

# Notice of meeting and agenda

## Governance, Risk and Best Value Committee

**10.00 am Tuesday, 3rd December, 2019**

Dean of Guild Court Room - City Chambers

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

The law allows the Council to consider some issues in private. Any items under “Private Business” will not be published, although the decisions will be recorded in the minute.

### Contacts

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Tel: 0131 529 4240 / 0131 529 4237

## 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. Declaration of Interests

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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 29 October 2019 – submitted for approval as a correct record 7 - 14

## 5. Outstanding Actions

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- 5.1 Outstanding Actions – 3 December 2019 15 - 30

## 6. Work Programme

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- 6.1 Governance, Risk and Best Value Work Committee Work Programme – 3 December 2019 31 - 40

## 7. Business Bulletin

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- 7.1 Governance, Risk and Best Value Committee Business Bulletin – 3 December 2019 41 - 42

## 8. Reports

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- 8.1 Edinburgh International Conference Centre Annual Update-referral from the Housing, Homelessness and Fair Work Committee 43 - 94
- 8.2 Capital Theatres Company Performance Report 2018/19 - referral 95 - 138

from the Culture and Communities Committee

(Capital Theatres – Annual Report and consolidated financial statements for the year ended 31 March 2019 attached for reference)

<b>8.3</b>	Internal Audit Update Report: 1 April to 31 October 2019 – Report by the Chief Internal Auditor	139 - 162
<b>8.4</b>	Internal Audit: Overdue Findings and Late Management Responses as at 22 October 2019 – Report by the Chief Internal Auditor	163 - 222
<b>8.5</b>	Capacity to Deliver the 2019/20 Internal Audit Annual Plan – Report by the Chief Internal Auditor	223 - 228
<b>8.6</b>	The Role of the Head of Internal Audit and Leading Internal Audit in the Public Sector – Report by the Chief Internal Auditor	229 - 260
<b>8.7</b>	Historic and Outstanding Internal Audits – Health and Social Care – Report by the Chief Officer, Edinburgh Health and Social Care Partnership	261 - 288
<b>8.8</b>	Change Portfolio – Report by the Chief Executive	289 - 300
<b>8.9</b>	Corporate Leadership Team Risk Register – Report by the Chief Executive	301 - 312
<b>8.10</b>	Annual Assurance Schedule - Place Directorate – Report by the Executive Director of Place	313 - 346
<b>8.11</b>	Edinburgh's Christmas - Motion by Councillor Mowat - Referral from the Policy and Sustainability Committee	347 - 358
<b>8.12</b>	Whistleblowing update – Report by the Chief Executive	359 - 362

## **9. Motions**

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**9.1** If any

## 10. Resolution to consider in private

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- 10.1** The Committee, is requested under Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the public from the meeting for the following items of business on the grounds that they would involve the disclosure of exempt information as defined in Paragraphs 1, 12 and 15 of Part 1 of Schedule 7A of the Act.

## 11. Private Reports

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- |             |   |           |
|-------------|---|-----------|
| <b>11.1</b> | Whistleblowing Monitoring Report – Report by the Chief Executive  | 363 - 398 |
| <b>11.2</b> | Whistleblowing Investigation Report – Report by the Chief Officer, Edinburgh Health and Social Care Partnership | 399 - 448 |

### Laurence Rockey

Head of Strategy and Communications

### Committee Members

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Councillor Joanna Mowat (Convener), (Vice-Convener), Councillor Eleanor Bird, Councillor Jim Campbell, Councillor Maureen Child, Councillor Phil Doggart, Councillor Gillian Gloyer, Councillor Melanie Main, Councillor Rob Munn, Councillor Gordon Munro, Councillor Alex Staniforth and Councillor Norman Work

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

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The Governance, Risk and Best Value Committee consists of 11 Councillors and is appointed by the City of Edinburgh Council. The Governance, Risk and Best Value Committee usually meets in the Dean of Guild Court Room in the City Chambers on the 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 , Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court,



4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4240 / 0131 529 4237, email [lesley.birrell@edinburgh.gov.uk](mailto:lesley.birrell@edinburgh.gov.uk) / [martin.scott@edinburgh.gov.uk](mailto:martin.scott@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).

## **Webcasting of Council meetings**

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

The Council is a Data Controller under current Data Protection legislation. We broadcast Council meetings to fulfil our public task obligation to enable members of the public to observe the democratic process. Data collected during this webcast will be retained in accordance with the Council's published policy including, but not limited to, for the purpose of keeping historical records and making those records available via the Council's internet site.

Generally the public seating areas will not be filmed. However, by entering the Council Chamber and using the public seating area, individuals may be filmed and images and sound recordings captured of them will be used and stored for web casting and training purposes and for the purpose of keeping historical records and making those records available to the public.

Any information presented by individuals to the Council at a meeting, in a deputation or otherwise, in addition to forming part of a webcast that will be held as a historical record, will also be held and used by the Council in connection with the relevant matter until that matter is decided or otherwise resolved (including any potential appeals and other connected processes). Thereafter, that information will continue to be held as part of the historical record in accordance with the paragraphs above.

If you have any queries regarding this, and, in particular, if you believe that use and/or storage of any particular information would cause, or be likely to cause, substantial damage or distress to any individual, please contact Committee Services ([committee.services@edinburgh.gov.uk](mailto:committee.services@edinburgh.gov.uk)).

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# Minutes

## Governance, Risk and Best Value Committee

10.00am, Tuesday, 29 October 2019

### Present

Councillors Mowat (Convener), Bird, Jim Campbell, Child, Doggart, Gloyer, Miller (substituting for Councillor Main), Munn, Munro, Staniforth and Work.

### 1. Minute

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#### Decision

To approve the minute of 17 September 2019 as a correct record.

### 2. 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 5** – Delivery of the New Boroughmuir High School – Post Project Review

**Action 10(2)** – Accounts Commission Safeguarding Public Money – Are You Getting it Right?

2) To note that Action 8 – Welfare Reform Annual Report marked out to the Convener had been completed and to update the outstanding actions accordingly.

3) To otherwise note the outstanding actions

(Reference – Outstanding Actions 29 October 2019, submitted)

### 3. Work Programme

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#### Decision

To note the Work Programme.

(Reference – Governance, Risk and Best Value Committee Work Programme 29 October 2019, submitted)

## 4. Business Bulletin

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### Decision

To note the Business Bulletin.

(Reference – Governance, Risk and Best Value Committee Business Bulletin 29 October 2019, submitted)

## 5. Quarterly Status Update – Digital Services Programme

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The quarterly progress update for the Council's digital services programme of work was provided. Details were provided of the joint work between the Council and its ICT partner, CGI, to increase the pace of delivery to improve core ICT services, achieve continuous improvement and progress the associated major systems changes and developments which would better enable and enhance citizen facing services and the internal business operations of the Council.

### Decision

- 1) To note the quarterly update.
- 2) To request that a further report be brought back to Committee in six months on the Customer Digital Enablement programme once the new CRM had bedded in focussing on the benefits realisation and evaluation of the project.

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

## 6. Annual Assurance Schedule – Resources Directorate

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The Resources Directorate Annual Assurance Schedule for 2018/19 was presented.

### Decision

To note the Resources Directorate annual assurance schedule for 2018/19.

(References – Governance, Risk and Best Value Committee 30 October 2018 (item 5); report by the Executive Director of Resources, submitted)

## 7. Resources Directorate – Internal Audit Action Update – referral from the Finance and Resources Committee

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The Finance and Resources Committee had referred a report which presented the internal audit summary findings from final audits undertaken in the 2018/19 Internal Audit Plan relating to the Resources Directorate to the Governance, Risk and Best Value Committee as part of its work programme.

### Decision

- 1) To note the report.

- 2) To include audit findings as an appendix to future reporting to the Finance and Resources Committee on internal audit actions.

(References – Finance and Resources Committee 10 October 2019 (item 6); report by the Chief Executive, submitted)

## **8. Capital Budget Strategy 2020-2030 – referral from the Finance and Resources Committee**

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The Finance and Resources Committee had referred a report which set out detailed priorities for capital investment over the medium to long term and a plan on how they could be funded to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

Priorities put forward for proposed additional funding included the Wave 4 schools programme, additional infrastructure required due to population growth and demography as well as increased investment in the Council's existing estate.

### **Decision**

To note the report by the Executive Director of Resources.

(References – Finance and Resources Committee 10 October 2019 (item 7); report by the Head of Strategy and Communications, submitted)

## **9. Roads Services Improvement Plan**

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Details were provided on progress being made in delivering outstanding actions relating to the Roads Services Improvement Plan. To date 20 actions had been completed with 15 remaining outstanding and 1 being cancelled.

Significant progress had been made in re-defining the organisational structure within the wider roads and transport service creating two new distinct service areas.

### **Decision**

- 1) To note the report and positive progress made to date.
- 2) To note that a new redesigned improvement plan was being developed to take account of the progress made to date and the realigned service structure and responsibilities.

(References – Transport and Environment Committee 11 October 2019 (item 14); report by the Executive Director of Place, submitted)

## 10. City of Edinburgh Council Sheltered Housing

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Details were provided on the main conclusions of the first quarterly revenue monitoring report for 2019/20.

### Decision

- 1) To note the report and the work ongoing to maintain and improve services for residents of sheltered housing and strengthen resident involvement.
- 2) To request that a further update be presented to the Integration Joint Board, as the parent reporting body for the Health and Social Care Partnership, in one year focussing specifically on key improvements to address social isolation and communication with residents with a request that the report be thereafter referred to this Committee for its consideration.

(Reference – report by the Chief Officer, Edinburgh Health and Social Care Partnership, submitted)

## 11. Emergency Motion by Councillor Mowat – Edinburgh’s Christmas

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The Convener ruled that the following item, notice of which had been given at the start of the meeting, be considered as a matter of urgency to allow the Committee to give early consideration to this matter.

The following motion by Councillor Mowat was submitted in terms of Standing Order 16:

“Committee

Notes with concern the increase in scale and change of layout of the build for Edinburgh’s Christmas this year and that the permission to extend the contract with Underbelly over 2 years was agreed under urgency arrangements and reported to the Culture and Communities Committee on 18th June. Whilst an increase in infrastructure was noted, the scale of said increase was not reported to Committee. The Council’s Scheme of Delegation says:

2.1 *Where a decision or action proposed to be taken under delegated powers is likely to be regarded as politically controversial or is a decision (“Material Decision”) that will have or is likely to have:*

- (a) *a significant effect on financial, reputational or operational risk; and/or*
- (b) *a significant impact on service delivery or performance;*

*the appropriate elected members will be consulted before any decision or action is taken. Appropriate elected members will include the relevant convener or vice-convener(s) and, where appropriate, the Leader and/or deputy Leader.*

## **Local Members**

2.2 *Where a decision or action relates to a particular ward or wards (and not to the whole area of the Council) and is likely to directly affect the ward interests of a local member or members, those members will be consulted before any decision or action is taken (save in the case of matters of a routine or confidential nature).*

Given that this comes at a time of heightened concern from the public regarding Princes Street Gardens East following the removal of trees to facilitate the extension to the National Gallery of Scotland:

Committee calls for a report detailing:

1. how the decisions taken by officers and detailed in the briefing note sent to Councillors on 28<sup>th</sup> October 2019 (and attached to this motion at Appendix 1) conform to the scheme of delegation;
2. when plans detailing the increase in size and scale were seen by senior Council Officers i.e. Head of Service or above;
3. whether officers identified that the change in layout and increase in infrastructure was a politically sensitive decision;
4. if this was identified was this communicated to National Galleries of Scotland and Underbelly;
5. whether the new plans conform to the Council's aims as set out in para 3.1.1 in the report presented to Culture and Communities Committee on Edinburgh's Christmas and Hogmanay (item 8.4) on 10<sup>th</sup> September 2019;
6. how and when were key decisions consulted on with Councillors.

