, data protection, resilience, etc.) of the control and management of contractors/suppliers. In the interest of consistency, we recommend that the current procurement team is augmented to be able to perform this additional oversight role. In order to effectively carry out this function, there would need to be an increase in resource and possible changes to responsibilities within CPS. b) (i) The monitoring of contractors and subcontractors will remain within the service areas as per the Contract Standing Orders. Where contractors are subcontracting work, a monitoring mechanism must be agreed to ensure that subcontractors are held to the council's performance standards.	It is proposed that the findings will be addressed through the implementation of a Council-wide approach to Contractor Management. The establishment of a dedicated team to facilitate the development of an overarching strategy and architecture to define common processes, best practice and to support management and reporting on a tiered basis was previously approved by CLT and will support the delivery of some of the recommendations within the report. a.) Establish a team within CPS to work in partnership with service areas to facilitate the development of overarching processes, information, advice and guidance for Service Areas and Contract Owners. b.) Monitoring of Contractors and subcontractors remains the responsibility of service areas as part of the Contract Standing Orders. A reminder will be sent to service areas in this regard. Contract owners need to ensure that Contractors and Suppliers operate to acceptable standards in all aspects of their performance including quality of work, financial cost and safety standards.	Closed-verified	31/12/17			December Update - Closed and Validated. The new Contracts and Grant Management team within procurement was established in August 2017. IA has held one initial meeting with the team for introductions and discussed their roles and responsibilities on 18/10/17. Evidence attached at EL11 provides details of the outcome of this meeting with the new CAGM team members and also an overview of CAGM team roles and responsibilities that have been shared across all Contract Managers of tier 1 (>€2M p.a.) contracts. October Update - A dedicated Contract and Grants Management (CAGM) Team has been in operation since August 2017. The Team are drafting a Contractor Management Guide with a full suite of supporting documents which will be circulated to service areas once it has been completed and approved. The documents produced will be part of a toolkit which will help to ensure formal and consistent Contractor Management is embedded across all contracts and service areas. A contracting tiering process has been developed to enable Service Areas to tier new / existing contracts which takes into consideration risk (reputational, economic, political, and health & safety) and complexity. Based on the contract tier allocated, the Contractor Management Guide sets out the appropriate contract management activities required.	Hugh Dunn, Head of Finance		
							Create a policy for the control and management of contractors and suppliers that aligns to recognised standards, leveraging sources of contractor management good practice. This policy should specify responsibilities for the different stakeholders involved in the contractor management process.	CPS will work closely with Service Areas and the H&S and other teams to create a policy for the control and management of contractors & suppliers that aligns to recognised standards and good practice. The policy will specify responsibilities for the different stakeholders involved in contractor management process.	Overdue - IA Validation in Progress	31/12/17			December Update - IA Validation in progress. Details of the Contractor Management Guide has been provided to Internal Audit with supporting documentation. This has been reviewed and follow up conversation to address IA questions scheduled with the Head of Procurement. October Update: The CAGM Team are beginning to work with colleagues who specialise in the management of H&S, Risk, Resilience, Compliance and Data Protection to develop documentation and processes to allow for the proper management of suppliers aligned to recognised standards etc.	Tammy Gillies, Acting Head of Procurement		
							Schedule and maintain regular reviews of contractor performance that consider the financial, operational, quality and H&S performance of the contractor. The frequency of these reviews should be determined by such factors as the significance of the safety risk, the amount of spend, etc.	CPS will work with Service Areas, CPS, Risk and Policy owners for key risks (incl H&S, data protection, resilience) to identify key measures and KPIs required to ensure consistency around contractors performance and review including guidance on good practice for Contract Owners and Service Areas. Using this appropriate measurement, a process on reporting, and escalation will be developed for use by Service Areas adopting a risk based approach.	Overdue - IA Validation in Progress	31/12/17			December Update - IA Validation in progress. Details of the Contractor Management Guide has been provided to Internal Audit with supporting documentation. This has been reviewed and follow up conversation to address IA questions scheduled with the Head of Procurement. IA Comment - The Contracts and Grant Management Team are beginning to work with colleagues who specialise in the management of H&S, Risk, Resilience, Compliance and Data Protection to develop documentation and processes to allow for the proper management of suppliers aligned to recognised standards etc.	Andrew Kerr, Chief Executive		
							A communication plan for contractor management should also be determined by the Chief Procurement Officer, specifying the reporting arrangements to the central team in charge of contractor management	Service Areas and CPS to develop a communication plan which will specify the escalation, reporting and feedback arrangements to the central Contract Management team and/or other relevant team on risks, poor performance or contract breaches.	Overdue - IA Validation in Progress	31/12/17			December Update - IA Validation in progress. Details of the Contractor Management Guide has been provided to Internal Audit with supporting documentation. This has been reviewed and follow up conversation to address IA questions scheduled with the Head of Procurement. October Update: The Contracts and Grant Management Team are beginning to work with colleagues who specialise in the management of H&S, Risk, Resilience, Compliance and Data Protection to develop communication plan.	Tammy Gillies, Acting Head of Procurement		
							Develop a training programme for those with responsibilities within the contractor management process, especially for Contract Owners and users. A contractor management 'roles and responsibilities' training plan should be developed with specific focus on Contract Owners, Contract Users, Contractors, as well as Managers and any other specific staff as agreed by the Council.	S. Chief Procurement Officer to determine generic principles of contract management with specific focus on Contract Owners, Contract Users, Contractors, as well as Managers and any other specific staff as agreed. Specific and relative skills training for contract owners will need to be assessed and implemented by Directors. Directors should ensure that suitably skilled staff are identified as Contract Owners. Head of HR will be responsible for the establishment of a Training Programme for those with responsibilities within the contractor management process.	Overdue - IA Validation in Progress	31/12/17			December Update - IA Validation in progress. Details of the Contractor Management Guide has been provided to Internal Audit with supporting documentation. This has been reviewed and follow up conversation to address IA questions scheduled with the Head of Procurement. October Update: The CAGM Team are developing high level principles of contract management roles and responsibilities.	Tammy Gillies, Acting Head of Procurement		
RES1615ISS.4	RES1615	Property Maintenance	Resources	Medium	All works are now carried out by framework contractors, who work to a Service Level Agreement (for example 1 day for urgent works). The contractor is not required to report back to the Facilities Management helpdesk when work is completed. Facilities Management rely on building users to raise concerns if no action has been taken in response to reported issues. We note that technical officers now review contractor invoices before payment and quality check a sample of 10% of invoiced jobs. However, there is no monitoring of outstanding works orders (i.e. issues which have been reported, but not completed or invoiced).	Reported issues are not addressed within agreed timescales. Outstanding jobs may not be identified, with a risk that high risk issues are not resolved.	Contractors should confirm when jobs are completed. Outstanding jobs should be monitored.	The AS400 system does not allow recoding or reporting on completion until invoice stage. Contractors are already confirming when jobs complete to agreed SLAs (M&E in particular). This includes outstanding jobs. New contracts being procured will require all contracts to report on performance but this is not anticipated to be complete until end 2017 by which time CAFM will also be in place. CAFM will support monitoring of outstanding works orders. In the meantime, as noted in Finding 2, an interim monitoring/tracking process has been developed for condition survey high risk/urgent items	Overdue	31/12/17	01/04/18		December Update - the use of CAFM to monitor and report on R&M work/expenditure is still expected to be operational in time for the start of the new FY 2018/19. Current position at 18/10/17 - Open - not yet due. The use of CAFM to monitor and report on R&M work / expenditure is still expected to be operational in time for the start of the new financial year 2018/19. Work is progressing to review, cleanse and align the FM cost centres with the new hub models as being implemented by the FM Transformation programme. Engagement with key stakeholders with regards to implementing CAFM for R&M works management is due to commence shortly. September Update: As per audit action MIS1601a15S.3 above, the full roll out of the CAFM solution, including the capturing of R&M costs at cost centre level, processing of supplier R&M invoices etc, will support the monitoring and close out of outstanding works orders going forward.	Murdo MacLeod, Maintenance Standards Officer		
RES1615ISS.5	RES1615	Property Maintenance	Resources	Medium	All repairs and maintenance work is routed through the Facilities Management helpdesk. The helpdesk are a small, experienced team familiar with the Council's buildings and contractors, who are responsible for prioritising and procuring low value works, and escalating higher value works to the technical operations manager. There is no formal guidance available to Facilities Management helpdesk staff on how issues should be prioritised.	Risk of loss of corporate knowledge if members of the helpdesk team leave.	Formalise guidance on prioritising and commissioning works to ensure consistency and continuity if staff leave.	Helpdesk staffing does not report to P&FM but form part of the Business Support service. Business continuity and resilience are line management responsibility. However: An agreed list of H&S W&WT items has been developed and is issued and reviewed annually to all Helpdesk staff along with SLA times for actions/attendance.	Closed-verified					Mark Stenhouse, Facilities Management Senior Manager		
							Formalise guidance on prioritising and commissioning works to ensure consistency and continuity if staff leave.	New Hard FM Services SLAs are being developed as part of the AMS Transformation workstream which will give clear guidance to helpdesk and customers on services delivered, prioritisation process and associated timescales. These are anticipated to be in place by April 2017 although the full supplier tender will not be complete to support until December 2017.	Overdue	31/12/17			December Update - overdue. Request for update has been sent to Service Area. November Update: target date to be met. October Update: New Hard FM SLAs currently being drafted by Arcadis and will include stakeholder engagement. It is anticipated that the new Hard FM SLAs will be in place by Q1 2018/19 and the tender exercise by December 2018. Previous Updates New Hard FM Services SLAs are being developed as part of the AMS Transformation workstream which will give clear guidance to helpdesk and customers on services delivered, prioritisation process and associated timescales. These are anticipated to be in place by April 2017 although the full supplier tender will not be complete to support until December 2017.	Mark Stenhouse, Facilities Management Senior Manager		
RES1705ISS.3	RES1705	LPF - Information Governance	Investments and Pensions	Low	The Pensions website privacy policy & data protection section states that the City of Edinburgh Council is the data controller in terms of the Act 1998. This is in contrast to the Information Commissioners Office Data Protection Register entry which notes that the data controller is the Lethian Pension Fund. The welcome letter to new scheme members references the website, however it does not specifically draw attention to the privacy policy and data protection content outlined in the website. The Pensions website privacy policy & data protection pages will require revision to comply with GDPR by May 2018, for example, opt outs should be opt ins.	There is a lack of clarity as to who the Data Controller is; LPF or CEC. There is a lack of transparency at the point of entry to the scheme as to how new members' data may be used.	Agreement regarding data controller responsibilities between LPF and CEC should be clarified and the ICO registration and Pensions website updated accordingly. The welcome letter should be updated to include a reference to the privacy policy and data protection content outlined in the website. Website privacy policy & data protection pages should be reviewed to ensure compliance with GDPR requirements by May 2018.	Recommendations accepted - all actions recommended by Internal Audit will be fully implemented.	Overdue	31/12/17			December Update - Overdue - no updates received.	Sruan Fairbairn, Chief Risk Officer, LPF		
RES1712ISS.2	RES1712	Asset Management Strategy	Resources	Medium	Our review of the controls established to support management of the investment property portfolio identified the following operational control gaps: • Signed leases requested for 2 investment properties could not be located. Additionally, records held on AIS are not fully up to date for all properties in the investment portfolio. • There is no centralised recording of inspections and repairs for investment property portfolio. Manual records of property inspections and repairs are held by surveyors. The Head of Service has advised that this due to resource constraints. • No monitoring is performed to confirm that necessary repairs have been performed, with reliance placed on receiving invoices to ensure that repairs have been completed. The Head of Service has advised that this is due to resource constraints. • The main key performance indicator (KPI) reported and monitored by the Investments team is the value of rental income received. No KPIs have been established to illustrate the percentage of the investment portfolio properties that are leased and those that are currently vacant. It is therefore not possible to determine whether rental or sales income generated across the portfolio has been optimised. • One Royal Institute of Chartered Surveyors (RICS) Registered Valuer currently completes rent renewals and negotiations with tenants. Negotiations can be verbal and are not always documented. Resources do not permit two officers to be involved in all negotiations, however all rent revaluations and new leases are approved by an independent Investments Manager in line with applicable Council standing orders.	Records management procedures should be reviewed and refreshed to ensure that all files can either be located or retrieved from storage upon request. The Investments team should ensure that the AIS system is updated to include all current property details. Current and accurate property details cannot be extracted from the AIS system for the investment property portfolio. Information on investment property condition may not be easily accessible, especially where surveyors have left the Council or are on long term sickness absence. Risk that delayed completion of repairs is not identified where invoices are not received. Failure to record the need for essential repairs and ensure they are completed will increase the risk of occurrence of health and safety related incidents. Risk that a property could remain vacant for a significant period and that potential rental income is not optimised.	Monitoring of repairs across the investment property portfolio should be implemented to confirm that essential repairs are completed in a timely manner.	Monitoring of repairs will now be routine and an inspection carried out when the invoice is received prior to payment. Tenants are generally on full repairing and insuring leases and therefore repairs etc will be identified during either interim or final dilapidation investigations. Structural survey exercise is also looking at investment portfolio.	Closed-verified						Graine McGartland, Investments Senior Manager, Resources	
							Our review of the controls established to support management of the investment property portfolio identified the following operational control gaps: • Signed leases requested for 2 investment properties could not be located. Additionally, records held on AIS are not fully up to date for all properties in the investment portfolio. • There is no centralised recording of inspections and repairs for investment property portfolio. Manual records of property inspections and repairs are held by surveyors. The Head of Service has advised that this due to resource constraints. • No monitoring is performed to confirm that necessary repairs have been performed, with reliance placed on receiving invoices to ensure that repairs have been completed. The Head of Service has advised that this is due to resource constraints. • The main key performance indicator (KPI) reported and monitored by the Investments team is the value of rental income received. No KPIs have been established to illustrate the percentage of the investment portfolio properties that are leased and those that are currently vacant. It is therefore not possible to determine whether rental or sales income generated across the portfolio has been optimised. • One Royal Institute of Chartered Surveyors (RICS) Registered Valuer currently completes rent renewals and negotiations with tenants. Negotiations can be verbal and are not always documented. Resources do not permit two officers to be involved in all negotiations, however all rent revaluations and new leases are approved by an independent Investments Manager in line with applicable Council standing orders.	Records management procedures should be reviewed and refreshed to ensure that all files can either be located or retrieved from storage upon request. The Investments team should ensure that the AIS system is updated to include all current property details. Current and accurate property details cannot be extracted from the AIS system for the investment property portfolio. Information on investment property condition may not be easily accessible, especially where surveyors have left the Council or are on long term sickness absence. Risk that delayed completion of repairs is not identified where invoices are not received. Failure to record the need for essential repairs and ensure they are completed will increase the risk of occurrence of health and safety related incidents. Risk that a property could remain vacant for a significant period and that potential rental income is not optimised.	The KPIs reported by the Investment Team should be reviewed to ensure that all files can either be located or retrieved from storage upon request. The Investments team should ensure that the AIS system is updated to include all current property details. Current and accurate property details cannot be extracted from the AIS system for the investment property portfolio. Information on investment property condition may not be easily accessible, especially where surveyors have left the Council or are on long term sickness absence. Risk that delayed completion of repairs is not identified where invoices are not received. Failure to record the need for essential repairs and ensure they are completed will increase the risk of occurrence of health and safety related incidents. Risk that a property could remain vacant for a significant period and that potential rental income is not optimised.	Void rates on commercial property has been introduced as one of eleven KPI by Strategy and Insight and reported to RMT monthly.	Closed-verified					Graine McGartland, Investments Senior Manager, Resources

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RES1712SS.3	RES1712	Asset Management Strategy	Resources	SS.3	Low	The Property and Asset Management strategy presented to the Finance and Resources Committee in September 2015 introduced the concept of the corporate landlord. The actions required to develop the concept are still in progress. These include development, finalisation and implementation of: Terms of reference for the recently established Asset Investment Groups. The content of management information packs to be provided to Localities Leadership teams. Finalisation of locality property requirements. The process supporting, and responsibilities for, preparation of business cases for all new property development requests for submission to Asset Investment Groups and the Property Board. Fully indexed property lifecycle costs across the portfolio. A process for receipt, assessment, and prioritisation of requests for property space from Service Areas. Whilst there is clear evidence of progress in each of these areas, there is no defined project plan or roadmap to support delivery and oversight of the remaining Operational Estate aspects of the wider property and asset management strategy.	Progress with implementation of the Operational Estate aspects of the property and asset management strategy cannot be formally monitored or tracked.	The plan will also record those areas where implementation is dependent on completion of actions by other Service Areas.	A project plan for the development of this information, bringing together the various on-going strands of work will be produced. This will set out dependencies (including other service areas) and risks, and will be incorporated within the Property Board governance with regular updates. It is also proposed to present this monthly to the Asset Management Strategy Board. This plan will reflect completion dates for the following: • The remit for the Asset Investment Groups has been drafted and is in the process of being approved at each departmental AIG meeting. • Base data and analysis for life cycle costing for the pipeline estate is nearing completion and the next step is to apply inflation. This information will be stored in a FAST model, developed with Finance, to allow scenario planning. • The identification of locality office accommodation requirements is mid-way through a two-month assessment, with requirements identify by the end of October and detailed models to be completed in November. • A change request process for property changes has been developed and will be implemented in tandem with the 'go-live' date of the FM review. • The first business cases for new property investment for the 2018/19 budget are currently being developed and are expected to be completed in December 2017.	Business-verified	29/12/17			Current Status as at 19/01/17 - Closed Verified A FAST model has been produced to apply indexed lifecycle costs across the portfolio. Business cases have been produced for the projects within the portfolio as well as a process for prioritising requests. Guidelines have been added to the ORB for alterations to property and a RFMC from created (this is due to be implemented following the FM review).	Lindsay Glasgow, Asset Strategy Manager
							A project plan or roadmap detailing the remaining Operational Estate actions and timeframes for completion should be prepared.	A project plan for the development of this information, bringing together the various on-going strands of work will be produced. This will set out dependencies (including other service areas) and risks, and will be incorporated within the Property Board governance with regular updates. It is also proposed to present this monthly to the Asset Management Strategy Board. This plan will reflect completion dates for the following: • The remit for the Asset Investment Groups has been drafted and is in the process of being approved at each departmental AIG meeting. • Base data and analysis for life cycle costing for the pipeline estate is nearing completion and the next step is to apply inflation. This information will be stored in a FAST model, developed with Finance, to allow scenario planning. • The identification of locality office accommodation requirements is mid-way through a two-month assessment, with requirements identify by the end of October and detailed models to be completed in November. • A change request process for property changes has been developed and will be implemented in tandem with the 'go-live' date of the FM review. • The first business cases for new property investment for the 2018/19 budget are currently being developed and are expected to be completed in December 2017.	Overdue - IA Validation in Progress	29/12/17			Current status 19/01/18 - Overdue Project roadmap to be provided to IA.	Lindsay Glasgow, Asset Strategy Manager	

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								Regular progress updates against plan will be provided at appropriate governance forums. This could include Senior Management meetings; Asset Management Strategy project meetings; or the Property Board.	Overdue - IA Validation in Progress	29/12/17			Current status as at 19/01/18 - Overdue IA Validation AIG remits have been produced and discussed at each of the Asset investment groups. IA require confirmation that these have been agreed by each of the AIGs.	Lindsay Glasgow, Asset Strategy Manager	
RES1712ISS.4	RES1712	Asset Management Strategy	Resources	ISS.4	Low	The contractual agreement between the Council and Faithful and Gould specifies that a target of 10% of the condition surveys completed by Faithful and Gould's external surveyors are to be reviewed by the Council to confirm that the quality of surveys meets Council expectations. To date circa 5% of condition surveys completed by the external contractor have been reviewed. Although the surveys sampled and reviewed by the Council have found the surveys to be thorough and the reported costs realistic, issues have been noted regarding the categorisation of property condition findings. Condition surveys completed by the Council use a team of three fabric surveyors and two Mechanical and Electrical surveyors. The lead officer inputs the results into the Computer Aided Facility Management (CAFM) system. The quality of the survey details recorded and captured in the system is then independently verified by another surveyor. However, due to resource constraints, the officer performing the verification may be part of the original survey team.	The volume of independent review of third party surveyors performed by the Council should be increased to meet the 10% target to ensure that any system issues with the quality of the surveys is identified and resolved. The review performed should ensure that survey grade applied (on a scale of A to D) accurately reflects the condition of the property and the costs associated with the repair.	Surveys were completed in mid-September 2017, with the quality assurance process well underway. Any surveys identified as inconsistent between identified costs and condition grade are being returned to the third party for further assessment. This has resulted in instances where the condition grade has been adjusted to reflect the level of spend required. A full 10% sample will be completed, along with scrutiny of any other obvious anomalies.	Overdue	22/12/17				Lindsay Glasgow, Asset Strategy Manager	
CF1402 ISS.1	CF1402	School Meals	Resources	ISS.1	Low	For the school meals service delivered by SIC, the roles and responsibilities of key officers within SIC and C&F were not clearly defined in a formal document such as a service level agreement (SLA) or working protocol.  Although processes have not been formalised, good cross departmental working was evidenced between the C&F Development Officer and SIC Catering Performance Officer. This collaboration was specifically noted within the menu planning process. Similarly Facilities Managers (FMs) and Kitchen Supervisors work closely with School Business Managers to resolve issues on site.  It is understood that Corporate Facilities Management are producing SLAs for cleaning and janitorial services, however catering is not in scope at present. It is viewed differently as the end user of the service delivered is external, i.e., the pupils rather than Council staff.	In the absence of any documentation the service is reliant on the knowledge of key members of staff and staff changes may impact on the effectiveness of the service.	Consideration should be given to preparing an SLA to outline the respective responsibilities within key cross departmental processes in delivery of the school meals service.	As part of a wider Facilities Management Review for the clarity on roles and responsibilities of key officers within SIC who have responsibility for delivering the schools meals service it is proposed that an SLA between C&F and SIC be put in place to ensure a first class school meals service is delivered.	Overdue	30/04/15	31/01/18	30/04/15 31/12/17	Dec 17 update from Gohar Khan - The Service Delivery Plan (schools), which outlines the structure, roles / responsibilities of staff and the overall strategic service plan for the catering service, is still with C&F for feedback / approval. It is anticipated that feedback will be received and approval granted mid January. Therefore, revised due date requested to 31/01/18. IA Note: A copy of the FM SLA has been provided to IA and this appears reasonable. FM are now waiting for final sign off from Schools (copy to be provided to IA) and this can then be signed off. Nov 17 Update - Service Delivery Plan with Communities and Families and waiting on feedback. Oct 17 Update from Gohar Khan: The Service Delivery Plan is with C&F for consultation and we are still awaiting feedback. It is, however, anticipated that the SDP will be signed off and in place by December 2017. Outwith the SDP, the catering service has a detailed strategic blueprint which outlines its aims, objectives and strategic goals going forward and it is anticipated that this blueprint will be shared and agreed with all relevant stakeholders. Sept Update from Gohar Khan: A Service Delivery Plan (SDP) that includes the catering service is currently out to consultation with key stakeholders and feedback is awaited. The SDP is designed to provide key stakeholders with an overview of the services that will be provided by the FM team to High Schools and includes clarity on staff roles and responsibilities. The overarching objective of the services is to provide the right resources at the right place at the right time, with the flexibility to respond to the requirements of each Directorate as and when required. It is envisaged that the SDP will be agreed by the key stakeholders by 31.12.17. July Update: SLA completion is dependent on organisational reviews. Initial expected completion date was Sept 2017 and this has now been revised to December 2017. IA Note: Please note that this recommendation was historically reported under Place and has now been transferred across to Resources.	Christopher Ross, Catering Manager
MIS1601a ISS.2	MIS1601a	Non Housing Invoices	Resources	ISS.2	Medium	A fixed-price quote is obtained from prospective contractors for repairs estimated to cost more than £1,000. Any variance between the quote and the invoice is challenged before the technical officer will approve payment. Estimates and quotes are not routinely requested for repairs likely to cost less than £1,000 (and we would not expect this). The technical officer is expected to be experienced enough to make a reasonably accurate assessment of the likely cost of a repair, and challenge or approve payment of the contractor's invoice accordingly. It is understood that a schedule of rates exists for the non-housing contract framework, but is not referred to. This means that: The authorising manager does not know the value of works that they are approving (see Section 2: variance between actual and estimate). The Council may not have access to commercially advantageous rates for common repairs, and Elevated charges may not be identified by the technical officer as they have no benchmark.	There is a risk that the Council is not achieving best value on non-housing repairs and maintenance.	We recommend that a schedule of rates is built into the next non-housing contract framework.	The non-housing contractor framework will be re-tendered during 2017. The inclusion of detailed best-value and due-diligence options will be considered as part of the process. This may include schedule of rates, gain share, penalties etc or a combination.	Overdue	31/08/17	31/12/18		December Update: Dec in order to mitigate the risk in the interim, a vouching / clearing regime is now in place to ensure all invoices are checked for value for money before being passed for payment. This has been agreed with Internal Audit. This is also tied into the potential increase in the R&M budget from 01.04.18 to ensure that we have the correct levels of governance and resource to manage the allocation. Furthermore, it is proposed that an interim supply chain will be in place from 01.04.18 until the full retendering exercise is completed. IA Comment - Time to be arranged for walkthrough of revised process. November Update: Corporate procurement Plan has been revised and a new implementation date of Dec 2018 agreed. October Update: Agreement reached with Corporate Procurement that due to the Procurement Plan being revised, the new implementation date will now be December 2018. However, in the meantime, in order to mitigate the risk from Medium to Low, a proposal is being worked on and will be reported at the next cycle. September Update: The non - Housing contractor framework will be re - tendered due to the value and EU regulations. This is being led by Corporate Procurement with a revised timescale.	Murdo Macleod, Maintenance Standards Officer
MIS1601a ISS.3	MIS1601a	Non Housing Invoices	Resources	ISS.3	Medium	The system used to manage repairs and maintenance to operational buildings, AS400, is due to be replaced in the Autumn/Winter 2016. The system is over 40 years old and is limited in its capabilities and links to other Council systems. This means it is difficult to obtain information about repairs carried out. Only one officer is able to use AS400 reporting functions, and none we spoke to in Corporate Property knew how to access information about EBS non-housing recharges through the Frontier financial reporting system. This limits the management information available to Corporate Property about the volume and value of repairs. It also delayed our audit fieldwork and restricted the scope of our audit. For example, the AS400 (works ordering), Total (billing) and Oracle (finance) systems do not use the same reference numbers. A manual log is kept to record the invoice number for each works order raised on AS400. This was not consistently updated, so, despite the help of the non-housing administration team and Accounts Payable, we were able to trace invoices for only 4 of the 60 charges reviewed. We also identified occasions where details of work orders charged to Corporate Property had not been transferred into the Oracle data warehouse. This means we (and Corporate Property) were unable to validate the accuracy of the charge for those periods. The total charge only was recorded.	Lack of management information about the volume and value of non-housing repairs.	Management will not have ready access to accurate and reliable information about the volume and cost of repairs and maintenance until AS400 is replaced by CAFM in Autumn/Winter 2016. We note that the introduction of CAFM has been delayed, and every effort should be made to meet the new target implementation date.	It is anticipated that CAFM will be in operational use (services being implemented on a rolling programme thereafter) in early 2017 with a non-housing R&M implementation process in place for FY 2017/18	Overdue	01/04/17	01/04/18		December Update: As per November with revised implementation date of 01/04/18. Whilst CAFM is due to be implemented in April 18 and is on track for implementation, a sufficient volume of invoices is required to be processed over a period of time before M on repairs and maintenance work can be produced and used. November Update - the use of CAFM to monitor and report on R&M work/expenditure is still expected to be operational in time for the start of the new FY 2018/19. October Update: The use of CAFM to monitor and report on R&M work / expenditure is still expected to be operational in time for the start of the new financial year 2018/19. Work is progressing to review, cleanse and align the FM cost centres with the new hub models as being implemented by the FM Transformation programme. Engagement with key stakeholders with regards to implementing CAFM for R&M works management is due to commence shortly. September Update: The CAFM asset condition and helpdesk modules are now fully operational, however, the use of CAFM to monitor and report on R&M work / expenditure is now scheduled to be operational in time for the start of the new financial year 2018/19. This will include having the ability to produce MI reports on R&M activity at site level, which at this moment in time, only Frontier is able to produce this information. July Update: This has progressed. However, following the PPP structural wall issue plus reports to CLT, the condition module has now been prioritised and, with assistance from external surveyors, this will be complete for the non-housing estate in autumn 2017. This will identify the backlog maintenance, both capital and revenue, and allow prioritisation and budget planning in detail going forward. The remaining property maintenance modules will be rolled out in 2017/18 and this is progressing.	Peter Watton, Head of Corporate Property
RES1603 ISS.5	RES1603	Leavers Process	Resources	ISS.5	Medium	We selected a sample of 45 employees who left the Council in August 2016. Security passes held by 18 of those employees (40%) had not been returned or disabled.	Security passes could be used to fraudulently gain access to Council buildings putting sensitive data and mobile assets at risk.	Security passes should be collected from payroll and non-payroll leavers and returned to the Facilities Management Hub. We recommend that Facilities Management are also provided with a daily or weekly list of leavers, so security passes can be deactivated.	An expiry date will be set for all cards issued to temporary staff, agency staff and contractors at 6 months unless otherwise specified by the line manager.  All security passes which have not been used for 3 weeks will be deactivated on 1 April. Cardholders will need to contact Security to reactivate them.  All temporary passes will be deactivated on 1 April. Cardholders will need to contact Security to reactivate them.	Closed-Verified  Closed-Verified  Overdue	30/04/17	31/03/18	31/10/17 30/06/17	Current Position at 18/12/17 - Overdue The terminal FM currently have functioning at WC is a SPOF and has no connectivity to the slave monitor at NPH. Once this connectivity issue is addressed, FES can sit with CGI and properly upgrade the terminal at WC which we have requested continually through ICT. New cards for contractors are for 3 months without exception. We receive weekly leaver reports and those cards are removed from system. We are now collating returned cards marrying up with leavers report whereas before they were destroyed. Main vulnerability is that contractors do not feature in leavers report therefore until we can audit there maybe some old cards in system. Current Position at 18/10/17 - Overdue FM security team are liaising with contractors responsible for the system to ascertain if non-CEC staff cards can be marked for future auditing and monitoring purposes. This will include all agency staff and contractors. Further amendments to the Orb forms will restrict all non-CEC cards to 90 days without exception. The practice of surrendering cards to the FM security HUB could be promoted by a formal comms via the Chief Executive. August Update: A walkthrough of the enhanced controls was completed on the 22/8/17. However it has been identified that the leavers lists provided by Strategy and insight do not include agency staff, Facilities Management have agreed to deactivate all passes which have not been used in the preceding three months and new temporary passes will be end dated and deactivated if FM are not advised of a contract extension. Work is ongoing to liaise with HR to identify if agency leaver reports can be produced to allow FM to deactivate and remove security passes. New forms are to be uploaded to the Orb requiring an end date for temporary staff and a revised commentary will highlight the responsibilities of line managers. This issue can be closed once it can be evidenced that these controls are in place. Whilst undertaking this task it became apparent that there are data quality issues. A full cardholder report has been requested and will be analysed to ascertain actual breakdown of categories. Appropriate data cleansing and deactivations will then be carried out. Linked with action above - management actions are the same.	Mark Stenhouse, Facilities Management Senior Manager  Mark Stenhouse, Facilities Management Senior Manager  Mark Stenhouse, Facilities Management Senior Manager
RES1608 ISS.2	RES1608	Risk Management	Resources	ISS.2	Medium	The successful embedding of risk management throughout an organisation is achieved when staff of all levels are: aware of their risk management responsibilities; understand their responsibilities; and are motivated to act in accordance with their organisation's risk management framework. The Risk Function and CRO have delivered risk training to the CLT, their respective Senior Management Teams (SMTs) and to GRV Councilors. 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 level, 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. The Risk Function have designed CEC specific risk management training as well as an internal controls module which teaches staff how to manage risks. These modules are available to everyone through CEC's interactive learning platform (CECIL), however, there is no mandatory requirement for staff to complete this training. Within CECIL there is also a generic risk management training module designed by the external system	The risk management embedding gap below senior management level presents the risk that CEC may be exposed to a degree of undue risk: at times of significant change, people can unintentionally revert to behaviours that are not in keeping with expectations. If the generic risk management training module within CECIL is completed by staff, there is a risk that staff's understanding is inconsistent with CEC's risk management approach. If risk register templates are not used consistently across all Directorates, key information may be missed or reported incorrectly when consolidated by the Risk Function for CLT and GRV. This undermines the quality of information present to CLT and GRV. It makes management of risk and risk reporting less efficient and potentially less effective.	The Risk Function, supported by the new full-time CRO, should invest time and resource to embed risk management below senior management level. It is important to reflect on what contributed to the success of 'buy-in' and education of the senior team. Additionally, there needs to be pragmatic consideration given to the large numbers of staff across the council. We recommend a training and communications plan is drafted reflecting the above and approved by the appropriate committee. This should involve input from HR and other relevant non-risk functions. Consideration should be given as to whether training senior management, to equip them to provide risk management training to their teams would hold drive understanding and accountability below senior management level. Human Resources should include risk management and internal controls training modules as part of CEC's essential learning.	As identified, we are in an 'embedding' phase with respect to the journey to develop risk management. Prior to transformation a risk steering group was in place whereby risk 'champions' from each directorate could drive messaging the need for training and maintain momentum. With the substantial organisational changes this arrangement was suspended and we are currently re-establishing such ownership within the Service Area Risk Management Groups as indicated within the response to finding 3.3.  For clarity two risk modules exist on the Council's e-learning site. One is generic and the other specific to CEC. We agree with the finding that the generic risk management module is not helpful from the perspective of specific messaging. Management will work with HR to ensure that only the single tailored solution is accessible.	Closed-Verified  Closed-Verified  Closed-Verified					Rebecca Tatar, Principal Risk Manager  Rebecca Tatar, Principal Risk Manager

Unique No	Project Code	Project Name	Group	Issue Cor Rating	Finding	Business Implication	Recommendation	Agreed Management Action	Status	Due Date	Revised Date	Revisions	Status Update	Owner
					<p>From discussion with the Head of HR, we understand that all staff will be required to complete 'essential learning' when onboarding and on an annual basis going forward. Good practice is achieved when HR have an important role in facilitating risk training so that it is considered alongside other key training and communications. More importantly, good practice is when HR have an active role in fully embedding responsibilities and accountabilities for risk across an organisation. Therefore, to align with best practice, HR should play an active role in embedding risk, however there are currently no risk management modules within the essential learning suite. CEC's risk register template is available to all staff via the staff intranet. However, this document is not used consistently across all service areas. For example, the Place Directorate uses a different style of risk register, and as a result of the Transformation Project, some of the service areas which were previously part of Place have been moved to other Directorates, widening the inconsistent use of the template.</p>		<p>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.</p> <p>The 'different' risk register template was adopted as a temporary measure in Place as part of a learning exercise to prompt focus on cause and effect in the articulation of risks. This version is now being superseded.</p> <p>A training and communications plan involving input from HR and Communications teams was drafted within the last two years, however due to reorganisation of staff, teams and service delivery these plans had to be put on hold and will need to be reviewed once structures settle.</p>	<p>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.</p> <p>The 'different' risk register template was adopted as a temporary measure in Place as part of a learning exercise to prompt focus on cause and effect in the articulation of risks. This version is now being superseded.</p> <p>A training and communications plan involving input from HR and Communications teams was drafted within the last two years, however due to reorganisation of staff, teams and service delivery these plans had to be put on hold and will need to be reviewed once structures settle.</p>	Closed-Verified				Rebecca Tatar, Principal Risk Manager	
									Closed-Verified					Rebecca Tatar, Principal Risk Manager
RES1608 ISS.4	RES1608	Risk Management	Resources	ISS.4	Low	<p>CEC's risk management 'toolkit' represents the key documents and system available to staff via the orb (intranet) to support risk management. Key documents include risk management policy and procedures and the risk appetite statement. Upon review of these documents and following interviews with staff, a number of inconsistencies have been identified. The Covalent system was introduced to support and encourage proactive and consistent management of performance, governance and risk. It offers the functionality to electronically consolidate information and make it simple and efficient for user to update and analyse data. This system is not used consistently throughout Directorates and CEC will be withdrawing Covalent in early 2017. Therefore, a manual and inconsistent approach to risk management is likely to ensue across Directorates upon withdrawal. The risk management policy and procedure documents are dated February 2015 and March 2014 respectively and do not reflect CEC's current operating structure. These documents are also inconsistent with CEC's risk appetite statement (dated February 2014). For example, the categories of 'risk' considered in the risk appetite statement are not consistent with the categories of 'impact' in the policy and procedure document. Indeed, CEC's risk appetite statement explicitly refers to reputational and development/regeneration risks which are not included in the impact assessment.</p>	<p>Manual risk management processes are labour-intensive and require an increased reliance on interpretation and judgement if there is a need to consolidate information based on different assessment criteria of formats. When risk MI is collated on this basis, vital information may be missed and not escalated on a timely basis. Use of an enterprise risk management system should increase the efficiency of collating and reporting data, and increase capacity to focus on analysis of risk. Risk Management policies and procedures coupled with a consistent risk appetite statement form the foundation of a sound risk framework. If an organisation is going through strategic change, its risk environment is also continuously changing. Therefore, annual review and updating of this information is important to ensure staff are provided with guidance and direction to manage risks in accordance with CEC's expectations and requirements.</p>	<p>CEC should consider implementation of a replacement systemised risk management tool to drive efficiencies and consistency in risk management practices and provide the opportunity to generate risk MI without the need for manual intervention. The business case for an enterprise wide risk management system should be prepared and integrated with the wider IT change programme. In line with best practice, CEC risk documentation should be updated as soon as the new structure has been finalised, with updated versions communicated and circulated to staff.</p>	<p>CEC's Risk Management Policy is updated annually in December.</p> <p>The guidance set out in CEC's Risk Management Procedure is scheduled to be updated by January 2017 once the Council's new structure and associated risk escalation path has been clarified and confirmed. These will then be available to all staff on the CEC Intranet.</p> <p>The Risk Management team is currently reviewing options with regard to a 'GRC' (Governance Risk and Compliance) solution that is fit-for-purpose for the Council. The new GRC contract identifies the need to introduce such a solution by the Summer of 2017. As such a business case will be developed in line with this critical path. In the meantime, risk registers for SMT and CLT are updated quarterly on consistently formatted spreadsheets and stored on a shared drive for version control.</p> <p>Updating the Risk Appetite Statement is scheduled as part of a broader exercise on embedding improved understanding and consistency around risk appetite and tolerance levels once the new CRO is in place. It was always considered that the risk appetite would be further refined after two years once the risk management framework had been embedded and maturity of the organisation had developed with respect to risk management.</p>	<p>Closed-Verified</p> <p>Closed-Verified</p> <p>Closed-Verified</p> <p>Overdue</p>	<p>30/09/17</p> <p>30/04/18</p> <p>30/09/17</p> <p>30/06/18</p>	<p>December Update - work in progress and on schedule. November Update - Work with technical staff to replace the current e-learning module on CeCL with two new risk management modules, one aimed at all staff and the other at managers. Content to be relevant to roles and responsibilities as they relate to risk management. Modules to be available on the Orb by 27 April 2018. Encourage completion of module(s) as part of the Induction process and through the various risk management structures. Track attempt, completion, pass and failure rates, report metrics through Risk Management Groups and Risk Committees, and target any identified weaknesses. Note: the risk management modules may be included in CEC's essential learning suite, subject to CEC's essential learning policy refresh which is due around Spring/Summer 2018, and which is currently scheduled to be agreed by CLT by end Dec 2017. Include appropriate 'train the trainer'/risk education type items in Risk Committees, Risk Management Groups, annual risk refreshes, Leaders' Inductions and at Service Management Team (SMT) risk workshops on an ongoing basis. Offer training to Heads of Service and above in how to provide appropriate risk management training within their Service. October Update from CRO - Ongoing discussions between CRO and CIA to clarify and reword Agreed Management Actions and revised due dates. September Update: Embedding risk management throughout the organisation is one of my key objectives. The current draft Annual Audit Report from Scott Moncrieff notes that: "Overall, we were satisfied that risk management arrangements appear to be embedded across the organisation". The following points describe some of the mechanisms which help embed risk management across CEC: Through the Risk Management Groups/Committees/Steering Group. Through 1-2-1 conversations between the CRO and several HoS/Directors. Individuals in the Corporate Risk Team and others have attended external training sessions on different aspects of risk management. Risk management workshops take place across the services, often at team locations away from Waverley Court. "Risk Matters" newsletters highlight particular risk topics within schools. Risk management is one of the subjects covered at the Leaders' Induction events. Following the office move in Sep/Oct 2017 I intend installing a risk noticeboard to publicise information. I have created quarterly 'risk themes' to publicise the work of several areas. An internal comms and training plan can be developed and rolled out within an appropriate timescale to address this action but the measures described are having a greater effect</p>	<p>Rebecca Tatar, Principal Risk Manager</p> <p>Rebecca Tatar, Principal Risk Manager</p> <p>Rebecca Tatar, Principal Risk Manager</p>	
CW1603 ISS.5	CW1603	External Vulnerability Assessment	ICT Solutions	ISS.5	Medium	<p>For projects that involve the implementation of new technologies or information management, the Council have implemented processes such as 'Security Assurance Statements' that ensure security considerations are acknowledged prior to project initiation and 'Privacy Impact Assessments' that assesses the use and management of sensitive data. However, there is currently no Design Authority or appropriate governance forum in place within CGI to manage the introduction of new technologies and systems into the Council's existing infrastructure. As new projects and systems are being developed, there is not a suitable forum that would support the identification of IT security and technical considerations associated with the technologies, or the suitability of integration with existing IT infrastructure. There is also a lack of consistency in the approach of project teams to the performance of security assessments on project deliverables, which results in project delays. This is symptomatic of not having an established design authority and embedded IT adoption processes in place, as well as sufficient awareness within the Council of the need to consider security requirements when implementing new technologies.</p>	<p>Without a Design Authority in place, there is a risk that issues with new technologies and systems are not identified in a timely manner leading to wasted resources, duplication of effort and project delays.</p>	<p>The Council, with the support of CGI, should implement a Design Authority that has appropriate oversight and governance to consider whether new technologies comply with the Council's security requirements, existing security architecture and aligns with the Council's strategic IT objectives.</p>	<p>The existence of a Design Authority is a contractual requirement in the CGI contract. The creation of this Authority will be progressed with CGI as a matter of priority.</p>	Overdue	31/08/17	30/03/18	<p>September Update: CGI have yet to deliver a cohesive Design Authority despite concerted effort and escalations by ICT Solutions management. Meeting with CGI Solution Architect on 14/09/2017 resulted in agreed approach and plan for the creation of an effective Design Authority. Revised implementation date is 30/03/2018.</p>	Neil Dumbleton, ICT Enterprise Architect
RES1614 ISS.2	RES1614	Lothian Pension Fund Cyber Security	Investments and Pensions	ISS.2	Medium	<p>We found that:                   i) Security was not fully considered at time of procurement of third party systems; and                   ii) There is no formal, ongoing security governance for these third parties. Without effective oversight, LPF cannot gain assurance that controls in place at third parties are appropriate based on the services and data hosted. LPF outsources the provision of the Pension Administration System, the hosting of the infrastructure that it sits on, and at the time of review was in the project phase for contracting with another 3rd party supplier - Cwica - to provide the 'Employer Data Transfer Portal'. By formally reviewing security requirements and the provisions at third parties, LPF will understand if controls at the supplier mitigate risks to an acceptable level, taking into account compliance with the security objectives, requirements, regulations, and contractual obligations that are important to LPF. The companies that provide these services to LPF are all ISO 27001 certified, and as such can demonstrate that they have a framework for managing security. However, ISO 27001 certification does not provide a report on information security controls that are in place within the organization. It is therefore important that LPF is satisfied that the controls in place at third parties are proportionate to the risks faced and that these controls protect LPF member data adequately. Regulators are increasingly focusing on oversight of third parties and the FCA recently published Third Party Outsourcing Guidance that highlights areas that should be considered, including:                   i) Firms should understand the risks of outsourcing and identify steps to mitigate them; and                   ii) Ensure contracts have appropriate provisions for breach notification and remediation. With regard to oversight, the FCA notes: "Firms retain full accountability for discharging all of their responsibilities and cannot delegate responsibility to the service provider." And: "Firms should carry out a security risk assessment that includes the service provider and the technology assets administered by the firm."</p>	<p>If LPF do not routinely consider the security of their suppliers, the impact and likelihood of a data breach, system compromise, or loss of service are increased. This may result, in adverse media coverage for LPF, loss of stakeholder confidence, an impact on financial results and could impact core services provided. Additional consequence can include increased vulnerability to litigation and the possibility of regulatory enforcement actions.</p>	<p>LPF should consider implementing a Supplier Risk Management Framework. Effective Supplier Risk Management will help LPF maintain consistency and visibility of the risks they face from the third parties that they contract with. It will also allow LPF to demonstrate to stakeholders, regulators and management that supplier risk is considered consistently. LPF should review existing third party contracts to ensure that security provisions are appropriate.</p>	<p>LPF agrees to implement both recommendations. Existing third party contracts will be reviewed on a risk prioritised basis.</p>	Overdue	30/09/17	30/03/18	<p>December - no further updates received. November Update (IA) - E mail received from the CRO. Implementation date change to 30/3/18. Supplier review: as part of our project to ensure ongoing compliance with the new data protection regulations (GDPR) we are already looking to review our core systems and external third parties to whom we send data. We are currently in the information gathering stage of that process and can provide evidence that this will involve our reviewing our third party relationships with data security and contractual protection in mind. This is an ongoing process and something which we are targeting to have completed by March 2018. Risk analysis: our ongoing and quarterly risk analysis monitors such matters as Failure of IT Systems, Business Continuity Issues, Data Protection Breaches, Regulatory Breach, Inadequate Contractual Protection for Services, Failure of IT Systems and Controls, Reliance on Core Service Providers. Over the quarters this process, whilst not being focused on supplier security issues, has established a framework on which the Fund's key risks are assessed and matters such as this identified and resolved. This process also picks up on the internal audits. We would propose to include an additional risk focused on this, along the lines of "Inadequate, or failure of, supplier and other third party systems (including IT and data security)" and assign this to all members of the management team and Bruce Howieson to monitor. This will be flagged in the December committee risk reporting and monitored thereafter in the usual way. Compliance checklist: equally, and in tandem with the risk process, LPF also has a process which monitors and checks our compliance with ongoing controls and we would also propose to include the monitoring and sign off of this into that process (done on a quarterly basis), with management and Bruce Howieson taking responsibility for the actions. Compliance email: Once the compliance checklist is signed off, it is then circulated to the LPF staff in a compliance email which highlights certain compliance aspects and reminders. We would also look to include in the next quarterly email a reminder to ensure that the compliance checklist now includes checking and ongoing monitoring of supplier's third party systems and that we should all bear this in mind when entering into new arrangements and in monitoring existing arrangements etc. We are of the view that it is important to consider this risk in proportion to other risks that the fund is required to manage. Therefore, rather than setting up a separate stand-alone framework which could be cumbersome and have resource implications which could distract from other material priorities and risks of the pension fund, we would prefer to integrate this issue within our existing risk and compliance controls and monitor it in the context of the fund's overall risks and responsibilities. We have also engaged with PwC on what is generally done in this regard, and have the sense that this perhaps does not warrant anything beyond what we are proposing above. October (IA) - No evidence provided in relation to implementation of the supplier management framework which is the main reason for recommendation not closing. Evidence has been provided that review of security provisions in contracts has been performed.</p>	Struan Fairbairn, Chief Risk Officer, LPF
Safer and Stronger Communities														