The report should be sent to City of Edinburgh Council meeting on 21st November 2019.

### **Appendix 1.**

## **Members briefing: 601 – Edinburgh's Christmas and Hogmanay**

### **Background**

As at April 2019, the Council was in year three of a three-year contract with Underbelly to deliver Edinburgh's Christmas and Hogmanay, with an option to extend for up to three further years, subject to agreed performance indicators.

The redevelopment of the Scottish National Gallery and the landscaping changes to East Princes Street Gardens required a solution to deliver the Christmas Market and to protect the new landscaping. Underbelly proposed a significant capital investment in a scaffold structure to protect the new landscaping in the gardens, significantly increase circulation space after concerns from previous years, and create a deliverable layout. The new structure also serves to increase the accessibility of the Christmas markets with more ramps and flat sections for those with a mobility or sensory impairment.

Underbelly agreed to meet these capital costs but sought the agreement of a two-year extension to the contract to allow them time to recover the capital investment. The Executive Director of Place, in consultation with the Convener and Vice-Convener of Culture and Communities Committee, agreed to a two-year extension under delegated authority due to time constraints. This decision was then reported to Culture and Communities Committee on 18 June 2019. It is acknowledged that the detailed design was not included in the Committee report.

From June onwards, the Council's engineers assessed the structure to be built in Princes Street Gardens. This was to double-check the calculations and proposals made by Underbelly's own engineers and to ensure that the structure was safe and would not cause any significant or structural damage to the new landscaping in the gardens. This process was completed on 12 October 2019.

The redevelopment of the Gardens by National Galleries of Scotland has faced several delays. This has resulted in some areas being incomplete when the Gardens were due to be occupied by Underbelly for Christmas. One of the worst affected areas was a steep bank close to the top path in the Gardens.

Due to the lack of completion of some sections of the works, Underbelly requested to move a section of the market from this steeper area to the area of the Gardens south of the railway line. This would allow this section a full growing season, the best chance to establish and increase crowd flow across the site as a whole.

After consultation with the Convener and Vice-Convener of Culture & Communities Committee, it was agreed to move elements of the market that were to be sited in this steepest section to an area on the south of the railway. This area had been used in previous years but only for storing generators and other plant.

The overall number of stalls has increased in the Gardens with the move to the south section. However, the area of useable, open circulation space has increased significantly, allowing visitors a more comfortable experience during busier periods.

### **Planning Permission and Building Warrants**

Underbelly met with officers from Planning and Building Standards on 30 August to discuss permissions required for the structures and their respective layout in East Princes Street Gardens. A determination of what was warrantable was reached and accepted by all parties. Underbelly agreed to submit a Building Warrant application for all warrantable works within the Christmas Markets.

Planning permission was also discussed at that meeting as the existing permission had expired. Underbelly were told that they needed to apply for this. Underbelly stated that they would be making an application but would not be able to meet the timescales required for a full application to be in place before commencing their build on 18 October because, at that stage, there was no final layout plan as engineers from the Council and Underbelly were still concluding their final assessments of the scaffolding structure and any necessary amendments. This was concluded on 12 October and a planning application is now expected. The application will be assessed in line with the Planning Acts.



It is therefore appropriate to request a retrospective planning application. Underbelly have contacted the Council's Planning Service to update on progress. In the meantime, an enforcement file has been opened by officers, who will monitor the situation.

### **Waverley Bridge**

The Christmas Market has been a very popular attraction and getting busier every year; weekend attendance to the market regularly exceeds 100,000 per day (highest attendance last year was c. 124,000).

As a result of this popularity, special measures (additional stewards) had to be put in place at the crossing at the top of Waverley Bridge to manage the crowds at weekends last year to stop the public coming into conflict with live traffic.

Ongoing discussions are taking place between the Council, Underbelly and other partners over how best to ensure public safety whilst minimising disruption. This matter will be discussed with City Centre Councillors later this week.

### **Old Town/High Street – Edinburgh's Hogmanay**

There have been some issues with wider communications from Underbelly regarding the use of the Old Town and residents' access. Underbelly have been reminded of the need for early and clear communication. For clarity, the High Street and Royal Mile are not being used for Hogmanay; it is only West Parliament Square, outside St Giles' Cathedral. The High Street will remain open throughout and no residents or businesses on the Royal Mile will require passes to access their properties. There is a well-established protocol for access to property within the street party arena and Underbelly will be contacting those properties very shortly.

- moved by Councillor Mowat, seconded by Councillor Doggart

### **Decision**

To approve the motion by Councillor Mowat with the adjustment that the report called for be submitted to the Policy and Sustainability Committee on 26 November 2019.

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# Outstanding Actions

## Governance, Risk and Best Value Committee

3 December 2019

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	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	March 2020 <del>December 2019</del> November 2019 <del>August 2019</del> April 2019		<b><u>November 2019</u></b>  An update was circulated on 6 November 2019.  <b><u>October 2019</u></b>  A team has now been established to review the historic population of files to identify any that could potentially have been merged with incorrect file retention dates applied. Internal Audit will review the

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>scope and approach being applied to this review in October to confirm that it is appropriately designed to ensure that any merged files are identified and reviewed.</p> <p>A final report detailing the outcomes of this work together with Internal Audit recommendations in relation to the review process applied to files prior to their destruction will be presented to the Governance Risk and Best Value Committee in December 2019.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p><b><u>May 2019</u></b></p> <p>Strategy and Comms are preparing a paper which will include the outcomes of the audit findings – this will be reported to the Corporate Policy and Strategy Committee and referred thereafter to GRBV.</p> <p><b><u>Update</u></b></p> <p>The internal auditor’s investigation is still ongoing therefore it may take a few months before an 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 Policy and Sustainability Committee to GRBV.</p>
2	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	<p>May 2020</p> <p><del>September 2019</del></p> <p><del>January 2019</del></p> <p><del>November 2017</del></p>		<p><b><u>September 2019</u></b></p> <p>Please note that a briefing note by the Chief Internal Auditor has been circulated to members separately.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
3	31/07/18	<a href="#">Expansion of Early Learning and Childcare from 600 – 1140 hours by 2020. Audit Scotland Report and Risks</a>	To ask the Chief Executive to submit a report to the Edinburgh Partnership on workforce planning.	Chief Executive Executive Director for Communities and Families	December 2019 <del>October 2019</del> <del>June 2019</del>		<p><b><u>September 2019</u></b></p> <p>The Edinburgh Partnership will consider this report on 18 September 2019, in order to allow it to be considered by the Education, Children and Families Committee on 8 October 2019.</p> <p><b><u>May 2019</u></b></p> <p>The report was submitted to the Education, Children and Families Committee in <a href="#">March 2019</a> and it will be submitted to the Edinburgh Partnership in October 2019.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p><b><u>October 2018</u></b></p> <p>A report is scheduled to go to the Education, Children and Families Committee in March 2019 and will be reported to the Edinburgh Partnership thereafter.</p>
4	28/08/18	<a href="#">Committee Reporting</a>	To request a report by the end of 2019 to monitor the impact of the steps taken to improve the process.	Chief Executive	February 2020 <del>December 2019</del>		
5	15/01/19	<a href="#">Roads Services Improvement Plan</a>	To agree that an update be submitted in October 2019 following the meeting of the Transport and Environment Committee.	Executive Director of Place	October 2019	October 2019	<p><b>Recommended for closure.</b></p> <p>Report approved by Committee on 29 October 2019.</p>



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
6	15/01/19	<a href="#">Garden Waste Bin Collection Project: What Worked Well and Lessons Learned – referral from the Transport and Environment Committee</a>	To ask that a briefing note be circulated providing details of vehicles, overtime and staffing.	Executive Director of Place	December 2019	December 2019	<b>Recommended for closure.</b>  Briefing Note was issued to members on 15 November 2019.
7	04.06.19	<a href="#">Welfare Reform Annual Report</a>	To agree that the Convener would write to the Convener of the Corporate Policy and Strategy Committee recommending that he write to the UK Government requesting assistance to mitigate the impact of welfare reform, and that details, including any responses, would be provided in the Committee's Business Bulletin.	Convener	December 2019 <del>August 2019</del>		<b>December 2019 Update</b> - Convener has written to the Convener of the Policy and Sustainability Committee. Details including any responses will be provided in the Committee's Business Bulletin at a future meeting.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
8	04.06.19	<a href="#">Accounts Commission – Local Government in Scotland: Challenges and Performance 2019 – referral from the Finance and Resources Committee</a>	<p>1) To request a briefing note clarifying the data in Exhibit 4 of the report on the percentage of young people in poverty.</p> <p>2) To agree that the Convener would write to the Convener of the Finance and Resources Committee to recommend that he write to the Scottish Government conveying the Committee's concerns at the lack of government funding, and that details, including any responses, would be provided in the Committee's</p>	<p>Chief Executive</p> <p>Convener</p>	<p>August 2019</p> <p>December 2019</p>		<p><b>1) Closed -</b> Update provided in the Business Bulletin for Committee on 12 September 2019.</p> <p><b>December 2019 Update -</b> Convener has written to the Convener of the Finance and Resources Committee. Details including any responses will be included in the Committee's Business Bulletin at a future meeting.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			Business Bulletin.				
9	04.06.19	<a href="#">Change Portfolio</a>	To agree to an update on the Business Bulletin on the timescale for the Paperless Strategy and Councillors' responsibilities as data controllers.	Executive Director of Resources	October 2019	October 2019	<b>Recommended for closure.</b>  Item was included in the Business Bulletin submitted to Committee on 29 October 2019.
10	13.08.19	<a href="#">Internal Audit Annual Opinion for the year ended 31 March 2019</a>	To request that the Chief Executive, Executive Directors and Chief Officer of the Edinburgh Health and Social Care Partnership, supported by the Chief Internal Auditor, report to the relevant Executive Committee at the earliest opportunity and the subsequent GRBV Committee setting out clear plans to ensure the closure of all historic and overdue	Chief Executive Executive Directors Chief Officer, EHSCP Chief Internal Auditor	December 2019		<b>Resources Update</b> A report on items pertaining to the Resources Directorate has been submitted for the October meeting of Finance & Resources Committee and is to be referred to the following meeting of this Committee.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			internal audit management actions to enable an improvement to the overall Internal Audit Opinion for 2019/20 and to refer all audits with a red finding to the next meeting of the appropriate Executive Committee for their consideration and that action plans would be reported back to GRBV.				
11	13.08.19	<a href="#">Annual Update on Council Transport Arms-Length Companies</a>	To agree that the report to Policy and Sustainability Committee later this year would provide additional clarity regarding the reporting arrangements for ALEOs to the Council and governance schematics and this	Chief Executive	November 2019		<b>December 2019 Update</b> Report will be on the agenda for the Policy and Sustainability Committee on 25 February 2020.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			should be referred back to GRBV Committee.				
12	13.08.19	<a href="#">Marketing Edinburgh Annual Update</a>	To agree that details would be provided about the amount of income generated by Film Edinburgh for the Council.	Executive Director of Place	January 2020		Briefing Note will be issued before Committee meeting in January 2020
13	17.09.19	<a href="#">Outstanding Actions – Procedure for Oversight of Annual Assurance Statements</a>	To request that an update be provided in the Committee's Business Bulletin on the procedure for Committee oversight of the annual assurance statements.	Chief Executive	December 2019		
14	17.09.19	<a href="#">Work Programme – Management of Sheltered Housing</a>	1) To request a report on the management of sheltered housing under Items for Scrutiny.	Chief Officer, Edinburgh Health and Social Care Partnership	October 2019		<b>Recommended for closure.</b> 1. Report submitted to Committee on 29 October 2019. New