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 20 March 2018

## City of Edinburgh Council: External Audit Plan 2017/18

Item number	7.5
Report number	
Executive/routine	
Wards	
Council Commitments	

### Executive Summary

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Scott-Moncrieff has been appointed as the Council's external auditor for the five-year term covering financial years 2016/17 to 2020/21 inclusive. The external audit plan for review year 2017/18 is presented for the Committee's information and outlines the proposed main areas of scrutiny and associated timescales over the coming year.



## City of Edinburgh Council: External Audit Plan 2017/18

### 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 2017/18; 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 was appointed as 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. Following consideration by the Governance, Risk and Best Value Committee on 26 September 2017 of the 2016/17 Annual Audit Report, 2017/18 therefore represents the second year of the five-year appointment. The proposed plan for the forthcoming audit year is included as Appendix 1.
- 2.2 A timetable of key audit scrutiny and associated outputs (included in Section 7 of the plan on page 32) has also been developed. In addition to specific follow-up work on both ICT security arrangements and the National Fraud Initiative (the latter undertaken on behalf of Audit Scotland), a key date in the audit cycle is consideration of the annual audit plan by those charged with governance before commencement of the financial year.
- 2.3 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 respective responsibilities of Scott-Moncrieff as independent auditor and the Council as audited body, the proposed audit strategy and more technical commentary on the detailed financial statement audit work to be undertaken, before presenting key areas for consideration as part of the "wider scope audit". The plan also includes an overview of the proposed audit process for the Council's charitable trusts where members of the Finance and Resources Committee serve as the Council trustee.

- 3.2 Members will be aware that 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.
- 3.3 Further details of the detailed approach to be adopted to assess the Council's financial statements is included in pages 15 to 19, with further detail on the specific areas of focus for the wider scope audit contained in pages 25 to 30. For 2017/18, in addition to the core audit of the financial statements, wider scope audit work will consider in particular the effectiveness of the Council's arrangements for (i) securing continuous improvement as part of demonstrating Best Value, (ii) partnership arrangements and empowerment of communities and (iii) financial governance and resource management.
- 3.4 The Accounts Commission has also previously agreed five overriding strategic priorities that will guide 2017/18's wider scope 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 support to design, develop and deliver effective services in the future;
  - how effectively a council is involving citizens in decisions about services and empowering local communities to identify and deliver services in the future; and
  - the quality of a council's public performance reporting regime to help citizens gauge improvement and enhance accountability to citizens and communities.
- 3.5 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 2018), along with the proposed fee for the Council's external audit.

## **4. Financial impact**

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- 4.1 The proposed core audit fee is consistent with the level of provision contained within the Council's approved budget for 2018/19.
- 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 2018.
- 5.2 Appropriate steps are undertaken to address the measures within the resulting 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 As in previous years, 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 None.

### **Andrew Kerr**

Chief Executive

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Executive Director of Resources

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## 11. Appendices

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Appendix 1 – External Audit Plan 2017/18



**Scott-Moncrieff**  
business advisers and accountants

# City of Edinburgh Council

External Audit Plan  
2017/18

**February 2018**

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1

# Introduction

# Introduction

1. This document summarises the work plan for our 2017/18 external audit of the City of Edinburgh Council and the charitable trusts administered by the Council.
2. The core elements of our work include:
  - an audit of the 2017/18 annual accounts, for both the Council and its group and the charitable trusts, and related matters;
  - a review of the Council's 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;
  - audit and report on the Strategic Audit Priorities and Best Value;
  - Monitoring the Council's participation in the National Fraud Initiative (NFI); and
  - any other work requested by Audit Scotland.

## 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.
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 2017/18 and summarises:

- the responsibilities of Scott-Moncrieff as the external auditor;
- our audit strategy;
- our planned audit work and how we will approach it;
- our proposed audit outputs and timetable; and
- background to Scott-Moncrieff and the audit team.

## Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we will comply with Financial Reporting Council's (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
8. We set out in Appendix 2 our assessment and confirmation of independence. Our assessment includes consideration of:
  - Provision of non-audit services to the Council's group components; and
  - 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.

## Adding value through the audit

9. 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.

10. As part of our 2016-17 audit we added value to the Council and Audit Scotland in a range of ways:

#### Training and development

- We supported the Council, following the local government elections in May 2017, by delivering separate sessions for elected members on understanding the audit regime and Best Value and wider scope audit;
- We supported the Council Finance Team to deliver training on understanding the financial statements by providing training materials and examples of scrutiny questions for elected members.

#### Regular contact with the Council

- We invest senior time to ensure that we keep up to date with significant issues and share that knowledge across our team. Examples include:
  - Our Engagement Partner and Director hold quarterly meetings with the Chief Executive. In 2017/18 these meetings include the Executive Director of Resources;
  - We hold regular catch ups with the Head of Finance (Section 95 Officer);
  - We have met with the Chair of the Edinburgh IJB Audit Committee;
  - We hold regular catch ups with the Council's Strategy and Insight Team; and
  - We meet with the Chief Internal Auditor on a regular basis.
- As part of our introductory process we also held a meeting with the Chair of the Governance, Risk and Best Value Committee to ensure that we understood the key assurance needs of the Committee in planning our work.

#### Providing assurance to the Council and Audit Scotland

- We met the deadlines set out in Audit Scotland's annual planning guidance in respect of the delivery of audit plans, independent auditor reports and annual reports.

- The Council has experienced a number of difficulties in the delivery of ICT services by its partner CGI. During our 2016/17 audit we used specialist ICT auditors to conduct reviews of security management. Our findings have provided the Council with leverage to hold senior partners from CGI to account for the service provision. The Governance, Risk and Best Value Committee has also asked our team to follow up on our findings and provide updates in 2017-18.
- In 2016/17, the Commission received two letters citing objections to the annual accounts. We supported the consideration of the objections, including a hearing into the points raised in one case.

#### Feedback

11. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX)
12. 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).

# 2

## **Respective responsibilities of the auditor and the Council**

# Respective responsibilities of the auditor and the Council

## Auditor responsibilities

### Code of Audit Practice

13. 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.

### Our responsibilities

14. Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK) (ISAs (UK)), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities (paragraph 16). These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards
- provide an opinion on audited bodies' financial statements
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports
- notify the Controller of Audit when circumstances indicate that a statutory report may be required
- demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':
  - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets
  - suitability and effectiveness of corporate governance arrangements
  - financial position and arrangements for securing financial sustainability
- and additionally for local authority auditors:

- effectiveness of arrangements to achieve best value
- suitability of arrangements for preparing and publishing statutory performance information.

15. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.



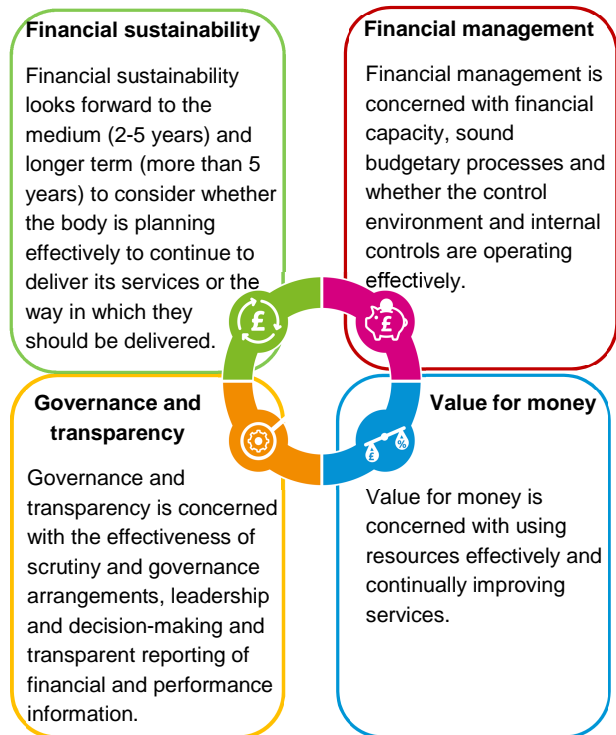
## Wider scope audit work

16. 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 financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.
17. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
18. Where the application of the full wider scope is judged by us not to be appropriate then our annual audit work on the wider scope is restricted to:
- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
  - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.
19. Our assessment takes into account the size, nature and risks of the organisation.
20. Taking these factors into consideration, we have concluded that application of the full wider scope is appropriate at the Council.

## Best Value

21. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. This framework introduced a five year approach to auditing Best Value, which was used by auditors as part of the 2016/17 audits. 2017/18 represents year two of the Best Value audit plan in each council.
22. A key feature of this framework 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

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



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 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.
23. In 2017/18 we will focus on the Council's arrangements for demonstrating Best Value in the following areas:
- Improvement;
  - Partnership working and empowering communities; and
  - Financial governance and resource management.
24. 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.

### Strategic audit priorities for local government audits

- 25.** The Accounts Commission has set the following five strategic Audit Priorities that it expects auditors to consider in all work across local government:
- 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 councils are ensuring members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future;
  - How well councils are involving citizens in decisions about services and empowering local communities to identify and help deliver services in the future; and
  - The quality of a council's reporting of their performance to enhance accountability to citizens and communities.
- 26.** Our consideration of these priorities will be integrated into our 2017/18 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

- 27.** The Accounts Commission has a statutory responsibility to define the performance information that councils must publish to allow citizens to gauge their performance comparatively. This responsibility links with the Commission's Best Value audit responsibilities. In turn, councils have their own responsibilities, under their Best Value duty, to report performance to the public. The Commission's strategy has been to join up these different elements and emphasising its support of a local government-led approach to fulfilling this responsibility, rather than prescribing performance information to be reported by councils, as it did in the past. It has done this primarily by supporting the development by councils of the Local Government Benchmarking Framework (LGBF) and encouraging councils to develop their approaches to public performance reporting.

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 LGBF. The Commission has committed to reviewing its 2015 Direction after three years, therefore will be updating this at the end of 2018.

- 28.** As external auditors we are required to satisfy ourselves that the Council has made suitable arrangements for preparing and publishing statutory performance information.

### Council responsibilities

- 29.** The Council has primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The Council's responsibilities are summarised in Exhibit 2.

## Exhibit 2 – Council responsibilities

Area	Council responsibilities
<p><b>Financial statements:</b> Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>The Council has responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures</li> <li>• maintaining proper accounting records</li> <li>• preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements.</li> </ul>
<p><b>Financial sustainability:</b> Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfil its functions in an affordable and sustainable manner.</p>	<p>The Council is responsible for putting 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 organisation 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>

## Exhibit 2 – Council responsibilities

Area	Council responsibilities
<p><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.</p>	<p>It is the Council's responsibility to ensure that 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 is 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 funds 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><b>Governance and transparency:</b> 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.</p>	<p>The Council is responsible for establishing arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p> <p>The Council is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p><b>Value for money:</b> Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>The Council has a specific responsibility to ensure that arrangements have been made to secure best value. They are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>

## Exhibit 2 – Council responsibilities

Area	Council responsibilities
<p><b>Best Value:</b> Best value is continuous improvement in the performance of the authority's functions.</p>	<p>The Council has a statutory duty, under the Local Government (Scotland) Act 1973 and associated statutory guidance, to make arrangements to secure best value through the continuous improvement in the performance of their functions. In securing best value, local authorities must maintain a balance of quality and cost considerations and have regard, among other things, to economy, efficiency and effectiveness (or 'value for money') and the need to meet equal opportunity requirements and contribute to the achievement of sustainable development.</p> <p>The Council also has to prepare and publish performance information in accordance with directions issued by the Accounts Commission.</p>

**3**

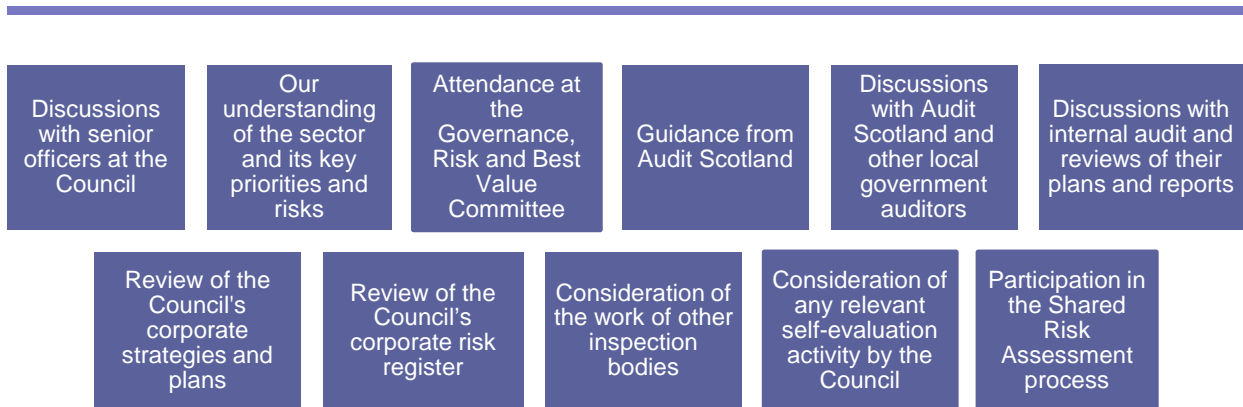
# Audit strategy

# Audit strategy

## Risk-based audit approach

30. 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:



31. 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

32. 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

33. We perform our audit of the annual accounts in accordance with International Standards on Auditing (UK) (ISAs (UK)), the International Standard on Quality Control 1 (UK), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

## Partnership working

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

## Shared risk assessment and joint scrutiny planning

35. 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.

36. 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.

37. We are currently participating in a refresh of the Council's shared risk assessment. The Council 2018/19 local scrutiny plan will be published on the Audit Scotland website in May 2018. We will update our 2017/18 external audit plan if required following completion of this exercise.

## Audit Scotland

38. 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.
39. 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 uses the national performance reports as a means to help improve performance at the local level.
40. During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

## Internal audit

41. 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.

## Co-ordinated and integrated approach to audit

42. The Code of Audit Practice notes the following:
- “Coordinated and integrated - It is important that auditors coordinate their work with internal audit, Audit Scotland, other external auditors and relevant scrutiny bodies to recognise the increasing integration of service delivery and partnership working within the public sector. This would help secure value for money by removing unnecessary duplication and also provide a clear programme of scrutiny activity for audited bodies. It should be noted that audits undertaken in compliance with ISAs (UK)*

*do not allow direct assistance from internal audit.”*

43. Over the course of our audit appointment to City of Edinburgh Council we intend to work with internal audit to provide a co-ordinated and integrated audit resource.
44. While we intend to place reliance on the work of internal audit (in both the financial statements audit and our wider scope audit), we also intend to work with internal audit, specifically over 2018 and 2019 on the following:
- Systems access controls - Use of data analytics to assess whether user access levels comply with segregation of duties requirements.
  - Migration of data from Oracle to Business World - by gaining access to data in both systems we can confirm whether the data has been completely and accurately transferred to Business World.
45. The work may fall within the reporting timescales for our 2017/18 annual audit (reporting in September 2018); if this is the case we would consider the findings for their potential impact on the audit of the financial statements.



4

# Annual accounts – City of Edinburgh Council

# Annual accounts – City of Edinburgh Council

## Introduction

46. 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 and its group annual accounts.

## Approach to audit of annual accounts

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

### Risk-based audit planning

48. 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

49. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.

50. 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.

51. We will take cognisance of any relevant internal audit reviews of systems and controls.

52. 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

53. 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.

54. 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 United Kingdom 2017/18 (the CIPFA Code).

### Group audit

55. The Council has a complex group which requires consolidation of a range of subsidiaries, associates and joint ventures. Appendix 3 sets out the Council's group structure.

56. In addition to the Council, we deem the following subsidiaries to be significant in the context of the group audit:

- CEC Holdings; and
- Transport for Edinburgh.

57. To support our audit work on the Council's group accounts, we seek to place reliance on the work of the auditors to these bodies. As Scott-Moncrieff is the appointed auditor to these bodies, we will liaise with the audit engagement teams in order to confirm that their programme of work is adequate for our purposes.

58. We will report the following matters in our annual report on the audit:

- Deficiencies in the system of internal control or instances of fraud which the component auditors identify; and
- Limitations on the group audit, for example, where our access to information may have been restricted.

59. As part of our audit we will perform analytical procedures at the group level. We will review the consolidation entries made within the group accounts and confirm those entries back to audited financial statements.

### Independent auditor's report

60. Our opinion on whether the financial statements 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

- 61.** 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. We will review our assessment of materiality throughout our audit.
- 62.** 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 gross expenditure<sup>1</sup>. We consider this to be the principal consideration for the users of the annual accounts when assessing the performance of the Council and its group. We will continue to review our assessment of materiality during the course of our audit.

Group materiality <sup>2</sup> £million	Council materiality £million
19.2	17.6

- 63.** 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 at significant risk of material misstatement.

	Area risk assessment £million		
	High (45%)	Medium (55%)	Low (70%)
Group	8.6	10.6	13.4
Council	7.9	9.7	12.3

- 64.** 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
  - Other misstatements below the £250,000 threshold that we believe warrant reporting on qualitative grounds.

## Key audit risks in the annual accounts

- 65.** 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.

<sup>1</sup> Based on gross expenditure as disclosed in the 2016/17 annual accounts.

<sup>2</sup> For the significant components within the Council group, as listed at paragraph 56, we have allocated a materiality that is less than the overall group materiality. For CEC Holdings this is £500,000 and Transport for Edinburgh £3.5million

## Exhibit 3 – Key audit risks in the annual accounts

### 1. Management override

In any organisation, there exists a risk that management has 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 (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.



66. 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. We will review the key accounting estimates, judgements and decisions made by management. This will include, for example, depreciation and amortisation rates, pension assumptions, asset valuations, provisions and arrears.

### 2. Revenue recognition

Under ISA (UK) 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.



67. 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.

### 3. Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 "The Audit of Public Sector Financial Statements" which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.



68. In response to this risk we will evaluate the significant expenditure streams (excluding payroll which is not deemed to be a significant risk area) and review the controls in place over accounting for expenditure. We will consider the Council's key areas of expenditure and obtain evidence that the expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.

## Exhibit 3 – Key audit risks in the annual accounts

### 4. Property, plant and equipment

The Council's approved general fund capital budget for 2017/18 is £172million. As at period 9, the Council was reporting a projected outturn of £140million. The housing revenue account capital budget for 2017/18 is £78million. As at period 9, the Council was reporting a projected outturn of £69million.

The Council carries out a rolling programme of revaluations that ensures all property, plant and equipment required to be measured at fair value is revalued at least every five years.

In January 2018, a paper was presented to the Council's Finance and Resources Committee on the condition of its building estate. The report noted that, based on a snapshot of the condition of the operational estate (September 2017), there is a requirement to spend £153million over the next five years to address the backlog maintenance. The results of this survey could be used as part of management's assessment of impairment of the operational estate.



69. Our audit work will review delivery of the 2017/18 capital budget against outturn. We will also review management's assessment of impairment and agree the valuation of property, plant and equipment to the valuer's report. We will also undertake testing on additions, disposals and depreciation and review the Council's accounting policies to ensure compliance with these.

### Other risk factors

70. 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.

#### Significant trading operations

71. Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to operate their significant trading operations so that income is not less than expenditure over each three year period.
72. The Council's Edinburgh Catering Services – Other Catering 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.
73. As part of our audit we will review and report on whether the trading operation has met the statutory target to breakeven over a three year

period. Should the trading operation fail to meet this target we will report this matter in our independent auditor's report.

#### Group audit

74. During the planning stages of our group audit we consider whether there are, for the components, risks which could lead to a material misstatement in the Council's group. We have noted the following in respect of bodies which fall within the CEC Holdings Group:
75. In early 2017, the Council confirmed that operational activities undertaken by EDI, Parc Craigmillar and Waterfront Edinburgh would in future be delivered through an in-house Council Model. A transition period would ensure business as usual for existing projects operated by the companies and a commitment was made to honour all contractual arrangements in place for key projects.
76. No time frame for enacting this decision was given and in the absence of a known date by which activities, assets and liabilities, including properties were to be transferred all companies accounts were prepared on a going concern basis.

77. We will obtain confirmation from the audit team of whether this accounting basis is still appropriate.

#### Related party transactions

78. The Council discloses within its annual accounts material transactions with related parties. These can be defined as bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.
79. The councillors' register of interests is one way that the council can identify some of its related parties. On review of the councillors' register of interests in 2016/17, we identified four additional interests which had not been declared.
80. There is a risk, should the registers not be updated, that the Council does not identify and report all related party transactions in its annual accounts.
81. During our audit we will review the registers of interests to ensure these are up to date and where appropriate related party transactions have been disclosed in the 2017/18 annual accounts.

#### Common good

82. Local Authorities are required to administer common good funds under section 15 of the Local Government (Scotland) Act 1994. The purpose of common good funds is to provide benefit to the population of the area either through the disbursement of funds, securing assets for on-going use for the population or contributing to specific local projects/initiatives.
83. The Community Empowerment (Scotland) Act 2015 obliges local authorities to establish and maintain a register of property which is held by the authority as part of the common good.
84. The Scottish Government issued draft guidance for consultation in 2017, the findings of which were also published in 2017 (November 2017). The consultation concerned the statutory guidance related to Part 8 of the Community Empowerment (Scotland) Act 2015 – common good registers - and asked for views on issues such as timescales, information about assets, local consultation, publicising proposals and disposal and use of common good property.
85. In September 2017, the Council's Finance and Resources Committee received an update on

this subject. A further update will be presented to the Finance and Resources Committee in March 2018.

86. During our audit we will monitor the Council's response to the consultation and further guidance issued by the Scottish Government.

**5**

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



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

87. 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.

88. 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 2017)

- 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

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

## Exhibit 4 – Key audit risks in the financial statements

### 1. 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 (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.



90. 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. We will review the key accounting estimates, judgements and decisions made by management.

### 2. Revenue recognition

Under ISA (UK) 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 Trusts could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.



91. 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.



## Exhibit 4 – Key audit risks in the financial statements

### 3. Lauriston Castle Trust external valuation

An external revaluation of the collection commenced in 2016 but has yet to be completed. The financial statements in 2016/17 reflected the valuation as at the previous reporting date (31 March 2016).

There is a risk that the result of this valuation is incorrectly accounted for in the 2017/18 financial statements.



- 92.** 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 2017/18 financial statements.

### 4. Winding up of Trusts

In February 2017, the Council's Finance and Resources Committee approved the transfer of all funds held by the Usher Hall Conservation Trust to the Usher Hall to contribute to the purchase cost of its new grand piano. Consent to wind up this charitable trust was received from the Office of the Scottish Charity Regulator (OSCR) in December 2016.

In January 2018, a paper was presented to the Council's Finance and Resources Committee seeking approval for the formal winding up of the Boyd Anderson Charitable Trust and the transfer of the remaining assets to the Lagganlia Outdoor Learning Centre. Consent to wind up this charitable trust was received from the OSCR in December 2017.

There is a risk that these decisions are not accounted for and disclosed correctly In the financial statements.



- 93.** We will review the disclosures and accounting transactions in the financial statements to ensure compliance with the Charities SORP (FRS 102) and applicable accounting standards.

## Materiality

- 94.** Our assessment of materiality for each charitable trust is set with reference to a range of benchmarks, including income and gross assets. We consider these to be the principal considerations for the users of the financial statements when assessing the financial performance of each charitable trust fund.
- 95.** The table opposite sets out materiality for the seven charitable trust funds. We will revisit our assessment during our audit of the financial statements.

	Materiality £
Lauriston Castle	140,840
Jean F. Watson	125,560
Edinburgh Education Trust	18,420
Nelson Halls	4,680
Boyd Anderson	2,360
Usher Hall Conservation Trust	1,360
Royal Scots Memorial Trust	660

96. 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	50%
Medium	60%
Low	75%

97. 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.

**6**

# Wider scope audit

# Wider scope audit

## Introduction

98. As described in section 2, the Code frames a significant part of our audit responsibilities in terms of four wider scope audit dimensions. As part of our annual audit we consider and report against these four dimensions:

- financial sustainability
- financial management
- governance and transparency; and
- value for money.

## Audit of Best Value

99. The Accounts Commission agreed a new approach to auditing Best Value in June 2016. A key feature of the new approach is that it integrates best value planning and reporting into the wider scope annual audit. The Council's approach to best value will be assessed both as part of our annual wider scope work, but also through a phased focus on aspects of best value across our five year audit appointment. In 2017-18, we have agreed that we will consider the Council's approach to:

- Improvement, as part of our work on Value for Money
- Partnership working, as part of our work on Governance and Transparency.
- Resource management, as part of our work on Financial Management.

100. We describe our approach to these within the relevant sections below.

101. Our conclusions and judgements on Best Value will be reported through the Annual Audit Report. In addition, the Accounts Commission will consider an Annual Assurance and Risks report, prepared by the Controller of Audit on an annual basis, which will highlight findings from across all 32 councils.

102. At least once in a five year period, the Accounts Commission will consider a Best Value Assurance Report (BVAR) on how effectively the Council is responding to the statutory duty of best value. The BVAR will be jointly prepared with an Audit Scotland team and will draw on

the conclusions we have reached across our appointment.

## Consideration of National Risks

103. Our planned audit work against the four dimensions is risk based and proportionate. Our initial assessment builds upon our work in 2016-17 to develop an understanding of the Council's key priorities and risks. In 2017-18, Audit Scotland has also identified the following national risks, which we have considered as they relate to the Council:

- Preparations for EU withdrawal
- The Scottish Parliament's new financial powers
- Ending of public sector pay cap
- Cyber security risks
- Openness and transparency.

104. Exhibit 5 summarises the three significant risks in relation to our wider scope audit responsibilities that we have identified at this stage of our audit planning:


- Financial sustainability
- CGI contract management; and
- the Health and Social Care Integration Joint Board

## Exhibit 5 – Wider Scope Significant Risks

### 1. Financial sustainability


During our 2016-17 audit, we highlighted that the Council has a well-developed Financial Strategy and has a clear understanding of future pressures and the impact on the medium term financial position. However, at the most recent Revenue Budget Framework update, presented to the Finance & Resources Committee in February 2018, the projected cumulative savings gap to 2022-23 was estimated at £151.2 million.

The Council continues to implement a third phase of the transformation programme, along with the programme management necessary to deliver on this challenging target. There is a risk that the change and transformation programme may not deliver the level of savings intended, or at the pace of change required.

- 
- 105.** During our 2017-18 audit we will continue to review whether the Council has adequate arrangements in place to manage its financial position and deliver the scale of savings required. Our work will include analysis of the achievement of savings targets for 2017-18, the development of savings plans for future years, and consideration of the underlying financial position.

### 2. Governance: CGI Contract Management


At its meeting on 16 January 2018, the Governance, Risk and Best Value Committee considered an update report on the CGI-led transformation programme. The report highlighted a number of failings in relation to original and revised timescales not having been met. The GRBV Committee requested a progress update to be taken to the May 2018 meeting. Audit Scotland has also expressed interest in CGI's delivery given that they have a number of high profile contracts in Scotland (e.g. Glasgow City Council and Rural Payments IT system which was heavily criticised in an Audit Scotland report in June 2017).

- 
- 106.** At the GRBV meeting on 16 January 2018, the committee requested that we prepare a follow up report for the May 2018 meeting which provides an update on the audit recommendations and general security management arrangements. Our specialist ICT auditors will work with the council's internal auditors to consider the effectiveness of CGI's programme and project governance arrangements and how these integrate with the council's governance arrangements.

### 3. Value for Money: Health and Social Care

In 2016-17, the Integration Joint Board (IJB) noted that the level of delayed discharges in the city presented a risk to the partnership in providing the right care at the right time. To reflect the importance and urgency of the number and length of delayed discharges the IJB received regular updates on performance and whole system delays throughout the year. During 2017-18, the performance has continued to worsen despite the focus given to the issue. Edinburgh has regularly had the highest number of delayed discharges of any Integration Authority in Scotland.

We also note that the IJB currently forecasts a projected overspend of £7.1m in 2017-18, including around £6m slippage in planned transformation savings.

- 
- 107.** We will continue to monitor the performance of the IJB, including progress against the improvement plan agreed with the Care Inspectorate, progress in reducing outstanding assessments, and in reducing the level of delayed discharges. We will also consider the Council's approach to gaining assurance on the financial sustainability of the partnership.

108. We have not, at this stage, identified any significant risks in relation to the other dimensions. Audit planning however is a continuous process and we will report any

identified significant risks, as they relate to the four dimensions, in our annual audit report. The table below summarises our audit work in respect of each dimension.



## Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the organisation's planning processes support the future delivery of services.

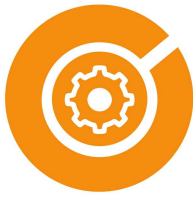
Consideration	Our audit approach
<p><b>As noted in Exhibit 5:</b></p> <p>During 2016-17, we were satisfied that the Council had a well-developed Financial Strategy and a clear understanding of future pressures and the impact on the medium term financial position.</p> <p>The Council has, however, identified a significant savings gap for the period to 2022-23 with no clear plan at this stage to deliver the required savings. In addition, financial risks such as demand pressures on health and social care, and the impact of EU withdrawal place additional uncertainty on the council's future budgets.</p>	<p>During our 2017-18 audit we will update our assessment of 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. Our work will also consider the adequacy of the Board's preparations and scenario planning for the impact of EU withdrawal and key financial assumptions such as the impact of the ending of the public sector pay cap.</p> <p>We will also review the governance and programme management arrangements that have recently been developed to deliver further transformation and savings.</p>



## Financial management

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

Consideration	Our audit approach
<p>The Council's Finance and Resources Committee receives quarterly financial performance reporting, including risk assessed updates on the achievement of planned savings. The reports are referred to the GRBV Committee for full scrutiny.</p> <p>In the most recent projections, the Council anticipates that a breakeven position will be delivered in 2017-18. Projected overspends within Health and Social Care and Safer and Stronger Communities are currently offset by reductions in expenditure and increased revenue elsewhere.</p> <p>In September 2017, the Council approved the commencement of Stage 2 for the tram extension project (York Place to Newhaven). Stage 2 is the procurement and public consultation phase, and is scheduled to take approximately 12 months. Expected milestones include the completion of tender evaluations by September 2018. Subject to Council approval, the main construction contract is expected to be awarded, and stage 3 of the project approved by November 2018.</p> <p>Following the original trams project, which was completed after significant delays and over-spends, an independent inquiry chaired by Lord Hardie was convened and is currently underway. Lord Hardie is expected to publish his findings by Summer 2018, to allow recommendations and lessons learned to be built into the final contract for award for the York Place to Newhaven project should this proceed.</p>	<p>During our 2017/18 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>• 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> <p>We will work with the Council's internal auditors to provide assurance on the trams project. Our work will focus on the robustness and appropriateness of the financial model, while internal audit will consider project governance including the preparation of the business case and options appraisal procedures. We will draw on this work during our assessment of the Council's resource management arrangements within the annual audit report.</p>



## 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.

Consideration	Our audit approach
<p>During 2016-17, we noted that the Council's new administration quickly set out an updated Business Plan for the medium term which was based on a clear understanding of future pressures.</p> <p>Following the Public Pound arrangements continue to improve and have been enhanced by the establishment of a Governance Hub for council companies. Audit Scotland has selected Edinburgh as one of its case study sites for its national performance audit of Arm's-Length External Organisations. We anticipate that the national report will be published in summer 2018.</p> <p>During 2017-18, the council has taken steps to review and improve key partnership arrangements, including the establishment of Locality Committees. In addition, the council will work with a range of partners to deliver a city region deal, which aims to drive investment and address inclusion across the regional area.</p> <p><b>As noted in Exhibit 5:</b> During 2016-17, we presented our findings on an audit of CGI Security Management to the GRBV Committee. The audit identified a number of weaknesses relating to the delivery of timescale, and the impact on the council's transformation programme.</p>	<p>We will review the Council's updated local code of governance and the extent to which it complies with current guidance: <i>Delivering good governance in local government: framework (2016)</i>.</p> <p>We will continue to consider whether the information provided to committees is sufficient for members to assess the impact of decisions on resources and performance.</p> <p>During 2017-18, we have identified Partnership Working as an area of focus in our best value work. We will consider the council's approach to partnership working to deliver improved outcomes in the local area. Our review will include consideration of how well the council has worked with the NHS Board and the integration authority to develop a shared analysis of local needs, and use this as a basis to inform their plans to redesign local services.</p> <p>We will continue to monitor the progress of the city deal, including the implications for the council's medium term financial plan, and arrangements to monitor the impact on outcomes throughout the term of our engagement.</p> <p>We will carry out a follow up review on the audit recommendations made in relation to the CGI Security Management report.</p>





## Value for money

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

Consideration	Our audit approach
<p>The Council's strategic framework includes 2050 Edinburgh City Vision, Community Plan, Locality Improvement Plans, Council Business Plan, Service Implementation Plans and Council Strategies. The Council has recently approved a revised Performance Framework to support the implementation of the Business Plan. The Community Plan is also due to be refreshed and agreed with public sector partners in March 2018.</p> <p><b>As noted in Exhibit 5:</b> During 2016-17, we reported on significant performance and financial concerns relating to the Edinburgh Integration Joint Board. The IJB continues to face demand pressures, and performance issues relating to delayed discharges and waiting times for care packages.</p> <p>We also noted areas of persistently poor performance within 2016-17, in roads and waste services. Improvement plans were in place for both and reported to the Transport and Environment Committee.</p>	<p>During 2017-18, we have identified the Council's approach to improvement as a focus of our best value work. We will seek evidence that outcomes are improving and that the pace of improvement is managed in line with resources. Our review will include consideration of the impact of transformation work, how effectively the council has identified improvement priorities, and how self-aware the council is in understanding its relative performance and improvement needs.</p>



# Audit outputs, timetable and fees

# Audit outputs, timetable and fees

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>3</sup>	Format	Description	Target month
Follow up on CGI security management arrangements	Report	This report is a follow up on the audit recommendations included in our CGI security management arrangements report (presented to GRBV committee in October 2017).	January 2018
NFI audit questionnaire	Return	This return to Audit Scotland will reflect NFI activity undertaken by the Council.	February 2018
External audit plan	Report	This report sets out the scope of our audit for 2017/18.	March 2018
Financial statements strategy	Report	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 2018.	March 2018
Follow up on CGI security management arrangements	Report	This report is a further follow up on the audit recommendations included in our CGI security management arrangements report (presented to GRBV committee in October 2017).	May 2018
Interim Management Report	Report	This report will summarise our interim work on accounting systems.	August 2018
Independent Auditor's Report	Report	This report will contain our opinion on the truth and fairness of the annual accounts.	September 2018
Annual Report to the Council and the Controller of Audit	Report	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	September 2018
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 2018
Whole of government	Assuran	This statement will contain our opinion on	October 2018

<sup>3</sup> Refer to Appendix 4 for a list of all grant claims and returns to be audited in 2017/18.