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		<a href="#">Work Programme – Member/Officer Protocol</a>	2) To add the review of the Member/Officer Protocol to the workplan with timescales for submission and to agree that a workshop for members would be held prior to submission to the Committee.	Chief Executive	January 2020		<p>action opened (see 17 below)</p> <p>2. Action added to the Work Programme.</p> <p><b><u>December 2019</u></b></p> <p>Workshop with members held on 29 October 2019. A joint workshop will be arranged with officers and members early 2020 (following the General Election).</p>
15	17.09.19	<a href="#">City of Edinburgh Council – 2018/19 Annual Audit Report to the Council and the Controller of Audit</a>	1) To request that an update report be submitted in January 2020 on progress with the action plan.	Chief Executive & Executive Director of Resources	January 2020		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			2) To agree that the Convener would write to the Convener of the Policy and Sustainability Committee to request details of the Committee's planned scrutiny activities and when reports were expected.	Convener			<b><u>December 2019 Update</u></b> - Convener has written to the Convener of the Policy and Sustainability Committee on this issue.
16	29.10.19	<a href="#">Quarterly Status Update – Digital Services Programme</a>	1) To note the quarterly update. 2) To request that a further report be brought back to Committee in six months on the Customer Digital Enablement programme once the new CRM had	Executive Director of Resources	April 2020		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			bedded in focussing on the benefits realisation and evaluation of the project.				
17	29.10.19	<a href="#">City of Edinburgh Council – Sheltered Housing</a>	<p>1) To note the report and the work ongoing to maintain and improve services for residents of sheltered housing and strengthen resident involvement.</p> <p>2) To request that a further update be presented to the Integration Joint Board, as the parent reporting body for the Health and Social Care Partnership,</p>	Chief Officer, EHSCP	October 2020		



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>in one year focussing specifically on key improvements to address social isolation and communication with residents with a request that the report is thereafter referred to this Committee for its consideration.</p>				

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# Work Programme

## Governance, Risk and Best Value Committee – 3 December 2019

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholder	Progress updates	Expected date
Page 31	Internal Audit: Overdue Recommendations and Late Management Responses	Quarterly report	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	December 2019 March 2020 June 2020 September 2020
	2 Internal Audit Quarterly Activity Report	Quarterly 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	December 2019 March 2020 June 2020 September 2020

3	IA Annual Report for the Year	Annual report	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	August 2020
4	IA Audit Plan for the year	Annual report	Presentation of Risk Based Internal Audit Plan for approval by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	March 2020
5	Accounts Commission	Annual report	Local Government in Scotland: Financial Overview	External Audit	Executive Director of Resources	Council Wide	Annually	January 2020
6	Accounts Commission	Annual report	Local Government in Scotland: Performance and Challenges	External Audit	Executive Director of Resources	Council Wide	Annually	June 2020
7	Annual Audit Plan	Scott Moncrieff	Annual audit plan	External Audit	Executive Director of Resources	Council Wide	Annually	March 2020
8	Annual ISA 260 Audit Report	Scott Moncrieff	Annual Audit Report	External Audit	Executive Director of Resources	Council Wide	Annually	September 2020
9	External Audit Review of Internal Financial Controls	Scott Moncrieff	Interim audit report on Council wide internal financial control framework	External Audit	Executive Director of Resources	Council Wide	Annually	September 2020

10	IT Audit Report	Scott Moncrieff	Scope agreed during annual external audit planning cycle	External Audit	Executive Director of Resources	Council Wide	Annually	October 2019, as part of the quarterly Status of the ICT Programme Update
11	Internal Audit Charter	Annual Report	Annual Audit Charter	Internal Audit	Executive Director of Resources	Council Wide	Annually	March 2020
<b>Section B – Scrutiny Items</b>								
12	Change Portfolio		To ensure major projects undertaken by the Council were being adequately project managed	Major Project	Chief Executive	All	Six-monthly	December 2019 June 2020
13	Welfare Reform	Review	Update reports to be referred annually by Corporate Policy and Strategy Committee	Scrutiny	Executive Director of Resources	Council Wide	Annual	June 2020
14	Review of CLT Risk Scrutiny	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	December 2019 March 2020 June 2020 September 2020
15	Whistleblowing Quarterly Report		Quarterly Report	Scrutiny	Chief Executive	Internal	Quarterly	December 2019 March 2020 June 2020 September 2020
16	Workforce Control	Staff	Annual report	Scrutiny	Executive Director of Resources	Council Wide	Annual	June 2020

17	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best Value Committee	Annual	December 2019 Re-examine after improved information tracking.
18	Monitoring of Council Policies	Democracy	Annual report	Scrutiny	Chief Executive	Council Wide	Annual	Spring 2020
19	Revenue Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	September 2020
20	Capital Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	September 2020
21	Revenue Outturn	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2020
22	Capital Outturn and Receipts	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2020
23	Treasury – Strategy report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	March 2020
24	Treasury – Annual report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2020
25	Treasury – Mid-term report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	January 2020
26	Status of the ICT Programme	Review	Progress Reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	January 2020

27	Annual Assurance Schedules	Review	Progress Report	Scrutiny	All Directorates	Council	Annual	December 2019 (Place)  January 2020 (Communities and Families)  February 2020 (Chief Executive)  August 2020 (EIJB)  October 2020 (Resources)
28	Review of the Member/Officer Protocol	Review	Including timescales for submission	Scrutiny	Chief Executive	Council Wide	Flexible	January 2020
29	Management of Sheltered Housing	Review	Further report requested focusing on social isolation and communication with residents.	Scrutiny	Chief Officer, Edinburgh Health and Social Care Partnership	EHSCP	Flexible	October 2020

30	Update on Scottish Public Services Ombudsman and Scottish Information Commissioner Findings – B Item	Review	Update report on SPSO and SIC findings.	Scrutiny	Chief Executive	Council	Flexible	February 2020
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Section C – Council Companies								
31	Capital Theatres	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	December 2019
32	Edinburgh Leisure	Review	Progress Report	Scrutiny	Executive Director for Communities and Families	Council Wide	Annual	January 2020
33	Capital City Partnership	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	May 2020
34	Transport for Edinburgh	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	August 2020
35	Lothian Buses	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	August 2020
36	Edinburgh Trams	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	August 2020
37	Edinburgh International Conference Centre	Review	Progress Report	Scrutiny	Executive Director of Resources	Council Wide	Annual	December 2019
38	Marketing Edinburgh	Review	Progress Report	Scrutiny	Chief Executive	Council Wide	Annual	August 2020

## GRBV Upcoming Reports

## Appendix 1

Report Title	Type	Flexible/Not Flexible
<b>January 2020</b>		
Accounts Commission – Local Government in Scotland: Financial Overview	Scrutiny	Flexible
Status of the ICT Programme	Scrutiny	Flexible
Annual Assurance Schedule – Communities and Families Directorate	Scrutiny	Flexible
Review of the Member/Officer Protocol	Scrutiny	Flexible
Edinburgh Leisure – Annual Progress Report	Scrutiny	Flexible
Treasury Management Mid-Term Report	Scrutiny	Flexible
<b>18 February 2020</b>		
Update on SPSO and SIC Findings	Scrutiny	Flexible

<b>Report Title</b>	<b>Type</b>	<b>Flexible/Not Flexible</b>
Annual Assurance Schedule – Chief Executive	Scrutiny	Flexible
Revenue Monitoring 2019/20 – Period 7/8 – referral from Finance & Resources Committee	Scrutiny	Flexible
Capital Monitoring 2019/20 – Period 7/8 – referral from Finance & Resources Committee	Scrutiny	Flexible
Committee Reporting – Chief Executive	Scrutiny	Flexible
<b>March 2020</b>		
Internal Audit Findings and Late Management Responses	Scrutiny	Flexible
Internal Audit Quarterly Activity	Scrutiny	Flexible
Internal Audit Plan for the 2020/21 Year	Scrutiny	Flexible
Annual Audit Plan	Scrutiny	Flexible
Internal Audit Charter	Scrutiny	Flexible
CLT Risk Register	Scrutiny	Flexible
Treasury Strategy – referral from Finance & Resources Committee	Scrutiny	Flexible

<b>Report Title</b>	<b>Type</b>	<b>Flexible/Not Flexible</b>
Whistleblowing Quarterly Reports	Scrutiny	Flexible
Whistleblowing Quarterly Report (B Agenda)	Scrutiny	Flexible


# Business Bulletin

## **Governance, Risk and Best Value Committee**

**10.00am, Tuesday, 3 December 2019**

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

# Governance, Risk and Best Value Committee

Convener	Members	Contacts
<p>Councillor Joanna Mowat (Convener)</p> 	<p>Councillor Eleanor Bird Councillor Jim Campbell Councillor Maureen Child Councillor Phil Daggart Councillor Gillian Gloyer Councillor Melanie Main Councillor Rob Munn Councillor Gordon Munro Councillor Alex Staniforth Councillor Norman Work</p>	<p><a href="#">Lesley Birrell</a> Committee Officer 0131 529 4240</p> <p><a href="#">Martin Scott</a> Assistant Committee Officer 0131 529 4237</p>

Recent news	Background
<p><b>Enterprise Risk Management Policy</b></p> <p>No changes are recommended to the <a href="#">Enterprise Risk Management Policy</a>. The policy will continue to be kept under review. (Policy and Sustainability Committee advised 1 October 2019).</p>	<p>Contact: <a href="#">Nick Smith</a>, Head of Legal and Risk</p>

## Forthcoming activities:

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## Governance, Risk and Best Value Committee

10.00am, Tuesday, 3 December 2019

### Edinburgh International Conference Centre Annual Update – referral from the Housing, Homelessness and Fair Work Committee

Item number  
Executive/routine  
Wards  
Council Commitments

#### 1. For Decision/Action

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- 1.1 The Housing, Homelessness and Fair Work Committee has referred the attached report to the Governance, Risk and Best Value Committee for information.

**Laurence Rockey**

Head of Strategy and Communications

Contact: Sarah Stirling, Committee Services

E-mail: [sarah.stirling@edinburgh.gov.uk](mailto:sarah.stirling@edinburgh.gov.uk) | Tel: 0131 529 3009

# Referral Report

## Edinburgh International Conference Centre Annual Update

### 2. Terms of Referral

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- 2.1 The Housing, Homelessness and Fair Work Committee on 31 October 2019 considered an update from the Edinburgh International Conference Centre (EICC) on their performance in the financial year 2018.
- 2.2 The Housing, Homelessness and Fair Work Committee agreed:
  - 2.2.1 To note the annual performance update provided by EICC as detailed in Appendix 1.
  - 2.2.2 To note the EICC Statement of Accounts for 2018 as reported to CEC Holdings Ltd and the Auditor's Report for EICC as detailed in Appendices 2 and 3 respectively.
  - 2.2.3 To agree that a draft Service Level Agreement (SLA) be prepared and reported in two committee cycles.
  - 2.2.4 To include in the SLA that audit actions be responded to within the recommended timescales of the auditor.
  - 2.2.5 To request that officers ask the Board for details of how they plan to reduce their carbon footprint.
  - 2.2.6 To refer this report to Governance, Risk and Best Value Committee for information.