Audit output <sup>3</sup>	Format	Description	Target month
accounts	ce Statement	whether the consolidation pack is consistent with the Council's audited financial statements.	

## Audit outputs

- 109.** Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
- 110.** 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

- 111.** Audit Scotland 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 is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.

- 112.** 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.
- 113.** For 2017/18 the expected fee for the Council is £563,210. We propose setting the 2017/18 audit fee above the expected fee level for the following two areas. We consider these areas to be of high risk profile for the Council and any audit work in these areas is over and above what is factored into the expected audit fee (as described above):

	Proposed fee
<p><b>1. Follow-up of CGI Security Management audit</b></p> <p>We presented our findings to the Governance, Risk and Best Value Committee (GRBV) in October 2017. Following consideration of our findings, GRBV requested that we carry out a follow up review on the audit recommendations and report back to it at the January 2018 meeting. The work has been split into two phases:</p>	
<ul style="list-style-type: none"> <li><b>Phase 1</b> - The first phase was reported to GRBV committee in January 2018. Preparatory work had to be undertaken, including a pre-meeting with the Council's ICT team and CGI. Subsequent to this we held meetings with the CGI Security Manager as well as the CGI Vice President for Cyber Security. We also held discussions with the Council's ICT team to validate CGI's assertions. Our proposed audit fee includes attendance at GRBV committee.</li> </ul>	£5,500
<ul style="list-style-type: none"> <li><b>Phase 2</b> - At the GRBV committee meeting on 16 January 2018, the committee requested for a report for the May 2018 meeting which provides an update on the audit recommendations and covers general security.</li> </ul> <p>This will need a similar level of audit input as phase 1, including on-going dialogue with CGI and the Council's ICT team. In addition, we expect a new team to be involved so there will be some additional costs associated with, for example relationship building.</p>	£6,000

## 2. Edinburgh Trams – York Place to Newhaven

In September 2017, the Council approved the commencement of Stage 2 activities in respect of the tram extension (York Place to Newhaven). Stage 2 of the project is the procurement phase, and is scheduled to take approximately 12 months. Public consultation will also commence during Stage 2. Stage 2 milestones include the completion of tender evaluations by September 2018. Subject to approval by Council, the main construction contract is expected to be awarded, and stage 3 of the project approved by November 2018.

Following the original trams project, which was completed after significant delays and over-spends, an independent inquiry chaired by Lord Hardie was convened and is currently underway. Lord Hardie is expected to publish his findings by Summer 2018, to allow recommendations and lessons learned to be built into the final contract for award for the York Place to Newhaven project.

We will place reliance on the work of Internal Audit for an element of this review, as detailed further below. We are due to report our findings within our 2017/18 annual audit report in September 2018. Given the timing of our reporting, the expected revision of the project financial model to reflect the contract tender process will fall after this reporting deadline. We will therefore conduct an element of the review as part of the 2018/19 audit. The proposed fee noted reflects the 2017/18 audit work only.

The project will be assessed against good practice guidance. The robustness and appropriateness of the project will be reviewed in several areas. Internal Audit are conducting a review of the following areas:

- project business case;
- options appraisal procedures; and
- contract procurement procedures.

We will place reliance on the work of Internal Audit and will therefore conduct a review of the work in order to gain appropriate assurances over our reliance. We will report on these areas within our 2017/18 annual audit report.

In addition to the work of Internal Audit, we will review the robustness and appropriateness of the project financial model used for the original project business case. We will report our findings of this review within the 2017/18 annual audit report.

It is expected that by approximately December 2018 the financial model will be revised to reflect the conclusion of the contract tender process. We will therefore review and report on the robustness and appropriateness of the revised financial model as part of the 2018/19 audit.

We will not express an opinion on the Council's decision to approve stages one and two of the tram extension project.

£22,000

115. The total proposed fee for the Council for 2017/18 is as follows:

	2017/18
Auditor remuneration	£333,020
Pooled costs	£26,610
Performance audit and Best Value	£218,060
Audit support costs	£19,020
<b>Total expected fee</b>	<b>£596,710<sup>4</sup></b>

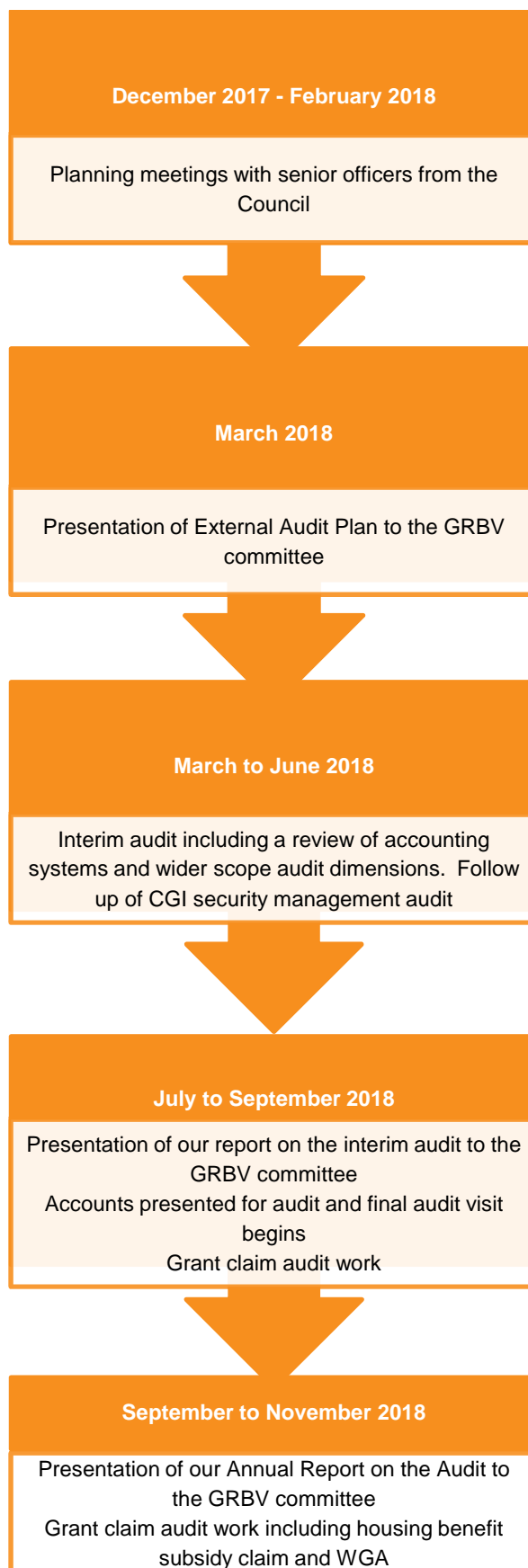
116. We will take account of the risk exposure of the Council and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the 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

117. 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 £9,000.

#### Audit timetable

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



<sup>4</sup> The audit fee in 2016/17 was £561,250.

# 8

## Appendices

# Appendix 1: Your audit management team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 17 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.



**Grace Scanlin CPFA**

**Senior manager**

[grace.scanlin@scott-moncrieff.com](mailto:grace.scanlin@scott-moncrieff.com)

Grace is the firm's performance audit lead and has significant experience in the audit of Best Value, and of performance and strategic issues facing public sector bodies.



## Your audit management team



**Paul Kelly FCCA**  
**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.



**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.



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

Stacey has 5 years external audit experience and will work alongside Karen, Rachael and Georgina in the delivery of the audit of the annual accounts.



**Georgina Philp CPFA**  
**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.

# Appendix 2: Confirmation of independence

International Standard on Auditing (UK) 260  
"Communication with those charged with governance"  
requires us to communicate on a timely basis all facts  
and matters that may have a bearing on our  
independence.

## Group non-audit services

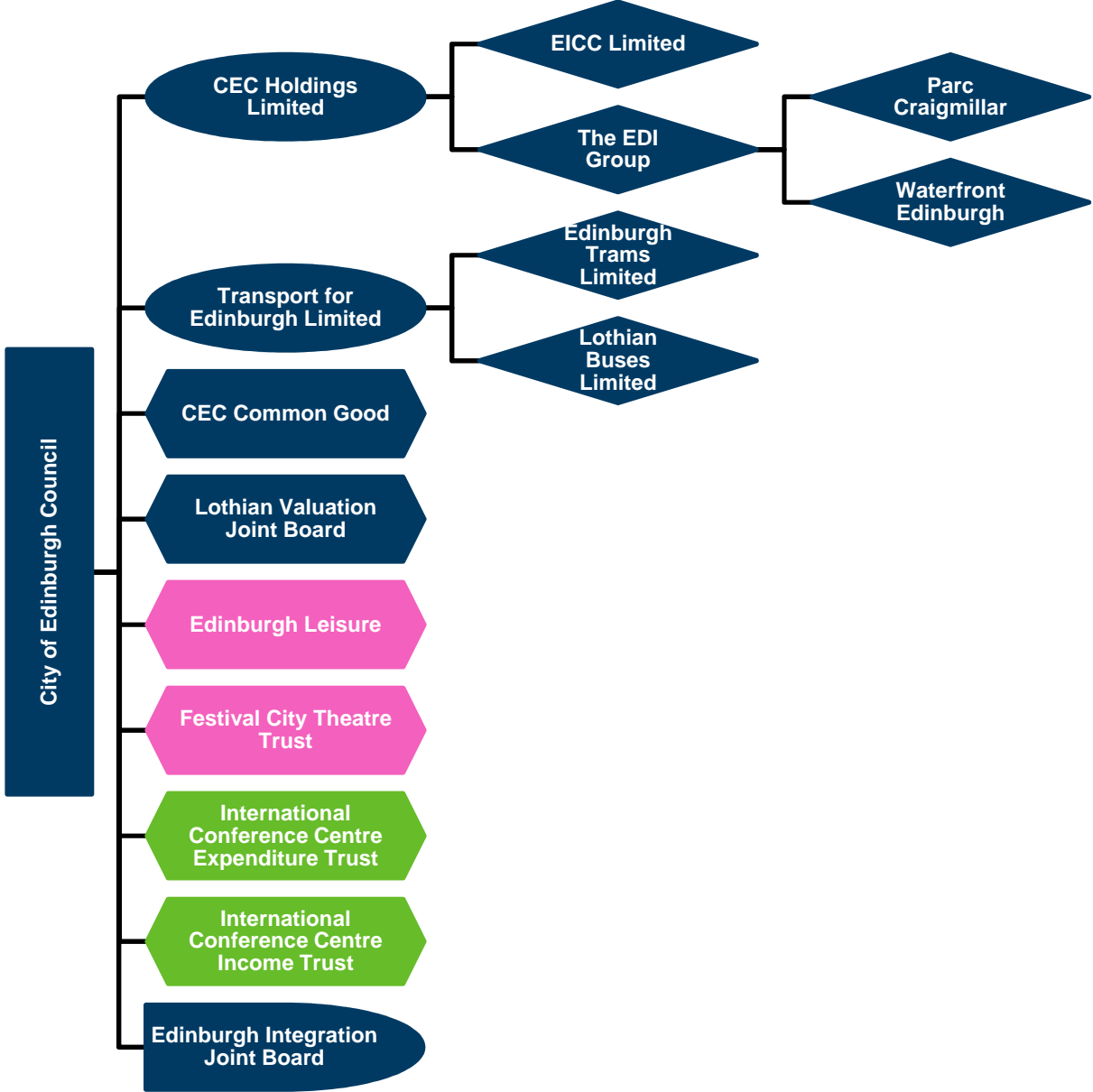
Scott-Moncrieff provides taxation services to CEC  
Holdings group and Transport for Edinburgh group. All  
tax services are provided by independent partners and  
staff who have no involvement in the audit of those  
financial statements. The total value of taxation  
services provided is approximately £28,000.

## Confirmation of independence

We confirm that we will comply with FRC's Revised  
Ethical Standard (June 2016). 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 3: Group financial statements

The exhibit below sets out the structure of the Council's group:



**Key:**

	Council		
	Subsidiary		Component body of subsidiary
	Associate		Joint Venture

	Audited by Scott-Moncrieff (core team or separate team)
	Audited by component auditor (not assessed as significant component)
	Not audited (not assessed as significant component)

**Note:** Only significant components for each subsidiary have been disclosed in the diagram above.

## Appendix 4: Grant claims and returns to be audited in 2017/18

Grant claim/return	Indicative certification date
Education maintenance allowance	31 July 2018
Whole of Government Accounts	28 September 2018
Criminal justice social work services grant claim	30 September 2018
Non domestic rate income return	6 October 2018
Housing benefit subsidy claim	30 November 2018

# Appendix 5: 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's 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 Head of Finance (s95 officer).

## 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, Tuesday, 20 March 2018

## Audit Scotland Report: Equal Pay in Scottish Councils

Item number	7.6
Report number	
Executive/routine	
Wards	
Council Commitments	

### Executive Summary

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This report informs the Committee of Audit Scotland's Report on Equal Pay in Scottish Councils, which was published in September 2017. The Committee is advised that the City of Edinburgh Council was chosen as one of the fieldwork Councils and a summary of our implementation of the Single Status Agreement can be seen at Appendix 2 of the Report.



## Audit Scotland Report: Equal Pay in Scottish Councils

### 1. Recommendations

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- 1.1 The Governance, Risk and Best Value Committee (GRBV) is recommended to:
- 1.1.1 Consider and note Audit Scotland's report, Equal Pay in Scottish Councils, both in terms of its general conclusions and those of specific relevance within the City of Edinburgh Council context; and
  - 1.1.2 Note the progress made by the City of Edinburgh Council in having fair and transparent pay arrangements and regular equal pay audits to deliver pay equality.

### 2. Background

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- 2.1 Historically, the pay and conditions of Council employees have been governed by different national agreements, for example pay and conditions for manual workers were different to those for administrative, technical and professional (APT&C) workers. The differences between these groups of employees arose from national bargaining arrangements with different unions and historically favoured roles traditionally carried out by men. Equal pay claims about these differences were common in the 1990s and Councils made expensive settlements for historical discrimination. National negotiations commenced in the late 1990s to work towards implementing new pay and grading structures which would ensure that Councils complied with equal pay legislation.
- 2.2 In 1997, a UK-wide national agreement was reached to unify the pay structures of different groups of Council employees and this became known as the Single Status Agreement (SSA) or the "red book". This agreement covered around 1.4 million workers across the UK, and Scottish Councils and trade unions negotiated the Scottish version of the SSA in 1999. By harmonising employment terms and conditions, and grading all jobs on the same pay scale, this agreement sought to eliminate pay inequality for all.
- 2.3 The Report compiled by Audit Scotland included interviews with a range of staff at 6 sample Councils and requested information from all 32 Councils. The City of Edinburgh Council provided detailed information as part of the audit and was selected as one of the sample councils.

### 3. Main report

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- 3.1 The Report identified a number of general key messages as a result of the audit which are as follows:
- 3.1.1 Under equality legislation, all employers have a legal responsibility to ensure that women and men receive equal pay for work of equal value. In 1999, Scottish Councils and trade unions entered into the SSA.
  - 3.1.2 The aim of the agreement was to harmonise local government pay and employment terms and conditions, and eliminate pay inequality.
  - 3.1.3 Implementing the SSA was a complex process which required each Council to undertake a large scale job evaluation exercise. Councils underestimated the challenges involved and all but one missed the agreed implementation date of 2004. It was not until 2010 that all Councils in Scotland had Single Status in place. This was 11 years after the agreement was signed, with implementation taking twice as long as initially planned. The City of Edinburgh Council implemented single status in 2010.
  - 3.1.4 Audit Scotland found there had been a lack of collective national leadership to overcome the challenges and address equal pay in a timely way. Councils initially worked on the basis that they could offset the costs of implementing Single Status with savings from changes to staff conditions and by improving staff productivity. Councils received no additional funding to implement their new pay and grading structures. In reality, Single Status brought significant costs and some Councils and trade unions found themselves balancing the risk of industrial unrest with affordability. This meant that some of the approaches taken by Councils when implementing Single Status did not always prioritise pay equality and were later found to be discriminatory.
  - 3.1.5 Councils sought to compensate workers who historically had been unfairly paid by offering payments if they signed compromise agreements. Councils paid around £232 million to approximately 50,000 workers in this way. The payments made were often of a relatively low value compared with the difference in pay over time, so some people refused them. Even while Councils were implementing Single Status, they continued to receive thousands of equal pay claims for historical pay discrimination.
  - 3.1.6 All Councils received equal pay claims after implementation of Single Status. There were many reasons for these claims, for example, claims against pay and bonus protection given to predominantly male workers and discrimination in job evaluation schemes. Since 2004, around 70,000 equal pay claims have been lodged against Scottish Councils. The cost of compensation agreements and settling claims, along with legal fees, amounts to around £750 million. The number of claims made against individual Councils varies widely, and some of this variation can be explained by how actively “no win no fee” lawyers have encouraged claims in different Council areas. At the time of publication of the Audit Scotland report, there were almost 27,000 live equal pay claims.

- 3.1.7 Councils need to be confident they have fair and transparent pay arrangements and take necessary action, such as regular equal pay audits, to deliver pay equality in line with their public sector equality duty. Elected members need to continue to oversee, scrutinise and challenge Councils' approaches to delivering equal pay and reducing the gender pay gap.
- 3.2 There are a number of implications specific to the City of Edinburgh Council which are as follows:
- 3.2.1 Single Status Agreement: The Greater London Provincial Council (GLPC) scheme was adopted for the purpose of job evaluation in the City of Edinburgh Council in 2010. The joint Trades Union side recommended the GLPC scheme to its membership. A ballot of Unison and T&G members confirmed over 90% acceptance of the scheme. Following a long process of testing, the GLPC scheme was developed into the Capital scheme that we currently use.
- 3.2.2 A Gender Impact Assessment (GIA) on Modernising Pay was conducted by an independent equal pay expert, Kay Gilbert, a Senior lecturer from Strathclyde University. The Capital Job Evaluation Scheme was found to be fit for purpose. Subsequent assessments of the job evaluation outcomes have confirmed that this continues to be the case. These assessments have been shared with the Trade Unions.
- 3.2.3 Any major changes in the Council structures will continue to be monitored in terms of the impact on gender. Of equal importance is the quality of job descriptions and recruitment processes to ensure that these are open, transparent, accessible and attractive to both genders.
- 3.3 Equal Pay Claims: The Council continues to manage historic equal pay claims raised against it. In total, over 6000 claims have been lodged against the City of Edinburgh Council.
- 3.3.1 Considerable progress has been, and continues to be, made in reducing the number of equal pay claims against the Council. In order to avoid costly litigation, the majority of these claims have been settled extra-judicially. The total cost of compensation payments between the original date of national SSA in 2004 and the actual date that staff moved to the CEC GLPC scheme in 2010 was in the region of £11.7m. The number of outstanding equal pay claims has reduced by 35% over the last 12 months.
- 3.3.2 At the date of this report, the City of Edinburgh Council has 597 claims outstanding, which is in the region of 9% of the total claims lodged and well below the national average of approximately 37.4%. The majority of these claims remain live because they are not eligible for an offer or an offer has been made, but remains unaccepted. We continue to strive to reduce these claims, especially where a Claimant is ineligible.

## **4. Measures of success**

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- 4.1 A continuing reduction in ineligible equal pay claims (where the Council maintain that such cases are not eligible for an offer).

## **5. Financial impact**

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- 5.1 An initial £10.5M was provided for the costs associated with implementing Modernising Pay on 4 October 2010. This figure reflected the recurring impact of an increase in the cost of salary progression, which is now a year on year recurring cost on the pay bill.
- 5.2 As of 31 March 2017, some £78.6m had either been paid out, or provided for, by the City of Edinburgh Council in respect of equal pay-related claims. This relates to historical claims extinguished by the implementation of Modernising Pay.

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

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

## **7. Equalities impact**

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- 7.1 The Council will continue to abide by its public sector equalities duties.

## **8. Sustainability impact**

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

## **9. Consultation and engagement**

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- 9.1 Continual partnership working with Trade Unions and the Claimants' representatives to seek to achieve a mutually beneficial resolution.

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

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- 10.1 Please see the [appendix](#).

**Stephen S. Moir**

**Executive Director of Resources**

Contact: Katy Miller, Head of Human Resources,

E-mail: [katy.miller@edinburgh.gov.uk](mailto:katy.miller@edinburgh.gov.uk) | Tel: 0131 469 5522

## 11. Appendices

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11.1 Equal Pay in Scottish Councils prepared by Audit Scotland September 2017.

# Equal pay in Scottish councils



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
September 2017

# The Accounts Commission

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

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

## Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.


You can find out more about the work of the Accounts Commission on our website: [www.audit-scotland.gov.uk/about-us/accounts-commission](http://www.audit-scotland.gov.uk/about-us/accounts-commission) 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

# About equal pay



## What is equal pay?

The campaign for equal pay has a long history. Over time, women have often received less pay than men for doing comparable jobs. The Equal Pay Act 1970 was the first piece of legislation enshrining the right to pay equality between women and men. This Act made it unlawful for an employer to discriminate between women and men in all contractual terms of employment, including pay. [The Equality Act 2010](#)  replaces the Equal Pay Act 1970. All employers, public and private sector, must comply with equal pay legislation.

The Equal Pay Act 1970 set out ways an employee's work can be determined to be equal to that of another employee. These are restated in the Equality Act 2010 as:

- like work – work that is the same or broadly similar
- work rated as equivalent – when a job evaluation has rated two jobs as being the same or similar
- work of equal value – work found to be of equal value, for example in terms of effort, skill or decision-making.

## Equal pay in councils

Historically, the pay and conditions of council employees were governed by different national agreements, for example pay and conditions for manual workers differed from those of administrative, professional, technical and clerical (APT&C) workers. These differences between groups of employees arose from national bargaining arrangements with different unions and historically favoured roles traditionally carried out by men. Equal pay claims about these differences were common in the 1990s and councils made expensive settlements for historical discrimination. National negotiations in the late 1990s began to find a new structure that would ensure councils complied with equal pay legislation.



## What is the Single Status Agreement (SSA)?

In 1997, a UK-wide agreement was reached to unify the pay structures of different groups of council employees. This became known as the Single Status Agreement (SSA) or the 'Red Book'. This agreement covered around 1.4 million workers across the UK. Scottish councils and trade unions negotiated the Scottish version of the SSA in 1999. By harmonising employment terms and conditions, and grading all jobs on the same scale, this agreement sought to eliminate pay inequality for all.



## Guiding principles

### The guiding principles for the Single Status Agreement are to support and encourage the following:

- High-quality services delivered by a well-trained, motivated workforce with security of employment. To this end, councils are encouraged to provide training and development opportunities for their employees.
- Equal opportunities in employment; equality as a core principle that underpins service delivery and employment relations; and removing all discrimination and promotion of positive action.
- A flexible approach to providing services to the communities while meeting the needs of employees, as well as employers.
- Stable industrial relations and negotiation and consultation between councils as employers and recognised trade unions.

Source: *Single Status Agreement*, Scottish Joint Council, 1999



# About the audit

This audit examines equal pay in local government, focusing on the following five themes:

- how councils implemented the Single Status Agreement (SSA)
- how much councils have spent settling equal pay claims
- how councils demonstrate that they are dealing effectively with equal pay claims and minimising future risks
- how effective the governance and oversight arrangements of the SSA are
- what lessons can be learned for the future.

This audit provides an insight into how the SSA has been implemented. But it does not investigate councils' job evaluation schemes, or consider individual staff terms and conditions at councils.

Although it reports on the number of equal pay claims, it does not look at individual claims, or make audit judgements on past litigation.

We reviewed a range of documents during our audit. We interviewed a range of staff at six sample councils and requested information from all 32 councils. Data for costs relates to financial years 2004/05 to 2015/16. Other data such as number of claims lodged relates to 2004/05 up to 30 September 2016.

[Appendix 1](#) has more information about our methodology.

In carrying out this audit, we faced considerable difficulty due to the lack of good-quality data relating to the implementation of equal pay.

Equal pay and the gender pay gap are different but related issues. Equal pay focuses on discrimination where a woman is paid less than a man for doing the same or broadly similar work, work of equal value or work rated as equivalent. The gender pay gap calculates the difference between men and women's earnings and presents this as a percentage of men's earnings. The gender pay gap is influenced by a range of factors such as:

- occupational segregation, where women are still more likely to be in low-paid jobs
- unequal caring responsibilities
- a lack of flexible working, which makes it difficult to combine caring with employment
- men continuing to make up the majority of those in the highest paid and most senior roles.

The factors that contribute to the gender pay gap have not been the focus of this audit, but where appropriate we highlight the links between equal pay and the gender pay gap.

# Key messages


- 1** Under equality legislation all employers have a legal responsibility to ensure that women and men receive equal pay for equal work. In 1999, Scottish councils and trade unions reached the Single Status Agreement. The aim of the agreement was to harmonise local government pay and employment terms and conditions, and eliminate pay inequality.
- 2** Implementing the Single Status Agreement was a complex process that required all councils to undertake a large-scale job evaluation exercise. Councils underestimated the challenges involved and all but one missed the agreed implementation date of 2004. It was not until 2010 that all councils in Scotland had single status in place. This was 11 years after the agreement was signed, with implementation taking twice as long as initially planned.
- 3** There has been a lack of collective national leadership to overcome the challenges and address equal pay issues in a timely way.
- 4** Councils initially worked on the basis that they could offset the costs of implementing single status with savings from changes to staff conditions and by improving staff productivity. Councils received no additional funding to implement their new pay and grading structures. In reality, single status brought significant costs and some councils and trade unions found themselves balancing the risk of industrial unrest with affordability. This meant that some of the approaches taken by councils when implementing single status did not always prioritise pay equality and were later found to be discriminatory.
- 5** Councils sought to compensate workers who had historically been unfairly paid by offering payments if they signed compromise agreements. Councils paid around £232 million to approximately 50,000 workers in this way. The payments made were often of a relatively low value compared with the difference in pay over time, so some people refused them. Even while councils were implementing single status, they continued to receive thousands of equal pay claims for historical pay discrimination.
- 6** All councils received equal pay claims after implementation. There were many reasons for these claims, for example claims against pay and bonus protection given to predominately male workers and discrimination in job evaluation schemes. Since 2004, around 70,000 equal pay claims have been lodged against councils. The cost of compensation agreements and settling claims, along with legal fees, amounts to around £750 million. The number of claims made against councils varies widely. Some of this variation can be explained by how actively 'no-win no-fee' lawyers have encouraged claims in different council areas. There are almost 27,000 live equal pay claims and workers could potentially still make new claims against councils.
- 7** Councils need to be confident they have fair and transparent pay arrangements and take necessary action, such as regular equal pay audits, to deliver pay equality in line with their public sector equality duty. Elected members need to continue to oversee, scrutinise and challenge councils' approaches to delivering equal pay and reducing the gender pay gap.

# Single Status Agreement

## Pay inequality is rooted in long-standing traditional attitudes about women's place in society

Historically, women have often received less pay than men for doing comparable jobs. Many social and economic drivers led to discriminatory pay systems and the long-standing pattern of inequality. During the 1920s and 1930s, UK policy even reflected this practice of lower wages for women. Fundamentally, society often undervalues women's competencies and skills. In the local government context, roles predominantly done by women, for example catering, cleaning and caring, had lower pay scales than male-dominated roles such as grave-digging or refuse-collecting, even though they required similar skill levels. The campaign for equal pay continued throughout the decades, and the Equal Pay Act was passed in 1970. This prohibits any less favourable treatment between men and women in terms of pay and conditions of employment. Equal pay provisions are now in the Equality Act 2010.

In the late 1980s, councils attempted various measures to comply with legislation and address equal pay issues, for example by putting job evaluation schemes in place for manual workers. This exercise re-valued some women's jobs, and placed them on the same grade as jobs done by their male colleagues.

However, many of the male-dominated jobs included **bonus schemes**  or attracted other allowances, providing men with extra pay. This meant that, even where female-dominated roles had been re-valued, women continued to receive less money than their male colleagues for work of equal value.

## Background to bonus schemes

These locally negotiated schemes were initially introduced in the 1960s to address low pay and productivity within public sector manual working at a time of pay freeze. The schemes were typically applied to full-time roles carried out by male manual workers. So, for example, refuse collectors often received bonuses, while women in similar-level jobs, such as cleaning, did not. Over time, councils stopped monitoring productivity and the bonuses became an expected part of those workers' pay.

'Access to bonus payments is a crucial factor in determining employee earnings. Overall, more than half of male full-time manual staff receive bonuses, compared with only five per cent of female staff. According to a 1996 survey of council manual workers by the Local Government Management Board, bonus payments represented 15 per cent of average male earnings compared with just over one per cent of female earnings.'

Source: *Equal Opportunities Review No 76 November/December 1997*, edited by Michael Rubenstein

## Increasing equal pay claims and difficulties in eliminating pay inequality led to single status being agreed

Before the SSA, councils used different pay and grading structures across manual workers and administrative and clerical workers (APT&C); this made it difficult to identify and eliminate pay inequalities for similar work between these workers. In the 1990s, equal pay claims resulted in expensive settlements, mostly in relation to women being excluded from male-dominated bonus schemes. This led Scottish councils and trade unions to agree the SSA in 1999. The SSA replaced the old separate agreements and bargaining arrangements for different occupational groups, manual and APT&C employees. It aimed to harmonise both pay and employment terms and conditions and sought to eliminate pay inequality for all.

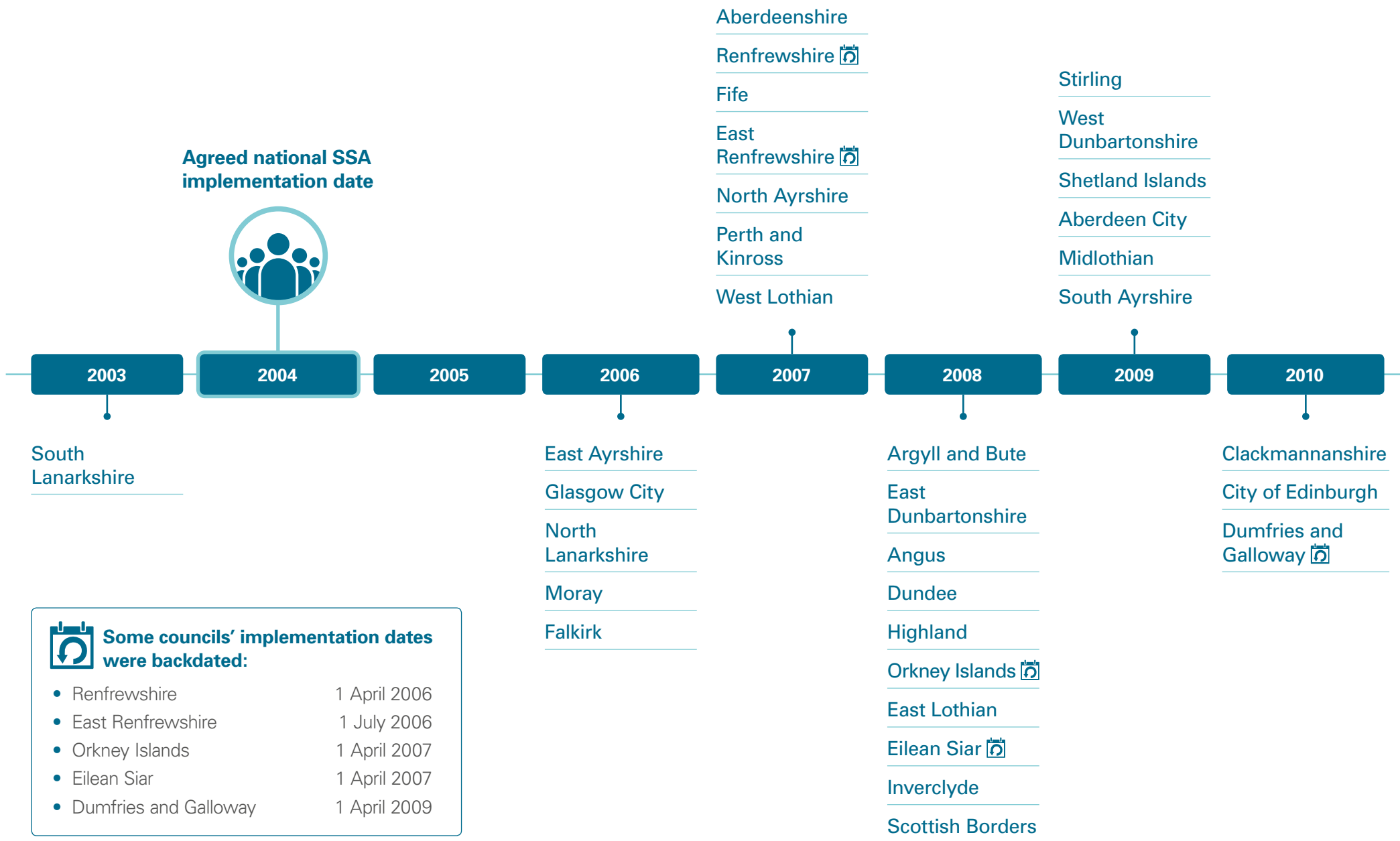
The original SSA signed in 1999 specified that single status should be in place by April 2002. This proved too ambitious and a revised date of April 2004 was agreed between councils and trade unions ([Exhibit 1, page 8](#)).

As separate employers, councils across Scotland took individual approaches to implementing single status and each one followed local processes to reflect its own circumstances. The Scottish Joint Council (SJC) issued guidance to help councils with their local implementation of the SSA. In 2006, an inquiry by the Scottish Parliament's Finance Committee into the cost of single status reported that unions preferred a national agreement covering all aspects of single status, but that councils sought to have local flexibility in all arrangements.<sup>1</sup> The Finance Committee recommended that councils, unions and COSLA urgently enter into discussions at a national and local level, facilitated by the then Scottish Executive, to ensure implementation within 12 months. There is no evidence this recommendation was taken forward, highlighting the lack of collective leadership nationally.

1. *4th Report, 2006 (Session 2): Report on the Financial Implications of the Local Authority Single Status Agreement*, Finance Committee, Scottish Parliament, 2006.


## Exhibit 1

### Councils' Single Status Agreement implementation dates



## Councils were required to undertake an extensive job evaluation as part of implementing single status

Before the SSA was implemented, there were separate bargaining arrangements in local government for pay and terms and conditions of different groups of staff, for example, manual workers and APT&C. This approach to pay and collective bargaining was not unique to local government. Before implementing Agenda for Change, the NHS had more than 20 committees bargaining separately for different groups of staff such as nurses and allied health professionals.

In 1993, there was a significant test case in England where female senior NHS speech therapists named male senior pharmacists and male clinical psychologists as comparators in their equal pay claim.<sup>2</sup> The Court of Justice ruled that an employer could not rely alone on the fact that the two jobs were paid according to two different collective bargaining agreements as a defence to comparing different occupations. To help deal with any inequalities in their approach to remunerating different groups of staff, employers across the public sector began introducing new **job evaluation**  schemes.

In 1999, to help councils implement SSA, the SJC developed a national job evaluation scheme (JES). Councils did not have to use the national scheme but most did. South Lanarkshire Council had established its own scheme before the national JES was developed. Glasgow City Council and the City of Edinburgh Council used other schemes. Regardless of the scheme, if done correctly job evaluation should have provided assurances that a council had a fair and transparent equal pay structure and protected it from future equal pay claims.

Developing a new pay and grading structure that was fair and accurate took time. But this aspect of the single status programme proved more time-consuming for some councils than others. For example, the number of jobs councils had to evaluate varied. Some larger councils had thousands of different types of jobs to evaluate, whereas others had only hundreds.



### What does job evaluation entail?

A key part of single status involved councils evaluating jobs under a single system that provides a consistent approach to defining their relative worth across the whole organisation.

Job evaluation does not determine actual pay, but places jobs in a rank order according to overall demands placed upon the job holder.

The SJC's JES scheme defines these demands across a range of factors such as knowledge and skills, responsibility, working environment, and dealing with relationships. Councils score local jobs and rank them through their locally agreed pay and grading structures. This approach across local government differs from the NHS's job evaluation scheme under Agenda for Change, which had a central negotiating group and enabled most jobs to be matched to nationally evaluated profiles.

Once each council had completed its job evaluation exercise for single status, it transferred manual and APT&C employees to the new single pay and grading structure.

2. *Enderby v Frenchay Health Authority* [1993] EUECJ C127/92.

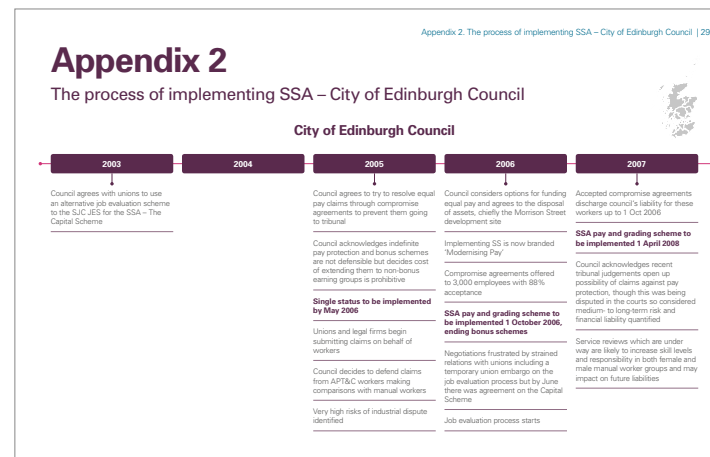
## Councils were expected to evaluate jobs and implement their pay and grading structures under the SSA in agreement with trade unions.

Some councils and trade unions faced difficulties reaching agreement on specific job evaluations and on new terms and conditions. This led to protracted negotiations and some councils faced industrial relations issues such as work-to-rule and industrial action. Our case study on [City of Edinburgh Council \(Appendix 2\)](#) and [The Highland Council \(Appendix 3\)](#) highlights how different the process was depending on local challenges. Some councils reported that dealing with the protracted and difficult negotiations on grading structures, along with equal pay claims, put a significant strain on their HR resources. Trade unions also faced this problem.

In its inquiry into the cost of single status in 2006, the Scottish Parliament’s Finance Committee found that councils and unions failed to engage properly in constructive negotiations to implement single status agreements.<sup>3</sup> Ultimately, only eight councils introduced their new pay and grading structures in agreement with trade unions.

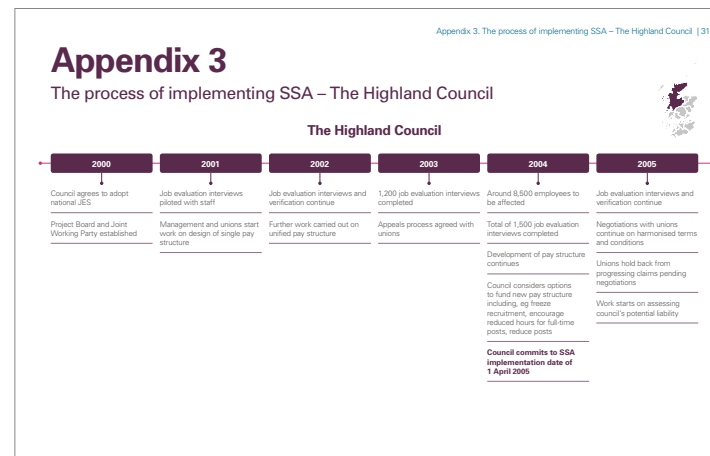
## City of Edinburgh Council

### Appendix 2



## The Highland Council

### Appendix 3



3. 4th Report, 2006 (Session 2): Report on the Financial Implications of the Local Authority Single Status Agreement, Finance Committee, Scottish Parliament, 2006.

## Councils faced difficulties in funding the changes under the SSA, slowing progress

Another factor in the slow progress in moving to single status pay and conditions was the cost. Councils did not receive any additional money to implement these new pay and grading structures. COSLA pay circulars in 2000 set out the intention to negotiate new pay structures on a cost-neutral basis.<sup>4</sup> In signing the SSA, councils and unions expected to offset the additional cost of addressing pay inequalities for one group of staff (predominately women) by modernising their workforces, reducing the pay of another group (predominately men), or doing both. In 2006, COSLA reaffirmed to the Finance Committee the intention to deliver single status on a cost-neutral basis.<sup>5</sup>

South Lanarkshire Council reported that it had managed the impact of single status on its budget by implementing it alongside a programme of Best Value reviews.<sup>6</sup> These delivered savings to offset the cost of single status. Councils considered various other measures to offset costs, such as recruitment freezes, encouraging staff to reduce their hours and rationalising terms and conditions. In reality, councils found it difficult to deliver single status on a cost-neutral basis. Some councils estimated the impact on their own local payroll. For example, the City of Edinburgh Council estimated it would add around £10 million each year to its wage bill. But nationally, the full cost of single status is unknown. There is no evidence of the cost to councils being estimated at a national level using cost modelling.

Negotiations with trade unions over cost-offsetting measures proved long and difficult. Our case study of implementation in [City of Edinburgh Council](#) and [The Highland Council](#) highlights these difficulties. Trade unions had to balance a number of priorities during the discussions with councils about new pay structures. In striving for equal pay, they were both representing their women members who were pursuing equal pay claims and trying to negotiate protection for the salaries of their male members.

The delays in implementing the SSA resulted in prolonged inequality and had financial implications. In 2004, councils began making compensation payments where they knew workers had been unfairly paid, generally to female manual workers who had been excluded from bonus schemes ([Exhibit 2, page 12](#)). In accepting these payments, workers were required to sign compromise agreements (now referred to as settlement agreements). Around 50,000 employees received this type of compensation.

In accepting compensation payments, employees agreed not to pursue claims with the Employment Tribunal Service (ETS). In 2003, amendments to the Equal Pay Act extended the limit on compensation for back pay from two to five years. In councils where the implementation date for SSA slipped they made additional compensation payments to female workers. These payments covered the gap for the period between the original date of SSA implementation in 2004 and the actual date that staff moved across to each council's new pay structure.

In 2009, a Local Government and Communities Committee inquiry into Equal Pay in Local Government reported that compromise agreements had not always been accepted by employees because settlement offers were too low.<sup>7</sup> No national and comparable data about the amount paid to employees in compensation is available.

However, the *Allen and others v GMB* tribunal case found that the settlements were much lower than the real value of employees' claims.<sup>8</sup> In some cases employees received 25 per cent or less of the value they could have been entitled to. When compromise agreements were not reached, many workers went on to lodge an equal pay claim.

4. *Industrial Relations: 1/2000, 2000 pay negotiations – local government employees*, Personnel Services Circular, COSLA, February 2000.

5. *4th Report, 2006 (Session 2): Report on the Financial Implications of the Local Authority Single Status Agreement*, Finance Committee, Scottish Parliament, 2006.

6. *Efficiency Statement 2006/07*, South Lanarkshire Council, 12 September 2007.

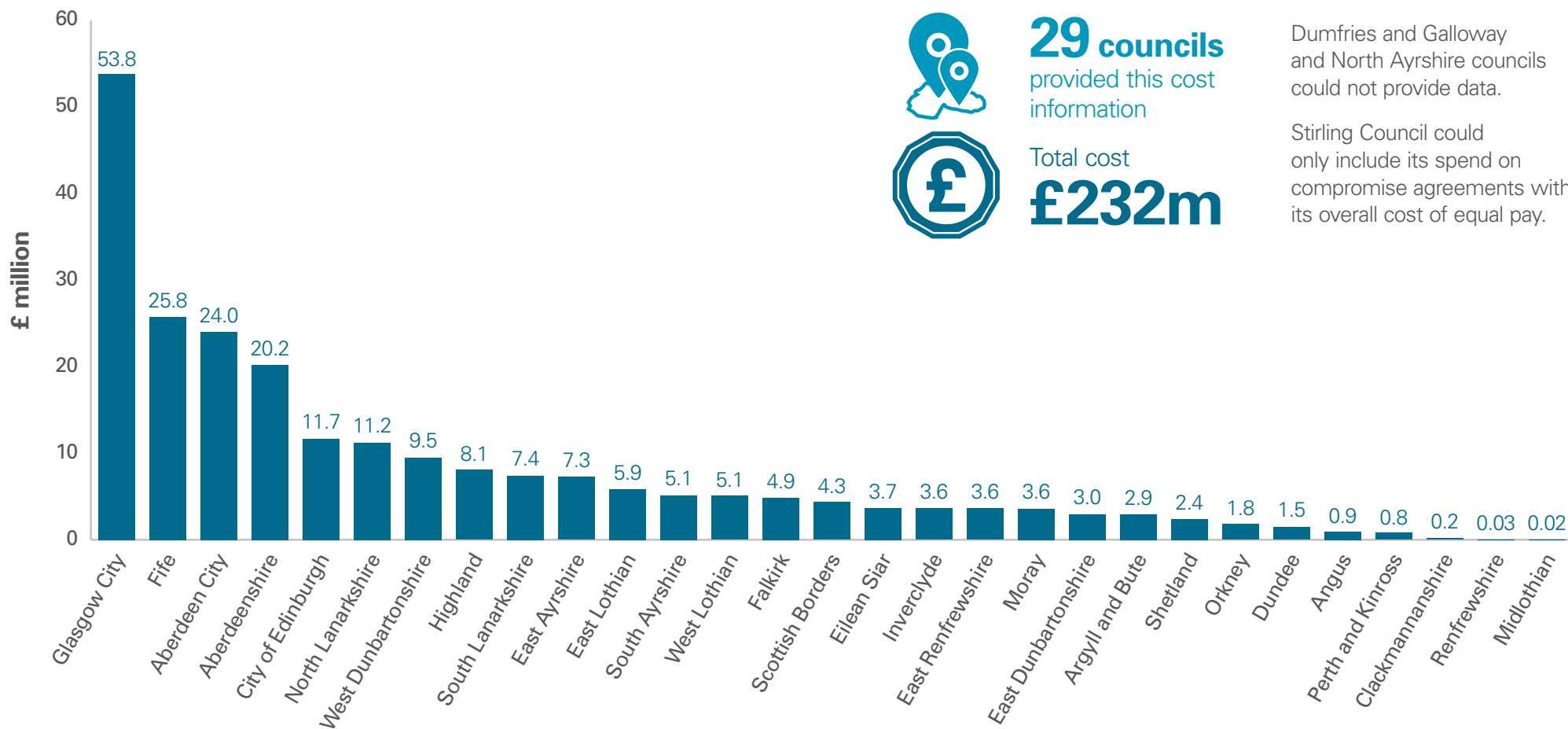
7. *12th Report, 2009 (Session 3): Equal Pay in Local Government*, Local Government and Communities Committee, Scottish Parliament, June 2009.

8. *Allen and others v GMB* [2008] EWCA Civ 810; [2008] ICR 1407.




## Exhibit 2

### Cost of compensation payments by council



## Councils' strategies for protecting some workers' pay were later found to be discriminatory

In implementing their JES, councils faced criticism from unions about the lack of clarity and information about how some roles were scored and evaluated. This affected the willingness of unions and councils to agree on pay and grading matters and impacted on the time it took to implement the SSA.

The outcome of the job evaluation for some workers was that pay for their new grade was lower than their old grade, particularly for the male-dominated roles that had historically received bonuses. Councils were concerned that any widespread pay cuts could bring about industrial relation difficulties and in extreme circumstances lead to industrial action. To lessen the impact for those who would lose earnings, councils used a range of measures, for example they **protected pay**  for some staff, predominately male, at the higher level for a period of time. This practice is known as red circling. SJC guidance stated that payment protection could be offered by councils for up to three years, but not how councils should apply it. As a result, the way in which councils used payment protection varied across Scotland.

Some councils protected basic pay and, despite a history of claims about women being excluded from bonus schemes, most councils also protected bonuses for a period of time after transferring to new pay structures.

Another approach councils adopted was to enrich some roles so that they would be graded at a level that prevented or minimised any potential loss in salary for some male workers.

The option of increasing the women's pay to the same level as the men – often referred to as levelling up – was consistent with the intention of single status and equal pay legislation. Councils did not pursue this option on the basis of affordability, although there is limited evidence to demonstrate that they fully costed this option. Ultimately the measures councils adopted kept men's salaries higher than women performing equivalent roles.

## Protected pay



Protection at assimilation on to the new spinal column for all employees including bonus earners will be for three years on a cash-conserved basis. This timescale has regard to the increased potential for equal pay claims should protection be allowed to extend beyond that period.

It is important to emphasise that bonus schemes may not in themselves be discriminatory provided they meet real business objectives and access is available to all. Councils should therefore be free to introduce council-wide reward strategies where this is considered desirable and following the full involvement of the trade unions.

Source: *Single Status Agreement*, Scottish Joint Council, 1999

## Pay protection arrangements were the focus of various legal cases

From 2007 onwards, legal challenges started to be made to locally negotiated arrangements for men whose pay was protected. In the cases of *Redcar & Cleveland Borough Council v Bainbridge and Others*, and *Surtees and Others v Middlesbrough Borough Council*, the Court of Appeal held that, except in limited circumstances, discriminatory pay protection arrangements could not be justified.<sup>9</sup>

In the Redcar case, the court found no evidence that the council had taken account of any negative impact on female employees when only offering payment protection to the male employees. Councils subsequently received many claims against discriminatory payment protection schemes. We cover the number of all claims councils received in [\(Exhibit 3, page 16\)](#).

In 2009, the Local Government and Communities Committee recommended that COSLA consult with trade unions and publish guidance to help councils understand the main points that were emerging from the complex case law about pay protection and what they should be doing to ensure that any pay protection scheme was fair.<sup>10</sup> There is no evidence any updated guidance was ever issued, highlighting a further lack of collective national leadership.

9. *Redcar and Cleveland Borough Council v Bainbridge and others; Surtees and others v Middlesbrough Borough Council* [2008] EWCA Civ 885 CA.

10. *12th Report, 2009 (Session 3): Equal Pay in Local Government*, Local Government and Communities Committee, Scottish Parliament, June 2009.

# Equal pay claims

## Workers made equal pay claims after councils had implemented single status


While councils were implementing single status they all received claims relating to historical bonuses. Councils also experienced equal pay litigation following implementation of single status.

Employees of Scottish councils lodged more than 70,000 equal pay claims against their employers between 2004/05 and 30 September 2016 ([Exhibit 3, page 16](#)).

Some councils had several discrete waves of claims. [Exhibit 4 \(page 17\)](#) shows the number of claims lodged by council. ‘No-win no-fee’ solicitors signed up many claimants. This impacted on the number of claims made against specific councils, particularly the larger councils such as City of Edinburgh, South Lanarkshire, Glasgow City and North Lanarkshire.

As many claims are resolved outwith a tribunal, the details are not generally published, but from the information that is available we know that workers have made claims against:

- payment protection
- job evaluation scheme issues including job grading.

Some councils used job enrichment measures to prevent workers losing pay under single status. A job enrichment scheme typically includes ‘measures that can improve earning opportunities and significantly reduce loss of pay or bonus’. Measures could include the creating of new roles, or re-adjusting the job weightings of workers – in predominantly male jobs – under the single status job evaluation scheme. If a council does not offer female employees the same measures, it can continue inequality in pay. There is little published information on the claims for this reason in Scotland, although it has been the subject of many legal and academic papers, for example in [Are litigation and collective bargaining complements or substitutes for achieving gender equality? A Study of the British Equal Pay Act](#) .

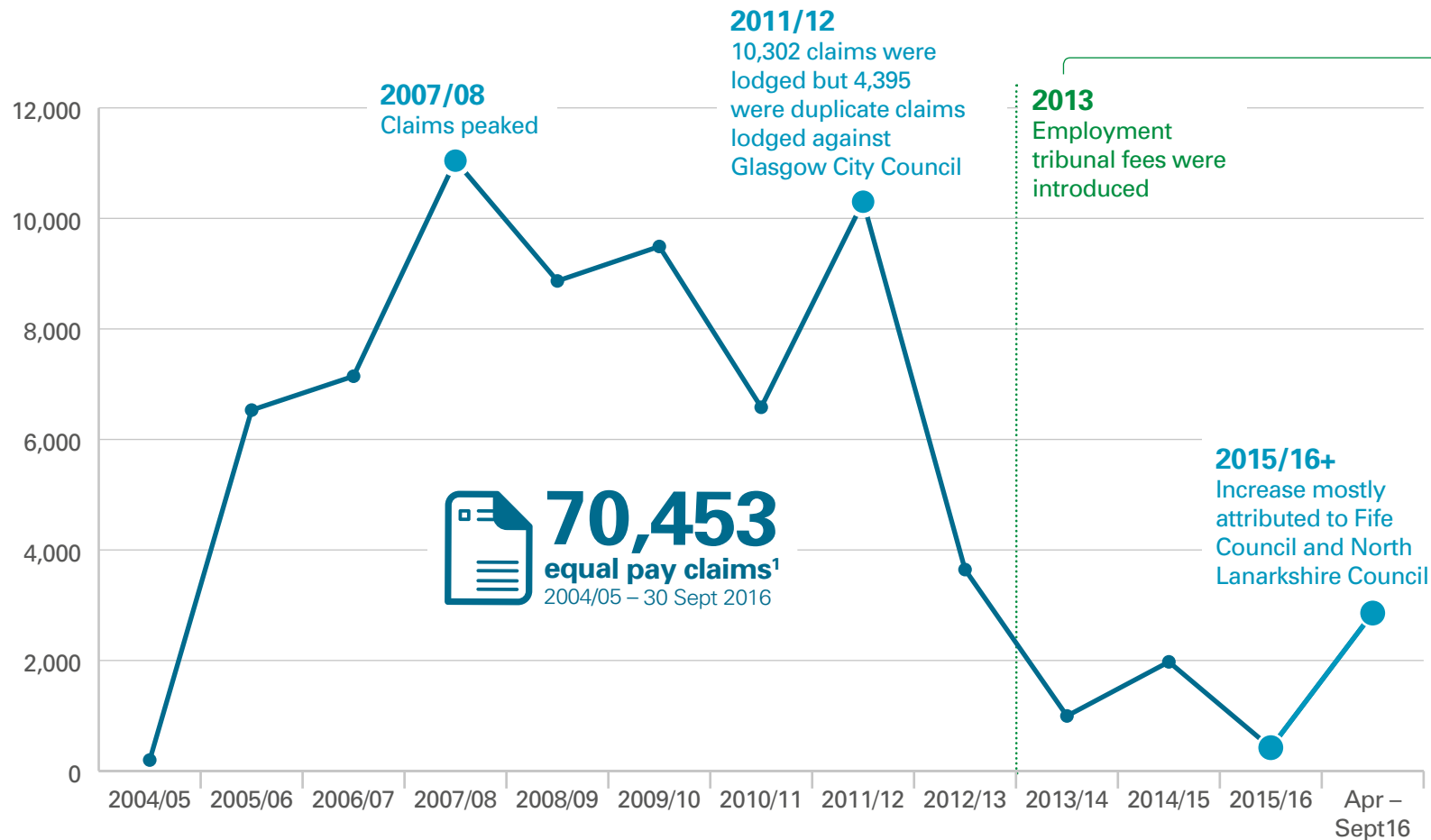
From 2004/05 to September 2016, the total cost of settling claims, including all compromise agreements and legal costs, has been around £750 million across all Scottish councils. [Exhibit 5 \(page 18\)](#) shows the cost by council over this period.

In 2009, the Scottish Government introduced a ‘capitalisation’ scheme. This was to allow councils to borrow capital to settle equal pay claims. Between January 2009 and April 2012 it granted 11 councils (Aberdeen City, Clackmannanshire, East Dunbartonshire, City of Edinburgh, Falkirk, Glasgow City, Highland, Midlothian, North Ayrshire, Scottish Borders and West Dunbartonshire) consent to borrow a total of £83 million. Six of these councils (Aberdeen City, Falkirk, Glasgow City, Midlothian, North Ayrshire, and West Dunbartonshire), used the scheme to borrow capital with the amount borrowed totalling almost £37 million. Only two councils (Glasgow City and North Ayrshire) borrowed up to their full allocation.<sup>11</sup>

11. *Consents to Borrow – Equal Pay*, Scottish Government, April 2013

### Exhibit 3

Total number of equal pay claims lodged with the Employment Tribunal Service against councils, 2004/05 to September 2016



#### Employment tribunal fees

Employment tribunal fees were introduced in 2013. People had to pay up to £1,200 to lodge a case with the ETS. This was potentially unaffordable for some and therefore a barrier to pursuing their equal pay claim.

In July 2017, the [Supreme Court ruled](#) that tribunal fees were unlawful under both UK and EU law because 'it has the effect of preventing access to justice.'

The UK government has agreed to take immediate steps to stop charging fees.

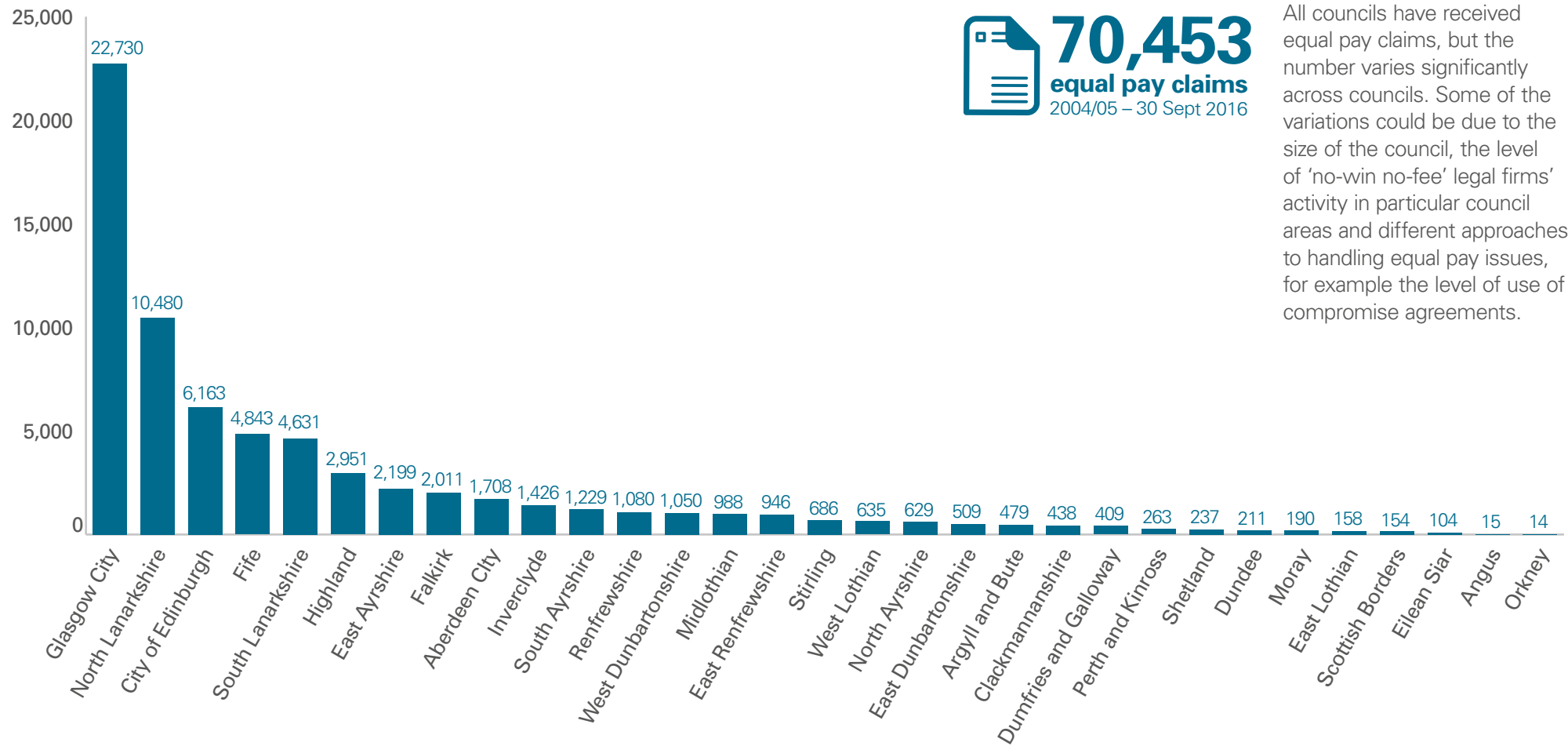
Notes:

1. Includes a minimum of 6,607 duplicate claims lodged across the 11 years.
2. Aberdeenshire Council could not provide the total number of claims lodged as it removes claims from its database once they have been settled. As at September 2016, it had 887 lodged claims that were live.
3. Falkirk Council has an additional 395 claims which have been withdrawn but for which it does not have dates when lodged. These are included in the Scotland total.
4. Eight councils hold data by calendar year and submitted their figures to the nearest financial year.
5. Angus Council's information provided is based on settlement dates not when lodged.
6. South Lanarkshire Council's figures represent the number of claimants rather than number of claims.

Source: Audit Scotland information request to Scottish councils, 2016

## Exhibit 4

Number of equal pay claims by council, 2004/05 to September 2016



All councils have received equal pay claims, but the number varies significantly across councils. Some of the variations could be due to the size of the council, the level of 'no-win no-fee' legal firms' activity in particular council areas and different approaches to handling equal pay issues, for example the level of use of compromise agreements.

Notes:

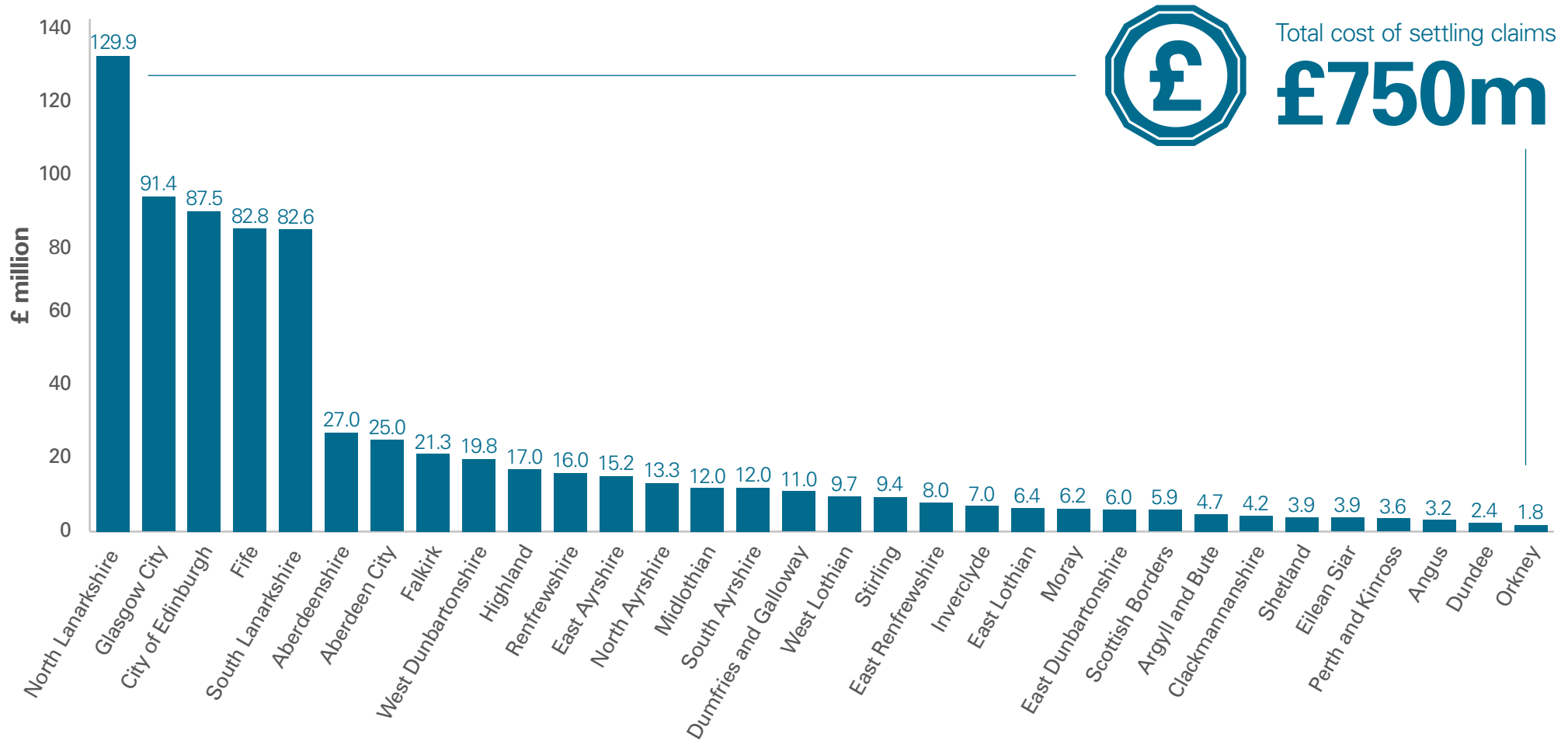
1. Includes a minimum of 6,607 duplicate claims lodged across the 11 years.
2. Aberdeenshire Council could not provide the total number of claims lodged as it removes claims from its database once they have been settled. As at September 2016, it had 887 lodged claims that were live.
3. Claims lodged against Glasgow City Council ALEOs are included.
4. South Lanarkshire Council's figures represent the number of claimants rather than number of claims.

Source: Audit Scotland information request to Scottish councils, 2016

### Exhibit 5

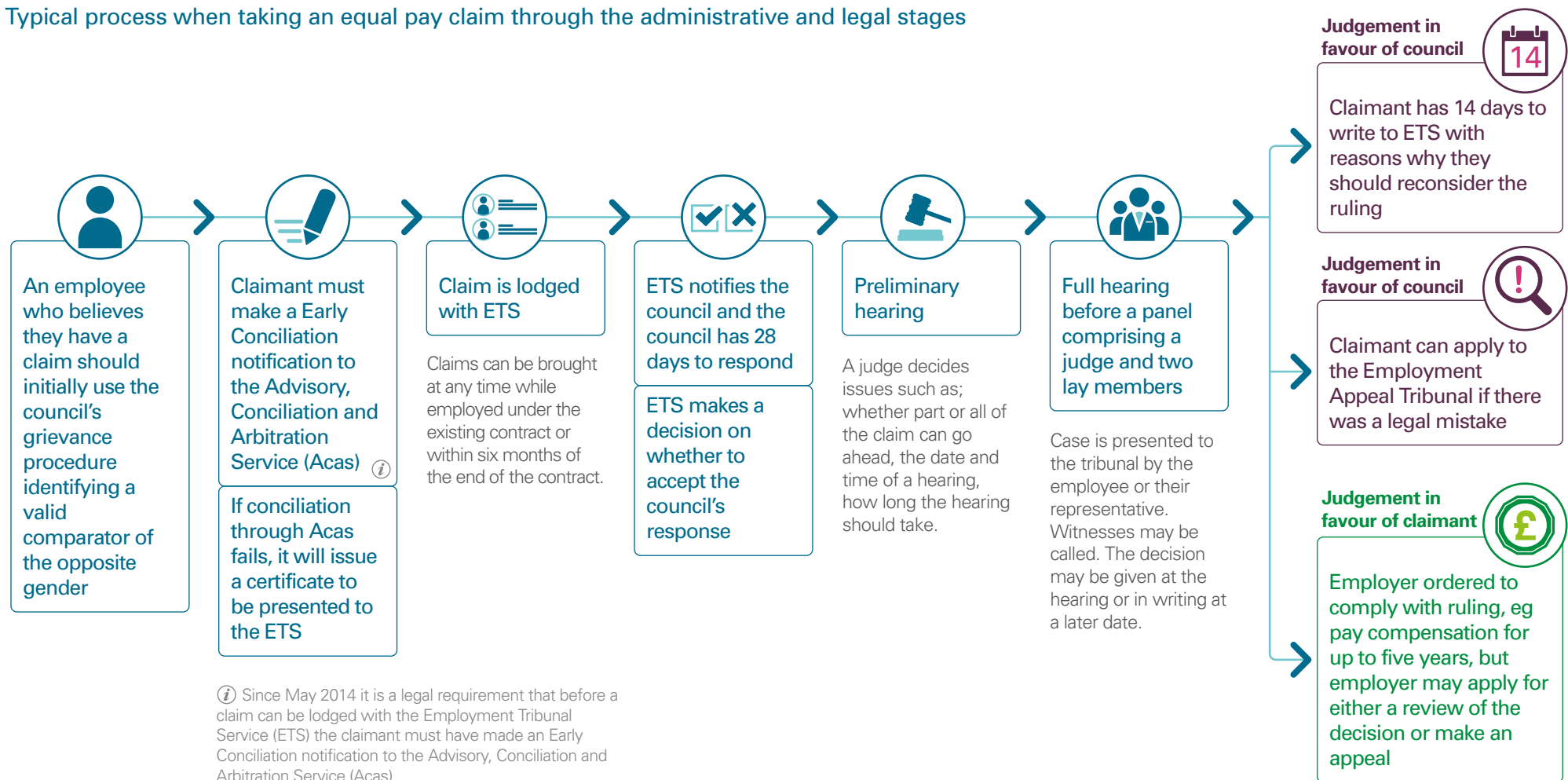
#### Total cost of equal pay claims and compensation, by council 2004/05 to 2015/16

This includes legal costs, costs of equal pay claims and settlement/compromise agreements



## Exhibit 6

### Typical process when taking an equal pay claim through the administrative and legal stages



Source: Audit Scotland, 2017

Managing equal pay claims is an extremely complex process. A claim can escalate through many stages until agreement is reached. Negotiations between councils and employees' representatives may continue during the process and they can reach an agreement at any stage.

The process of taking an equal pay claim through the administrative and legal stages required to reach a conclusion can be very long and costly. Many claims are settled before they reach a tribunal hearing.

In bringing a claim, a claimant has to first establish a comparator for like work, work rated as equivalent and/or work of equal value. If a councils choses to defend the claim, the legal grounds on which pay differences can be justified are very complex.



## There are almost 27,000 pending or unresolved equal pay claims

At the end of September 2016, 27 councils reported almost 27,000 equal pay claims remained live with the ETS ([Exhibit 7, page 21](#)). Angus, Dumfries and Galloway, reported East Lothian, Orkney and Renfrewshire had no live claims. Nine out of ten live claims are from female workers. Live claims represent over a third of all claims lodged with the ETS since 2004/05. Seven councils have over 50 per cent of all their claims still recorded as live. Thousands of claims currently in the system in Scotland have been live for over a decade.

Reasons reported by councils for the length of time taken in resolving live claims include:

- processing and assessing the validity of claims
- waiting for full information on the nature of the legal challenge
- the grounds for a claim changing, for example if an individual changes their legal representation
- time taken for claims to progress through the ETS
- waiting for the outcome of tribunals.

Challenges to councils' approaches to implementing the SSA across the UK created a complex legal environment. This includes significant cases where employment tribunal rulings have been appealed and taken as far as the UK Supreme Court, with different rulings at each stage. Councils have commonly waited on legal rulings in national test cases in determining whether to defend claims as part of their strategies to minimise costs. Employees have successfully challenged how some councils have handled and defended claims. For example, in *Cannop and others v Highland Council*, female claimants successfully challenged the council's approach to delaying and defending claims on procedural grounds.<sup>12</sup>

Another example of councils' defences against equal pay claims was that female workers and their male comparators had to be co-located for a claim to be valid. For example, more than six years after claims were raised, Dumfries and Galloway Council lost a UK Supreme Court ruling in 2013 that clarified that women and men can compare earnings across locations for the same employer, as set out in EU law.<sup>13</sup> Similarly, City of Edinburgh Council lost a tribunal appeal from workers comparing themselves across locations.<sup>14</sup>

In another lengthy and complex case in 2014, the Court of Session ruled that female workers working in Glasgow City Council's arm's-length organisations (ALEOs) could legitimately compare their terms and conditions with male workers in the council.<sup>15</sup>

12. *Cannop and others v Highland Council* [2008] CSIH38; [2008] IRLR 634

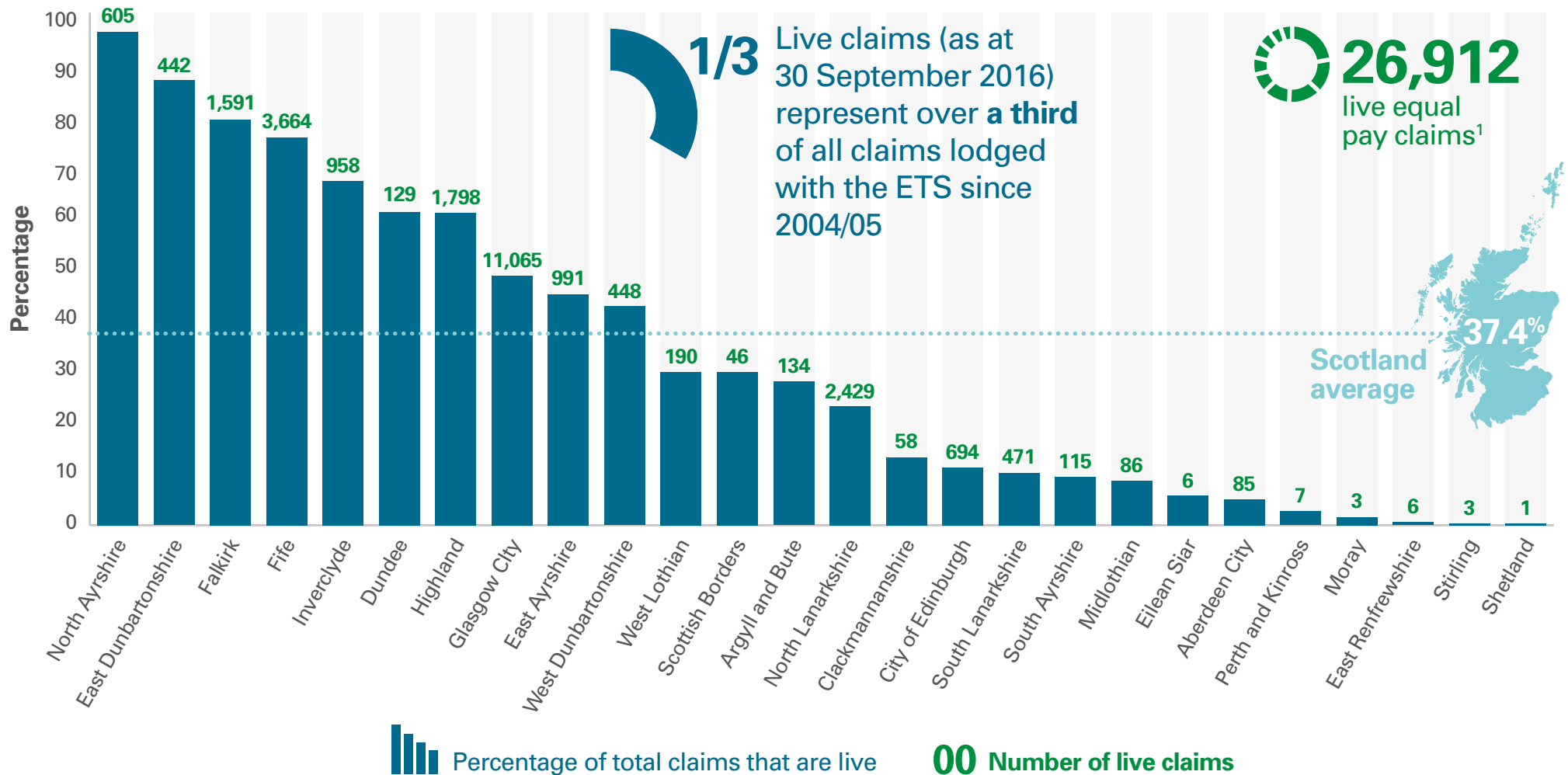
13. *North v Dumfries and Galloway Council* [2013] UKSC 45

14. *City of Edinburgh Council v Wilkinson* [2011] CSIH 70

15. *Glasgow City Council v Unison and Fox Cross Claimants* [2017] CSIH 27

## Exhibit 7

Live claims as a percentage of all equal pay claims lodged against councils



Notes:

1. Aberdeenshire Council could not provide the total number of claims lodged as it removes claims from its database once they have been settled. As at September 2016, it had 887 live claims which are included in the total.
2. Angus, Dumfries and Galloway, East Lothian, Orkney and Renfrewshire Council did not have any live claims as at 30 September 2016.
3. South Lanarkshire Council reported claimants not claims.

Source: Audit Scotland information request to Scottish councils, 2016

# Reducing the gender pay gap

The causes of the gender pay gap are complex. As well as discrimination in pay grading systems, other factors, including occupational segregation and inflexible working practices can contribute to female workers earning less than their male counterparts.

Ensuring women and men receive equal pay for equal work should contribute to closing the gender pay gap. But in Scotland, the pay gap between all male and female employees (full-time and part-time workers) is currently estimated at about 15 per cent.<sup>16</sup>

Since 2013, public bodies have been required to publish information on their gender pay gap every two years. However, this is reported in different ways by different organisations, which makes it very difficult to determine the true scale of the issue.

Identifying a direct link between equal pay and a reduction in the gender pay gap is difficult given the complex factors involved ([Exhibit 8, page 23](#)). Only 15 councils provided information on the difference in their gender pay gap since implementing SSA. Even where councils have provided information, the way they measure the gender pay gap varies, making it difficult to assess performance.

In June 2017, the Scottish Parliament's Economy, Jobs and Fair Work Committee recommended that the Scottish Government:

- develop a suite of indicators to measure the underlying causes of the gender pay gap, using comprehensive data
- change the way it measures and reports the gender pay gap in its National Performance Framework (NPF) to take into account part-time workers in Scotland.<sup>17</sup>



## Close the Gap

Close the Gap works in Scotland to influence and enable action to address the causes of women's inequality at work. Along with the Equality and Human Rights Commission (EHRC), it has highlighted limitations in the way public sector bodies calculate and report the gender pay gap. For example, in 2015 Close the Gap found that:

- only 50 per cent of the public bodies it examined published adequate gender pay gap information
- 35 per cent published inadequate gender pay gap information
- 15 per cent did not publish any gender pay gap information.

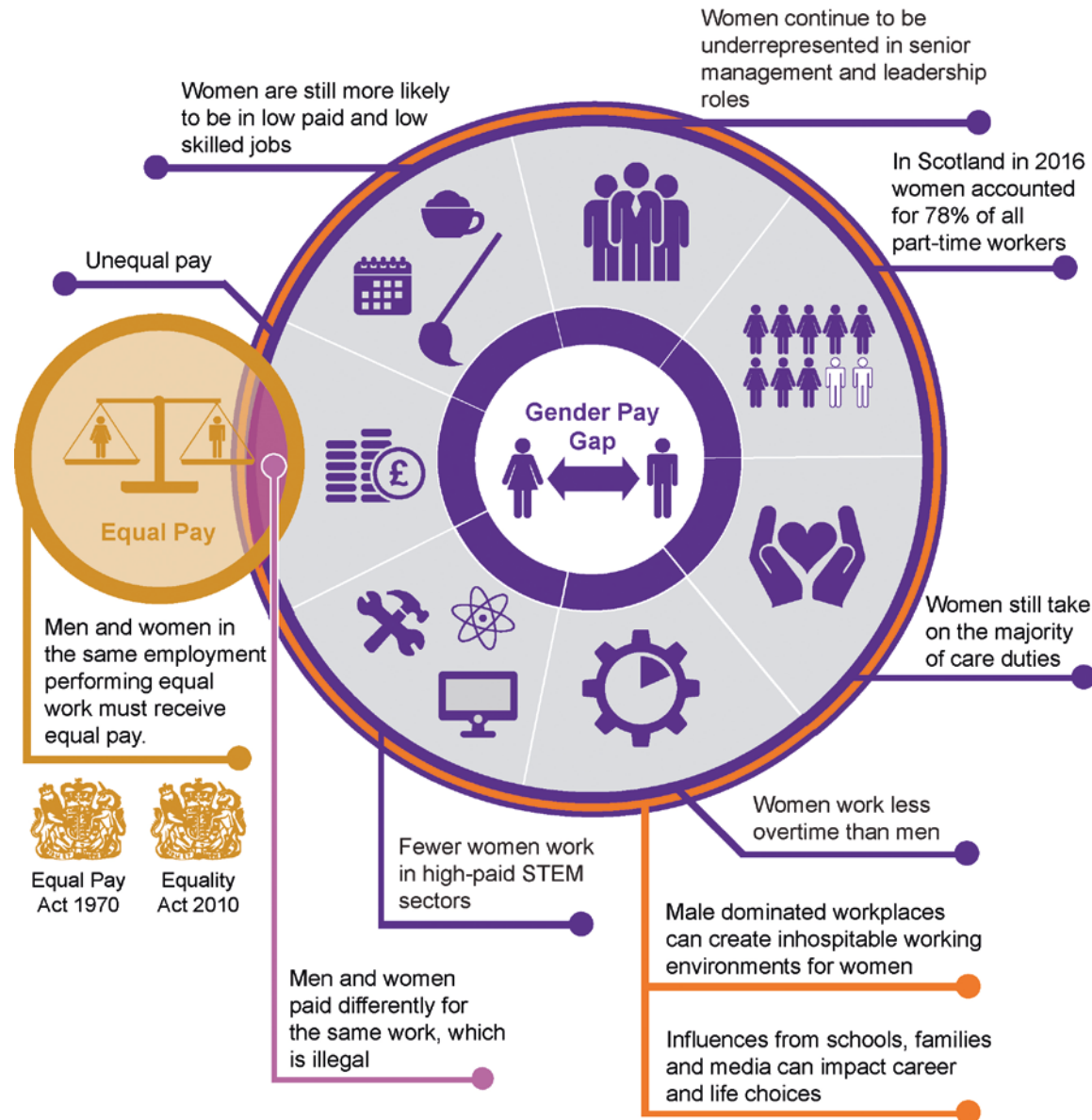
It also found there was limited evidence of the specific actions taken by public sectors bodies to tackle the causes of the gender pay gap. In 2016, Close the Gap published revised guidance to help improve compliance and promote good practice. It also recommended publishing an appropriate suite of measures, including both the mean and median pay gap figures for all employees, the full-time pay gap and the part-time pay gap.