### 3. Background Reading/ External References

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Minute of the Housing, Homelessness and Fair Work Committee 31 October 2019.

### 4. Appendices

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Appendix 1 - report by the Executive Director of Place



# Housing, Homelessness and Fair Work Committee

10.00am, Thursday 31 October 2019

## Edinburgh International Conference Centre Annual Update

Executive/routine	
Wards	All
Council Commitments	

### 1. Recommendations

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- 1.1 The Housing, Homelessness and Fair Work Committee is asked to:
- 1.1.1 note the annual performance update provided by Edinburgh International Conference Centre (EICC) as detailed in Appendix 1;
  - 1.1.2 note the EICC Statement of Accounts for 2018 as reported to CEC Holdings Ltd and the Auditor's Report for EICC as detailed in Appendices 2 and 3 respectively;
  - 1.1.3 agree that a draft Service Level Agreement (SLA) be prepared and reported in two committee cycles; and
  - 1.1.4 refer this report to Governance Risk and Best Value Committee for information.

#### Paul Lawrence

Executive Director of Place

Contact: David Cooper, Service Manager

E-mail: [david.cooper@edinburgh.gov.uk](mailto:david.cooper@edinburgh.gov.uk) | Tel: 0131 529 6233

## Edinburgh International Conference Centre Annual Update

### 2. Executive Summary

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- 2.1 This report provides an update from EICC on their performance in financial year 2018.

### 3. Background

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- 3.1 On 13 December 2012 the Council approved arrangements for the governance of arms-length companies. The responsibility for overseeing the performance of EICC lies with the Housing, Homelessness and Fair Work Committee.
- 3.2 The principal remit of EICC, as detailed in the Shareholders' Agreement with the City of Edinburgh Council, is to:
- 3.2.1 procure the successful and continued operation of the Centre as a venue for conferences, exhibitions, trade shows, annual general meetings, cultural and sporting events, award ceremonies and other such events in a global market place with international and national customers so as to maximise the economic benefit to the City of Edinburgh;
  - 3.2.2 insure, maintain and upgrade the Centre from time to time as necessary to carry on its business; and
  - 3.2.3 operate on a prudent commercial basis in accordance with the Business Plan.
- 3.3 The building itself ("the Conference Centre") is a conference centre that opened on Morrison Street in 1995 as a joint undertaking between Edinburgh District Council and Lothian and Edinburgh Enterprise. It is now owned by the City of Edinburgh Council.
- 3.4 A £30m expansion of the Conference Centre completed in 2013, enabling it to accommodate conferences of up to 2,000 delegates.
- 3.5 The Conference Centre is operated EICC, a wholly-owned subsidiary of CEC Holdings Limited. EICC occupies the Conference Centre on a peppercorn rent and loan stock of £61.6 million is due to the Council and CEC Holdings. This represents money and assets paid into the company since its inception for example the cost of the centre and the extension. It is, however, worth noting that there is no call being made on this at the current time. Since 2014, EICC has been charged by the

Council with being financially self-sufficient. In 2017, EICC Ltd generated a record operating profit of £1.14m.

- 3.6 On [7 June 2018](#), the Housing and Economy Committee agreed the following motion calling for a report into the capital expenditure requirements of the EICC moving forward.
- 3.7 On 24 January 2019 a report was provided on 'B Agenda' in response to this motion, setting out the capital expenditure requirements and the various work-streams that were being explored in order to avoid the need for grant funding. Three areas of work were identified; Governance and Financial Treatment; Business Development; and Property Development.
- 3.8 On 10 October 2019 the Finance and Resources Committee considered a report on 'B Agenda' which set out an opportunity that has been identified as a result of the ongoing work set out above. The recommendations in the report were agreed and Council officers are now preparing a full business case which will be reported back to Finance and Resources prior to being reported to Full Council for a final decision.

#### **4. Main report**

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- 4.1 Appendix 1 provides a summary of EICC's activities in financial year 2018 (1 January 2018 to 31 December 2018).
- 4.2 The paper summarises:
  - 4.2.1 the company's Key Performance Indicators (KPI's) set against previous years' performance;
  - 4.2.2 the key business developments achieved in the year;
  - 4.2.3 the company's corporate and social responsibility, activity and its environmental focus; and
  - 4.2.4 the challenges the EICC is facing and its focus and key objectives moving forward.
- 4.3 Appendix 2 sets out the financial position of the company for 2018. The performance is positive and shows improvement on previous years. The headline figures are £1,360,125 of gross profit and £756,135 after tax. This performance taken alongside the awards and accreditations that have been achieved, show the company to have had a successful year.
- 4.4 Appendix 3 provides the Auditor's report for the 2018 year. The conclusions are positive and find that the accounts have been prepared in accordance with the relevant legislation and standards.
- 4.5 The challenges that the EICC faces are known to the Council and were reported to Committee on 21 January 2019. Work is underway to identify and develop potential solutions and a first report identifying a possible solution has been taken to the Finance and Resources Committee. A further report will be provided later this year

once a full business case has been prepared. Thereafter the matter will be reported to Full Council where the final decision on this opportunity will be taken.

- 4.6 This performance update should be referred to Governance Risk and Best Value Committee, in line with the Council's governance arrangements for arm's length companies.
- 4.7 It should also be noted that in accordance with Council policy on Arms-Length External Organisations (ALEOs) that an SLA needs to be agreed between the Council and the EICC. This work will commence shortly and a draft version will be brought to Committee early next year for consideration.

## **5. Next Steps**

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- 5.1 A report along with a draft SLA will be provided to Committee in early 2020.
- 5.2 The next annual update on EICC's performance will be in August 2020.

## **6. Financial impact**

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- 6.1 There are no financial impacts for the Council arising from this report.

## **7. Stakeholder/Community Impact**

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- 7.1 There are no stakeholder or community impacts arising from this report.

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

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- 8.1 None.

## **9. Appendices**

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- 9.1 Appendix 1 - EICC Annual Review Paper.
- 9.2 Appendix 2 - EICC Statement of Accounts 2018.
- 9.3 Appendix 3 - Auditor's Report to EICC 2018.

## Appendix 1 - EICC PERFORMANCE REVIEW 2018

### Introduction

The purpose of this paper is to update and inform readers on the performance of the Edinburgh International Conference Centre during the year to 31 December 2018 and to highlight some of the successes and achievements realised by the Company in the period under review.

### EICC Remit and Vision Statement

#### *Remit:*

To procure the successful and continued operation of the Centre as a venue for conferences, exhibitions, trade shows, annual general meetings, award ceremonies and other such events in a global marketplace with international and national customers so as to maximise the economic benefit to the City of Edinburgh

#### *Vision:*

To create an environment which inspires ideas that change the world

### Key Performance Indicators

		2016	2017	2018
Delegate Day Numbers		234,302	275,517	300,452
Economic Impact		£51.6m	£56.7m	£58.1m
Number of Events		173	184	198
Occupancy		53.5%	54.9%	60.4%

### Key Business Developments

- Increased levels of Day Delegate Rate business.
- Increase in number of international and national association events.
- Expansion of conference business into new industry sectors.

- Increased occupancy levels within the Conference Centre.
- Increase in scope and diversity of events held.
- Increase in value of bookings held for future years.
- Increase in levels of economic impact that are generated.
- Increase in profile of EICC.
- Increased operating efficiencies and effectiveness.

### Awards

- Hospitality Assured Awards: Winner - Excellence in Leadership.
- National Venue Awards: Winner - Best conference centre over 1,000 delegates.
- National Venue Awards: Silver - Most versatile venue.
- E Awards: Winner - Best Scottish venue & events team.
- E Awards: Winner - Sustainable event excellence award.
- Institute of Director's Scotland Awards: Winner – Director of the year public sector SME category.
- SEAL (Sustainability, Environmental Achievement & Leadership) Awards: Winner - Leadership in and Commitment to Sustainable Practices.
- VIBES (Vision in Business for the Environment of Scotland) Awards: Winner - Environmental management award.

### Accreditations

- Revised ISO 9001:2015 Quality Management System.
- Revised ISO 14001:2015 Environmental Management Standard.
- Hospitality Assured - Premier status.
- Green Tourism Business Scheme - Gold standard.
- Accessible Edinburgh Festival – Best venue status.
- Autism Friendly – recognition as an autism accredited venue.
- Keep Safe Scotland – recognition as a disabled access venue.

### Environmental Focus

- Focus on reducing carbon footprint.
- Programme of emissions reduction.

- Use of Building Management System – to minimise use of heating and lighting.
- Reduction in amount of waste sent to landfill.
- Food waste turned into energy.
- Focus on securing food and other products from local sources.
- Planting of trees with Borders Forest Trust.
- Lease of electric car to reduce use of taxis.
- Working with Zero Waste Scotland.

### Corporate Social Responsibility

- Edinburgh Live, formerly known as Innovation Nation lectures.
- Work experience opportunities.
- Student open day with over 400 students in attendance.
- Foodbank collections which fed 1,000 families in December/January.
- Over 50 Charity volunteer days per year provided by team members.
- Retiral home Christmas day out.
- Litter picking activities.

### Key Partnerships

- EICC sub-contractors - Leith's, Mitie, Croma Vigilant.
- EICC specialist services – Freer Consultancy, Westcom Networks.
- Napier University - MSc in Business Events Management.
- Pleasance Theatre Trust - Pleasance at the EICC.

### Key Challenges Facing EICC

- Difficulty in funding its capital expenditure requirements
- Limited access to subvention funding
- Significant levels of business lost due to clients being unable to secure hotel accommodation for delegates

### EICC Future Focus

- To ensure the financial stability of the EICC
- To continue to generate the highest levels of customer service

- To maintain the EICC as a modern up to date venue with cutting edge technology
- To ensure that the Company has a dynamic structure which enables the development of all team members
- To continue to improve the overall EICC product offering

#### EICC Future Objectives

- To position Edinburgh in the top tier of the UK conference league
- To help raise the profile of Edinburgh as a major international business tourism destination
- To generate increased levels of economic impact for Edinburgh
- To develop new products/gain entry to new markets to increase revenue generation
- To operate the EICC without the need for financial support from CEC
- To create a hub of business excellence within the event, catering and hotel sectors
- To expand the globally recognised EICC brand



**Appendix 2 – Statement of Accounts 2018**

**EDINBURGH INTERNATIONAL CONFERENCE CENTRE LIMITED**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2018**

**COMPANY NUMBER SC131773**

## **GENERAL INFORMATION**

### **Company number**

SC131773

### **Present Company Directors**

L.M. Cameron  
M.C. Dallas  
L.M. Florence  
G.A. Gordon  
J.Mc.H. McFarlane  
S. Smith

### **Company Secretary**

Pinsent Masons Secretarial Limited  
1 Park Row  
Leeds  
LS1 5AB

### **Registered Office**

Edinburgh International Conference Centre Limited  
150 Morrison Street  
Edinburgh  
EH3 8EB

### **Auditor**

Scott-Moncrieff  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

### **Bankers**

Bank of Scotland plc  
3 Earl Grey Street  
Edinburgh  
EH3 9BN

### **Solicitors**

Pinsent Masons LLP  
Princes Exchange  
1 Earl Grey Street  
Edinburgh  
EH3 9AQ

## **STRATEGIC REPORT**

### **Principal activities**

The principal activities of the Company during the year were in respect of the operation of an international conference centre.