16. *Annual Survey of Hours and Earnings (ASHE) – gender pay gap by country April 1997 to 2016*, Office for National Statistics, October 2016. This was calculated on the median hourly earnings excluding overtime.

17. *No Small Change: The Economic Potential of Closing the Gender Pay Gap*, Economy, Jobs and Fair Work Committee, June 2017.

## Exhibit 8

### What's the difference between equal pay and the gender pay gap?



# Governance and oversight of equal pay

The public sector equality duty was created under the Equality Act 2010 and came into force in April 2011. The public sector equality duty requires public authorities to take a proactive approach to tackling discrimination. Scottish specific duties were introduced in 2012. These set out a number of steps that employers must take to meet their public sector equality duty. For example, they must publish an equal pay statement every four years which contains their equal pay policy. They must also publish equality impact assessments on new or revised policies or practices. The Equality and Human Rights Commission (EHRC) guidance states that the equal pay policy should contain:

- a commitment to monitoring pay regularly in partnership with trade unions or employee representatives
- objectives and actions the council will take on equal pay, with a named senior manager responsible for implementation of the policy
- a commitment that the organisation will apply appropriate resources to achieve equal pay.

The EHRC also highlights that the most effective way of checking compliance with equal pay obligations is to carry out an equal pay audit. An equal pay audit involves comparing the pay of men and women doing equal work. Employers should look at the causes of any differences in pay. Where there are no valid reasons for the differences, they should take action to eliminate the inequality. Only 20 councils provided us with their latest equal pay audit but not all audits met with EHRC guidance.

Councils, along with all public bodies, published their most recent equal pay statements in April 2017. Close the Gap is assessing public bodies' compliance with the gender and employment aspects of the duty. The findings will be published in October 2017.

Councils should ensure that their pay system delivers equal pay, particularly as they go through periods of organisational change. For example, when delivering services through integration authorities for health and social care and ALEOs. Councils should take appropriate steps and follow good practice to go beyond legal compliance, to ensure they are meeting all their equalities duties ([Exhibit 9, page 25](#)).

Elected members have a corporate responsibility to ensure that the council is taking all the necessary steps to comply with equal pay legislation. As part of that responsibility, elected members should ensure that the council has appropriate arrangements in place to manage outstanding equal pay claims. Elected members need to know how many equal pay claims are outstanding at any one time and how the council is dealing with these claims. Of the 21 councils that have more than ten live claims, only four provided elected members with routine update papers on equal pay litigation between September 2015 and September 2016.

Elected members also have a broader duty to promote equality. As part of discharging their equality obligations, elected members should regularly receive monitoring information on the progress their councils and, where appropriate, integration authorities and ALEOs that deliver services on their behalf, are making in reducing the gender pay gap. They should use this information to challenge officers on this progress.

## Exhibit 9

### Actions for councils and elected members

#### Councils must ensure they are fulfilling their public sector equality duties in relation to equal pay

##### This includes:

- publishing an equal pay statement and equal pay policy
- assessing the impact of any changes that may affect equal pay
- publishing gender pay gap information.

##### In complying with good practice, councils should:

- use EHRC guidance for example when undertaking equal pay audits and developing equal pay policies
- use Close the Gap's guidance on meeting the public sector equality duty
- ensure their risk registers are up to date.

For those councils using the SJC job evaluation scheme, they should ensure they implement the most recent edition.

#### Questions for elected members in overseeing, challenging and scrutinising equal pay


- Have I been updated on the number of ongoing equal pay claims at my council? Am I satisfied they are being dealt with effectively?
- Have I been updated on the potential cost of equal pay claims?
- Have I been updated on the steps my council is taking to mitigate against the risks of equal pay claims? For example:
  - Have I seen my council's equal pay audit? Did it meet EHRC good practice guidance? Are there any pay gaps? Can we sufficiently justify any differences in pay gaps?
  - Have I seen action plans and progress reports against my council's equal pay policy?
  - Have I been updated on changes in case law that might affect my council?
  - Have I seen equality impact assessments on any changes to my council's pay and grading system?
  - Has my council fully implemented the SJC third edition guidance and recommendations?
- Have I been informed about whether my council has allocated adequate resources to proactively carry out equality work around equal pay/gender pay gap beyond responding to equal pay claims?

# Appendix 1

## Methodology

### Documents we reviewed for our audit

We reviewed a wide range of documents during our audit, including the following:

- *The National Agreement on Pay and Conditions of Service for Local Government Employees* (The Red Book), which includes guidance on implementing Single Status.
- [The Equality Act 2010](#) 
- Financial audit information and other work already carried out by local auditors.
- Delivering Equal Pay in Scottish Local Government, Unison Scotland submission to the Accounts Commission, May 2017.
- Scottish court papers.
- Inquiries carried out by Parliamentary committees in 2006 (Finance Committee), 2008 (Equal Opportunities Committee) and 2009 (Local Government and Communities Committee).

We asked councils for copies of:

- relevant minutes, papers and agendas for council meetings and appropriate council committees such as the Resources or Policy and Strategy Committee
- equality impact assessments and audits
- information on their gender pay gap.

### Research

We commissioned an employment law specialist to independently review the historical development of equal pay law.

### Data analysis

There is limited published information on equal pay in local government. We collected information from 32 councils across Scotland on the following:

- the number of equal pay claims lodged with the ETS (2004-16), how many are still live, and the outcome of those settled
- the cost of claims to councils
- when they implemented single status pay and grading structures
- if they used compromise agreements and how much they cost if they did
- information about how councils monitored progress with equal pay
- what challenges councils faced and lessons they learnt from implementing equal pay.

Councils record equal pay data in different ways, which made it difficult for us to directly aggregate and compare data. For example:

- some councils record claims by calendar year, others by financial year
- one council only maintained information on live claims on its database and did not hold information about claims that had been settled
- some councils could identify and quantify duplicate claims, while others could only indicate that their data included duplicates without specifying how many or when they had been lodged
- one council recorded data by the date settlements were made rather than when claims were lodged
- one council recorded the number of claimants rather than the number of claims.

## Interviews we carried out for this audit

We selected six councils to visit to further our understanding of how single status had been implemented. These were Angus Council, East Ayrshire Council, the City of Edinburgh Council, The Highland Council, North Lanarkshire Council and South Lanarkshire Council. These councils represent a mix in terms of size, rurality, the number and cost of claims, the job evaluation scheme used, and the length of time they took to implement single status.

At each of these councils we conducted interviews with typically:

- the chief executive
- the director or head of finance
- the director or head of human resources and legal
- other appropriate council officers
- the council leader and conveners of relevant committees
- union representatives from Unite and Unison.

We also interviewed the following stakeholders:

- The Convention of Scottish Local Authorities
- Trade unions at national level, including the Scottish Trades Union Congress and Unison (STUC), and some local representatives
- The Scottish Government
- Close the Gap
- The Society of Personnel and Development Scotland
- A Queen's Counsel, specialising in employment and discrimination law
- HM Court and Tribunal Service

- Consultant to the COSLA job evaluation consortium
- Legal Office of the NHS
- A lawyer and an independent equal pay consultant.

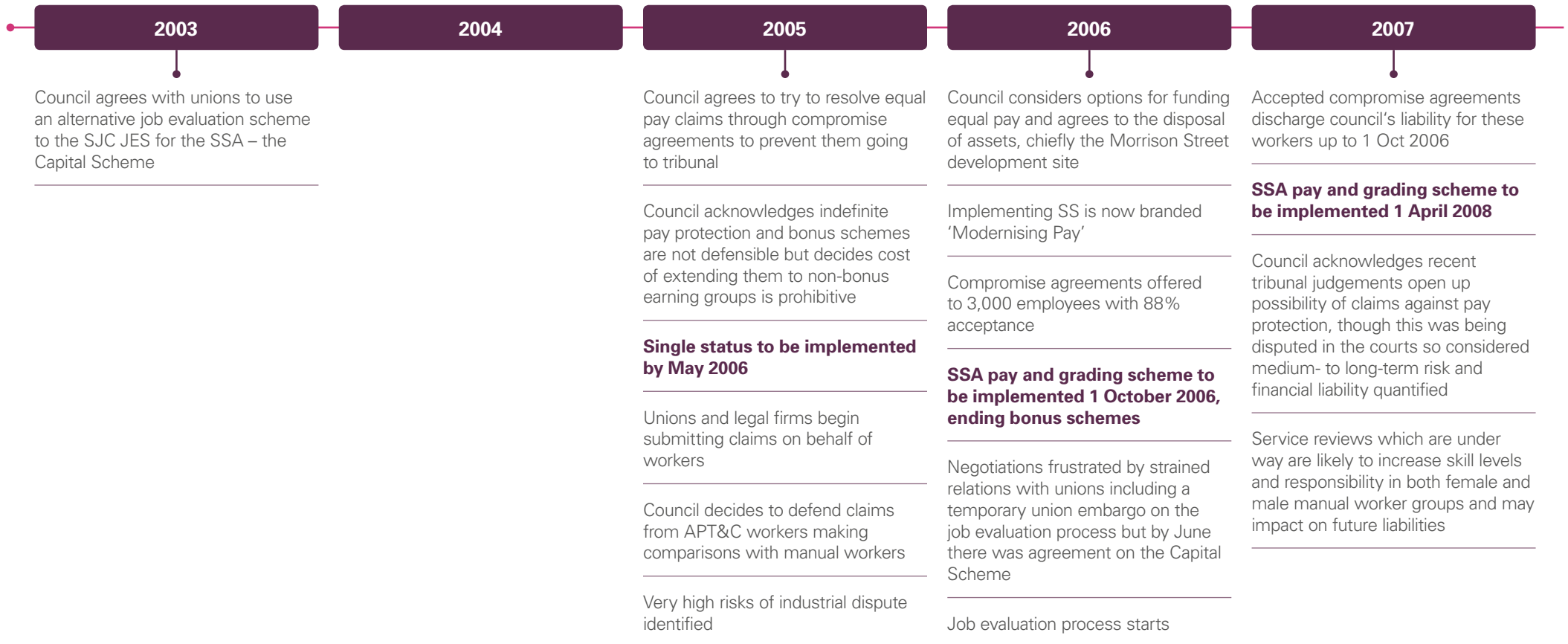


# Appendix 2

## The process of implementing SSA – City of Edinburgh Council



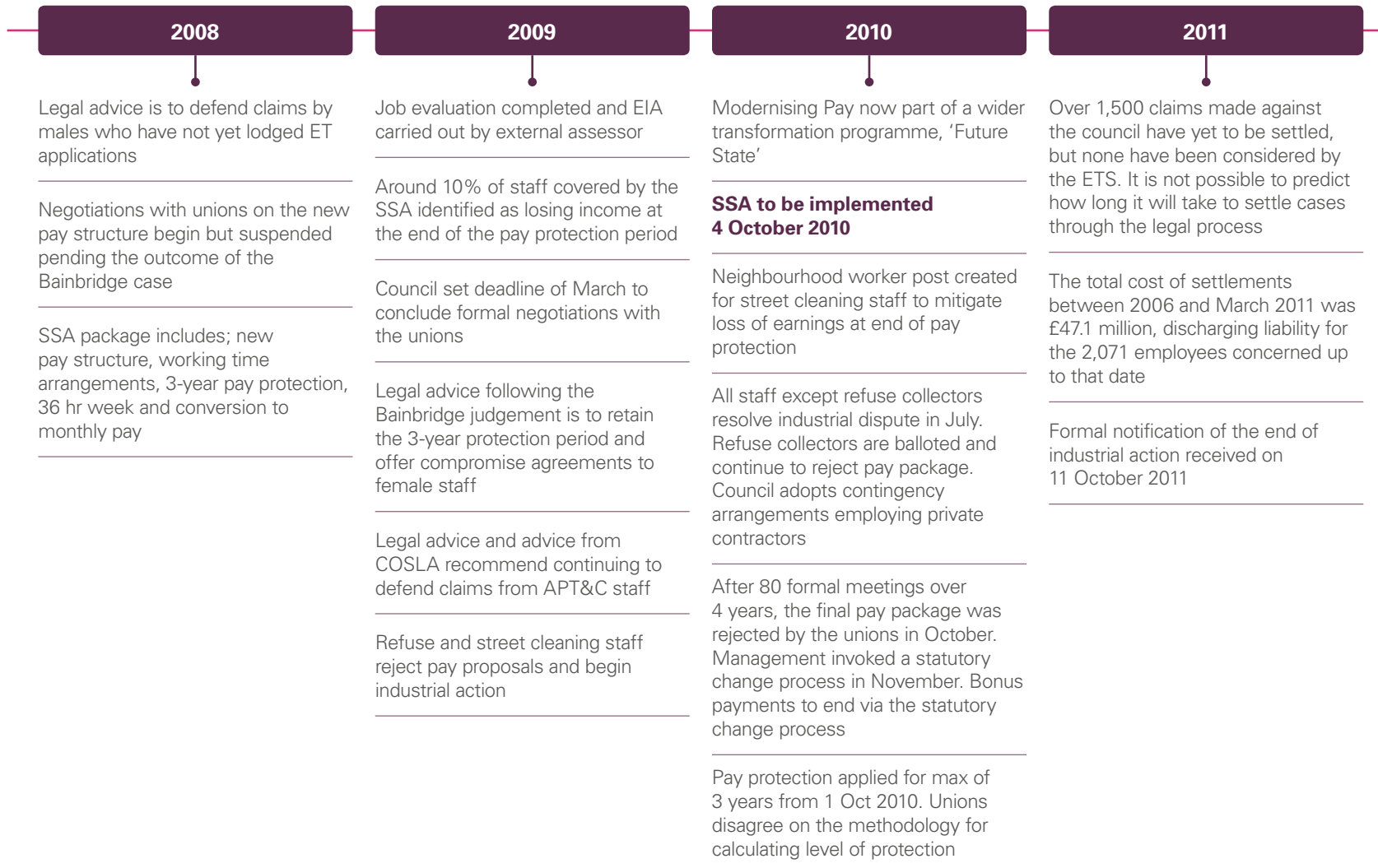
### City of Edinburgh Council





# The process of implementing SSA – City of Edinburgh Council (continued)

## City of Edinburgh Council

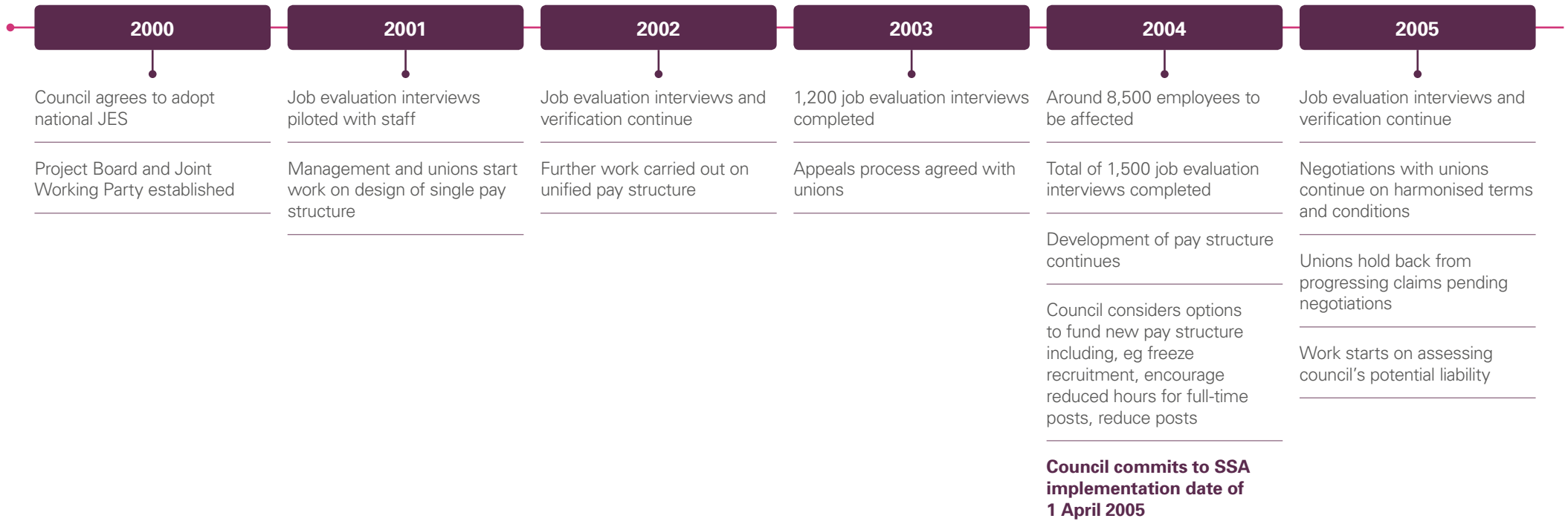


# Appendix 3

## The process of implementing SSA – The Highland Council



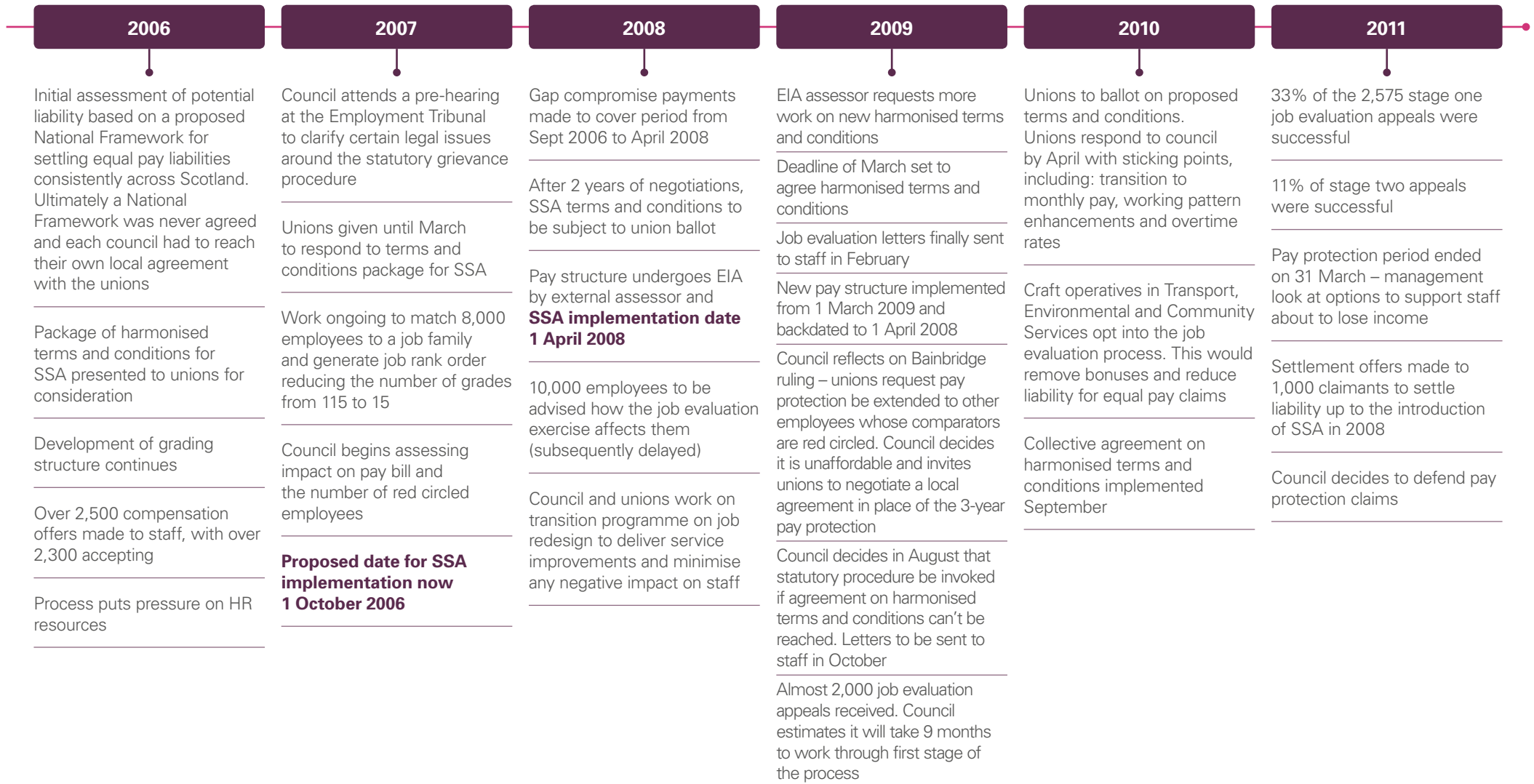
### The Highland Council





# The process of implementing SSA – The Highland Council (continued)

## The Highland Council



# Equal pay in Scottish councils

This report is available in PDF and RTF formats,  
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# Governance, Risk and Best Value Committee

10.00am, Tuesday, 20 March 2018

## Annual Treasury Strategy 2018-19 - referral from the City of Edinburgh Council

Item number	7.7
Report number	
Wards	All

### Executive summary

The City of Edinburgh Council on 15 March 2018 considered a report on the proposed Treasury Management Strategy for the Council for 2018/19 which included an Annual Investment Strategy and Debt Management Strategy. The report was referred to the Governance, Risk and Best Value Committee for scrutiny.

# Terms of Referral

## Annual Treasury Strategy 2018-19

### Terms of referral

---

- 1.1 The City of Edinburgh Council on 15 March 2018 considered a report on the proposed Treasury Management Strategy for the Council for 2018/19 which included an Annual Investment Strategy and Debt Management Strategy.
- 1.2 The City of Edinburgh Council agreed:
- 1) To approve the Treasury Management Strategy for 2018/19.
  - 2) To refer the report to the Governance, Risk and Best Value Committee for scrutiny.

### For Decision/Action

---

- 2.1 The City of Edinburgh Council has referred the attached report to the Governance, Risk and Best Value Committee for scrutiny.

### Background reading / external references

---

Minute of the City of Edinburgh Council 15 March 2018

#### **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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#### **Appendices**

Appendix 1 - report by the Executive Director of Resources

# The City of Edinburgh Council

10am, Thursday, 15 March 2018

## Annual Treasury Strategy 2018/19

Item number	8.3
Report number	
Executive/routine	
Wards	
Council Commitments	

### Executive Summary

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The report proposes a Treasury Management Strategy for the Council for 2018/19, comprising an Annual Investment Strategy and a Debt Management Strategy.



## Annual Treasury Strategy 2018/19

### 1. Recommendations

---

- 1.1 It is recommended that the Committee:
- 1.1.1 Approves the report and remits to the Governance, Risk and Best Value Committee for scrutiny.

### 2. Background

---

- 2.1 This report sets out a Treasury Management Strategy for 2018/19 including estimates of funding requirements, an economic forecast and borrowing and investment strategies.
- 2.2 The Council's Treasury Management activities are carried out in accordance with the Council's Treasury Policy Statement. Under the provisions of the Treasury Policy Statement, a report should be submitted on the proposed Treasury Management Strategy for the ensuing year. The Treasury Strategy aims to:
- ensure that the Council has sufficient and appropriate facilities available to meet its short and long-term borrowing requirements and funding needs;
  - secure new funding at the lowest cost; and
  - ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks.
- 2.3 Treasury Management is undertaken with regard to CIPFA's Code of Practice for Treasury Management in the Public Services and the Prudential Code. It also adheres to the statutory requirements in Scotland which require this report, including Capital Programme and Prudential Indicators to be approved by the full Council. Appendix 2 gives details of the capital investment programme and prudential indicators which were approved by Council as part of the budget process.
- 2.4 All committee members were invited to a detailed briefing meeting on the Strategy on 27 February 2018. Six members attended this briefing, as did a range of senior and specialist staff. A full opportunity was given for members to scrutinise the proposals, and officers responded to the issues raised.

### 3. Main report

#### 3.1 Key Points

3.1.1 The key points in the report are that:

- The Council's total capital expenditure is forecast to be £1.361bn between 2018/19 and 2022/23;
- The Council's underlying need to borrow at 31 March 2023 is forecast to be £1.828bn
- Between 1 April 2018 and 31 March 2023, £258m of the Council's external debt is due to mature;
- It is intended to continue to fund the Council's Capital Financing Requirement from temporary investment balances over the next year;
- The opportunity to mitigate future interest rate risk with alternatives to the PWLB will continue to be sought and the risk locked out where appropriate; and
- Investment return is forecast to remain low in absolute terms in 2018/19, but higher than recent years.

#### 3.2 Capital Expenditure

##### Overview

3.2.1 This section summarises the Council's anticipated capital expenditure in the period to March 2023 based on the Capital Investment Programme. It also details how that expenditure will be funded.

##### Total Capital Expenditure (Prudential Indicator 1)

3.2.2 Tables 1 and 2 below show the anticipated expenditure on capital assets for both General Services and the Housing Revenue Account.

##### Capital Expenditure - General Services

	Forecast 2017/18 £000	Estimate 2018/19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000
<b>General Fund</b>						
Council Wide / Corporate Projects	178	0	0	0	0	0
Unallocated - LDP	0	0	16,682	0	0	0
Communities and Families	38,712	33,253	39,091	21,167	14,207	165
Edinburgh Integration Joint Board	492	2,069	1,528	5,000	5,000	0
Place	85,560	131,848	83,572	101,277	29,535	31,785
Resources	4,761	10,830	0	0	0	0
Resources - Asset Management Works	10,306	18,537	30,000	30,000	25,516	20,450
Safer and Stronger Communities	0	1,125	0	0	0	0
<b>Capital Expenditure as per CIP</b>	<b>140,009</b>	<b>197,662</b>	<b>170,873</b>	<b>157,444</b>	<b>74,258</b>	<b>52,400</b>

Table 1 - Capital Expenditure on General Services

Capital Expenditure - Housing Revenue Account

	Forecast 2017/18 £000	Estimate 2018/19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000
Housing Revenue Account Capital Expenditure (Incl Early Action)	69,070	80,934	165,278	144,967	150,617	167,179

**Table 2 - Capital Expenditure on the Housing Revenue Account**

## Funding Capital Expenditure

3.2.3 Tables 3 and 4 below show how the capital expenditure in Tables 1 and 2 is going to be funded by the Council.

	Forecast 2017/18 £000	Estimate 2018/19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000
<b>Receipts -:</b>						
<b>Central Government Grants -:</b>						
Government Capital Grants	53,696	49,405	48,264	38,000	38,000	38,000
Cycling, Walking and Safer Streets	683	691	0	0	0	0
Development Funding	29,115	27,950	0	0	0	0
Other Specific Government Grants	6,702	0	0	0	0	0
<b>Total Central Government Grants</b>	<b>90,196</b>	<b>78,046</b>	<b>48,264</b>	<b>38,000</b>	<b>38,000</b>	<b>38,000</b>
Use of Capital Receipts	10,345	16,525	16,318	3,000	3,000	3,000
Use of Capital Receipts - Transfer to Capital fund	-4,750	-809	0	0	0	0
Other Capital Contributions	8,765	40	585	0	0	0
Draw down of capital fund - per budget update	0	15,439	4,561	0	0	0
Capital Grants Unapplied (CGUA)	0	2,504	0	0	0	0
<b>Total Receipts</b>	<b>104,556</b>	<b>111,745</b>	<b>69,728</b>	<b>41,000</b>	<b>41,000</b>	<b>41,000</b>
<b>Balance to be funded</b>	<b>35,453</b>	<b>85,917</b>	<b>101,145</b>	<b>116,444</b>	<b>33,258</b>	<b>11,400</b>

**Table 3 - Funding for General Services Capital Expenditure**

	Forecast 2017/18 £000	Estimate 2018/19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000
<b>Receipts -:</b>						
<b>Central Government Grants -:</b>						
Total Central Government Grants	10,216	11,349	14,917	15,369	13,447	15,200
<b>Total Central Government Grants</b>	<b>10,216</b>	<b>11,349</b>	<b>14,917</b>	<b>15,369</b>	<b>13,447</b>	<b>15,200</b>
Use of Capital Receipts / Grants	29,535	5,923	4,387	5,720	7,440	6,800
Capital From Current Revenue	0	33,898	45,000	14,000	7,200	3,200
Capital Receipt from LLP	0	13,508	26,378	59,462	77,603	117,879
<b>Total Receipts</b>	<b>39,751</b>	<b>64,678</b>	<b>90,682</b>	<b>94,551</b>	<b>105,690</b>	<b>143,079</b>
<b>Balance to be Funded</b>	<b>29,319</b>	<b>16,256</b>	<b>74,596</b>	<b>50,416</b>	<b>44,927</b>	<b>24,100</b>

**Table 4 - Funding for HRA Capital Expenditure**

3.2.4 In addition, Table 5 below shows the capital advances in the CIP in relation to the Edinburgh Homes affordable housing project.

Affordable Housing LLPs					
	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Advances b/fwd	0	13,508	39,730	98,726	175,205
Adjustments	0	0	0	0	0
Advances in Year	13,508	26,378	59,462	77,603	117,879
Repayments in Year	0	-156	-467	-1,123	-1,962
Cumulative Advances	13,508	39,730	98,726	175,205	291,121

Table 5 - Funding for Edinburgh Homes LLPs

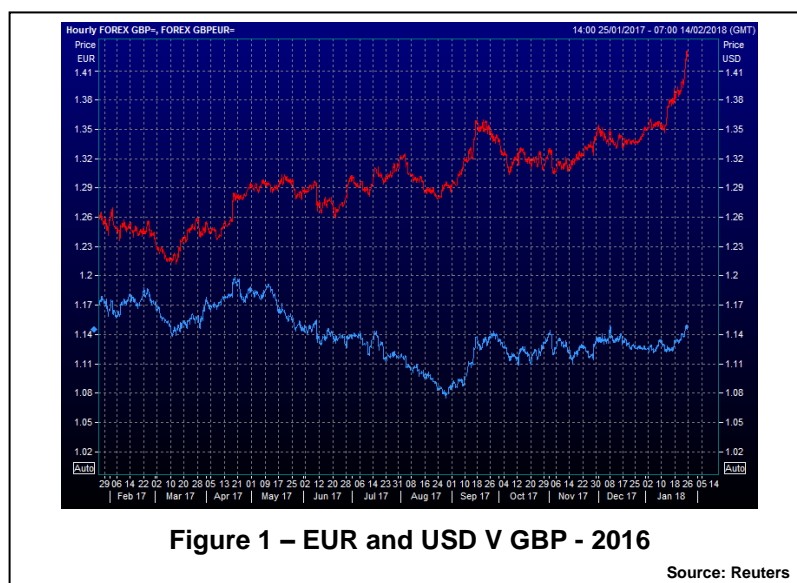
### 3.3 Economic and Market Outlook

#### Overview

3.3.1 The UK Economy is growing but only modestly, inflation is at the top end of the Bank of England’s target range, and wage growth is starting to pick up although still negative in real terms. The major shadow over the UK economy continues to be the Brexit negotiations with the EU. The UK is due to exit the EU on the 29<sup>th</sup> March 2019 and although negotiations have moved onto the second phase, little has actually been agreed yet other than the need for a transition period.

#### World Economy

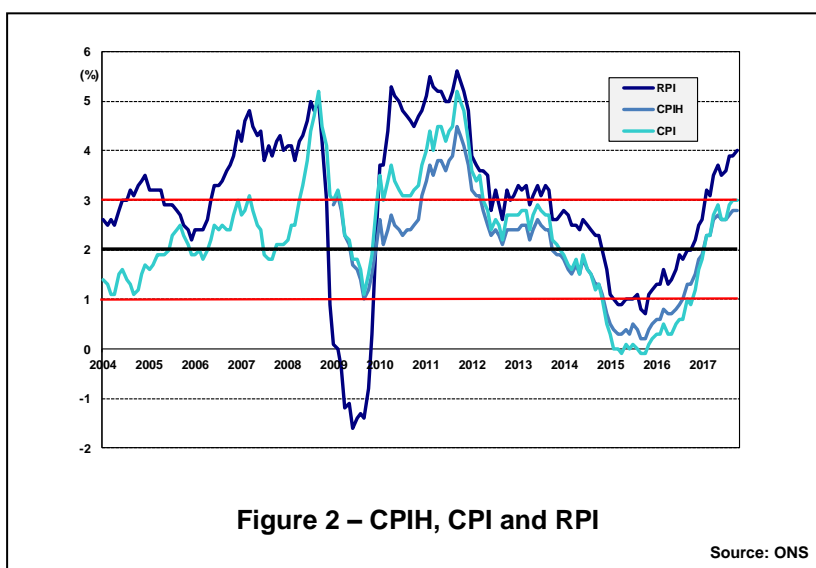
3.3.2 The US and European economies have grown in 2017, Europe growing at its fastest pace in a decade – by 2.5% just ahead of 2.3% in the US with 1.7% in the UK. The IMF has recently upgraded its global growth forecast by 0.2% to 3.9% for the next two years particularly due to the pick-up in Europe and Asia.



3.3.3 Figure 1 shows the recent appreciation of Sterling against both the US Dollar and more slightly against the Euro. The pound is now at a level against the US Dollar last seen in the run up to the referendum on leaving the EU. The dollar index touched a three-year low at the end of January with the Euro increasing against it by 21% since the start of 2017. This comes after a further fall due to comments made by US Treasury Secretary Steven Mnuchin about dollar weakness being good for US trade. Mnuchin later commented to the contrary that a strong dollar was in the “best interests” of the country.

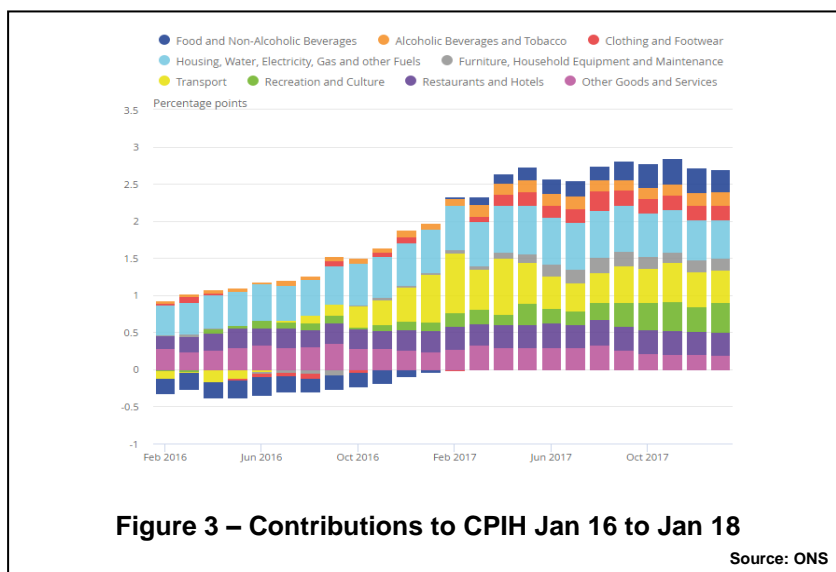
### UK Inflation Outlook

3.3.4 Figure 2 below shows CPI and RPI since March 2004 and CPIH (CPI including owner occupier housing costs), which was reinstated as a national statistic in July 2017, since 2009.



3.3.5 The Government’s preferred measure of inflation, CPI, was at 3% in January 2018. January’s rate of inflation, unchanged from December, is at the top of the Bank of England’s target range of 2% +/- 1 but back within it after a 6-year high of 3.1% in November.

3.3.6 The Bank of England believes that the inflation is expected to remain around 3% in the short term, reflecting higher oil prices but projected to fall back gradually.



3.3.7 As can be seen in Figure 3 above, transport and food and non-alcoholic beverages have both been important factors to the level of CPIH (CPI including owner occupiers’ housing costs).

### Interest Rate Outlook

3.3.8 Table 6 below shows the Reuters poll of up to 57 economists, taken 13 February, showing their forecasts for UK Bank Rate until Quarter 3 2019. This indicates most economists polled believe that the UK Bank Rate will increase to 0.75% during Quarter 2 2018 and then two further increases through to Quarter 3 2019.

	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19
Median	0.5	0.75	0.75	0.75	1	1	1
Mean	0.5	0.64	0.71	0.83	0.88	1.02	1.08
Mode	0.5	0.75	0.75	0.75	1	1	1.25
Min	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Max	0.5	0.75	1	1.25	1.25	1.5	1.5
Count	57	57	53	50	40	36	34

**Table 6 – Economic Forecasts for UK Bank Rate**  
Source: Reuters

3.3.9 The Treasury section also held the view that there would be an increase in UK Bank Rate over the summer, and it is looking increasingly likely that the increase might come in May rather than August. This would give the MPC the opportunity to consider a further increase in November if data supports it.

3.3.10 After increasing its interest rate to between 1.25% and 1.50% at its December meeting the US Federal Reserve Board (Fed) voted to keep rates on hold in Janet Yellen's final meeting as Chair in January. US inflation rose faster than expected in January which may increase the expectation of higher interest rates. Monthly inflation rose by 0.5% in January against an expected 0.3% and increased 2.1% year on year – the same as December and above market expectations. It is likely that there will be 3 or quite possibly 4 rate increases in the US over the course of this year.

3.3.11 The European Central Bank (ECB) maintained its benchmark interest rate at 0% since March 2016 and its overnight deposit rate also remained at -0.40%. Annualised inflation in the Euro Area for the year to December was 1.4%, down from 1.5% the previous month. Minutes from the ECB monetary policy meeting show there may be a downward impact on the near-term outlook for inflation therefore taking inflation further away from its below, but close to, 2% target. The outcome of the German election has left Angela Merkel having to negotiate a coalition government. Months after the election a coalition seems likely between Merkel's Conservative's and the Social Democrats (SPD). This proposed agreement looks to be heavily pro Europe and involves renewed French-German cooperation.

## **3.4 Treasury Management Strategy – Debt**

### **Overview**

3.4.1 The overall objectives of the Council's Strategy for Debt Management are to:

- forecast average future interest rates and borrow accordingly;
- secure new funding at the lowest cost in a manner that is sustainable in the medium term;
- ensure that the Council's interest rate risk is managed appropriately;
- ensure smooth debt profile with a spread of maturities; and
- reschedule debt to take advantage of interest rates.

### **Loans Fund Borrowing Requirement**

3.4.2 Table 7 below shows the anticipated out-turn for the current year and summarises how much the Council needs to borrow for the following five years, based on the capital investment programme summarised in Tables 1 to 4 above.

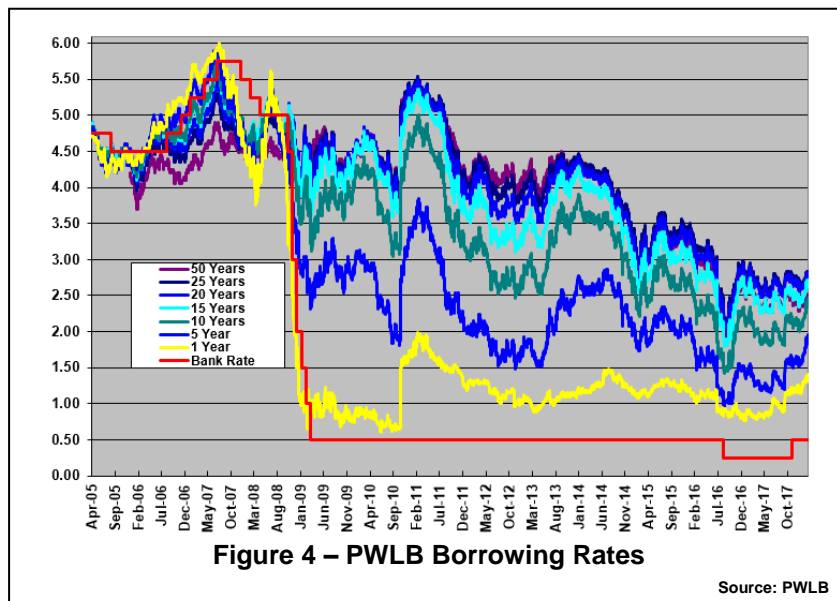
Capital Funding v. External Debt	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000	£000
Borrowing b/fd	1,351,885	1,299,901	1,245,546	1,190,586	1,317,005	1,461,438	1,514,200
Cumulative Capital Expenditure b/fd	1,424,418	1,415,105	1,401,296	1,440,081	1,564,508	1,708,261	1,771,525
Over/underborrowed b/fd	-72,533	-115,204	-155,750	-249,495	-207,503	-206,823	-217,325
<b>GF Capital Financed by borrowing</b>	<b>48,323</b>	<b>35,453</b>	<b>85,917</b>	<b>101,145</b>	<b>116,444</b>	<b>33,258</b>	<b>11,400</b>
HRA Capital Financed by borrowing	20,365	29,319	16,256	74,596	50,416	44,927	24,100
On-Lending to LLPs		0	13,508	26,378	59,462	77,603	117,879
less scheduled repayments by GF	-62,006	-57,810	-55,949	-56,501	-59,826	-67,823	-69,315
less scheduled repayments by HRA	-13,033	-18,290	-19,372	-20,518	-21,733	-23,021	-24,386
less scheduled repayments by Joint Boards	-2,962	-2,481	-1,575	-517	-544	-556	-589
less scheduled repayments by LLPs		0	0	-156	-467	-1,123	-1,962
Underlying Need to Borrow	-9,313	-13,809	38,785	124,427	143,753	63,264	57,127
plus total maturing debt	51,984	54,355	54,960	53,581	55,567	47,238	46,505
<b>Total Borrowing Requirement</b>	<b>42,671</b>	<b>40,546</b>	<b>93,745</b>	<b>178,008</b>	<b>199,319</b>	<b>110,502</b>	<b>103,632</b>
Planned PWLB or short borrowing for year	0	0	0	180,000	200,000	100,000	110,000
Borrowing at end of the year	1,299,901	1,245,546	1,190,586	1,317,005	1,451,438	1,514,200	1,577,695
Cumulative Capital Expenditure	1,415,105	1,401,296	1,440,081	1,564,508	1,708,261	1,771,525	1,828,652
Cumulative Over/Under Borrowed	-115,204	-155,750	-249,495	-247,503	-246,823	-257,325	-250,957

**Table 7 - Capital Funding v. External Debt**

3.4.3 Table 7 shows that the Council's underlying need to borrow (shown as the Cumulative Capital Expenditure funded by borrowing) projected at 31 March 2023 is £1,829m up £428m from the projected out-turn for the current financial year. Most of this is represented by the anticipated on lending to the LLPs for affordable housing. The on lending will be backed by the income stream to the LLPs from rents as well as surety over the properties. Current projections show that the Council's under-borrowed position is projected to increase from £115m to £156m at the end of the current financial year with the £41m being funded by reducing the Council's short term deposits. It is anticipated that the Council can continue to fund its total borrowing requirement in 2018/19 by reducing cash deposits further. However, on top of the £428m increase in capital advances, there is a further £258m in debt maturing by 2023 which would require to be funded, giving a substantial borrowing requirement over the next five years.

3.4.4 The Council's last borrowing from the PWLB was undertaken in mid-December 2012. Since then, the Council's strategy has been to reduce its temporary cash deposits to fund capital expenditure in the short term. Figure 4 below shows the interest rates for borrowing new maturity loans from the Government via the Public Works Loans Board since April 2005.





3.4.5 Figure 4 shows that yields, and therefore the cost of borrowing, have edged higher since the start of 2018, in line with bond yields globally. This has resulted in a flattening of the yield curve, with longer rates not edging up as much as shorter ones. Although the UK economy is only growing moderately and there is a significant risk due to Brexit, there is also significant risk to the upside on borrowing rates. Discussions are therefore continuing with banks and other institutions over a range of borrowing options which might assist in mitigating the interest rate risk on the Council’s borrowing requirements including forward starting market loans, private placements with delayed draw down, bonds and other products.

3.4.6 To address the borrowing requirement it is intended, subject to appropriate rates being available, to:

- Fund the 2018/19 requirement by reducing cash deposits further;
- Borrow for each tranche of LLP housing subject to with meeting the viability test for the tranche;
- Seek to mitigate the risk on the St James Centre public realm works by locking out the interest rate without taking on a cost of carry; and
- Seek to mitigate risk on other major projects as the requirement becomes more certain.

3.4.7 Appendix 1 lists the maturity of the Council’s debt as of January 2018.

**Loans Fund Repayment Policy**

3.4.8 The Council operates a consolidated loans fund under the terms of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. Capital payments made by services are financed by capital advances from the loans fund. All advances from the loans fund in the current year have a repayment profile set out using Option 1 – the statutory method. All capital advances from the loans fund

are being repaid using the previous hybrid annuity structure with fixed principal repayments.

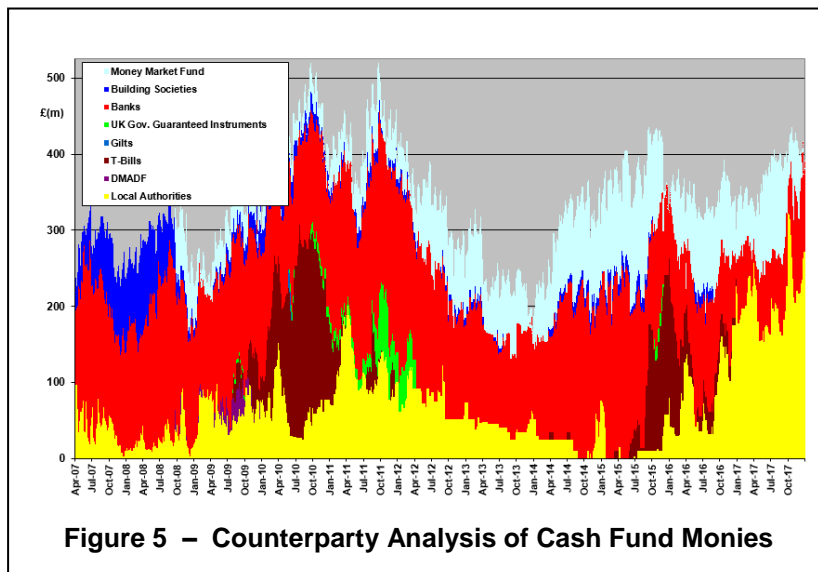
3.4.9 The Council operates the loans fund to manage historic debt and the balance therefore represents historic borrowing for capital spend. Table 7 above shows the cumulative, current and projected capital advances from the loans fund.

### 3.5 Treasury Management Strategy – Investment of Surplus Funds

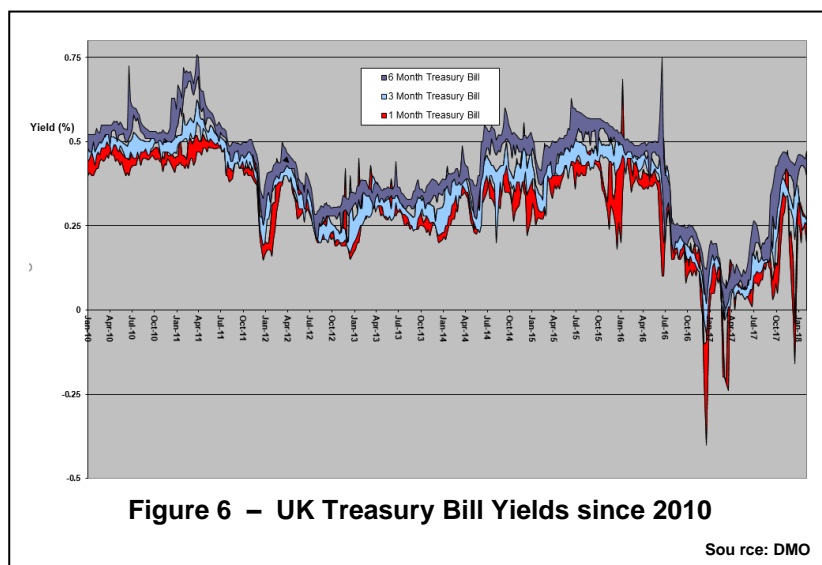
3.5.1 In line with CIPFA’s Code of Practice, the overall objectives of the Council’s Strategy for Investment Management are to:

- ensure the security of funds invested;
- ensure that the Council has sufficient liquid funds to cover its expenditure commitments; and
- pursue optimum investment return within the above two objectives.

3.5.2 The Council’s cash balances are pooled and invested via the Treasury Cash Fund subject to the limits set out in the Treasury Management Policy Statement. The Cash Fund’s Investment Strategy continues to be based around the security of the investments. Figure 5 below shows the distribution of Cash Fund deposits since inception.



3.5.3 As can be seen in Figure 5 above the bulk of investments within the Cash Fund is currently invested in Local Authority deposits. Yields available on UK Treasury Bills have remained low throughout the year. Figure 6 below shows the lowest and highest accepted yields in the Treasury Bill auctions since 2010. This clearly shows that UK Treasury Bill yields have dipped into negative territory in December 2017.



3.5.4 It is intended to continue the current investment strategy centred around the security of the investments, taking advantage of longer rates where liquidity allows. Investment will continue to be made via the Cash Fund arrangement and there are no major changes to the investment instruments or counterparty limits in the Cash Fund Treasury Policy Statement.

### 3.6 Other Issues

#### Treasury Management Indicators

- 3.6.1 Appendix 2 shows the Indicators required by the Prudential Code which were approved by Council on 22 February.
- 3.6.2 It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowing as follows. Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate:

#### Upper Limit

	%
under 12 months	25
12 months and within 24 months	25
24 months and within 5 years	50
5 years and within 10 years	75
10 years and above	100

The Council currently has no investments over 365 days. The maximum total principal sum which may be invested with a maturity of up to 3 years is £100m.

In relation to Gross and Net Debt, the Council will continue its current practice of monitoring throughout the year that the projected Gross Debt position for the financial year does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

### **Investments with other Local Authorities**

3.6.3 As noted above, the Council currently has the highest proportion of its investments ever held in loans to other local authorities. While the Ministry for Housing, Communities and Local Government (MHCLG) statistics aren't entirely reliable, the inter authority market is somewhere in the region of £8bn to £10bn, which is a significant proportion of all local authority investments. The Council has generally taken the view that investment with another local authority represents pseudo-sovereign investment. The rationale for taking this approach has been that:

- Local Authorities have some statutory tax raising powers;
- No local authority borrowing can be secured against the Authority's assets;
- The bulk of local authority borrowing is taken from the UK Government;
- All local authority borrowing ranks pari-pasu;
- Authorities have access to UK Government funds by virtue of easy access to PWLB borrowing;

Further, if there were to be concerns over the financial management of an authority, the Government has powers to send in inspectors, as the MHCLG did with Northamptonshire in early January, and intervene in the management of the Authority if appropriate. The UK Government also sent financial advisors in to assist some smaller authorities who were suffering liquidity issues following failure of the Icelandic Banks and made significant PWLB borrowing available to Western Isles Council post the collapse of BCCI.

3.6.4 The Treasury section continue to believe that it is extremely unlikely that a local authority would be allowed to fail. However, notwithstanding this view, all authorities are facing significant financial pressure. In addition, a number of authorities south of the border are making substantial speculative commercial purchases funded by borrowing and some of these portfolios are disproportionate to the size of the authority. While the Council already had investments in the local authority sector spread over a range of counterparties, it was decided to place some additional restrictions.

3.6.5 Within the permitted investments and their associated investment limits contained in the Cash Fund Treasury Management Policy Statement, the Treasury Management Strategy Panel sets additional Operational Investment Restrictions. In

the middle of January, the Panel added a number of additional restrictions in relation to investment with other local authorities. These were to:

- Reduce the total value invested with an individual authority before approval by the Treasury Manager is required for the new investment;
- Set an absolute limit on the total value which can be invested with an individual authority; and
- Introduce a new 'On Credit Watch' status for a small number of local authorities.

The new 'On Credit Watch' status would be given to an authority when an announcement or other concerning information has been made public regarding the authority's financial situation, giving time to consider the implications of the announcement. It has the effect that no new investments would be placed with the local authority while it retained the 'On Credit watch' status.

## **MiFID II**

3.6.6 In July 2017, the Financial Conduct Authority (FCA) published their second policy statement regarding the implementation of the EU's MiFID II Directive. This policy statement required that, from 3 January 2018, local authorities be classified by default as retail clients for both MiFID and Non-MiFID business. Therefore, before a local authority can be treated as a professional client, the authority has to seek to elect up to professional client classification with each financial institution. The institution then has to consider whether or not the authority meets the quantitative and qualitative tests set by the FCA. Following the publication of the Policy document by the FCA, the Local Government Association (LGA) produced standard documentation for local authorities and market participants to use when assessing local authorities for opt up to professional status for their Treasury Management activities. The Council has worked through the process of seeking elective professional client status for the Council, using the LGA standard wherever possible, with the full range of market participants. All of the participants with or through whom the Council may trade MIFID eligible instruments have confirmed that the Council meets the requirements to opt up to Professional status.

## **Review of the Prudential Code**

3.6.7 CIPFA has completed a review of both the Prudential Code for Capital Finance in Local Authorities and the Code of Practice for Treasury Management in the Public Service and published new versions of the codes in late December. The review has resulted in a number of changes to the codes, particularly the Prudential Code.

3.6.8 The main changes to the Treasury Management Code relate to extend the definition of "Investments" to include other non-financial assets which the organisation holds primarily for financial return, such as investment property portfolios. In Scotland this is less of an issue than south of the border since

investment properties were clearly defined as investments under the 2010 Investment Regulations.

- 3.6.9 The Prudential Code has been the subject of significant revision, particularly around the commercialisation of local authorities. The Code has also introduced the requirement to produce a new Capital Strategy, although CIPFA has acknowledged that the timing of the release of the new code means that this requirement wouldn't require to be implemented until 2019/20. The new Prudential Code has deleted three Prudential Indicators (incremental impact on Council Tax, adoption of the TM Code and HRA limit on indebtedness), and recommends that another three are included in the Capital Strategy (authorised limit, operational boundary and capital expenditure). The later three indicators have been approved by Council on 22 February along with the Capital Investment Programme and are included in Appendix 2.

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

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- 4.1 The success of the Treasury Section can be measured by the out-performance of the Treasury Cash Fund against its benchmark and managing the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

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

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- 5.1 The Council continues to manage its debt portfolio so as to minimise the medium term cost of funding its capital projects. Provision for the revenue implications arising from this report have already been included in the Council's long term financial plan.
- 5.2 The Treasury Cash Fund has generated significant additional income for the Council.

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

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- 6.1 The Treasury Management Policy Statement and strategy are designed to manage and mitigate the risk to which the Council is exposed.

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

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- 7.1 There are no adverse equality 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 None

## 10. Background reading/external references

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10.1 None

### **Stephen S. Moir**

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## 11. Appendices

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Appendix 1 – Maturing Debt Profile as at January 2018

Appendix 2 – Prudential Indicators

Appendix 3 – Treasury Management Policy Statement – The City of Edinburgh Council

Appendix 4 – Treasury Management Policy Statement – Treasury Cash Fund

Appendix 1 - Maturing Debt Profile as at January 2018

**Market Debt (non LOBO)**

<b>Start Date</b>	<b>Loan Type</b>	<b>Maturity Date</b>	<b>Principal Outstanding £</b>	<b>Interest Rate %</b>	<b>Annual Interest £</b>
30/06/2005	M	30/06/2065	5,000,000.00	4.4	220,000.00
07/07/2005	M	07/07/2065	5,000,000.00	4.4	220,000.00
21/12/2005	M	21/12/2065	5,000,000.00	4.99	249,500.00
28/12/2005	M	24/12/2065	12,500,000.00	4.99	623,750.00
14/03/2006	M	15/03/2066	15,000,000.00	5	750,000.00
18/08/2006	M	18/08/2066	10,000,000.00	5.25	525,000.00
01/02/2008	M	01/02/2078	10,000,000.00	3.95	395,000.00
			<b>62,500,000.00</b>		

**Market Debt (LOBO)**

<b>Start Date</b>	<b>Loan Type</b>	<b>Maturity Date</b>	<b>Principal Outstanding £</b>	<b>Interest Rate %</b>	<b>Annual Interest £</b>
12/11/1998	M	13/11/2028	3,000,000.00	4.75	142,500.00
15/12/2003	M	15/12/2053	10,000,000.00	5.25	525,000.00
18/02/2004	M	18/02/2054	10,000,000.00	4.54	454,000.00
28/04/2005	M	28/04/2055	12,900,000.00	4.75	612,750.00
25/02/2011	M	25/02/2060	15,000,000.00	7.34	1,167,383.43
25/02/2011	M	25/02/2060	10,000,000.00	7.34	778,255.62
26/02/2010	M	26/02/2060	5,000,000.00	7.31	385,640.96
26/02/2010	M	26/02/2060	10,000,000.00	7.31	771,281.92
01/07/2005	M	01/07/2065	10,000,000.00	3.86	386,000.00
24/08/2005	M	24/08/2065	5,000,000.00	4.4	220,000.00
07/09/2005	M	07/09/2065	10,000,000.00	4.99	499,000.00
13/09/2005	M	14/09/2065	5,000,000.00	3.95	197,500.00
03/10/2005	M	05/10/2065	5,000,000.00	4.375	218,750.00
23/12/2005	M	23/12/2065	10,000,000.00	4.75	475,000.00
06/03/2006	M	04/03/2066	5,000,000.00	4.625	231,250.00
17/03/2006	M	17/03/2066	10,000,000.00	5.25	525,000.00
03/04/2006	M	01/04/2066	10,000,000.00	4.875	487,500.00
03/04/2006	M	01/04/2066	10,000,000.00	4.875	487,500.00
03/04/2006	M	01/04/2066	10,000,000.00	4.875	487,500.00
07/04/2006	M	07/04/2066	10,000,000.00	4.75	475,000.00
05/06/2006	M	07/06/2066	20,000,000.00	5.25	1,050,000.00
05/06/2006	M	07/06/2066	16,500,000.00	5.25	866,250.00
			<b>212,400,000.00</b>		



**PWLB**

<b>Start Date</b>	<b>Loan Type</b>	<b>Maturity Date</b>	<b>Principal Outstanding £</b>	<b>Interest Rate %</b>	<b>Annual Interest £</b>
03/04/1992	M	25/03/2018	30,000,000.00	10.875	3,262,500.00
23/04/2009	M	23/04/2018	15,000,000.00	3.24	486,000.00
17/09/1992	M	15/05/2018	8,496,500.00	9.75	828,408.75
09/06/2009	M	09/06/2018	5,000,000.00	3.75	187,500.00
17/09/1993	M	15/11/2018	5,000,000.00	7.875	393,750.00
23/03/1994	M	15/11/2018	5,000,000.00	8	400,000.00
14/03/1994	M	11/03/2019	2,997,451.21	7.625	228,555.65
18/10/1993	M	25/03/2019	5,000,000.00	7.875	393,750.00
30/03/2009	M	30/03/2019	5,000,000.00	3.46	173,000.00
21/04/2009	M	21/04/2019	10,000,000.00	3.4	340,000.00
23/04/2009	M	23/04/2019	5,000,000.00	3.38	169,000.00
12/11/2008	A	12/11/2019	1,076,445.62	3.96	57,745.68
23/03/1994	M	15/11/2019	5,000,000.00	8	400,000.00
07/12/1994	M	15/11/2019	10,000,000.00	8.625	862,500.00
01/12/2008	A	01/12/2019	1,062,994.17	3.65	52,619.92
01/12/2009	M	01/12/2019	5,000,000.00	3.77	188,500.00
14/12/2009	M	14/12/2019	10,000,000.00	3.91	391,000.00
15/02/1995	M	25/03/2020	5,000,000.00	8.625	431,250.00
21/04/2009	M	21/04/2020	10,000,000.00	3.54	354,000.00
12/05/2009	M	12/05/2020	10,000,000.00	3.96	396,000.00
21/10/1994	M	15/05/2020	5,000,000.00	8.625	431,250.00
07/12/1994	M	15/05/2020	5,000,000.00	8.625	431,250.00
21/11/2011	M	21/05/2020	15,000,000.00	2.94	441,000.00
16/08/1995	M	03/08/2020	2,997,451.21	8.375	251,036.54
09/12/1994	M	15/11/2020	5,000,000.00	8.625	431,250.00
10/05/2010	A	10/05/2021	1,777,198.88	3.09	65,921.74
21/10/1994	M	15/05/2021	10,000,000.00	8.625	862,500.00
10/03/1995	M	15/05/2021	11,900,000.00	8.75	1,041,250.00
12/06/1995	M	15/05/2021	10,000,000.00	8	800,000.00
02/06/2010	M	02/06/2021	5,000,000.00	3.89	194,500.00
16/08/1994	M	03/08/2021	2,997,451.21	8.5	254,783.35
28/04/1994	M	25/09/2021	5,000,000.00	8.125	406,250.00
23/04/2009	M	23/04/2022	5,000,000.00	3.76	188,000.00
12/06/1995	M	15/05/2022	10,200,000.00	8	816,000.00
14/06/2010	M	14/06/2022	10,000,000.00	3.95	395,000.00
31/03/1995	M	25/09/2022	6,206,000.00	8.625	535,267.50
16/02/1995	M	03/02/2023	2,997,451.21	8.625	258,530.17
24/04/1995	M	25/03/2023	10,000,000.00	8.5	850,000.00
05/12/1995	M	15/05/2023	5,200,000.00	8	416,000.00
20/09/1993	M	14/09/2023	2,997,451.21	7.875	236,049.28
20/09/1993	M	14/09/2023	584,502.98	7.875	46,029.61
08/05/1996	M	25/09/2023	10,000,000.00	8.375	837,500.00
13/10/2009	M	13/10/2023	5,000,000.00	3.87	193,500.00
05/12/1995	M	15/11/2023	10,000,000.00	8	800,000.00
10/05/2010	M	10/05/2024	10,000,000.00	4.32	432,000.00
28/09/1995	M	28/09/2024	2,895,506.10	8.25	238,879.25
14/05/2012	M	14/11/2024	10,000,000.00	3.36	336,000.00

<b>PWLB</b>	<b>contd</b>				
<b>Start</b>	<b>Loan</b>	<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual</b>
<b>Date</b>	<b>Type</b>	<b>Date</b>	<b>Outstanding £</b>	<b>Rate %</b>	<b>Interest £</b>
14/12/2009	A	14/12/2024	5,343,622.56	3.66	213,708.47
17/10/1996	M	25/03/2025	10,000,000.00	7.875	787,500.00
10/05/2010	M	10/05/2025	5,000,000.00	4.37	218,500.00
16/11/2012	M	16/05/2025	20,000,000.00	2.88	576,000.00
13/02/1997	M	18/05/2025	10,000,000.00	7.375	737,500.00
20/02/1997	M	15/11/2025	20,000,000.00	7.375	1,475,000.00
01/12/2009	A	01/12/2025	8,574,733.44	3.64	336,986.91
21/12/1995	M	21/12/2025	2,397,960.97	7.875	188,839.43
21/05/1997	M	15/05/2026	10,000,000.00	7.125	712,500.00
28/05/1997	M	15/05/2026	10,000,000.00	7.25	725,000.00
29/08/1997	M	15/11/2026	5,000,000.00	7	350,000.00
24/06/1997	M	15/11/2026	5,328,077.00	7.125	379,625.49
07/08/1997	M	15/11/2026	15,000,000.00	6.875	1,031,250.00
13/10/1997	M	25/03/2027	10,000,000.00	6.375	637,500.00
22/10/1997	M	25/03/2027	5,000,000.00	6.5	325,000.00
13/11/1997	M	15/05/2027	3,649,966.00	6.5	237,247.79
17/11/1997	M	15/05/2027	5,000,000.00	6.5	325,000.00
13/12/2012	M	13/06/2027	20,000,000.00	3.18	636,000.00
12/03/1998	M	15/11/2027	8,677,693.00	5.875	509,814.46
06/09/2010	M	06/09/2028	10,000,000.00	3.85	385,000.00
14/07/2011	M	14/07/2029	10,000,000.00	4.9	490,000.00
14/07/1950	E	03/03/2030	3,159.72	3	100.48
14/07/2011	M	14/07/2030	10,000,000.00	4.93	493,000.00
15/06/1951	E	15/05/2031	3,163.83	3	100.19
06/09/2010	M	06/09/2031	20,000,000.00	3.95	790,000.00
15/12/2011	M	15/06/2032	10,000,000.00	3.98	398,000.00
15/09/2011	M	15/09/2036	10,000,000.00	4.47	447,000.00
22/09/2011	M	22/09/2036	10,000,000.00	4.49	449,000.00
10/12/2007	M	10/12/2037	10,000,000.00	4.49	449,000.00
08/09/2011	M	08/09/2038	10,000,000.00	4.67	467,000.00
15/09/2011	M	15/09/2039	10,000,000.00	4.52	452,000.00
06/10/2011	M	06/10/2043	20,000,000.00	4.35	870,000.00
09/08/2011	M	09/02/2046	20,000,000.00	4.8	960,000.00
23/01/2006	M	23/07/2046	10,000,000.00	3.7	370,000.00
23/01/2006	M	23/07/2046	10,000,000.00	3.7	370,000.00
19/05/2006	M	19/11/2046	10,000,000.00	4.25	425,000.00
07/01/2008	M	07/01/2048	5,000,000.00	4.4	220,000.00
27/01/2006	M	27/07/2051	1,250,000.00	3.7	46,250.00
16/01/2007	M	16/07/2052	40,000,000.00	4.25	1,700,000.00
30/01/2007	M	30/07/2052	10,000,000.00	4.35	435,000.00
13/02/2007	M	13/08/2052	20,000,000.00	4.35	870,000.00
20/02/2007	M	20/08/2052	70,000,000.00	4.35	3,045,000.00
22/02/2007	M	22/08/2052	50,000,000.00	4.35	2,175,000.00
08/03/2007	M	08/09/2052	5,000,000.00	4.25	212,500.00
30/05/2007	M	30/11/2052	10,000,000.00	4.6	460,000.00
11/06/2007	M	11/12/2052	15,000,000.00	4.7	705,000.00
12/06/2007	M	12/12/2052	25,000,000.00	4.75	1,187,500.00

<b>PWLB contd</b>						
<b>Start</b>	<b>Loan</b>	<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual</b>	
<b>Date</b>	<b>Type</b>	<b>Date</b>	<b>Outstanding £</b>	<b>Rate %</b>	<b>Interest £</b>	
05/07/2007	M	05/01/2053	12,000,000.00	4.8	576,000.00	
25/07/2007	M	25/01/2053	5,000,000.00	4.65	232,500.00	
10/08/2007	M	10/02/2053	5,000,000.00	4.55	227,500.00	
24/08/2007	M	24/02/2053	7,500,000.00	4.5	337,500.00	
13/09/2007	M	13/03/2053	5,000,000.00	4.5	225,000.00	
12/10/2007	M	12/04/2053	5,000,000.00	4.6	230,000.00	
05/11/2007	M	05/05/2057	5,000,000.00	4.6	230,000.00	
15/08/2008	M	15/02/2058	5,000,000.00	4.39	219,500.00	
02/12/2011	M	02/12/2061	5,000,000.00	3.98	199,000.00	
			<b>999,114,780.32</b>			

<b>SALIX</b>						
<b>Start</b>	<b>Loan</b>	<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual</b>	
<b>Date</b>	<b>Type</b>	<b>Date</b>	<b>Outstanding £</b>	<b>Rate %</b>	<b>Interest £</b>	
07/01/2015	E	01/09/2021	315,828.56	0	0.00	
31/03/2015	E	01/04/2023	991,593.57	0	0.00	
22/09/2015	E	01/10/2023	263,759.64	0	0.00	
			<b>1,571,181.77</b>			

## Appendix 2

### PRUDENTIAL INDICATORS

#### Indicator 1 - Estimate of Capital Expenditure

The actual capital expenditure that was incurred in 2016/17 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	Capital Expenditure - General Services						2022/23 Estimate £000
	2016/17 Actual £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	
<b>Rolled Forward Capital Investment Programme</b>							
Council Wide / Corporate Projects	1,184	178	0	0	0	0	0
Chief Executive	838	0	0	0	0	0	0
Communities and Families	41,816	38,712	32,045	17,850	2,485	165	165
Edinburgh Integrated Joint Board Place	4,527	492	2,069	1,528	0	0	0
Resources	90,704	85,560	127,398	76,622	85,277	19,835	19,835
General	0	4,761	10,830	0	0	0	0
Asset Management Works	18,908	10,306	14,537	14,000	14,000	19,066	14,000
Safer and Stronger Communities	0	0	1,125	0	0		
<b>Budget Motion Recommendations</b>							
City Deal	0	0	500	2,500	6,000	5,000	7,000
Local Development Plan (LDP)	0	0	688	26,773	3,539	2,000	2,000
Condition Survey Outcomes	0	0	4,470	15,600	30,143	21,742	2,950
Other Capital Infrastructure	0	0	4,000	16,000	16,000	6,450	6,450
<b>Total General Services Capital Expenditure</b>	<b>157,977</b>	<b>140,009</b>	<b>197,662</b>	<b>170,873</b>	<b>157,444</b>	<b>74,258</b>	<b>52,400</b>

Note that the 2018-2023 Capital Investment Programme includes slippage / acceleration brought forward based on projected capital expenditure reported at the nine month stage.

**Capital Expenditure - Housing Revenue Account (HRA)**

	<b>2016/17 Actual £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>	<b>2021/22 Estimate £000</b>	<b>2022/23 Estimate £000</b>
Housing Revenue Account	43,627	69,070	80,934	165,278	144,967	150,617	167,179

**Indicator 2 - Ratio of Financing Costs to Net Revenue Stream**

Estimates of the ratio of financing costs to net revenue stream for the current and future years and the actual figures for 2016/17 are:

	<b>Ratio of Financing Costs to Net Revenue Stream</b>						
	<b>2016/17 Actual %</b>	<b>2017/18 Estimate %</b>	<b>2018/19 Estimate %</b>	<b>2019/20 Estimate %</b>	<b>2020/21 Estimate %</b>	<b>2021/22 Estimate %</b>	<b>2022/23 Estimate %</b>
General Services	11.63	11.72	11.40	11.68	11.71	n/a	n/a
Housing Revenue Account (HRA)	35.21	36.31	39.64	41.76	43.85	45.28	47.53

Note: Figures for 2019/20 onwards as the Council has not set a General Services or HRA budget for these years. The figures for General Services are based on the current long term financial plan that extends to 2026/27. HRA figures are based on the business plan which was reported to Finance and Resources Committee on 23 January 2018.

The estimates of financing costs include current commitments and the proposals in this budget.

**Indicator 3 - Capital Financing Requirement**

Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31 March 2017 are:

	<b>Capital Financing Requirement</b>						
	<b>2016/17 Actual £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>	<b>2021/22 Estimate £m</b>	<b>2022/23 Estimate £m</b>

General Services	1,251	1,218	1,239	1,316	1,363	1,319	1,253
Housing Revenue Account (HRA)	365	376	373	427	456	478	477
New Housing Partnerships	-	-	13	40	99	175	291

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, the Council does not associate borrowing with particular items or types of expenditure. The authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequences of all of the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the authority's underlying need to borrow for a capital purpose.

CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence.

In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

	<b>Gross Debt and the Capital Financing Requirement</b>						
	<b>2016/17 Actual £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>	<b>2021/22 Estimate £m</b>	<b>2022/23 Estimate £m</b>
Gross Debt	1,501	1,438	1,415	1,576	1,711	1,755	1,810
Capital Financing Requirements	<u>1,616</u>	<u>1,594</u>	<u>1,625</u>	<u>1,783</u>	<u>1,918</u>	<u>1,972</u>	<u>2,021</u>
(Over) / under limit by:	<u>115</u>	<u>156</u>	<u>210</u>	<u>207</u>	<u>207</u>	<u>217</u>	<u>211</u>

The authority does not currently envisage borrowing in excess of its capital financing requirement over the next few years. This takes into account current commitments, existing plans and assumptions around cash balances and the proposals in this budget. The figures do not include any expenditure and associated funding requirements, other than projects specifically approved by Council, for the Local Development Plan (LDP) or City Deal.

#### Indicator 4 - Authorised Limit for External Debt

The authorised limit should reflect a level of borrowing which, while not desired, could be afforded, but may not be sustainable. "Credit Arrangements" as defined by Financial Regulations, has been used to calculate the authorised and operational limits requiring both the short and long term liabilities relating to finance leases and PFI assets to be considered. In respect of its external debt, it is recommended that Council approves the following authorised limits for its total external debt gross of investments for the next five financial years. These limits separately identify borrowing under credit arrangements including finance leases and PFI assets. Council is asked to approve these limits and to delegate authority to the Head of Finance, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and credit arrangements, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its meeting following the change.

	Authorised Limit for External Debt					
	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Borrowing	1,704	1,955	1,999	2,054	2,014	1,961
Credit Arrangements	205	196	229	220	210	201
	<u>1,909</u>	<u>2,151</u>	<u>2,228</u>	<u>2,274</u>	<u>2,224</u>	<u>2,162</u>

These authorised limits are consistent with the authority's current commitment, existing plans and the proposals in this budget for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.

#### Indicator 5 - Operational Boundary for External Debt

The Council is also asked to approve the following operational boundary for external debt for the same period. The proposed operational boundary equates to the estimated maximum of external debt. It is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements. The operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and credit arrangements are separately identified. The Council is also asked to delegate authority to the Head of Finance, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and credit arrangements, in a similar fashion to the authorised limit. Any such changes will be reported to the Council at its next meeting following the change.

	<b>Operational Boundary for External Debt</b>					
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	1,434	1,475	1,599	1,744	1,804	1,861
Credit Arrangements	<u>205</u>	<u>196</u>	<u>229</u>	<u>220</u>	<u>210</u>	<u>201</u>
	<u><u>1,639</u></u>	<u><u>1,671</u></u>	<u><u>1,828</u></u>	<u><u>1,964</u></u>	<u><u>2,014</u></u>	<u><u>2,062</u></u>

The Council's actual external debt at 31 March 2017 was £1,324.924m, comprising borrowing (including sums repayable within 12 months). Of this sum, £15.241m relates to borrowing carried out by the Council on behalf of the former Police and Fire Joint Boards.

In taking its decisions on this budget, the Council is asked to note that the estimate of capital expenditure determined for 2018/19 (see paragraph 1 above) will be the statutory limit determined under section 35(1) of the Local Government (Scotland) Act 2003.

#### **Indicator 6 - Loans Charges Associated with net Capital Investment expenditure plans**

Under the changes to the Prudential Code which came into force in December 2017, the requirement to measure and report on the incremental impact on the Council Tax / rents was removed from the Code. The authority can set its own local indicators to measure the affordability of its capital investment plans. The Head of Finance considers that Council should be advised of the loans charges cost implications which will result from the spending plans being considered for approval. These cost implications have been included in the Council's Revenue and HRA budgets for 2018/19 and in the longer term financial frameworks.



	<b>Loans Charges Liability</b>				
	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>	<b>2021/22 Estimate £000</b>	<b>2022/23 Estimate £000</b>
Loans Fund Interest Rate 5.05%					
General Services					
Loans Fund Advances in year	85,917	101,145	116,444	33,258	11,400
Year 1 - interest only	2,193	2,582	2,972	849	291
Year 2 - principal and interest	6,952	8,185	9,422	2,691	922
Housing Revenue Account (HRA)					
Loans Fund Advances in year (excluding borrowing for LLP programme **)	9,048	51,829	41,454	49,893	73,693
Year 1 - interest only	231	1,323	1,058	1,274	4,285
Year 2 - Core Programme - principal and interest	732	1,398	1,355	2,236	3,216
Year 2 - House Building Programme - principal and interest	0	2,273	1,625	1,826	2,754

\* From 2021/22 loans charges will not automatically be calculated on an annuity basis. The Year 2 figures show are the maximum loans charge implications in any financial year.

\* The loans charges associated with the borrowing required for the house building programme for onward transferred to the LLPs will be met from the LLPs and does  
\* therefore not have a net impact on the HRA revenue budget.

### **Consideration of options for the capital programme**

In considering its programme for capital investment, Council is required within the Prudential Code to have regard to:

- affordability, e.g. implications for Council Tax or house rents;
- prudence and sustainability, e.g. implications for external borrowing;
- value for money, e.g. option appraisal;
- stewardship of assets, e.g. asset management planning;
- service objectives, e.g. strategic planning for the authority;
- practicality, e.g. achievability of the forward plan.

# The City of Edinburgh Council

## Treasury Management Policy Statement

### Summary

The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services. As part of the adoption of that code, the Council agreed to create and maintain, as the cornerstones for effective treasury management:

- a Treasury Management Policy Statement (TMPS), stating the policies and objectives of its treasury management activities; and
- suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

This document outlines the Council's Treasury Management Policy Statement which provides a framework for the Council's treasury management activities. Any reference in the Treasury Policy Statement to the Chief Financial Officer should be taken to be any other officer to whom the Chief Financial Officer has delegated his powers.

### Approved Activities

The Council defines its treasury management activities as:

“The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

Subject to any legal restrictions, this definition covers the following activities:

- arranging, administering and managing all capital financing transactions
- approving, arranging and administering all borrowing on behalf of the Council
- cash flow management
- investment of surplus funds
- ensuring adequate banking facilities are in place, negotiating bank charges, and ensuring the optimal use by the Council of banking and associated facilities and services

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

The Council also acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

### Treasury Management Strategy

The treasury management strategy for the cash fund is to:

- Secure both capital and revenue funding at the lowest cost in the medium term; and
- ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks

## **Approved Sources of Finance**

Finance will only be raised in accordance with legislation and within this limit the Council has a number of approved methods and sources of raising capital finance. No other instrument other than those listed below may be used

- Bank Overdraft
- Temporary Loans
- Loans from the Public Works Loan Board
- Loans from the European Community institutions
- Long-Term Market Loans
- Bonds
- Stock Issues
- Negotiable Bonds
- Internal (Capital Receipts and Revenue Balances)
- Commercial Paper
- Medium Term Notes
- Finance and Operating Leases
- Deferred Purchase Covenant Agreements
- Government and European Community Capital Grants
- Lottery Monies
- Public and Private Partnership funding initiatives

## **Permitted Instruments**

Where possible the Chief Financial Officer will manage all of the Council's temporary surplus funds together and invest them using the Council's Treasury Cash Fund. The investment restrictions contained in the Treasury Cash Fund Policy Statement therefore apply to the City of Edinburgh Council's monies.

However small operational balances will need to be retained with the Council's bankers, and in other cases – such as devolved schools – relatively small investment balances may be operated locally. Some allowance for temporary deposits has therefore been made.

In addition, the Council has some non-cash investment types and these are also included in the Policy Statement.

The Head of Finance may invest monies in accordance with the Council's requirements only by using the following instruments:

- (a) Temporary deposit with an approved institution of the Bank of England or with any other approved organisation for investment (see below)
- (b) Money Market Funds
- (c) Debt Management Office's Debt Management Agency Deposit Facility
- (d) Investment Properties
- (e) Loans to Other Organisations
- (f) Investment in share capital of Council Companies and Joint Ventures
- (g) Loans to / investment in the Loan Stock of Council Companies
- (h) Investment in Shared Equity Housing Schemes
- (i) Investment in the Subordinated Debt of projects delivered via the "HubCo" model

## **Approved Organisations for Investment**

The approved counterparty limits are as follows:

- (a) *The Council's bankers with no limit.*
- (b) *DMO's DMADF with no limit.*
- (c) *AAA Money Market Funds with no limit.*
- (d) *financial institutions on the Bank of England's authorised list where the lowest of their long term rating from the three main Credit ratings agencies, S&P, Moody's and Fitch, equivalent to A- or above up to a maximum of £10 million per institution.*
- (e) *building societies where the lowest of their long term rating from the three main Credit ratings agencies, S&P, Moody's and Fitch, equivalent to A- or above up to a maximum of £5 million per institution.*
- (f) *Subordinated debt of projects delivered via "HubCo" model up to a maximum of £1 million.*

In addition, there is no explicit limit at present for the non-cash investment types. However, it is anticipated that each specific investment of these types would be reported individually to Council and a full list of them will be contained in the Treasury Annual Report.

The investment risks and controls to mitigate those risks are outlined to the end of this document.

### **Policy on Delegation**

Responsibility for the implementation and regular monitoring of the Council's treasury management policies and practices is retained by the Council.

The Council delegates responsibility for the execution and administration of Treasury Management decisions to the Chief Financial Officer who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

The Council nominates the Governance, Risk and Best Value Committee to be responsible for the ensuring effective scrutiny of the treasury management strategy and policies.

### **Reporting Arrangements**

This will include, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs. The Head of Finance will report to the Council as follows:

- (a) A Treasury Strategy prior to the commencement of the financial year.
- (b) A mid-term report during the financial year
- (c) A Treasury Annual Report as soon as practicable after the end of the financial year..
- (d) Ad hoc reports according to need.

Type of Investment	Treasury Risks	Mitigating Controls
a. Deposits with the Debt Management Account Facility (UK Government) ( <b>Very low risk</b> )	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
b. Money Market Funds (MMFs) ( <b>low/medium risk</b> )	Pooled cash investment vehicle which provides short term liquidity. It is difficult to effectively monitor the underlying counterparty exposure, so will be sparingly used.	Funds will only be used where the MMFs are Constant Net Asset Value (CNAV), and the fund has a "AAA" rated status from either Fitch, Moody's or Standard & Pools.
c. Call account deposit accounts with financial institutions (banks and building societies) ( <b>Risk is dependent on credit rating</b> )	These tend to be moderately low risk investments, but will exhibit higher risks than the category (a) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.  These will be used to provide the primary liquidity source for Cash Management	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools.  On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence
d. Term deposits with financial institutions (banks and building societies) ( <b>Low to medium risk depending on period &amp; credit rating</b> )	The risk on these is determined, but will exhibit higher risks than category (a) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools  On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.
e. Investment properties	These are non-service properties which are being held solely for a longer term rental income stream or capital appreciation. These are highly illiquid assets with high risk to value (the potential for property prices to fall).	Property holding will be re-valued regularly and reported annually with gross and net rental streams.
f. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit substantial credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.
g. Loans to a local authority company	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit significant credit risk and are likely to be highly illiquid.	Each loan to a local authority company requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.