### **Results and review of the business**

The results for the year are shown on the statement of profit or loss and other comprehensive income on page 9.

The profit from continuing operations before tax for the year amounted to £760,180 (2017 – £579,328). The Company has, after taxation adjustments, a total comprehensive profit for the year of £760,180 (2017 – 577,757). The Directors do not recommend payment of a dividend for the year ended 31 December 2018.

It is pleasing to report that 2018 was another very successful year for the Edinburgh International Conference Centre, which saw its operating and financial performance improve for the fourth successive year. This was achieved against a continuing backdrop of: restricted client budgets; increased competition from a growing number of conference centres; aggressive price competition from venues across the globe; and a number of local problems including the difficulties encountered trying to secure sufficient hotel room allocations for clients.

In the course of 2018 the Sales Team secured the highest value of business contracted in the year - for the year, since the Company commenced its operations in 1995. This was largely achieved as a result of the sales team continuing to build on the initiatives and activities that they had successfully introduced in the preceding three to four years.

These included: increasing the number of sales visits undertaken in the year; increasing the number of booking agents used; increasing the Conference Centre's visibility on a number of social media platforms; increasing the scope, scale and diversity of events held at the EICC; and being more flexible in the terms and conditions offered to clients.

During the year the sales team continued to adopt a much more focussed approach to securing bookings. This saw: the association sales team laying down a solid platform for future years by reaching the desired revenue position, at the end of 2018, for each of the 4 succeeding years; whilst the corporate sales team worked assiduously to ensure that target for the current year was achieved through securing increased volumes of short lead business.

This was achieved through a combination of: the adoption of improved research activities; using a wider range of selling techniques; incentivising booking agents; continuing to promote Day Delegate Rate business; and adopting a more innovative and creative approach in engaging with clients and prospective clients.

The cumulative effect of the sales team's activities had a significant impact on the Company's revenues for the year which amounted to £8.763m. This was an increase of £0.844, on the previous year's figure of £7.919m, which is equivalent to an increase of 10.66%. These revenues generated a gross profit of £1.360m in 2018 compared to a gross profit of £1.137m for the previous year, which represents an increase of 19.61%.

It should be noted that in 2018 the EICC recorded its highest levels of gross profit for the months of January, February, July, August, October and November since it commenced trading. It is also worth noting that 2017 saw the Company record an operating surplus for the month of August for the first time ever and that this was surpassed in the current year.

The Conference Centre held 198 events in 2018, which was an increase of 14 on the 184 events that were held in the previous year. These events varied enormously in their size, duration, diversity and profitability. 5 of the association events that were held in 2018 recorded an event gross profit of over £200,000 each and the top 10 conference and meeting events by value generated £2.044m in cumulative event gross profit during the year.

Day Delegate Rate business continued to perform strongly during the year under review. Whilst Day Delegate Rate business was previously regarded as low value and unprofitable 60 events of this type were held at the EICC during 2018. The top 10 Day Delegate Rate events by value generated £656k in cumulative event gross profit during the year.

Occupancy levels for the year increased to 60.41% and the Company experienced year on year growth in respect of the number of booking enquiries received, the level of bookings contracted for future years and the room rental charges, charges for additional services and catering commission derived from the Company's operations.

Expenditure in respect of cost of sales and administration expenses totalled £7,931m in 2018, which was an increase of £610,000 on the previous year's expenditure which had amounted to £7,321m. Although this represented an increase of 8.33% compared to the expenditure levels recorded during 2017 it was well within budget for the year as a result of the continuing stringent focus on cost controls and operating efficiencies.

The operating profit generated by the activities of the Conference Centre, which is the Company's internal measure of performance, was well ahead of target for the year. This measure of performance is based on the operating profit generated before adjustments in respect of depreciation and the recognition of capital grant income. 2018 saw the Company generate its highest ever levels of revenue, gross profits, operating profit and economic impact.

During the year 96,851 delegates attended events at the Conference Centre which was a rise of 2,371 on the previous year. The number of delegate days generated by these delegates amounted to 300,452 in 2018 compared to 275,517 in 2017. This increase in delegate numbers was due to an increase in the number of events held and to a change in the mix of business compared to the previous year.

The delegates who attended events at the EICC during the year generated an economic impact of £58.1m in 2018 compared to £56.7m in 2017. The economic impact that is produced as a result of the EICC's activities helps to create and sustain employment within Edinburgh and further afield.

The Company continues to align its operations with the business excellence model and it is accredited to a number of quality standards. These standards cover systems management, human resources and environmental practices and the EICC continues to achieve very positive results from assessments in respect of its re-accreditation to these standards.

The EICC's business operations have continued to develop in the first half of 2019. The existing level of bookings for 2019, the high volume of enquiries that are being received and the increase in the number of short lead bookings that are being secured is encouraging and the EICC's business outlook for the current year and the longer term remains very positive.

### **Key performance indicators**

The Company's performance with regard to its key financial and other performance indicators during the year was as follows:-

	2018 £'000	2017 £'000	% Change
Turnover	8,763	7,919	10.66%
Cost of sales and administration expenses	7,931	7,321	(8.33)%
Customer delight	89%	90%	(1.11)%
Economic impact	58,118	56,723	2.46%

### **Risks and uncertainties**

In common with many other businesses the Company is exposed to a range of risks. The principal risks and uncertainties facing the Company are associated with market forces and the behaviour of competition as well as the risks associated with catastrophic events.

The Directors recognise that the Company has lost business, and will lose business in the future, as a result of Brexit and the uncertainty surrounding its implementation. However, they believe that such losses will be compensated for by securing increased levels of business from the UK, America and the Far East.

### **Future developments**

The Directors intend to maintain the objectives and aims of the Company, which have resulted in many notable achievements and successes to date.

Director  
31 July 2019  
**DIRECTORS' REPORT**

The Directors have pleasure in submitting their annual report and financial statements, in respect of Edinburgh International Conference Centre Limited (the Company), for the year ended 31 December 2018.

## **Directors**

The Directors who served during the period were as follows:

G. Barrie (Chair)	resigned 28 March 2018
L.M. Cameron	
K.R. Campbell (Chair)	appointed 30 May 2018
K.R. Campbell (Chair)	resigned 14 February 2019
M.C. Dallas	
L.M. Florence	
G.A. Gordon (Chair)	appointed 27 March 2019
J.Mc.H. McFarlane	
S. Smith	

None of the Directors had any interest in the shares of the company during the period.

## **Going concern**

In line with the FRC guidance on Going Concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis.

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to interest rate, credit and liquidity risk are described in note 22 to the financial statements.

The Company's ultimate parent entity, the City of Edinburgh Council, has committed to providing continued funding, sufficient to meet all liabilities as and when they fall due.

After making suitable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements, as described in note 2 to the financial statements.

## **Directors' responsibilities for the Financial Statements**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the company financial statements in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS's, as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Disclosure of information to the auditor**

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company auditor is unaware and each Director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **Auditor**

A resolution to re-appoint Scott-Moncrieff as the Company's auditor will be put to the forthcoming Annual General Meeting.

#### **By Order of the Board**

Pinsent Masons Secretarial Limited  
31 July 2019

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDINBURGH INTERNATIONAL CONFERENCE CENTRE LTD**

### **Opinion**

We have audited the financial statements of Edinburgh International Conference Centre Limited (the 'company') for the year ended 31 December 2018 which comprises the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Material uncertainty related to going concern**

We draw attention to the Directors Report and note 2 in the financial statements, which indicate that Edinburgh International Conference Centre Ltd is reliant on the continued support of the City of Edinburgh Council to continue as a going concern. As stated in note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Bennett, *Senior Statutory Auditor*  
For and on behalf of  
Scott-Moncrieff, Statutory Auditor  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL



Date:

**STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
For the year ended 31 December 2018**

	Notes	2018	2017
		£	£
Revenue	3	8,763,365	7,918,852
Cost of sales		<u>(7,403,240)</u>	<u>(6,781,993)</u>
<b>Gross profit</b>		1,360,125	1,136,859
Other income	4	21,819	77,467
Development expenses		(21,819)	(50,970)
Administration expenses		<u>(528,096)</u>	<u>(538,970)</u>
		<u>(528,096)</u>	<u>(512,473)</u>
<b>Operating profit from continuing operations</b>	6	832,029	624,386
Finance revenue	8	21,289	8,164
Gain on sale of fixed asset		-	-
Finance costs	9	<u>(93,138)</u>	<u>(53,222)</u>
<b>Profit from continuing operations before tax</b>		760,180	579,328
Tax (charge)/credit	10	<u>(4,045)</u>	<u>(1,571)</u>
<b>Total comprehensive profit for the year</b>		<u>756,135</u>	<u>577,757</u>

The accompanying notes form part of the financial statements

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2018**

	Share Capital £	Other Reserves £	Retained Earnings £	Shareholder's Funds £
At 31 December 2016	63	60,670,347	(54,807,803)	5,862,607
Total comprehensive profit for period	-	-	577,757	577,757
Increase in loan stock	-	<u>300,458</u>	-	<u>300,458</u>
At 31 December 2017	63	60,970,805	(54,230,046)	6,740,822
Total comprehensive profit for period	-	-	756,135	756,135
Increase in loan stock	-	<u>595,438</u>	-	<u>595,438</u>
At 31 December 2018	<u>63</u>	<u>61,566,243</u>	<u>(53,473,911)</u>	<u>8,092,395</u>

The accompanying notes form part of the financial statements

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2018**

	Notes	£	2018 £	2017 £
<b>Non-current assets</b>				
Property, plant and equipment	11		6,597,860	6,819,847
<b>Current assets</b>				
Trade and other receivables	12	3,407,272		2,430,247
Cash and cash equivalents	13	<u>4,751,620</u>		<u>3,980,822</u>
			<u>8,158,892</u>	<u>6,411,069</u>
<b>Total assets</b>			<u>14,756,752</u>	<u>13,230,916</u>
<b>Current liabilities</b>				
Trade and other payables	14	2,274,364		1,781,135
Capital grants	17	281,811		459,807
Deferred revenue	17	<u>1,943,969</u>		<u>1,911,512</u>
			4,500,144	4,152,454
<b>Non-current liabilities</b>				
Financial liabilities	15	217,380		124,242
Capital grants	17	1,520,876		1,802,687
Deferred revenue	17	<u>425,957</u>		<u>410,711</u>
			2,164,213	2,337,640
<b>Capital &amp; reserves</b>				
Issued share capital	18	63		63
Other reserves	19	61,566,243		60,970,805
Accumulated losses		<u>(53,473,911)</u>		<u>(54,230,046)</u>
			<u>8,092,395</u>	<u>6,740,822</u>
<b>Total equity &amp; liabilities</b>			<u>14,756,752</u>	<u>13,230,916</u>

The financial statements were authorised for issue by the Board of Directors on 31 July 2019 and were signed on its behalf, on that date, by:

Councillor George Gordon  
 Director:

Councillor Stephanie Smith  
 Director:

The accompanying notes form part of the financial statements

Company Number SC131773

**CASHFLOW STATEMENT**  
**For the year ended 31 December 2018**

	£	2018 £	2017 £
<b>Operating activities</b>			
Profit before tax	760,180		579,328
Finance revenue	(21,289)		(8,164)
Finance costs	<u>93,138</u>		<u>53,222</u>
<b>Operating profit for the year</b>	832,029		624,386
Net finance revenues	21,289		8,164
Depreciation on property, plant and equipment	817,425		784,078
Capital grants released	(459,807)		(466,732)
(Increase)/decrease in trade and other receivables	(977,025)		(533,253)
(Decrease)/increase in trade and other payables	493,229		(182,584)
Increase/(decrease) in deferred income	<u>47,703</u>		<u>241,366</u>
<b>Cash generated from operations</b>	774,843		475,425
Tax on continuing operations	<u>(4,045)</u>		<u>(1,571)</u>
<b>Cash flow from operating activities</b>		770,798	473,854
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment	-		-
Payments to acquire property, plant and equipment	<u>(595,438)</u>		<u>(482,438)</u>
<b>Cash flow from investing activities</b>		(595,438)	(482,438)
<b>Financing activities</b>			
Receipt of loan stock	<u>595,438</u>		<u>300,458</u>
<b>Cash flow from financing activities</b>		<u>595,438</u>	<u>300,458</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		770,798	291,874
Cash and cash equivalents at 1 January 2018		<u>3,980,822</u>	<u>3,688,948</u>
<b>Cash and cash equivalents at 31 December 2018</b>		<u>4,751,620</u>	<u>3,980,822</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Authorisation of financial statements and statement of compliance with IFRS's

The financial statements of Edinburgh International Conference Centre Limited for the year ended 31 December 2018 were approved by the Board of Directors on 31 July 2019 and signed on its behalf by the Directors noted on the Statement of Financial Position. Edinburgh International Conference Centre Limited is a company incorporated and domiciled in Scotland. The principal activities of the Company are described in Note 3 and information regarding its ultimate parent company is presented in Note 21.