<p>h. Shareholdings in a local authority company</p>	<p>These are service investments which may exhibit market risk and are likely to be highly illiquid.</p>	<p>Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.</p>
<p>i. Investment in Shared Equity Schemes</p>	<p>These are service investments which exhibit property market risk and are likely to be highly illiquid, with funds tied up for many years.</p>	<p>Each scheme investment requires Member approval and each decision will be supported by the service rational behind the investment and the likelihood of loss.</p>
<p>j. Investment in the Subordinated Debt of projects delivered via the “Hubco” model</p>	<p>These are investments which are exposed to the success or failure of individual projects and are highly illiquid</p>	<p>The Council and Scottish Government (via the SFT) are participants in and party to the governance and controls within the project structure. As such they are well placed to influence and ensure the successful completion of the project’s term</p>

# **The City of Edinburgh Council**

## **Treasury Cash Fund**

### **Treasury Management Policy Statement**

#### **Summary**

The Council operates the Treasury Cash Fund on a low risk low return basis for cash investments on behalf of itself, Lothian Pension Fund and other associated organisations. This Policy Statement covers the type of investments which are permitted for monies held with the Cash Fund and should be read in conjunction with the Treasury Policy Statement for the City of Edinburgh Council.

#### **Approved Activities**

The activity undertaken in the management of cash balances and their investment in cash and near cash instruments. In undertaking this activity, the key objective is the security of the monies invested. Accordingly, the investment types and counterparty limits below represent a prudent attitude towards the instruments with which and the institutions with whom investment will be undertaken.

#### **Treasury Management Strategy**

The treasury management strategy for the cash fund is to ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks

#### **Permitted Instruments**

The Chief Financial Officer may invest monies in accordance with the Council's requirements only by using the following instruments:

- (a) Temporary deposit, Certificate of Deposit, collateralised deposit, structured deposit, commercial paper, floating rate note or Bonds with an approved institution of the Bank of England or with any other approved organisation for investment (see below)
- (b) UK Treasury Bills
- (c) Gilt-edged securities
- (d) Reverse Repurchase Agreements
- (e) Money Market Funds and Bond Funds
- (f) Debt Management Office's Debt Management Agency Deposit Facility

#### **Limits on Investment**

The approved limits on counterparties and investment types are as follows (where money limits and percentages are stated, the greater of the two should be applied):

- (a) DMO's DMADF, UK Treasury Bills and UK Gilts with no limit
- (b) UK local authorities with no limit.
- (c) other public bodies up to a maximum of £20 million per organisation.
- (d) The Council's bankers, where not otherwise permitted under (k) below, up to a limit of £20m on an overnight only basis other than when funds are received into the Council's bank account without pre-notification.
- (e) Money Market Funds with no limit in total but with no more than £30 million or 15% of the funds under management with any one Fund.

- (f) Bond Funds with no more than £20 million or 10% of the funds under management.
- (g) Supranational Bonds with a limit of £60 million or 20% of the fund in total.
- (h) financial institutions where the relevant deposits, CDs or Bonds are guaranteed by a sovereign government of AA or above up to a maximum of £60 million or 20 percent of the fund per institution for the duration of the guarantee in addition to the appropriate counterparty limit for the institution.
- (i) Local Authority Collateralised deposits up to a maximum of £30 million or 15 percent of the fund per institution up to a maximum of 5 years in addition to the appropriate counterparty limit for the institution.
- (j) Structured deposits up to a maximum of £20 million or 10 percent of the fund, subject to the appropriate counterparty limits for the institution also being applied.
- (k) financial institutions included on the Bank of England's authorised list under the following criteria:

<b>Credit Rating</b>	<b>Banks Unsecured</b>	<b>Banks Secured</b>	<b>B. Socs. Unsecured</b>	<b>B. Socs. Secured</b>
AAA	20% or £60m	20% or £60m	20% or £60m	20% or £60m
AA+	15% or £30m	20% or £60m	15% or £30m	20% or £60m
AA	15% or £30m	20% or £60m	15% or £30m	15% or £30m
AA-	15% or £30m	20% or £60m	10% or £20m	15% or £30m
A+	10% or £20m	15% or £30m	10% or £20m	10% or £20m
A	10% or £20m	15% or £30m	10% or £20m	10% or £20m
A-	10% or £20m	15% or £30m	5% or £10m	10% or £20m
BBB+	5% or £10m	5% or £10m	n/a	n/a
None	n/a	n/a	n/a	n/a

The credit ratings quoted in the above table are for the financial institution, instrument or security provided and are the lowest of the relevant long term ratings from the three main Credit ratings agencies, S&P, Moody's and Fitch.



## **Time Limits**

In addition to the monetary limits above, the following maximum time limits will be placed on investments:

<b>Category</b>	<b>Max. Time Limit</b>
20% of Assets Under Management / £60m	5 Years
15% of Assets Under Management / £30m	1 Years
10% of Assets Under Management / £20m	6 months
5% of Assets Under Management / £10m	3 months

In addition to the above limits, no more than 25% of assets under management will have a maturity greater than 1 year.

In considering an investment, consideration is given to a wide range of information, not simply the credit ratings of the institution being considered. This will include financial information on the institution, relevant Credit Default Swaps and equity pricing data, and the general macro-economic, market and sector background. The investment risks and controls to mitigate those risks are outlined to the end of this document.

## **Policy on Delegation**

The Treasury Cash Fund is operated under the Council's Treasury Policy Statement and the delegations are defined in that document.

## **Reporting Arrangements**

This will include, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs. The Head of Finance will report to the Council as follows:

- (a) A Treasury Strategy prior to the commencement of the financial year.
- (b) A mid-term report during the financial year.
- (c) A Treasury Annual Report as soon as practicable after the end of the financial year.
- (d) Ad hoc reports according to need.

Type of Investment	Treasury Risks	Mitigating Controls
a. Deposits with the Debt Management Account Facility (UK Government) <b>(Very low risk)</b>	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
b. UK Treasury Bills <b>(Very Low Risk)</b>	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates unless held to maturity. Maturity at issue is only 1, 3 or 6 months so will be used mainly in the 1 to 3 month period to provide a high level of security but a better return than the DMADF in (a).	As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
c. UK Gilts <b>(Very Low Risk)</b>	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates unless held to maturity. There is a risk to capital if the Gilt needed to be sold, so should only be used on a hold to maturity basis as a proxy for a slightly longer maturity Treasury Bill	As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments. Would only be used on a hold to maturity basis at the very short end of the yield curve.
d. Deposits with other local authorities or public bodies <b>(Very low risk)</b>	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value.	Little mitigating controls required for local authority deposits, as this is a quasi UK Sovereign Government investment.
e. Money Market Funds (MMFs) <b>(low/medium risk)</b>	Pooled cash investment vehicle which provides short term liquidity. It is difficult to effectively monitor the underlying counterparty exposure, so will be used for only a small proportion of the Fund	Funds will only be used where the MMFs are Constant Net Asset Value (CNAV), and the fund has a "AAA" rated status from either Fitch, Moody's or Standard & Pools.
f. Bond Funds <b>(low/medium risk)</b>	AAA Rated Pooled cash investment vehicle investing in a range of Government, Financial Institutions and Government Bonds.	Fairly liquid vehicle investing in Bonds with a high average credit rating, will only be used for a relatively small proportion of the fund.
g. Call account deposit accounts with financial institutions (banks and building societies) <b>(Risk is dependent on credit rating)</b>	These tend to be moderately low risk investments, but will exhibit higher risks than the categories (a) to (d) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.  These will be used to provide the primary liquidity source for Cash Management	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools.  On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.

<p>h. Term deposits with financial institutions (banks and building societies) <b>(Low to medium risk depending on period &amp; credit rating)</b></p>	<p>The risk on these is determined, but will exhibit higher risks than categories (a) to (d) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools</p> <p>On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.</p>
<p>i. Certificates of deposits with financial institutions <b>(risk dependent on credit rating)</b></p>	<p>These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a) to (d) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low.</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools.</p> <p>On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.</p>
<p>j. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) <b>(Low to medium risk depending on period &amp; credit rating)</b></p>	<p>These tend to be medium to low risk investments, but will exhibit higher risks than categories (a) to (d) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools.</p> <p>On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.</p>
<p>k. Bonds <b>(Low to medium risk depending on period &amp; credit rating)</b></p>	<p>This entails a higher level of risk exposure than gilts and the aim is to achieve a higher rate of return than normally available from gilts. They do have an exposure to movements in market prices of assets held.</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, on a hold to maturity basis. Bonds may also carry an explicit Government Guarantee.</p>
<p>l. Floating Rate Notes <b>(Low to medium risk depending on credit rating)</b></p>	<p>These are Bonds on which the rate of interest is established periodically with reference to short term interest rates.</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools.</p> <p>Will be used in an increasing interest rate environment but only for a limited proportion of the portfolio.</p>
<p>m. Commercial Paper <b>(Low to medium risk depending on credit rating)</b></p>	<p>These are short term promissory notes issued at a discount par. They entail a higher level of risk exposure than gilts and the aim is to achieve a higher rate of return than normally available from gilts. They do have an exposure to</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, on a hold to maturity basis. They are relatively short maturity.</p>

	movements in market prices of assets held.	
n. Secured Investments <b>(relatively low risk due to dual recourse)</b>	These include Reverse Purchase Agreements (Repo) and Covered Bonds issued by banks and building societies.	Both Repo and Covered Bonds provide opportunities to lower credit risk by having any exposure supported by an enhanced level of high quality collateral such as Gilts in the case of Repo. The lower credit risk is reflected in the Cash Fund being able to invest larger % or value amounts as shown in the criteria for financial institutions in (k).

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 20 March 2018

## Corporate Catering Service - Update

Item number	7.8
Report number	
Executive/routine	
Wards	
Council Commitments	

### Executive Summary

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At its meeting on 31 October 2017, the Governance, Risk and Best Value Committee considered a report on the corporate element of Edinburgh Catering Services, that included an update on the current trading forecast and an explanation of what had caused the recurring deficit position.

This report provides the Committee with a progress update, prior to a fuller report being submitted later in the year, following the closure of year-end accounts and a confirmed outturn position for this significant trading operation (STO).

## Corporate Catering Service

### 1. Recommendations

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- 1.1 That the Governance, Risk and Best Value Committee (GRBV):
- 1.1.1 Notes the content of this report.

### 2. Background

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- 2.1 At its meeting on 31 October 2017, the GRBV Committee considered a report on the corporate element of Edinburgh Catering Services, including an update on the current trading forecast and an explanation of what had caused the recurring deficit position.
- 2.2 The principal reasons for the financial position were highlighted as:
- the reduction in income is directly attributable to significantly enhanced levels of choice and competition, resulting in reduced internal spend on catering;
  - during the past three years there has been a significant reduction in Directorate/Service expenditure on teas, coffee and biscuits for meetings as part of the departmental efficiency arrangements;
  - the former integrated Property and Facilities Management (FM) model for the FM function led to difficulties with a lack of strategic and operational management, with catering expertise and experience, when the service was first integrated into the wider FM function; and
  - income generating activities, such as hospitality and events services at the City Chambers have historically been run at a low profit margin with, in some cases, internal events failing to cover total costs.
- 2.3 The report highlighted a number of measures that were being implemented via an action plan to seek to address the deficit from financial year 2018/19 onwards. Committee requested an update in March 2018, which is the purpose of this report.

### 3. Main report

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#### Action Plan Progress

- 3.1 The outline action plan presented to Committee, on 31 October 2017, has been implemented and comprises four principal elements of financial control, workforce/HR controls, supplier contracts and branding/customer engagement.

### **Financial Controls**

- 3.2 This action seeks to reduce costs and maximise income generation by way of increasing uptake of meals by staff, coupled with a new pricing policy:
- all corporate sites have been targeted with a reduction in total operating costs, capped spend on disposables, chemicals and sundries which has resulted in a forecast reduction of £38k on financial year (F/Y) 2016/17;
  - tariff increase has been submitted in-line with inflation for next year's budget – 5%;
  - City Chambers tasked with income maximisation on internal events, e.g., current internal events that do not cover costs must be addressed as income continues to fall behind forecast;
  - credit/debit card facility launched across the estate – as of January 2018, 12% of transactions now made by card payment;
  - The Commercial Manager within Facilities Management has realigned support services allocations to provide further budget savings; and
  - increased partnership working with Culture team to enhance City Chambers as a wedding venue, e.g., opportunity has promoted at wedding fairs.

### **Workforce/HR Controls**

- 3.3 This action seeks to align the staffing profile to income generation by maintaining a robust focus on managing down levels of sickness absence and reducing backfill agency costs and reliance:
- long term sickness absence has fallen significantly resulting in labour costs being down £33k on the same period to date 2016/17;
  - agency costs have been reduced to their lowest level in the last quarter with an annual efficiency of 5% on the same period 2016/17. Individual sites are now self-covering holiday leave and sickness;
  - recruitment has been completed to backfill all long-term vacancies resulting in minimising overtime; and
  - increased supervision and staff management due to the removal of Catering from mainstream Facilities Management function.

### **Supplier Contracts**

- 3.4 This action seeks to work with the current procurement framework to deliver best value supply to corporate catering:
- new coffee contract is due to go live in April 2018 and will see better value and quality products. Forecast of 15% saving on current contract;
  - renegotiation of the Brakes contract has seen a discount being returned on purchases to the corporate estate; and

- new vending machine contract in place, with early feedback indicating an additional £700 (gross) weekly revenue.

### **Branding/Consumer Engagement**

- 3.5 The action seeks to encourage greater uptake with enhanced offerings across the commercial estate:
- work has commenced with colleagues in Communications and Design around promoting the service and enhancing the look and feel of catering facilities. The service has successfully retained the Healthy Living Award for 2018;
  - a corporate catering improvement team, within existing resource, has been set up to specifically address improvements at Waverley Court and City Chambers; and
  - investment in equipment which will enable further overhead savings and reduce waste, e.g., the enhancement at the City Chambers means that the kitchen facilities can accommodate larger events.
- 3.6 As reported to Committee on 31 October 2017, it is envisaged that the above service improvements will start to accrue benefits in the latter part of F/Y 2017/18 and thereafter. This acknowledges that the improvement action plan will require time to be implemented and embedded, in the anticipation that the profitability will improve from 2018/19 onwards. The report highlighted that the forecast F/Y 2017/18, month 5 position was -£127k. The current forecast for F/Y 2017/18, as detailed in section 5, is -£53k.
- 3.7 In tandem with the above, there are opportunities to consider alternative delivery models or service re-provision in the future, including a partnering model or franchise approach. These are longer term considerations that could mostly impact on smaller sites such as the East Neighbourhood office. The primary focus is to ensure a financially sustainable service model, which is better placed to respond to an increasingly competitive market and performs consistently well.

## **4. Measures of success**

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- 4.1 Implementation of the proposed action plan to achieve cost efficiencies and improvements.

## **5. Financial impact**

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### **5.1 Summary 3 Year Financial Performance**

	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
	£000	£000	£000	£000
<b>Turnover</b>	915*	901	980	1,297



<b>Surplus</b>	0	0	0	0
<b>Deficit</b>	-53*	-191	-232	-66

\*forecast

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

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6.1 None.

## 7. Equalities impact

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

## 8. Sustainability impact

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8.1 Not applicable.

## 9. Consultation and engagement

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9.1 Not applicable.

## 10. Background reading/external references

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10.1 [Edinburgh Catering Services](#) – report to Governance, Risk and Best Value Committee, 31 October 2017

### **Stephen S. Moir**

Executive Director of Resources

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## 11. Appendices

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None.

# Governance Risk and Best Value Committee

10.00am, Tuesday, 20 March 2018

## Roads Services Improvement Plan

<b>Item number</b>	7.9
<b>Report number</b>	
<b>Executive/routine</b>	Executive
<b>Wards</b>	All Wards
<b>Council Commitments</b>	<a href="#">C16</a> , <a href="#">C19</a>

### Executive Summary

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This report provides a progress report for the Roads Services Improvement Plan. The plan identifies the different issues that impact on road asset management performance across Council teams and the actions that the service will take to address them. Progress on implementing the plan and the impact it is having on performance, complaints and road condition will continue to be reported to this committee on a regular basis.

## Roads Services Improvement Plan

### 1. Recommendations

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- 1.1 It is recommended that the Committee note the progress made with implementing the actions in the Improvement Plan to date.

### 2. Background

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- 2.1 The Roads Services Improvement Plan sets out the actions that are required to help move forward the service to deliver a high-quality road network, to ensure road users can freely travel around our network and to protect the overall appearance of Edinburgh as a city.
- 2.2 The current organisational structure places responsibility for our roads across seven third tier managers. These responsibilities are listed in the table below.

Team	Responsibilities	Expenditure
<b>Edinburgh Road Services (ERS) Manager</b>	Operational arm of the internal service.  Larger scale revenue works, re-surfacing capital work. defect repairs, street lighting repairs, gully cleaning and line marking.	Mainly Revenue Small amount of Capital
<b>Transport Infrastructure Manager</b>	Lead on designing and procuring capital works and the coordination of our Roads Asset Management Plan (RAMP).  Inspection and maintenance of bridges and structures, managing flooding and drainage issues.	Capital Work

	Client function for street lighting and gullies	
<b>Local Transport &amp; Environment Managers (LTEMs) (x4)</b>	Road Safety Inspections, co-ordinating road permits and roadworks in their locality (jointly with the Transport Network function), managing customer enquiries, gathering local priorities to inform allocation of local capital funds to community benefit.	Revenue & capital works
<b>Transport Networks Manager</b>	Co-ordination of large scale roadworks and events, parking enforcement, active travel and road safety, management of Edinburgh Bus Station and co-ordination of public transport (including Lothian Buses and Edinburgh Trams)	Revenue & capital Works

### 3. Main report

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- 3.1 The Roads Services Improvement Plan sets out the 36 key actions that officers feel are required to help the service deliver a high-quality road network. Four additional actions have been included since the [August 2017](#) report to the Transport and Environment Committee. These actions relate to street lighting operations.
- 3.2 The Roads Services Improvement Plan is attached in Appendix 1.
- 3.3 The Improvement Plan contains a summary of actions and forecasted timescales for implementation and the expected impact that actions will deliver.
- 3.4 The following information provides a summary of the actions that the Roads Services Improvement Plan will address.

#### **Organisational Structure**

- 3.4.1 Develop clear accountability and simplify interactions for members of the public and Elected Members.
- 3.4.2 Protect and enhance the delivery of local priorities.

- 3.4.3 Manage the design and development process to allow more effective asset investment decisions to be made.
- 3.4.4 Develop a single service focusing on co-ordination of the road network delivering a joined-up approach across the city.

#### **Customer Service**

- 3.4.5 Re-align resources to provide more timely updates to members of the public.
- 3.4.6 Provide clearer accountability by providing appropriate levels of business support and ICT systems to improve customer service.

#### **Road Safety and Defect Inspections**

- 3.4.7 Centralise the Roads Inspection resource to link with the wider RAMP to achieve greater consistency.
- 3.4.8 Improve the classification of defects to reduce the number of temporary repairs and increase the number of permanent repairs.
- 3.4.9 Invest in training for Roads Inspectors to improve consistency of decisions.

#### **Workforce Management**

- 3.4.10 Maximise effectiveness of staff via engagement, training, and suitable equipment.

#### **Fleet and Depots**

- 3.4.11 Review fleet and equipment requirements to ensure availability and flexibility of fleet to support the needs of the service and the demands of winter.
- 3.4.12 Review the operations of ERS across its three existing depots to ensure efficient deployment of staff and equipment.

#### **Improved Business Processes**

- 3.4.13 Develop lean business processes to support the in-house repairs function.
- 3.4.14 Roll out 'Confirm' across the wider Roads service to maximise mobile working and provide meaningful management information to improve customer care.

#### **Improved Asset Management**

- 3.4.15 Continue to develop asset management through the Roads Asset Management Plan (RAMP).
- 3.4.16 Improve inspections process through better use of the Confirm Asset Management System to identify where investment is needed.
- 3.4.17 Improve the city's roads and increase resident satisfaction through the development of an end-to-end inspection to repair process.

## **Capital Delivery and Contract Management**

3.4.18 Formalise relationships with private sector partners by moving to a 'prime contractor' arrangement to reduce delays and secure competitive pricing.

3.4.19 Secure an effective internal client team to undertake design, project management and site supervision.

3.5 Progress made to date, in the above categories, is detailed below.

### **Organisational Structure**

3.5.1 In order to develop clear accountability and simplify interactions for members of the public and Elected Members, a number of areas are being considered in terms of where they sit in the current structure.

3.5.2 A working group, consisting of both staff and managers, has been set up to review the Signs and Blacksmith workshops located at Bankhead Depot. Following the Transformation Programme, these workshops were transferred from Transport to Fleet and Workshops in order to centralise Place workshop activities. However, this move has adversely affected the ordering and delivery process as the manufacture of signs is undertaken by Fleet and Workshops staff but the erection of the signs is undertaken by ERS. The review team will consider the impact of this structure and improvements to the ordering and delivery process.

3.5.3 It is proposed that the Inspection resource based in each Locality team is being reviewed. In order to provide a central strategic function, a number of inspection staff will transfer from being managed in the Locality teams to being managed by Roads Infrastructure. This change will support asset management via the Roads Asset Management Plan (RAMP). The scheduling of inspection routes is being developed. The forecasted date for completion is March 2018.

3.5.4 The approach we take to cyclical gully cleaning will be reviewed with the aim of delivering a more robust service.

### **Customer Service**

3.5.5 Following the completion of the 'Health Check' of the Confirm Asset Management System. The changes identified from the 'health check' and staff consultation have been implemented and training has been rolled out to Locality Inspectors and ERS Operational staff. These changes will improve the efficiency for handling enquiries, improve clarity on ownership and reduce the number of non-standard enquiries that take longer to resolve.

- 3.5.6 Good progress continues to be made in reducing the overall number of outstanding defects.
- 3.5.6.1 165 defects at 31 December 2017
  - 3.5.6.2 1,256 defects at 30 October 2017
  - 3.5.6.3 2,400 defects at August 2017
- 3.5.7 The categorisation of defects by inspectors has improved following the roll out of additional training. This improvement has reduced the number of priority Category 1 and 2 defects (emergency repairs within 24 hours or medium risk to be repaired within 5 working days i.e. reactive maintenance) and increased the number of Category 3 and 4 defects (to be repaired within 28 days and 12 months respectively i.e. planned remedial work). These improvements have allowed ERS to improve performance in the repair of priority defects and develop a robust and cost-effective process for the repair of non-safety defects.
- 3.5.8 Confirm has been redeveloped allowing follow-up repairs to be tracked from Category 1 and 2 make-safe repairs. This now allows ERS to programme a permanent repair. The permanent follow-up repair for Categories 1 and 2 are programmed dependent on the location of the defect and the volume of traffic at that location.
- 3.5.9 Category 3 and 4 defects are also now being logged on Confirm. Category 3 defects are being scheduled by ERS for permanent repair, to be completed within 28 days. Category 4 defects will be monitored by the Locality Teams and programmed appropriately by them to deliver a permanent repair within 12 months.
- 3.5.10 Products for cold make-safe repairs have been trialled and ERS are currently using a product called Viafix for defect repairs on road and pavement Category 1 and 2 defects. This product stores well in colder weather and is easy to use as it reacts quickly with the moisture in the air to provide a robust repair. This product provides a satisfactory repair that, in most cases, lasts until a permanent repair can be programmed. This allows ERS to respond quickly and effectively to defects reported by both members of the public and Locality Inspectors.

### **Workforce Management**

- 3.5.11 A review of ERS Nightshift Operations has confirmed that a night squad continues to be required.
- 3.5.12 As Edinburgh is a seven day per week city and ERS currently works four and a half days per week with its day and nightshift operations, new working patterns are being considered to ensure service delivery is better aligned to demand. This is a major piece of work. Work is ongoing. Staff are being consulted and the ERS Commercial team are evaluating the options in terms of productivity and financial benefits.

## **Fleet and Depots**

- 3.5.13 The number of Council depots located across the city is currently being reviewed and opportunities to rationalise this estate are being considered. The roads operational depots are included in this review. Work relating to the transfer of staff and fleet from Barnton to Bankhead depot will be aligned with improvements to office and welfare facilities at Bankhead depot.
- 3.5.14 The options relating to ERS Blackford depot are ongoing and will be included in the wider Council review to ensure sufficient capabilities and salt storage are available on the east side of the city.
- 3.5.15 Salt storage is included in the depot review. As part of this review, consideration is being given to the adequacy of the current salt storage facilities at Bankhead. As the occupancy of Bankhead Depot expands to include staff from other teams within Place, the footprint of the current depot is being reviewed and salt storage will be included as part of this.
- 3.5.16 The Council's gritting fleet is also being reviewed and a process of replacement is being considered for next winter, based on new technology and improved vehicle capabilities. Any changes to the gritting fleet will be progressed by Fleet Services as part of the fleet replacement programme which aims to establish a continuously coordinated replacement process for all vehicles going forward to ensure vehicle downtime targets are achieved and reduce the impact on core services.
- 3.5.17 When temperatures are marginal, staff are currently deployed to patrol high ground routes with loaded gritters, gritting when required. The decision to grit is based on the knowledge of the driver. Truck mounted equipment is available that can take the temperature of the road. When the temperature of the road surface dictates that gritting is required the gritter switches on and off automatically. This technology is being considered and will be particularly beneficial in treating these high-ground areas during marginal conditions.
- 3.5.18 Currently being looked at are gritter bodies with a moving floor, which optimises the dispersal of salt. Technology that wets the grit when spreading, to provide more consistent road coverage, is also being considered.
- 3.5.19 The improvement of road and pavement defect categorisation has allowed ERS to focus its resources more appropriately and carry out repairs on a right-first-time basis. To be able to deliver this, plant and fleet is being reviewed.
- 3.5.20 A Hot Box trial commenced in January 2018. This Hot Box will store hot asphalt in Bankhead Depot and remove the need for operatives to travel to local quarries for supplies. It will also extend the availability of hot asphalt to Nightshift operatives. The trial is ongoing. Information on the trial will be included in the next committee report.
- 3.5.21 Plans have been drafted to invest in a purpose-built HGV fleet maintenance facility at Bankhead Depot. This will result in a reduction of dead mileage



across the heavy fleet, provide a dedicated team to focus solely on the roads fleet and allow for planning of routine maintenance to be conducted out with core hours in order to improve vehicle downtime and reduce the impact on ERS.

### **Improved Business Processes**

3.5.22 The Confirm system has been revised to support the defect repair process and has provided improvements in inspections, works programming and customer service. This work was delivered over an eight-week programme of development and was supported by staff from ERS, RAMP and Localities.

3.5.23 Confirm continues to be developed to improve the processes used to administer repairs for both roads and street lighting defects.

3.5.24 A programme of thermal mapping has been completed across the city over this winter. Currently Edinburgh is treated as one domain so when a decision is made to deploy gritters, all of the priority routes are gritted covering the whole of the city, even though there may be temperature variations across these routes.

3.5.25 Thermal Mapping will result in three or four domains being created. The temperature profiles of each domain will be grouped and allow forecasting by domain. This will provide the facility to optimise gritting routes and target gritting in the areas of need. This will enable resources to be concentrated on a needs basis at times when parts of the city may freeze but others stay above freezing.

3.5.26 Thermal Mapping will provide the potential to make savings on fuel and salt costs and provide benefits in terms of the environmental impact of winter operations. The new routes will be developed through Routemaster (a satnav system) supported by a vehicle tracking system. This will be operational next winter.

### **Street Lighting**

3.5.27 The Council has procured a contract for the conversion of its existing street lights to energy efficient lanterns. The award of the contract, to the successful bidder, was approved by the Finance and Resources Committee on 23 January 2018. The duration of the contract will be around 35 months with an expected completion date of 31 December 2020.

3.5.28 The Energy Efficient Lantern project will include the introduction of a Central Management System (CMS) which will provide real time monitoring and reporting. This new lighting will provide lanterns that will last over 20 years, compared to the current lamp life span of two to four years.

3.5.29 This extended life span will greatly reduce the number of lighting defects and, in turn, will reduce the number of complaints from customers. The CMS will automatically report any fault on the system allowing the repair to be scheduled proactively. The system will also provide sufficient information on the reason for the fault thus allowing operatives to carry the correct

equipment and increase the number of repairs undertaken on a right-first-time basis.

- 3.5.30 The Confirm Asset Management System was showing a backlog of c4,000 lighting defects in December 2017. Due to development problems with Confirm it has not been possible to effectively track defect repairs. In order to provide an updated position, a programme of data cleansing is being undertaken to provide an accurate number of outstanding defects and, where applicable, the reason for these outstanding defects.
- 3.5.31 A workshop has taken place with 11 staff from street lighting, ICT and the Transformation Business Change team to review current processes and opportunities for improvements. A programme of development meetings have been arranged to redesign the processes, similar to that undertaken for road defects.
- 3.5.32 The reconfiguration of Confirm will support the management of street lighting defect repairs and improve the processing of customer faults.
- 3.5.33 Recruitment of street lighting operatives has been unsuccessful for some time and has contributed to the high number of outstanding faults and poor performance. In order to address this labour shortfall, the Council has developed a Service Contract to provide skilled operatives to support our current staffing and reduce the backlog of defect repairs. Three companies have indicated an interest. The Service Contract will operate for a period of one year.
- 3.5.34 This type of contract will provide the Council with the flexibility to provide labour when the need is greatest. The installation of the energy efficient lighting and CMS will greatly reduce the number of defects and, in the longer term, will reduce the number of operatives required to support the service. This service contract will provide the opportunity to review the staffing levels required and provide the ability to reduce the number of operatives incrementally as the project progresses.

### **Winter Maintenance**

- 3.5.35 A review of the winter maintenance service is being undertaken and will be reported to this committee in May 2018.

## **4. Measures of success**

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- 4.1 Moving forward, there are several key performance and management indicators that need to be created, or refreshed, to ensure that our Roads Services are fit for purpose. However, the two key overarching measures of success should be that:
- 4.1.1 Customer satisfaction with roads and pavements, as measured by the Edinburgh Peoples' Survey, will increase; and
  - 4.1.2 The condition of Edinburgh's roads will improve, as addressed in the Roads Asset Management Plan.

## **5. Financial impact**

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- 5.1 It is expected that the actions within the Road Services Improvement Plan can be met from existing resources. However, if further investment is required, this will be quantified and presented to the appropriate committee, in due course.
- 5.2 The current three year rolling plan for Capital works will need to be reviewed if the recommendation to procure a prime contractor is approved. The prime contractor model would require the Council to commit to a specific amount of Capital investment over the period of the contract. Approval for this will be sought at the appropriate time.
- 5.3 The energy efficient lighting project will provide a sustained reduction in electricity consumption, energy costs and costs related to Carbon Reduction Commitment fees. The financial benefits of the rollout of this type of lighting was reported to this committee on 27 October 2015. Approval for the business case and the prudential borrowing was approved by Full Council on 19 November 2015.

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

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- 6.1 The Council has a duty to manage and maintain roads as prescribed in the Roads (Scotland) Act 1984. Failure to fulfil these duties effectively could result in legal action been taken against the Council.
- 6.2 There are significant reputational risks if the road network in the city does not begin to improve.
- 6.3 Due to current structural arrangements and staff vacancies for Inspectors in the Locality teams, it has not been possible to maintain the appropriate level of safety inspections. As a result, the Council has seen a rise in the number of successful Public Liability Claims. The proposed changes to centralise the inspection resource will address this risk.
- 6.4 The specification of the contract documentation for a prime contractor, and the contract management arrangements, will need to be well planned and robust enough to ensure that the aims of the contract are delivered and value for money is achieved. However, this is also true of existing arrangements for all framework contracts.

## **7. Equalities impact**

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- 7.1 The Improvement Plan aims to improve the condition of Edinburgh's road and pavement assets, improving mobility opportunities for all users and all modes of road and pavement transport. It ensures safer routes, free from potential hazards.

## **8. Sustainability impact**

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- 8.1 A permanent first-time fix approach will reduce works vehicle travel, reduce disruption to road, pavement users and the community, reduce the use of new material and reduce the amount of waste material that is disposed of.
- 8.2 Renewal of our road maintenance fleet will allow more efficient engines and reduced emissions.
- 8.3 A review of weather forecasting options, i.e. Thermal Mapping, should result in a reduction in the use of salt and vehicle emissions. This is dependent upon the severity of the winter weather conditions on a year to year basis.
- 8.4 The new street lighting lanterns will last for 20 years compared to the existing lifespan of two to four years. These lamps use less energy and will contribute to the Council's commitment to reduce carbon emissions and meet its environmental targets.
- 8.5 Modern lanterns are manufactured in accordance with the Waste Electrical and Electronic Equipment (WEEE) Regulations taking account of all required environmental regulations and can be recycled at the end of their life. The lanterns that are replaced under this project will be recycled in accordance with these regulations.

## **9. Consultation and engagement**

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- 9.1 Consultation with staff and trade unions are taking place where changes to organisational structures or working patterns will have an impact on staff.
- 9.2 ERS staff are being consulted in relation to the depot rationalisation project.
- 9.3 As part of the wider improvement plan it is proposed to involve trade union colleagues and employee representatives to ensure that everyone's views are taken into account.
- 9.4 Consultation and engagement has taken place between Corporate Finance, Fleet and Workshops, Transport Infrastructure, Transport Networks, Localities and ERS in the preparation of this plan.

## 10. Background reading/external references

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- 10.1 [Roads Contract Management - Follow Up](#) at Governance Risk and Best Value Committee on 9 March 2017. This report was referred to [Transport and Environment Committee](#) on 21 March 2017.
- 10.2 [Roads Service Improvement Plan](#) at Governance Risk and Best Value Committee on 20 April 2017.
- 10.3 [Street Lighting - Rollout of Light Emitting Diode Lighting Across the City](#) at Transport and Environment Committee on 27 October 2015.
- 10.4 [Street Lighting - Rollout of Light Emitting Diode Lighting Across the City - referral from Transport and Environment Committee](#) at City of Edinburgh Council committee on 19 November 2015.

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## 11. Appendices

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Appendix 1 – Roads Services Improvement Plan

Appendix 1 - Roads Services Improvement Plan

Appendix 1 - Roads Services Improvement Plan							Status
Action Point	Action	Target Date	Forecasted Date	Lead Team	Comments		
<b>Organisational Structure</b>							
1	Road Service Operations	Create a single service to manage and maintain all elements of the road asset maintenance/renewal cycle	Mar-18	ongoing	Head of Place Management	This will be accommodated in the overall structure realignment.	Open
2	ERS Operating Model	Re-align the ERS service to respond to visible defects on the road network	Dec-17	Mar-18	ERS Commercial Team	The ERS structure has been reviewed and changes are being implemented. A review of the Sign Shop and Blacksmiths Workshop is underway. Consideration is being given to the operational benefits of transferring these services from Fleet & Workshops to ERS. A review of the gully cleaning process is also underway. Consideration is being given to the operational benefits of transferring the service from Roads Infrastructure to ERS. Structural changes will be monitored before being permanently implemented. Links to Action Point 1.	Open
3	ERS Budget Structure	Move the ERS budget from being a trading account to a general fund revenue account	Apr-18	ongoing	Corporate Finance and Commercial Team	Budget and actual costs have been mapped to the new ERS structure. Interface with current systems to be reviewed and aligned to new corporate finance system. 'Roadmap' to be developed for implementation in financial year 2018/19.	Open
4	Network Management	Create a single service to coordinate all activity on the road network (permits, TTROs, diversions etc)	Mar-18	ongoing	Head of Place Management	This will be accommodated in the overall structure realignment	Open
5	Locality Teams	Ensure sufficient resource remains in our Locality Teams to allow them to deliver road enhancements in consultation with Elected Members and local communities	Mar-18	ongoing	Head of Place Management	This will be accommodated in the overall structure realignment	Open

Action Point		Action	Target Date	Forecasted Date	Lead Team	Comments	Status
<b>Customer Service</b>							
6	Enquiry Owners	Review all enquiry types and designate responsible officers/teams for each type of enquiry	Oct-17	Mar-18	ICT Systems Roads Services Business Support	Review complete. Progress is dependent on advancement with Action Points 4 and 5. Procedure for managing street lighting enquiries is working well. Ownership for gully enquiries is fragmented. Gully resource requirement is being evaluated. Handling of general roads enquiries is not 'lean'. Due to the broad range of enquiries, new procedures need to be developed, supported by Business Support Services (BSS), and generic mailboxes re-established and monitored by BSS. Development in Confirm is required to support this.	Open
7	Customer Enquiries	Work with Customer Service colleagues to improve enquiry handling/resolution	Oct-17	Mar-18	Customer Services Roads Services Business Support	Progress is linked to Action Point 6.	Open
8	Enquiry Tracking	Investigate the potential to create a control room operation involving staff from the service, Customer Services and Business Support to ensure appropriate action on issues	Dec-17	Mar-18	Customer Services Roads Services Business Support	Progress is linked to Action Points 6 and 7.	Open
<b>Road Safety Inspections</b>							
9	Roads Inspector Team	Re-align the Roads Inspector function to work alongside the Roads Asset Management Plan	Nov-17	Mar-18	Head of Place Management	Required staffing resource has been assessed. Structural changes being implemented.	Open
10	Inspection Recording	Improve the process for recording inspections and defects	Dec-17	n/a - achieved	RAMP Manager/Process Analyst	Confirm has been amended to support this improvement.	Achieved
11	Training	Deliver refresher training for all Roads Inspectors	Oct-17	Mar-18	RAMP Manager	Links to Action Point 10. Inspector training on Confirm is complete. Training relating to defect classification is complete.	Achieved

Action Point		Action	Target Date	Forecasted Date	Lead Team	Comments	Status
12	Inspection Compliance	Focus on carriageway and footway inspections to ensure they are kept up to date	Oct-17	Mar-18	RAMP Manager	Links to Action Point 11. With establishment of a new dedicated inspection team, a series of new routes is being developed. Implementation of inspection programme for new routes is required to reduce the costs associated with successful Public Liability Claims. Improvements to be realised over next 12 months to March 2019.	Open
<b>Defect Repairs</b>							
13	Aim for Right First Time Road Defect Repairs	Ensure all squads are properly equipped to carry out permanent first-time repairs wherever possible	Sep-17	Mar-18	Commercial Manager	Improvements will be supported through the changes to ERS structure and provision of improved plant and resources e.g. trial of Hot Box. Processes have been established for follow-up/permanent defect repairs. These processes will be rolled out incrementally and assessed on an on-going basis. Progress is dependent upon severity of weather over the winter period.	Open
14	Follow Up Repairs Road Defects	Develop a process to follow up with permanent repairs when temporary repairs are required in the first instance	Sep-17	Mar-18	Edinburgh Road Services (ERS)	Processes developed within Confirm to support scheduling and provide performance information. Progress is linked to Action Point 13.	Open
15	Programming and Scheduling of Road Defects	Schedule defect repairs in the most efficient manner and provide key health and safety documentation to squads	Oct-17	Mar-18	BSS Manager/ERS Manager	Progress was hampered by incorrect classification of defects and backlog of defect repairs. Productivity is improving and backlog reducing accordingly. Further benefits are expected from the Hot Box trial and reconfiguration of Confirm. Dedicated support is being sought from BSS for provision of timely H&S information e.g. PU Drawings. Progress is linked to Action Point 13.	Open
16	Guardrail Repair and Replacement	Allocate resources to repair the large number of defective guardrails across the city	Dec-17	Mar-18	Head of Place Management	This work is undertaken by Blacksmith staff. The Blacksmith staff were transferred to Fleet & Workshops following the Transformation Programme. Progress is linked with Action Point 2 to identify best fit for service delivery.	Open



Action Point		Action	Target Date	Forecasted Date	Lead Team	Comments	Status
17	Setted Street Repairs	Ensure adequate internal capability to properly repair defects on setted streets.	Mar-18	Mar-19	RAMP Manager/Commercial Manager	Information has been provided by the RAMP Manager to ERS. ERS currently do not have the capacity or sufficient staff expertise to deliver this in-house. As a result of the linkages to other commitments in the plan, it is necessary to postpone this action.	Open
18	Street Lighting Defect Repairs	Reduce the number of outstanding street lighting defects	Mar-18	Ongoing	Contract and Logisitcs Manager/Business Support	Data Cleansing of current c4,000 defects will be carried out to provide a true and accurate number of faults. Improvements with the Confirm System will support the processing of future customer reported faults. Progress is dependent on Action Point 23.	Open

Action Point		Action	Target Date	Forecasted Date	Lead Team	Comments	Status
<b>Workforce Management</b>							
19	Nightshift	Evaluate effectiveness of the nightshift service and consider improvements	Aug-17	n/a - achieved	Commercial Manager / Contracts & Logistics Managers	Review of Civils Nightshift operations has been completed. Findings show that the Civils Nightshift team provides a valuable service and offers flexibility for service delivery. <b>Review of Street Lightig nightshift is ongoing.</b> Findings will be considered along side Action Point 21 - Working Patterns and Action Point 2 ERS Operating Model.	<b>Achieved with additional activities underway</b>
20	Increased Investment in resources	Invest in training and engagement for all staff, in addition to providing equipment and leadership to support people in their role.	Sep-17	n/a - achieved	OD & Learning/ERS Manager	Training matrix established. Critical training gaps addressed, electronic training records developed. Long term training programme to be developed with OD&L. Plant and equipment reviewed and implemented e.g. Hot Box. Bi-monthly meetings held with staff and union representatives in each depot.	<b>Achieved with additional activities underway</b>
21	Working Patterns	Review current working patterns to ensure the service delivery is aligned to demand	Oct-17	Mar-18	ERS Manager	<b>Workstreams being reviewed and requirements being identified. Findings may require consultation with staff and HR to develop new Employment Contracts.</b>	<b>Open</b>
22	Apprenticeships	Rollout a full apprenticeship programme within Roads Services to develop young people in our workforce and ensure that we have the right skill sets in the future	Apr-18	ongoing	OD & Learning	Provider identified for Apprentice Roadworker training. Agreement in place with Edinburgh Building Services to extend the programme for Electrician Apprentices to include experience with Street Lighting and extend the scope of job opportunities once qualified. 2018 Apprentices to be in place Jan/Feb 2018	<b>Open</b>
23	Service Contract for Street Lighting Repairs	Develop a Service Contract with appropriate suppliers to provide skilled street lighting operatives.	Apr-18	ongoing	ERS Manager	Service Contract proposed for 12 months initially. 3 contractors have shown an interest in the Service Contract. Introduction of energy efficient lighting and CMS will reduce the number of operatives required in the future.	<b>Open</b>
<b>Fleet and Depots</b>							

Action Point		Action	Target Date	Forecasted Date	Lead Team	Comments	Status
24	Fleet Maintenance	Consider current use of maintenance bay at Bankhead to avoid the downtime of vehicles travelling to Russell Road Depot	Oct-17	Mar-18	Commercial Manager/ Fleet Manager	Review of maintenance needs has identified the benefits that a dedicated programme of servicing would bring to Bankhead Depot. Findings show that a Servicing Workshop is required to realise the benefits. <b>Working patterns of Fleet Mechanics and Fitter staff to be reviewed to ensure they are compatible with ERS Winter requirements.</b> Funding requirements for the provision of servicing bays at Bankhead will be considered within the depot rationalisation programme.	Open
25	Depot Review	Review the requirement for three depots for roads and develop a rationalisation/improvement strategy	Dec-17	Dec-18	ERS Manager/ Asset Strategy Manager	Management review is underway with findings anticipated in December 2018. Proposal to close Barnton Depot and move staff to Bankhead is expected by Sept 2018.	Open
26	Salt Storage	Ensure that adequate arrangements are in place to provide core and contingency salt stocks to support our winter maintenance activity	Sep-17	n/a - achieved	Commercial Manager/Asset Strategy Manager	Strategic arrangements and salt stocks are sufficient to support current winter weather activity. Links to Action Point 25 - Depot Review in terms of number of depots/salt locations available. Funding is required to replace the salt dome at Blackford Depot if this is to remain as an operational depot in the short /medium term.	Achieved with additional activities underway

Action Point	Action	Target Date	Forecasted Date	Lead Team	Comments	Status	
<b>Improved Business Processes</b>							
27	Confirm Training	Extend training to staff and ensure Confirm is fully utilised	Oct-17	Mar-18	Confirm Board	Following completion of Confirm Health Check, improvements have been made to the system. Training has been delivered to Locality and ERS staff by Confirm Superusers. Support will continue as required to embed the changes.	Achieved
28	Schedule of Rates (SORs)	Develop a suite of schedule of rates for the newly established Road Service operations	Dec-17	Jun-18	Commercial Manager	Locality team needs have been identified and ERS squads have been established to meet these needs. A further review will be required following implementation of the new organisational structure. Links to Action Point 1. SORs to be agreed and developed for Confirm, followed by a trial to integrate these in to appropriate financial monitoring system.	Open
29	Winter Weather Treatment	Review the winter maintenance operation and ensure that the service achieves value for money	Aug-17	n/a - achieved	ERS Manager/Locality Managers	Thermal Mapping is underway to gather information for winter 2017/18. Vehicle tracking has been installed on gritting fleet. Mobile tracking devices for hired vehicles and sub-contractor vehicles purchased. Information from Thermal Mapping will be used to introduce new domains next winter and gritting routes will be recorded on vehicle tracking system.	Achieved with additional activities underway
<b>Improved Asset Management</b>							
30	Asset responsibility	Create a joint RAMP and Roads Inspection function	Dec-17	Mar-18	Head of Place Management	A list of assets and the teams responsible for their maintenance has been developed and is maintained by the RAMP Manager.	Open
31	Inspection and RAMP data	Develop a system to integrate road inspection data with RAMP data to inform optimal investment in our road asset	Mar-18	ongoing	RAMP Manager	Development of a reporting mechanism in the Confirm Asset Management System ongoing.	Open

Action Point		Action	Target Date	Forecasted Date	Lead Team	Comments	Status
32	Street Lighting Central Management System (CMS)	Include the provision of CMS in the energy efficient lighting contract	Sep-18	n/a - achieved	Street Lighting & Traffic Signals Manager	Links to Action Point 36. The benefits of the CMS will be realised following the installation of the new lanterns. The benefits of the CMS will accelerate over the 35 month duration of the contract.	Achieved
<b>Capital Delivery and Contract Management</b>							
33	Prime contractor	Undertake market testing to assess the potential for the procurement of a single prime contractor to deliver all capital works	Dec-17	Jun-18	Infrastructure Manager	Links to Action Point 34. Working group convened to design market testing questions and assessment. Procurement are liaising with other Local Authorities on Prime Contractor Models.	Open
34	Contract Management	Benchmark other Councils with prime contractors to determine the optimal contract management structure and roles	Feb-18	Jun-18	Infrastructure Manager/Commercial and Procurement	Links to Action Point 33. Working group convened to design market testing questions and assessment. Procurement are liaising with other Local Authorities on Prime Contractor Models.	Open
35	Contract Management	Following market testing and benchmarking, if appropriate, seek Committee approval, develop a contract specification, advertise and procure a prime contract before implementation	Apr-19	ongoing	Infrastructure Manager/Commercial and Procurement	Links to Action Points 33 & 34	Open
36	Street Lighting Project	Convert existing Street Lighting to energy efficient lanterns	Dec-20	ongoing	Street Lighting & Traffic Signals Manager	Conversion contract awarded in January 2018. Contract duration is anticipated to be 35 months.	Open

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 20 March 2018

## Licensing Forum: Review of Constitution and Membership

Item number	7.10
Report number	
Executive/routine	
Wards	All
Council Commitments	

### Executive Summary

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The Local Licensing Forum ('the Forum') is a lay advisory body set up by the Council as required by the Licensing (Scotland) Act 2005. The Forum is a separate legal entity from the Council and is not a Council committee. The Council has a legal duty to establish a Forum, to appoint the membership of the Forum and provide support and assistance as required.

This report sets out the current appointment process and proposes a timeline for a review of this process.

## Licensing Forum: Review of Constitution and Membership

### 1. Recommendations

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- 1.1 The Governance, Risk and Best Value Committee is asked to note:
  - 1.1.1 the information provided on the current appointment process; and
  - 1.1.2 that the process and constitution will be reviewed, with a revised process and constitution submitted to full Council for approval in June 2018.

### 2. Background

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- 2.1 The Licensing (Scotland) Act 2005 ('the Act') requires local authorities to establish a 'Local Licensing Forum' under the provisions of the Act. Whilst Licensing Boards have been in place as separate legal entities for many years, Licensing Forums were created by the Act. However, both are independent of the Council and its structures. The Act does not provide any mechanism by which the Council could exercise governance over the Forum.
- 2.2 The Act sets out the functions of the Forum, specifically:
  - 2.2.1 keeping under review the operation of the Act in the Forum's area, and in particular, the exercise by the local Licensing Board of its functions; and
  - 2.2.2 giving such advice and making such recommendations to the Board in relation to those matters as the Forum considers appropriate.
- 2.3 The Act makes it clear that the Forum's role is not to review, give advice or make recommendations to the Board in relation to the exercise of their functions in relation to particular cases.
- 2.4 The operation, membership and constitution of the Forum was reviewed in [2012](#), shortly after the local government elections. At that time responsibility for supporting the Forum transferred from Committee Services to the senior manager with responsibility for licensing within the Council. All reports in relation to the Forum have been dealt with by Council, as none of the existing executive committees have the Licensing Forum within their remit.
- 2.5 The constitution of the forum was reviewed in 2017 and full Council agreed those changes in [November 2017](#).

### 3. Main report

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#### **Current Appointment process**

- 3.1 Prior to the 2012 review of the Forum, there was no formal mechanism for selecting and appointing forum members. In practice membership was made of interested parties from both the community and the licensed trade who had made themselves known to Council officers or councillors. As the maximum number on the forum was 21 with four spaces for officers, the number of seats for the community and the trade were allocated equally at eight each to a total of 16. The remaining seat was allocated for a young person. Officers supporting the Forum have sought to ensure where possible that the balance between the licensed trade and the community representatives has been maintained.
- 3.2 Following the 2012 review, the then Director, who had delegated powers to appoint members of the forum, instructed Partnership and Information Managers within the Neighbourhood Structure of the Council to engage with Neighbourhood Partnerships and community groups in their respective areas to identify a community representative for each neighbourhood area. This equated to six members nominated in this way who were appointed by the Director. For the remaining two seats, the names of two further individuals had been put forward by Councillors and again the Director appointed those people directly.
- 3.3 Membership from the community has remained largely stable, where a vacancy occurred the same process was used to fill it. Members are asked to note that the constitution has always allowed other members of the community to attend and contribute, albeit on an ex-officio basis. It has been quite common for community councils to send a representative and contributions from such representatives are welcomed.
- 3.4 In respect of the licensed trade, membership continued to be appointed from volunteers who made themselves known to the Council or have been put forward by Councillors. Some of the members represent trade organisations who can in turn speak on behalf of larger membership for example the Scottish Beer and Pub Association. There have been no more than eight volunteers from the trade at any one time and therefore no formal selection process has taken place.
- 3.5 The current membership of the forum is included at appendix 1.

#### **Review of Forum Membership Appointment Process**

- 3.6 As requested by the Committee, it is the intention to review the current appointment process to ensure that it is transparent, fair and fully understood. A written process proposing how the Council could select and appoint members of the Forum, together with any further recommended changes to the Constitution, will be prepared and reported to Council for approval in June 2018. If Council approves the revised proposals, the current Forum will be disbanded and a full selection and appointment process will be undertaken later in the year.



- 3.7 It is proposed that the current Forum continues until the new process is approved to ensure that the work of the Licensing Board, in reviewing its Statement of Licensing Policy, is able to proceed timeously by allowing for the required statutory consultation process with the Forum.

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

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- 4.1 The Council supports and encourages an active local Licensing Forum which reflects the proposed membership set out within the Licensing (Scotland) Act 2005).

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

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- 5.1 The costs of supporting the Forum are minimal and are contained within the Place Directorate budget.

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

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- 6.1 The Local Licensing Forum is independent of the Council and governance arrangements therein.

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

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- 7.1 Guidance will be sought from the Equalities Commission to ensure that best practice for appointing members of a public body is incorporated as appropriate within the revised selection and appointment process.

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

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- 8.1 There are no sustainability issues arising out of the contents of this report.

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

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- 9.1 Consultation on proposed changes to the Forum constitution and membership is will be undertaken following committee.

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

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- 10.1 [Licensing \(Scotland\) Act 2005](#)

**Paul Lawrence**

Executive Director of Place

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## 11. Appendices

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### APPENDIX 1: FORUM MEMBERS AS AT 7 DECEMBER 2017

1. Licensing Standards Officer
  - Ken Fairgrieve
2. Licence Holders and Persons with Relevant Interests
  - Graeme Arnott
  - Marshall Bain
  - Rosaleen Harley (Convener)
  - Paul Togneri (Scottish Beer and Pub Association)
  - Dennis Williams
  - John Lee
  - Peter Swanson
  - James Nicholson
3. Police Scotland
  - Sgt John Young
4. Health, Education & Social Work
  - Jim Sherval
5. Young Persons
  - Jenna Kelly
6. Community/residents:
  - Penny Richardson (North rep.)
  - Vacant (East rep.)
  - Vacant (West rep.)
  - Norman Tinlin (South West rep.)
  - Bridget Stevens (additional)
  - Samuel Piacentini (City Centre/Leith rep.)
  - Robin Morris (South rep.)
  - Chris Wigglesworth (Friends of the Meadows (additional))

# Governance, Risk and Best Value Committee

10.00am, Tuesday 20 March 2018

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

Item number	7.11
Report number	
Wards	All

### Executive summary

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On 27 February 2018, the Corporate Policy and Strategy Committee considered a report that detailed the Council's ongoing Welfare Reform activities, including the current Universal Credit position and the benefit cap. The report also detailed a proposal to phase out and withdraw paper-based application forms for Housing Benefit/Council Tax Reduction in favour of digital applications. The report has been referred to the Governance, Risk and Best Value Committee to consider as part of its work programme.

# Terms of Referral

## Welfare Reform – Update

### Terms of referral

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- 1.1 The Corporate Policy and Strategy Committee considered a report on 27 February 2018 that detailed the Council's ongoing Welfare Reform activities, including the current Universal Credit position and the benefit cap.
- 1.2 The report also detailed a proposal to phase out and withdraw paper-based application forms for Housing Benefit/Council Tax Reduction in favour of digital applications. The removal of paper forms would bring the Council in line with the Department of Work and Pensions (DWP) and a number of other councils.
- 1.3 The Corporate Policy and Strategy Committee agreed:
  - 1.3.1 To note the ongoing work to support Universal Credit and Welfare Reform, in particular the extension of the benefit cap in Edinburgh.
  - 1.3.2 To note the current spend projections for Discretionary Housing Payment, Council Tax Reduction Scheme and the Scottish Welfare Fund.
  - 1.3.3 To agree in principle to withdraw paper application forms for Housing Benefit/Council Tax Reduction in favour of a digital only application, subject to a further report on the consultation/impact assessment, and final decision by the committee.
  - 1.3.4 To agree to refer this report to the Governance, Risk and Best Value Committee to consider as part of its work programme.
  - 1.3.5 To request further information in the next report to Committee on the number of people refused short term benefit advances by the DWP.

### For Decision/Action

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- 2.1 The Governance, Risk and Best Value Committee is asked to consider the report as part of its work programme.

## Background reading / external references

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Corporate Policy and Strategy Committee – 27 February 2018

### **Laurence Rockey**

Head of Strategy and Insight

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## Links

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### **Appendices**

Appendix 1 - report by the Executive Director of Resources

# Corporate Policy and Strategy Committee

10.00am, Tuesday 27 February 2018

## Welfare Reform – Update

Item number	7.1
Report number	
Executive/routine	
Wards	
Council Commitments	

### Executive Summary

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This report details the Council's ongoing Welfare Reform activities, including the current Universal Credit (UC) position following the significant changes announced by the UK Chancellor on 23 November 2017. It also considers the benefit cap, its impact on Edinburgh citizens and related transitional activities.

This report also details a service proposal to phase out and withdraw paper-based application forms for Housing Benefit/Council Tax Reduction in favour of digital applications. This change would be effectively supported through a range of activities.

## Welfare Reform - Update

### 1. Recommendations

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- 1.1 It is recommended that the Corporate Policy and Strategy Committee:
  - 1.1.1 note the ongoing work to support University Credit (UC) and Welfare Reform, in particular the extension of the benefit cap in Edinburgh;
  - 1.1.2 note the current spend projections for DHP, Council Tax Reduction Scheme and the Scottish Welfare Fund;
  - 1.1.3 agree, subject to an appropriate Impact Assessment, to withdraw paper application forms for Housing Benefit/Council Tax Reduction in favour of a digital only application; and
  - 1.1.4 agrees to refer this report to the Governance, Risk and Best Value Committee to consider as part of their work 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. The last report was considered by Committee on 3 October 2017.

### 3. Main report

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#### Universal Credit

- 3.1 As part of the Universal Credit (UC) live service, UC has been available to new, single claimants in Edinburgh, who would previously have been eligible for Job Seekers Allowance. As a result of the Chancellors Autumn statement on 23 November 2017, no new claims will now be accepted for the UC live service. This decision will allow DWP to concentrate on the implementation of 'full service UC'. In addition the rollout of full service UC in Edinburgh has been moved from June to October 2018.
- 3.2 The Chancellor's statement included significant changes to the national roll out schedule for Universal Credit and detailed a £1.5 billion support package. The following table summarises the key changes:

<b>Implementation</b>	<b>Universal Credit Policy Change</b>
January 2018	<p>Cessation of new claims for Universal Credit Live Service from January 2018, resulting in additional citizens claiming legacy benefits.</p> <p>Extended period to repay UC advances has been increased from 6 to 12 months, allowing citizens to receive 100% advance of their projected payment from January 2018. Advances will be paid within 5 days of applying.</p> <p>Proposed plans to extend partnership working with Citizen Advice, to provide more face to face support to UC claimants</p> <p>Households with more than 2 children will continue to claim legacy benefits and will not transfer to UC until 2019.</p>
Spring 2018	DWP will launch online advance request facility.
February 2018	Abolition of seven day waiting period, reducing the assessment to payment period from 6 to 5 weeks.
April 2018	Housing Benefit Run-On will be introduced for UC claimants, awarding an additional 2 weeks Housing Benefit to support citizens meet their Housing Costs during the transitional period.
TBC	Private landlords will be able to apply for a managed payment if specific circumstances can be demonstrated that are likely to result in rent arrears. NB This can be done In Scotland however agreement is required from the citizen at this time.
October 2018	UC Full Digital Service implemented in Edinburgh.

- 3.3 The Council is working with the DWP to effectively implement these actions, however, it is anticipated that the transition of UC live claimants back to legacy benefits will increase the Council's Housing/Council Tax Benefit caseload for a short period until full service is introduced.

### **UC Caseload in Edinburgh**

- 3.4 In December 2017 the DWP reported that there were 2666 UC claimants in Edinburgh. Of this total 60% (1597) were seeking work and 40% (1069) had an element of employment.



### **Scottish Welfare Fund (SWF) and UC Claims**

- 3.5 To assess the impact of UC on alternative funding streams, information is collated on claimants citing UC as a reason for applying for a Crisis Grant from the Scottish Welfare Fund. From April 2017 to 31 December 2017 there were 561 Crisis Grant applications (£45,770) where financial hardship related to UC was cited. In line with the national policy these citizens are referred, in the first instance, to the DWP for a short-term benefit advance.

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

- 3.6 The Council, in conjunction with the DWP, continues to offer Personal budgeting support. To date the demand for this has been low, despite instances of co-location to allow citizens instant access to the service. The DWP are exploring how to work more closely with Citizen Advice to effectively support the transition to full service UC.

### **Council Housing Services and UC**

- 3.7 At the end of December 2017 there were 523 council tenants receiving UC, compared to 520 tenants at the start of the 2017/18. The total value of rent due to be collected from tenants on UC is approximately £217k per month (£2.61m per annum).
- 3.8 In line with recent national changes no Edinburgh citizens will move on to UC until full service in Edinburgh is rolled out. Existing tenants on UC will continue to receive advice to help them meet their rent payment responsibilities.

### **Temporary and Supported Accommodations**

- 3.9 Wherever possible households are placed in temporary accommodation to reduce the likelihood of under occupancy, however, on occasion a larger property may be used to meet an emergency housing need.
- 3.10 Currently 13 of 421 households who are under occupying are in CEC owned temporary accommodation. These households are entitled to claim DHP to cover the relevant under occupancy element and appropriate assistance is provided.
- 3.11 Additional support is also offered to those in temporary accommodation who have had their benefit capped. Council services visit those affected and referrals are made to the Advice Shop/other advice services for financial health checks, accommodation advice, DHP application support etc.

### **Advice Services**

- 3.12 Advice agencies continue to support citizens reliant on state and local authority financial assistance for essential living costs. There was a seasonal downturn in

debt enquiries during the festive period, consistent with previous years. It is anticipated that the number of enquiries will rise during the first quarter of 2018.

- 3.13 The number of appeals where advice agencies have represented claimants has remained steady. Again, it is anticipated that the number of appeals listed will increase from mid-January 2018. The Advice Shop’s representation at appeals resulted in a claimant success rate of between 71 – 83% over the latest period.

**Extension of Benefit Cap**

- 3.14 The benefit cap is a limit on the total amount of income from certain benefits a household can receive. If citizens receive more than the cap (£384 for couple/single person with children or £258 for a single person) then their Housing Benefit is reduced until they are brought back within the income cap.

- 3.15 The following table shows the number of benefit cap cases applied for each tenure type and the average weekly loss in Benefit for these citizens, up to January 2018.

Tenure	No of Households Affected	Average Weekly Loss in Benefit	% of all Benefit Cap Cases	Number in receipt of DHP	Average award of DHP
Temporary Accommodation	131	£199.61	25%	18	£111.21
Mainstream Council Tenancies	79	£44.57	15%	27	£38.99
Private Rented Sector	124	£73.31	24%	46	£72.28
Housing Association (RSL)	27	£43.16	5.5%	6	£19.28
LINK PSL	158	£30.29	30.5%	63	£53.73
Total	519	N/A	100%	160	N/A

- 3.16 The total number of claimants affected by the benefit cap has been less than anticipated, with a total of 519 households affected up to 9 January 2018. The Council and key stakeholder agencies continue to engage with citizens, to ensure appropriate levels of advice and guidance.

- 3.17 A specific benefit cap event was held on Thursday 9 November 2017 at Royston Wardieburn Community Centre for claimants in the north area of Edinburgh. Invites

were issued to 112 benefit cap claimants living in EH4, EH5 and EH6 postcodes prior to this event, with 12 in attendance.

- 3.18 A total of 17 different agencies participated at the event including employability, advice, housing, multiple benefits/grants and early years services. The event was also attended by elected members and representatives from local community groups who provide support to claimants.
- 3.19 There were a number of positive outcomes from the event and four claimants affected by the benefit cap were given assistance in applying for Discretionary Housing Payments. A further two claimants with long term health conditions, engaged with 'All In Edinburgh' and are pursuing a Training Programme to help them back into employment.

**Council Tax Reduction Scheme (CTRS)**

- 3.20 The National Settlement and Distribution Group have allocated £26.672m in CTRS funding for 2018/19 (£26.467m in 2017/18) to the Council. No significant changes have been made to the scheme. Appendix 1 outlines the Council's CTRS spend to 31 December 2017.

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

- 3.21 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 at 31 December 2017. The table below details the 2017/18 budget allocation and total spend to 31 December 2017.

	<b>Budget 2017/18 (£)</b>	<b>Carry Over to 2017/18</b>	<b>Total Budget (£)</b>	<b>2017/18 Spend April to Dec ( £)</b>
Crisis Grants	£655,051.80	£0.00	£655,051.80	£500,190.83
Community Care Grants	£1,528,454.20	£330,000.00	£1,858,454.20	£1,107,295.77
<b>Total</b>	<b>£2,183,506.00</b>	<b>£330,000.00</b>	<b>£2,513,506.00</b>	<b>£1,607,486.60</b>

- 3.22 The number of SWF 2<sup>nd</sup> Tier Reviews heard by the SPSO between April 2017 and 31 December 2017 was 34. A total of 16 (47%) reviews were upheld in favour of the SWF and 18 (53%) overturned in favour of the citizen.
- 3.23 There were a total of 2035 referrals made to Foodbanks in Edinburgh between April 2017 and 31 December 2017.

## Discretionary Housing Payments (DHP)

3.24 From 1 April 2017, DHP funding was devolved from the DWP to the Scottish Government. The allocation for Edinburgh for 2017/18 is as follows:

- Under Occupancy mitigation - Funding is allocated in two tranches and is based on forecasted Under Occupancy charges. The first tranche of funding is £3.1m or 80% of the expected cost.
- Other DHPs - This includes assistance for those affected by the Benefit Cap and Local Housing Allowance reforms. The funding for Other DHPs is £1.7m (£1.45m from the DWP in 2016/17).

The initial total of the DHP fund for 2017/18 is £4.8m, however this does not include the remaining 20% of funding to fully mitigate under occupancy, which would increase the fund to around £5.6m. Analysis suggests this that the total fund is likely to be £5.4m, given levels of under occupation in Edinburgh.

3.25 As of 31 December, the Council's DHP position was as follows:

Total Fund for 2017/18	£4,836, 647*
Net Paid to Date	£3,663,300.90
Committed pending related benefit process	£1,028,052.80

\*exclusive of additional 20% to be allocated in 2018.

3.26 There have been 6382 DHP applications up to 31 December 2017 of which 524 were refused. The overall refusal rate is 8.2% and the most common reason for refusal is where a customer's income exceeds their expenditure. The number of days to process a request for a DHP was 13 days. Appendix 3 outlines the Council's DHP spend profile at December 2017.

3.27 As part of an ongoing awareness campaign road shows are being held within each locality to highlight the availability of the fund. The purpose of the events is to promote DHP and answer any questions which locality staff may have around DHP. The events have been well attended, with positive feedback.

## Scottish Social Security

3.28 A new Scottish Security Agency is being established by the Scottish Government to administer benefits devolved from Central Government. This does not include the Scottish Welfare Fund and DHP fund which will remain with local authorities to administer.

3.29 The Council continues to liaise with Scottish Government and COSLA to support the design and delivery of the new scheme and provide the best possible outcomes for citizens. The Council's Customer team remains the main liaison with Scottish

Social Security Agency and further updates will be provided to Committee as operating arrangements are clarified

### **Application for Benefit – Online Opportunities**

- 3.30 As part of ongoing modernisation activities the service has impact assessed the merits of moving to a digital only application form for Housing Benefit and Council Tax Reduction Benefit. The removal of paper forms would bring the council in line with the DWP and a number of other councils. This would deliver a range of citizen, service and efficiency benefits, on the understanding that, as appropriate, citizens will continue to receive support and advice. This service change is considered in detail at Appendix 4.

## **4. Measures of success**

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- 4.1 The success of the Welfare Reform programme continues to be measured through:
- reductions in forecast loss of income; and
  - customer satisfaction with advice and advocacy services relating to benefit changes and 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 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 UC;
  - Scottish Welfare Fund and DHP 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. Risk, policy, compliance and governance impact**

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- 6.1 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.

## **7. Equalities impact**

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- 7.1 The UK Government has prepared Equalities and Human Rights assessments for the welfare reform proposals. The Council will undertake Integrated Impact Assessments when necessary for appropriate proposals.
- 7.2 An Impact Assessment will be undertaken in relation to the proposed removal of paper forms in advance of implementation

## **8. Sustainability impact**

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

## **9. Consultation and engagement**

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- 9.1 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.
- 9.2 The Council continues to participate in groups looking at the impacts of Welfare Reform, including COSLA's Welfare Reform Local Authority Representative Group.
- 9.3 A full Equalities Impact Assessment of the removal of paper forms will be undertaken in advance of implementation.

## 10. Background reading/external references

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[Welfare Reform – Update: report to Corporate Policy and Strategy Committee 28 February 2017](#)

[Welfare Reform – Update: report to Corporate, Policy and Strategy Committee 8 November 2016](#)

[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](#)

### **Stephen S. Moir**

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## 11. Appendices

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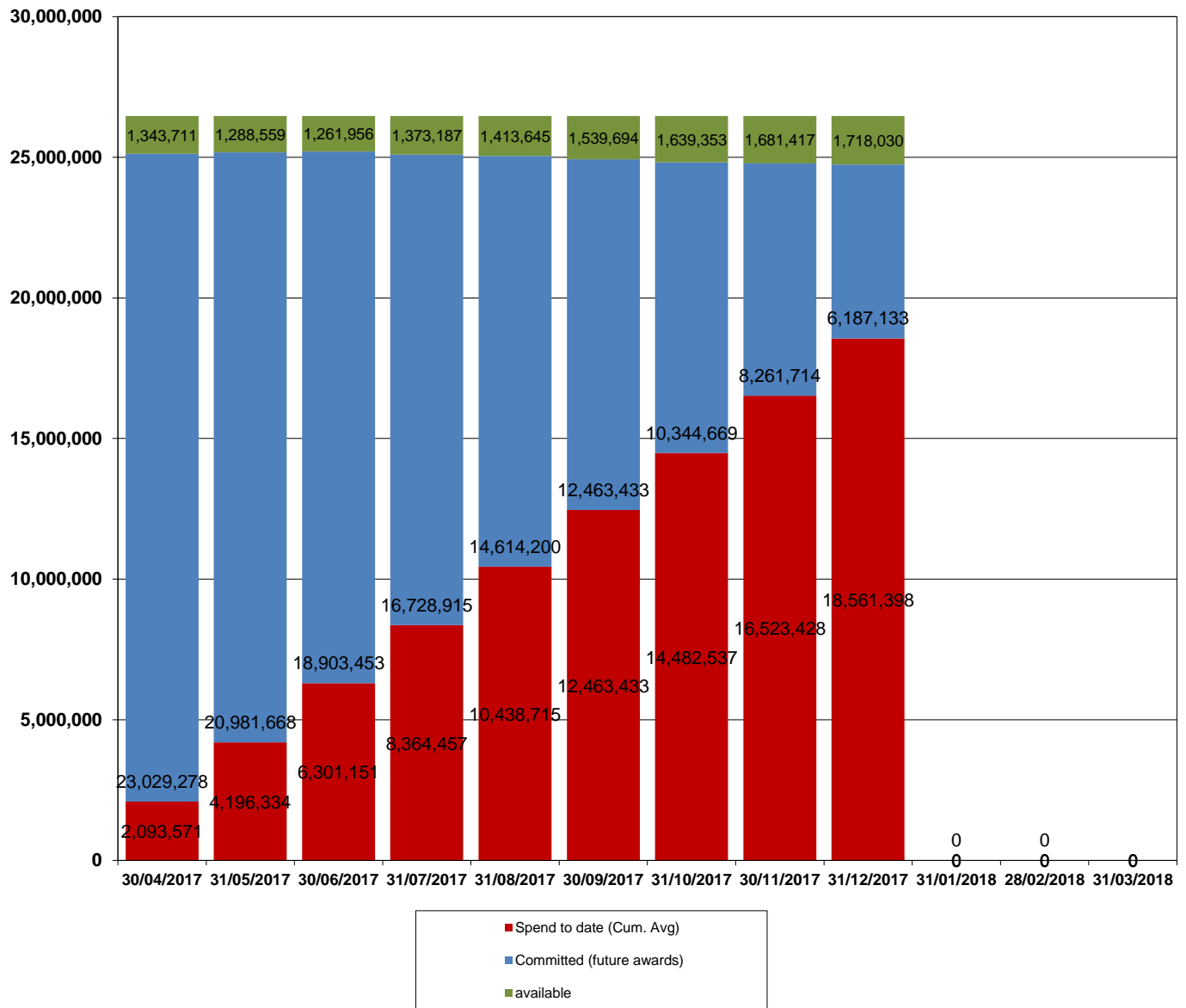
Appendix 1 – Council Tax Reduction Scheme Spend

Appendix 2 – Scottish Welfare Fund Spend

Appendix 3 – Discretionary Housing Payment Spend

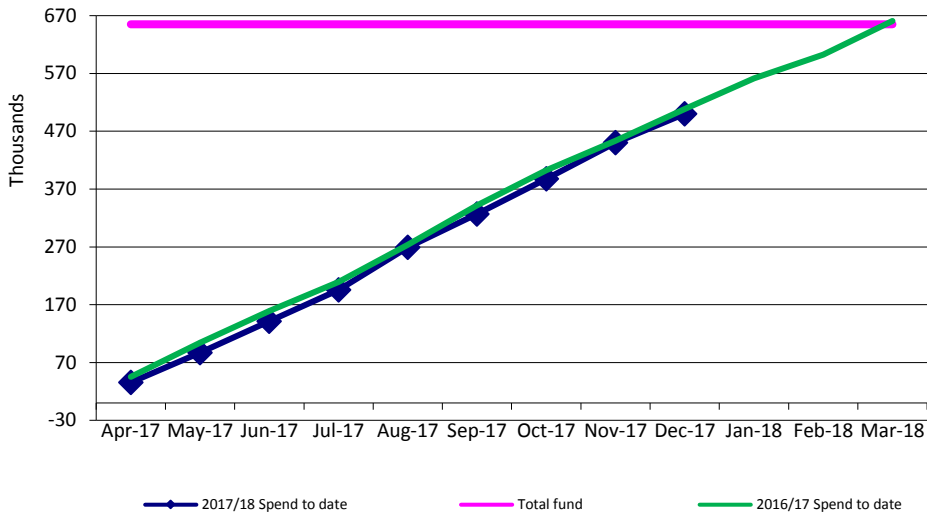
Appendix 4 – Removal of Paper Forms for Housing Benefit/Council Tax Reduction

### CTRS Distribution 2017/18

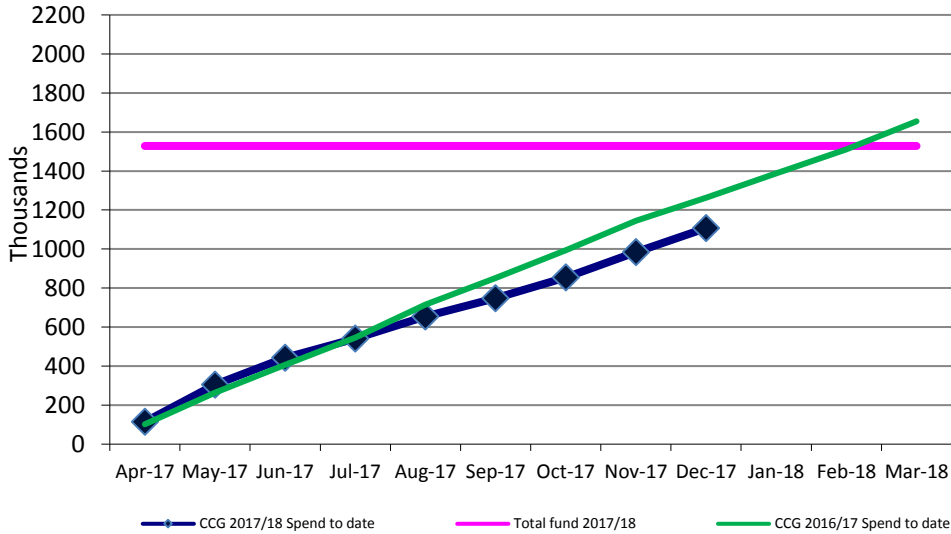




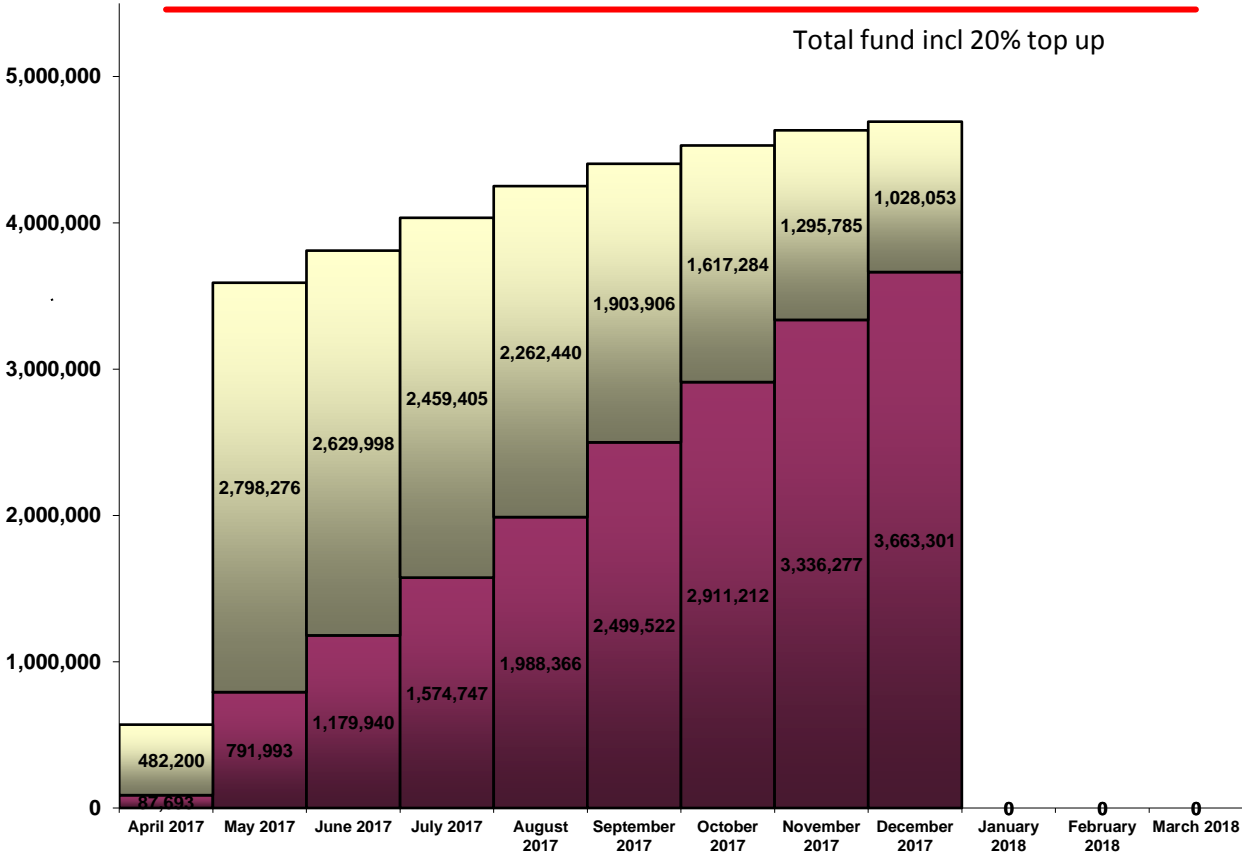
**Crisis Grant Allocation 2017/18**



**Community Care Grant Allocation 2017/18**



DHP Fund Allocation 2017/18



- Committed pending related benefit process
- Net paid to date

### Removal of Paper Forms for Housing Benefit/Council Tax Reduction

#### Operational Change

To remove paper application forms for Housing Benefit and Council Tax Benefits and replace them with digital options, supported by comprehensive back office integration.

#### Context

The Council has offered an online form for Housing Benefit and Council Tax Reduction applications for several years. This online form allows for full integration with back office systems, removing the need for manual data input and reducing the risk of keying errors. It is estimated that the use of the online option reduces the time taken to assess a claim by around 20 minutes per case. This benefits citizens, Landlords and the service area by ensuring that claims are processed accurately, efficiently and payment is made promptly.

A five month sample exercise has highlighted that the Council currently receives **73%** of its Housing Benefit and Council Tax Reduction via online forms, with **27%** coming via traditional paper forms. Paper forms are received from all tenancy types (Private/Housing Association/Council)

- 60% of paper forms were from Council Tenants (72% of forms received at local offices)
- All non-digital Housing Association claims originated from one HA.
- 15% of paper forms completed by a third party as the claimant required assistance.

#### Benefits

A fully online application process would have various citizen, service and efficiency benefits:

- Cost reduction in processing benefit claims as a result of no/limited data input. Resource would be retasked to focus on assessment activities to support faster benefit processing
- Qualified resource no longer undertaking data input activities
- Approach consistent with Council's channel shift aspirations, by offering fully accessible services to those with access to digital devices with additional support in place for those that need it.
- Removal of paper based applications will reduce carbon footprint across the Council.
- Online functionality will shortly be available that allows citizens to upload documents digitally as part of the claim process. This will direct citizens to provide the appropriate documentation to allow for the speedier processing of their claims, enhancing the citizen experience.

The success of this change will be measured through various indices including the number of online form applications, customer satisfaction, and time taken to process claims. Any reputational risk to the Council will be monitored and updates would be provided to members as part of the quarterly update to Corporate Policy and strategy and the annual update to the Governance, Risk and Best Value Committee.

## **Approach**

The move to online forms as the default service will be supported by the following activities:

- Online forms promoted to key stakeholder groups, with appropriate notification of the change
- CEC staff that are currently using paper forms will be directed to the digital online services when they are supporting citizens.
- Training will be offered to groups who provide support to citizens to ensure they are comfortable with the online form.
- Self Service kiosks are available in all locality offices. These enable citizens to access the online forms, whilst receiving appropriate levels of support
- Additional support provided to those that are unable to access the default online forms e.g. supported by telephone or within locality offices.
- Frontline staff will continue to promote the online form and raise awareness across communities.

## **Consultation**

Existing stakeholders will be consulted in advance of the change; including Citizens, CEC Frontline Staff, CEC Customer Service Points, Registered Social Landlords & Housing Associations, Advice agencies, Voluntary Sector, Job Centre + offices

An Integrated Impact Assessment (IIA) will be undertaken in advance of the withdrawal of paper forms to provide assurance that the withdrawal of paper forms meets with legal duties to consider equality, human rights and sustainability. It will also provide the opportunity to identify and tackle unanticipated impacts.

Contact has been made with nine Scottish Councils, of which three confirmed that they offer an exclusive digital application service, with other councils considering their options at this time. Those councils that have moved to a fully digital service confirmed that there had been no negative feedback following the appropriate stakeholder engagement and the use of appropriate support for those who have difficulty accessing and using digital devices.

The DWP has already introduced an exclusively online digital application process through Universal Credit. This arrangement is supported by a delivery partnership agreement that details support for citizens in accessing digital devices and for those who could experience difficulty using online applications. Lessons learned from this exercise will be used to inform Edinburgh's approach.

## **Timescale**

April 2018, subject to Impact Assessment outcomes