### 2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2018 and applied in accordance with the Companies Act 2006.

The accounting policies which follow set out those policies which apply, in preparing the financial statements for the year ended 31 December 2018. The Company has used the "cost of sales" method of presenting income and expenditure and the Company's financial statements are presented in Sterling.

#### New accounting standards adopted during the year

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2018 and have been adopted by the company:

- Financial instruments (IFRS 9)
- Presentation of financial statements (Amendments to IAS 1)
- Financial instruments: recognition and measurement (Amendments to IAS 39)
- Revenue from contracts with customers (IFRS 15)

The above amendments are not considered to have materially impacted the financial statements of the company.

#### New standards and interpretations issued not applied

The International Accounting Standards Board and IFRIC have issued the following standards and interpretations, which may have an impact on the company, with an effective date for financial years beginning on or after the dates disclosed below and therefore after the date of these financial statements:

<i>International Accounting Standards and Interpretations</i>		<i>Effective for annual periods beginning on or after</i>
IFRS 16	Leases	1 January 2019
Amendments to IAS 12	Income taxes: treatment of tax consequences of dividends and other distributions	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

Amendments to IFRS 3 *	Definition of a business	1 January 2020
Amendments to IAS 1/IAS 8 *	Definition of material	1 January 2020

\* not yet adopted for use in the European Union

The directors have reviewed the requirements of the new standards and interpretations listed above and are satisfied that they are not expected to have a material impact on the company's financial statements in the period of initial application.

The exception to this is IFRS 16, 'Leases' which will make it mandatory for entities with operating leases to record a liability for the payment under the lease and record a right of use of the asset. This does not apply to leases of one year or less which do not contain a purchase option and leases of low value assets. This will affect EICC's financial statements as the Company will be required to recognise its liabilities and assets in respects of all applicable operating leases.

### **Going concern**

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing support of the Company's ultimate parent undertaking, The City of Edinburgh Council. It is the directors' opinion that the financial statements should be prepared on a going concern basis.

### **Judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the end of the reporting period and the amounts reported for revenues and expenses during the year. Uncertainty about these assumptions and estimates could, however, result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The areas impacted by such judgements and estimation uncertainties, within these accounts, relate primarily to the depreciation policy used, assumptions used in undertaking impairment reviews and the basis of determining whether or not to capitalise equipment purchases in respect of fixed assets and the recoverability of items contained within trade and other receivables.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows: Infrastructural works - 20 years; Leasehold Land and Buildings - 10 to 50 years; Office Equipment and Furniture - 3 to 10 years.

Management use judgement in arriving at the Company's depreciation policy by taking account of the residual value of the assets concerned and their useful economic life. The Company expects that items of property, plant and equipment will be used for their entire life and as a result it is expected that these items will have no residual value. An assets useful economic life is based on past experience and general expectations.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income in the period of derecognition.

The capitalisation of infrastructural works and assets under construction is based on management's judgement of when a projects future economic benefit can be determined. Initial project development costs in respect of feasibility studies,

design team fees and pre construction activities are expensed via the statement of comprehensive income. However, once a project's feasibility has been determined and a future benefit is expected to arise from it the costs of that project are capitalised.

### **Foreign currency translation**

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

### **Capital grants**

Grants in respect of capital expenditure are credited to deferred income and are released to income in equal amounts over the expected useful lives of the relevant assets by equal annual instalments.

### **Leasing and hire purchase commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the statement of financial position and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the statement of financial position.

The interest elements of the rental obligations are charged in the statement of comprehensive income over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

The lease of the Conference Centre was treated as a finance lease until 8 December 1999 when the option to enter into a new lease was exercised. From this date the assets have been depreciated over their useful lives, rather than the period of the lease, as the substance of the transaction is effectively that of financing. The leaseholders hold no rights to impose restrictions on or reclaim the title of the Conference Centre.

Rentals payable under operating leases are charged in the statement of comprehensive income on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

### **Trade and other receivables**

Trade receivables which generally have 30 day terms are recognised and carried at their original invoiced value, less an allowance for impairment of doubtful debt. An allowance for doubtful debt is estimated by management, taking into account future cashflows, based on past experience and an assessment of the current economic climate in which the company operates.

### **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

### **Trade and other payables**

Trade and other payables are recognised at fair value and subsequently held at amortised cost.

### **Loans**

Loans are initially recognised at fair value and then held at amortised cost using the effective interest rate method of calculation. The effective interest rate charge for the year is included in finance costs in the statement of comprehensive income.

### **Taxation**

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws enacted or substantially enacted at the reporting date.

The Company does not recognise amounts which may be recoverable under group relief until the tax computations for the companies in the tax group have been agreed.

### **Revenue recognition**

EICC contracts with a range of customers to provide meeting and conference facilities for the events that they wish to hold. Under the terms of these contracts the Company usually receives a number of stage payments from clients prior to and post their event taking place. The Company however does not finish performing its obligations until the end point of the contract and that is when revenue is recognised.

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance and that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding VAT.

### **Pensions**

The Company operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

## **3. Revenue**

Revenue recognised in the statement of comprehensive income is analysed as follows:

	2018 £	2017 £
Revenue recognised from contracts with customers	8,720,830	7,894,787
Rendering of other services	<u>42,535</u>	<u>24,065</u>
	<u>8,763,365</u>	<u>7,918,852</u>

## **4. Other Income**

Other income recognised in the statement of comprehensive income is analysed as follows:

	2018 £	2017 £
Reimbursement of development expenditure	<u>21,819</u>	<u>77,467</u>



## 5. Segment information

For management purposes the Company operates as a single business unit.

All revenues are derived from external customers who are based in the United Kingdom. No single customer accounted for 10 per cent or more of the Company's revenues.

## 6. Operating loss

This is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of fixed assets	817,425	784,078
Auditor's remuneration - audit services	10,250	8,000
Auditor's remuneration – taxation services	1,600	1,600
Operating lease rentals – land and buildings	153,678	153,678
Operating lease rentals - plant and equipment	11,709	9,896
Other income	(21,819)	(77,467)
Capital grants released	<u>(459,807)</u>	<u>(466,732)</u>

## 7. Staff costs and directors' emoluments

### (a) Staff costs

	2018 £	2017 £
Salaries	2,289,985	2,172,248
Social security costs	196,590	194,486
Pension costs	<u>124,759</u>	<u>113,550</u>
	<u>2,611,334</u>	<u>2,480,284</u>

The monthly average number of staff employed during the year was:

	2018	2017
Sales and Marketing	11	12
Operations	41	38
Administration	7	7

### (b) Directors' emoluments

	2018 £	2017 £
Directors' remuneration	296,855	289,100
Directors' pension	<u>28,402</u>	<u>27,677</u>

	<u>325,257</u>	<u>316,777</u>
<b>7. Staff costs and directors' emoluments (cont.)</b>		

The remuneration of the highest paid director included:

	2018 £	2017 £
Directors' remuneration	171,980	167,136
Directors' pension	<u>16,461</u>	<u>16,001</u>
	<u>188,441</u>	<u>183,137</u>

**8. Finance revenue**

	2018 £	2017 £
Interest receivable on bank deposits	<u>21,289</u>	<u>8,164</u>

**9. Finance costs**

	2018 £	2017 £
Effective interest on loan stock	<u>(93,138)</u>	<u>(53,222)</u>

**10. Tax charge**

	2018 £	2017 £
UK Corporation Tax	<u>4,045</u>	<u>1,571</u>

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 19.25% (2017: 19.25%). A number of factors affect the tax charge, and these are shown/reconciled below:

	2018 £	2017 £
Profit from continuing operations before tax	<u>760,180</u>	<u>579,328</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	144,434	111,501
Expenses not deductible for tax purposes	6,432	7,621
Fixed asset differences	87,417	91,761
Adjust deferred tax to average rate	(24,656)	(24,432)
Deferred tax not recognised	<u>(209,582)</u>	<u>(184,880)</u>
Tax charge for the period	<u>4,045</u>	<u>1,571</u>

As at 31 December 2018 there was an unrecognised deferred tax asset amounting to £(1,561,373) (2017: £1,764,697) of which £331,984 (2017: £410,561) was in respect of accelerated capital allowances and other timing differences and £1,229,389 (2017: £1,354,136) was in respect of trading losses. The directors have elected not to recognise a deferred tax asset due to uncertainty surrounding future profitability from which any reversal of timing differences could be deducted.

No other factors that may affect future tax charges have been identified.

## 11. Property, plant and equipment

	Infrastructure Works £	Long Leasehold Buildings £	Office Equipment & Furniture £	Total £
<b>Cost or valuation</b>				
At 1 January 2018	6,669,993	35,264,791	5,546,395	47,481,179
Additions	-	-	595,438	595,438
Disposals	-	-	-	-
At 31 December 2018	<u>6,669,993</u>	<u>35,264,791</u>	<u>6,141,833</u>	<u>48,076,617</u>
<b>Depreciation and impairment</b>				
At 1 January 2018	6,202,838	29,999,292	4,459,202	40,661,332
Charge for the period	280,029	194,993	342,403	817,425
Released on disposal	-	-	-	-
At 31 December 2018	<u>6,482,867</u>	<u>30,194,285</u>	<u>4,801,605</u>	<u>41,478,757</u>
<b>Net book value</b>				
At 31 December 2017	<u>467,155</u>	<u>5,265,499</u>	<u>1,087,193</u>	<u>6,819,847</u>
At 31 December 2018	<u>187,126</u>	<u>5,070,506</u>	<u>1,340,228</u>	<u>6,597,860</u>
<b>Cost or valuation</b>				
At 1 January 2017	6,669,993	35,264,791	5,063,957	46,998,741
Additions	-	-	482,438	482,438
Disposals	-	-	-	-
At 31 December 2017	<u>6,669,993</u>	<u>35,264,791</u>	<u>5,546,395</u>	<u>47,481,179</u>
<b>Depreciation and impairment</b>				
At 1 January 2017	5,913,706	29,800,931	4,162,617	39,877,254
Charge for the period	289,132	198,361	296,585	784,078
Released on disposal	-	-	-	-
At 31 December 2017	<u>6,202,838</u>	<u>29,999,292</u>	<u>4,459,202</u>	<u>40,661,332</u>
<b>Net book value</b>				
At 31 December 2016	<u>756,287</u>	<u>5,463,860</u>	<u>901,340</u>	<u>7,121,487</u>
At 31 December 2017	<u>467,155</u>	<u>5,265,499</u>	<u>1,087,193</u>	<u>6,819,847</u>

Long leasehold buildings consist of freehold buildings constructed on land that is leased to the company until 2117.

**12. Trade and other receivables**

	2018 £	2017 £
Trade receivables	1,815,500	1,365,307
Amount owed by CEC Holdings Limited and the City of Edinburgh Council	1,421,149	803,892
Other receivables	1	1
Prepayments	<u>170,622</u>	<u>261,047</u>
	<u>3,407,272</u>	<u>2,430,247</u>

Trade receivables are non-interest bearing and are generally on 30 days' terms. As at 31 December 2018 no trade receivables were determined to be impaired (31 December 2017: nil).

At 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Total £	Neither past due nor impaired £	Past due but not impaired		
			< 30 days £	30-60 days £	> 90 days £
At 31 December 2017	1,365,307	1,184,471	101,452	30,021	49,363
At 31 December 2018	1,815,500	1,533,716	183,110	45,571	53,103

The credit rating of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings, where available, historical information in respect of repeat business and payment history with regard to current business.

**13. Cash and cash equivalents**

	2018 £	2017 £
Cash at bank and in hand	<u>4,751,620</u>	<u>3,980,822</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £4,751,620 (31 December 2017: £3,980,822).

**14. Trade and other payables**

	2018 £	2017 £
Trade payables	1,152,125	723,654
Value Added Tax	142,304	92,188
Other taxes and social security costs	56,139	47,704
Other payables	428,780	538,049
Accruals	<u>495,016</u>	<u>379,540</u>
	<u>2,274,364</u>	<u>1,781,135</u>

Trade payables are non-interest bearing and are normally settled on 30-60 days' terms. Other payables are non-interest bearing.

## 15. Financial liabilities

### Loans and borrowings

	2018 £	2017 £
Loan stock - Non-current	<u>217,380</u>	<u>124,242</u>

The company has issued convertible and non-convertible loan stock to the City of Edinburgh Council and CEC Holdings Limited, as shown below. These loan stocks, which amount to a face value of £61,566,243 (31 December 2017: £60,970,805) either bear no interest or the interest on them has been waived by the stockholder.

The loans have been recognised at fair value by discounting the future cash flows using market interest rates. Loan stocks are then held at amortised cost by applying an effective interest rate, to increase the loan stock to its face value over the term of the loan stock's issue. These loans have been received from the parent company and the Company relies on these loans as an ongoing source of funding.

The fair value of loan stock has been estimated using effective interest rates which have been applied to the various loan stocks as follows:

Loan Stock	Effective Interest Rate %	Loan Stock £	Amortised cost at 31 December 2018 £	Aggregate Interest £
Convertible Unsecured Loan Stock 2117	15	45,297,609	44	43
Non-Convertible Unsecured Loan Stock 2117	13	7,229,264	40	39
Non-Convertible Unsecured Loan Stock 2022	75	1,339,365	142,806	142,805
Non-Convertible Unsecured Loan Stock 2023	75	868,000	52,885	52,884
Non-Convertible Unsecured Loan Stock 2024	70	546,000	19,009	19,009
Non-Convertible Unsecured Loan Stock 2025	75	123,000	2,447	2,447
Non-Convertible Unsecured Loan Stock 2034	75	154,299	20	20
Non-Convertible Unsecured Loan Stock 2035	75	799,000	59	58
Non-Convertible Unsecured Loan Stock 2036	75	709,141	30	29
Non-Convertible Unsecured Loan Stock 2037	75	461,069	11	11
Non-Convertible Unsecured Loan Stock 2038	75	1,278,074	18	17
Non-Convertible Unsecured Loan Stock 2039	75	841,099	7	6
Non-Convertible Unsecured Loan Stock 2040	75	718,922	3	6
Non-Convertible Unsecured Loan Stock 2041	75	123,525	0	0
Non-Convertible Unsecured Loan Stock 2042	75	482,438	1	1
Non-Convertible Unsecured Loan Stock 2043	75	<u>595,438</u>	<u>0</u>	<u>0</u>

	<u>61,566,243</u>	<u>217,380</u>	<u>217,375</u>
<b>15. Financial liabilities (cont.)</b>			
The face value of loan stock issued by the company is as follows:			
		2018	2017
		£	£
Convertible unsecured loan stock		45,297,609	45,297,609
Non-convertible unsecured loan stock		<u>16,268,634</u>	<u>15,673,196</u>
		<u>61,566,243</u>	<u>60,970,805</u>
Non-convertible unsecured loan stock			
Issued to The City of Edinburgh Council and CEC Holding Ltd		4,675,316	4,675,316
Due to be issued to The City of Edinburgh Council and CEC Holdings Ltd		<u>11,593,318</u>	<u>10,997,880</u>
		<u>16,268,634</u>	<u>15,673,196</u>

The convertible unsecured loan stock, which is all held by CEC Holdings Ltd, bears no interest and is repayable on 31 March 2117 at par. CEC Holdings Ltd have the right to convert loan stock into fully paid preferred ordinary shares at the rate of one preferred ordinary share per £1 nominal of loan stock.

A further £7,882,135 of non-convertible unsecured loan stock 2117 (31 December 2017: £7,286,697) has been issued or is due to be issued to the City of Edinburgh Council and is repayable at par.

CEC Holdings Ltd hold £8,386,499 (31 December 2017: £8,386,499) of the remaining issued or due to be issued non-convertible unsecured loan stock. This non-convertible unsecured loan stock bears no interest and is repayable within 25 years of issue.

## 16. Obligations under leases and hire purchase contracts

### Operating lease agreements

The Company has entered into commercial leases on land and buildings and certain items of office equipment. These leases have a duration of between 5 and 14 years. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2018	2017
	£	£
Land and buildings		
Expiring:		
Not later than one year	153,678	153,678
Later than one year and not later than five years	614,712	614,712
Later than five years	<u>768,390</u>	<u>922,068</u>
	<u>1,536,780</u>	<u>1,690,458</u>
Other		
Expiring:		
Not later than one year	13,522	9,896
Later than one year and not later than five years	<u>5,740</u>	<u>9,896</u>

	<u>19,262</u>	<u>19,792</u>
<b>17. Deferred revenue and capital grants</b>		
	2018	2017
	£	£
Deferred revenue	2,369,926	2,322,223
Capital grants	<u>1,802,687</u>	<u>2,262,494</u>
	<u>4,172,613</u>	<u>4,584,717</u>

Deferred revenue relates to the advance deposits received in respect of events which are due to take place after the year end.

	2018	2017
	£	£
At 1 January	2,322,223	2,080,857
Deferred during the year	1,959,215	2,025,232
Released to the income statement	<u>(1,911,512)</u>	<u>(1,783,866)</u>
At 31 December	<u>2,369,926</u>	<u>2,322,223</u>

Deferred revenue is analysed as follows:

	2018	2017
	£	£
Current obligations	1,943,969	1,911,512
Non-current obligations	<u>425,957</u>	<u>410,711</u>
	<u>2,369,926</u>	<u>2,322,223</u>

Capital grants have been received in respect of building construction and roadworks as follows:

	2018	2017
	£	£
At 1 January	2,262,494	2,729,226
Receivable during the year	-	-
Released to the income statement	<u>(459,807)</u>	<u>(466,732)</u>
At 31 December	<u>1,802,687</u>	<u>2,262,494</u>

Capital grants are analysed as follows:

	2018	2017
	£	£
Current obligations	281,811	459,807
Non-current obligations	<u>1,520,876</u>	<u>1,802,687</u>
	<u>1,802,687</u>	<u>2,262,494</u>

## 18. Share capital

	2018 No.	2017 No.	2018 £	2017 £
Allotted, called up and fully paid:				
Preferred Ordinary shares	40	40	40	40
Ordinary shares	2	2	2	2
RBL Ordinary shares	10	10	10	10
Preference shares	10	10	10	10
Special share	1	1	<u>1</u>	<u>1</u>
			<u>63</u>	<u>63</u>

The 10 preference shares, 2 ordinary shares and 40 preferred ordinary shares were all issued to The City of Edinburgh Council and subsequently gifted to CEC Holdings Ltd (wholly owned subsidiary of the Council) in 1996. The special share was issued to Scottish Enterprise Edinburgh and Lothian Ltd on 18 December 1996. The City of Edinburgh Council is the ultimate holding organisation of the Company.

The special share has a nominal value of £1. The share can only be transferred to a body nominated by Scottish Enterprise Edinburgh and Lothian Ltd and approved by the City of Edinburgh Council. The special shareholder is entitled to receive notice of general meetings, and to attend and speak at such meetings but has no other rights. Specifically, the special shareholder has no right to vote at such a meeting. The special shareholder is however entitled to receive a copy of each resolution passed at a general meeting, to receive any resolution proposed as a written resolution and each circular sent by the Company to holders of any class of shares in the Company.

The special shareholder ranks after all other members of the Company in respect of distribution of capital on the winding up of the Company. The special share confers no right to participate in the profits of the Company.

The Articles of Association entitle the holder of the special share to appoint one person as a Director of the Company. This right is effected by a notice in writing either being lodged at the Company's registered office or delivered to a meeting of the directors.

The preference shares carry no voting rights, but have the right to a fixed cumulative preferential dividend at the rate of 6% (net of associated tax credit) per annum, on the amount paid up, to be paid annually on 31 December each year.

The RBL ordinary shares, which were issued on 29 November 1995, carry no voting rights and are entitled to a dividend of £0.01 for every full amount of £100 worth of assets paid. This is payable after payment of the fixed dividend to holders of the preference shares.

The ordinary and preferred ordinary shares carry one vote per share and participate in profits available for dividend pro rata.

In the event of a capital distribution the shares rank in the following order:

£1 for each Preference Share; £1 for each Preferred Ordinary Share; £1 for each Ordinary Share; £1 for each RBL Ordinary Share; £1 for each Special Share. Thereafter pro rata.



## 19. Other reserves

Other reserves arise from the fair valuing of loan stock where the difference between the fair value and face value of the loan has been recognised as a capital contribution where the loan has been issued at below market rate from a parent company.

	£
At 1 January 2018	60,970,805
Net movement on recognition of loans	<u>595,438</u>
At 31 December 2018	<u>61,566,243</u>

## 20. Pension commitments

The Company operates a defined contribution scheme for its employees. The assets of this scheme are held separately from those of the Company in an independently administered fund.

The total amount paid to the scheme during the year totals £124,759 (31 December 2017: £113,550).

The unpaid contributions outstanding at the year end, included in other creditors, amount to £3,238 (31 December 2017: £3,521).

## 21. Related party transactions

The transactions that have been entered into with related parties, which have a significant influence over the Company, for the financial year, are as follows:

	Net funding received £
The City of Edinburgh Council	
2018	-
2017	-
CEC Holdings Limited	
2018	-
2017	-

Loans received from or made to related parties, which have a significant influence over the Company, are as follows:

	Owed by related parties £	Owed to related parties £
The City of Edinburgh Council		
2018	343,271	7,882,135
2017	321,452	7,286,697
CEC Holdings Limited		
2018	1,077,878	53,684,108

2017

482,440

53,684,108

**21. Related party transactions (cont.)**

The Company's immediate parent undertaking is CEC Holdings Limited. It has included the Company in its group financial statements. The ultimate parent undertaking is The City of Edinburgh Council. Copies of the accounts of both companies are available from the Head of Finance, The City of Edinburgh Council, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

**22. Financial instruments and risk management**

The company has the following categories of financial instruments at the balance sheet date:

	2018 £	2017 £
Financial assets		
Loans and receivables:		
Trade and other receivables	3,236,650	2,169,200
Cash and cash equivalents	<u>4,751,620</u>	<u>3,980,822</u>
	<u>7,988,270</u>	<u>6,150,022</u>
	2018 £	2017 £
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	2,075,921	1,639,672
Loan stock	<u>217,380</u>	<u>124,242</u>
	<u>2,293,301</u>	<u>1,763,914</u>

**Capital management and risk management objectives**

The company aims to manage its overall capital structure to ensure it continues to operate as a going concern. The company's capital structure represents the equity attributable to the shareholders of the company together with cash equivalents.

The Board is charged with the overall responsibility of establishing and monitoring the company's risk management policies and processes in order to identify, analyse and monitor the risks that are faced by the company. The company does not enter into or trade financial instruments for speculative purposes.

The main risks that the company is exposed to through its financial instruments are market risk, credit risk and liquidity risk. These are managed as follows:

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income. The company monitors this risk but it is very unlikely to affect the company's overall liquidity. The company's debt is primarily non-interest bearing.

## **22. Financial instruments and risk management (cont.)**

### **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company. It arises from exposure to customers and amounts owed by group undertakings.

The maximum exposure to credit risk to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is reviewed regularly by the directors and monitored by actively assessing the rating quality and liquidity of counterparties as follows:

- Only banks and institutions with an acceptable credit rating are utilised;
- All customers are rated for credit worthiness, where practical, taking into account their size, market position and financial standing;

Over 85% of the company's gross profits are derived from room hire fees which are paid in advance and from catering commission which is paid by the catering concessionaire.

### **Liquidity risk**

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages that risk as follows:

- Preparing forward looking cash flow analysis; and
- Managing cash generated by its operations and retaining surplus cash in readily accessible bank deposit accounts.

### **Fair values**

The directors consider that the carrying values of all the company's financial assets and liabilities approximate to their fair values at the balance sheet date.



Edinburgh International  
Conference Centre Limited

Audit management report  
for the year ended 31  
December 2018



Scott-Moncrieff  
business advisers and accountants

# Edinburgh International Conference Centre Limited

## Audit management report for the year ended 31 December 2018

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# 1 Purpose of this report

International Standards on Auditing (UK) 260, "Communication with those charged with governance" and 265 "Communicating deficiencies in internal control to those charged with governance and management" require Scott-Moncrieff to report the significant findings from our audit to you.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of the Board of Edinburgh International Conference Centre Limited;
- It must not be disclosed to any third party without our written consent; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

The report has been discussed and agreed with the Finance Director.

We would like to thank the Finance Director and his colleagues for their kind co-operation and assistance during our audit.

## 2 Audit Conclusion

In our opinion the financial statements give a true and fair view and have been prepared in accordance with applicable law including the International Financial Reporting Standards as adopted by the European Union (IFRSs).

Other than as described in our audit report, we confirm that our audit testing did not identify any material issues affecting the company's ability to continue as a going concern. The letter of comfort received from City of Edinburgh Council (the Council) confirms that the Council will continue to provide financial support to EICC Limited, directly or via CEC Holdings, until at least December 2020. We are therefore satisfied with the disclosure in the financial statements.

We did not identify any subsequent events which require amendments or disclosures to be made to the financial statements.

### Auditor 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. In addition to the audit of the financial statements, Scott-Moncrieff provides corporation tax services to the company. All tax services are provided by an independent tax partner and staff who have no involvement in the audit of the financial statements.

We can confirm that we have complied with the Financial Reporting Council's Ethical Standard for Auditors. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

# 3 Audit risk areas identified at the planning stage

## Identified audit risk areas

As noted in our audit planning letter submitted to the board of directors we identified the audit risk areas, noted in the table below, as significant matters. We considered these matters in detail during our audit fieldwork.

Audit risk areas	Audit findings
<p><b>Risk 1 – Management override of controls</b></p> <p>In any organisation, there is a risk that management and directors have the ability to process transactions or make adjustments to the financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements. We treat this as a presumed risk area in accordance with International Standard on Auditing (UK) 240: "The auditor's responsibilities relating to fraud in an audit of financial statements."</p> <p>Whilst we do not suspect any incidences of management override, we will review the accounting records for significant transactions that are outside the normal course of business and obtain evidence to ensure that these are valid and accounted for correctly.</p>	<p>We have not identified any indications of management override in the year. We have reviewed EICC Limited's accounting records and obtained evidence that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.</p> <p><b>Conclusion:</b> We have gained satisfactory assurance in respect of the mitigation of this risk.</p>
<p><b>Risk 2 – Revenue recognition</b></p> <p>Under International Standard on Auditing (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 company could adopt accounting policies or recognise sales in such a way as to lead to a material misstatement in the reported revenue position.</p> <p>Whilst we do not suspect any incidences of fraud or error, we will evaluate each type of revenue transaction and document our conclusions.</p>	<p>We evaluated each material revenue stream, considered the company's revenue recognition policy and carried out testing to ensure this is appropriate and has been applied.</p> <p><b>Conclusion:</b> We have gained satisfactory assurance in respect of the completeness and occurrence of revenue transactions in the year.</p>
<p><b>Risk 3 – Going Concern</b></p> <p>EICC Ltd reported a surplus position for the year to 31 December 2017 and forecasts a further surplus for the year to 31 December 2018. However the entity has a history of reporting losses and is heavily dependent on the continued support of the City of Edinburgh Council.</p> <p>We will consider the company's ability to continue to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are expected to be approved. In doing so we will consider whether the company can continue to rely on the Council's support.</p>	<p>We have obtained evidence which provides adequate assurance regarding the Council's intention to continue to support the company its ability to do so. We have also reviewed the going concern disclosures within financial statements to ensure these are adequate.</p> <p><b>Conclusion:</b> We have gained satisfactory assurance in respect of the mitigation of this risk, however we have deemed it appropriate to highlight the ongoing material uncertainty related to going concern in our audit report.</p>



# Qualitative aspects of accounting practices and financial reporting

During the course of an audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our observations are as follows:-

Qualitative aspect considered	Audit conclusion
<b>The appropriateness of the accounting policies used.</b>	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate to the company.
<b>The timing of the transactions and the year in which they are recorded.</b>	We did not identify any significant transactions where we had concerns over the timing or the year in which they were recognised.
<b>The appropriateness of the accounting estimates and judgements used.</b>	We are satisfied with the appropriateness of accounting estimates or judgements used in the preparation of the financial statements.
<b>The potential effect on the financial statements of any uncertainties including significant risks and disclosures such as pending litigation that is required to be disclosed in the financial statements.</b>	We did not identify any uncertainties including any significant risk or required disclosures that should be included in the financial statements.
<b>The extent to which the financial statements have been affected by unusual transactions during the year and the extent that these transactions are separately disclosed in the financial statements.</b>	We did not identify any unusual transactions in the year from our testing.
<b>Apparent misstatements in the Strategic Report, the Directors' Report or material inconsistencies with the financial statements.</b>	There has been no misstatement or material inconsistency with the financial statements included in the Strategic Report or the Directors' Report.
<b>Any significant financial statement disclosures to bring to your attention.</b>	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
<b>Disagreement over any accounting treatment or financial statement disclosure.</b>	There was no disagreement during the course of the audit with regards to any accounting treatment or disclosure.

Qualitative aspect considered	Audit conclusion
<b>Difficulties encountered in the audit.</b>	Our audit field work commenced in April 2019. We found that the finance team were not fully ready for the audit team on site and there were delays obtaining key supporting evidence. This put pressure on the audit team and led to a delay in finalising the audit work.

## Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with the directors of the company. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.

We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

## Legality

We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.

We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

# 5 Accounting systems and controls

During the course of our audit of the financial statements, we examined the principal internal controls which the directors have established to enable them to ensure, as far as possible, the accuracy and reliability of the company's accounting records and to safeguard the company's assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

The significant weaknesses noted from our work are detailed in the action plan below.

## Action plan – audit recommendations

We identified a number of observations which we consider require management action. Recommendations to address the observations are detailed in the action plan below, together with management responses.

Grade	Definition	No of audit observations	
		Current year	Prior year
5	Very high risk exposure - Major concerns requiring immediate attention	-	-
4	High risk exposure - Absence / failure of significant key controls	-	-
3	Moderate risk exposure - Not all key control procedures are working effectively	4	1
2	Limited risk exposure - Minor control procedures are not in place / not working effectively	1	-
1	Efficiency / housekeeping point	-	-

## Action plan

1	Related parties - EICC Registers of Interest
<b>Observation</b>	Conflicts of interests are typically disclosed by Board members at Board meetings, with a standing agenda item dedicated to "Declaration of Interests". However our review identified that there are no formal registers of interests held for the EICC's executive directors or key management.  Whilst Registers of interests of Councillors who are members of the EICC board are recorded directly by the City of Edinburgh Council (CEC) and disclosed on the Council's website, it is the responsibility of the Council to ensure that these Registers of Interests (ROI) are kept accurate and up to date. An independent ROI relevant to EICC for Councillors is not maintained.
<b>Risk and recommendation</b>	There is a risk that, as related parties are not formally documented for key members of the Board or management at EICC, transactions with those related parties are not identified. This may result in inaccurate disclosure of both related parties and related party transactions within the financial



statements.

Formal Registers of Interests should be prepared for all key members of the EICC management team, ensuring that conflicts of interests are fully identified and disclosed at the year end.

**Grade 3**

**Management response**

Responsible officer

**2**

### Related parties - identifying related party transactions

**Observation**

Our review identified that reliance is placed on board members disclosing material transactions with related parties at the beginning of board meetings, prior to the company entering into the transaction or arrangement. However there is no further review of transactions with related parties identified in their declarations at the year end.

**Risk and recommendation**

There is a risk that related party transactions which have not been disclosed by members at board meetings are not identified by the EICC, potentially resulting in inaccurate disclosure of related party transactions within the annual accounts.

A formal review of transactions should be performed by the Finance team at the year end to identify any related party transactions which have not been disclosed by members.

**Grade 3**

**Management response**

Responsible officer

**3**

### Governance arrangements

**Observation**

EICC is governed by a Board of Directors and the Board is responsible for the overall strategic direction and fulfilment of the legislative duties of the organisation. We have noted that the scale of operations of EICC has been expanding in recent years but the governance structure has remained the same with the Board supported by the senior leadership team.

**Risk and recommendation**

There is a risk that the Board is not adequately supported by appropriate governance structure and there is insufficient capacity within the current governance structure for appropriate scrutiny and challenge.

We recommend EICC reviews the current governance structure and considers whether supporting committees (e.g. audit committee) would offer benefits to the Board.

**Grade 3**

**Management response**

Responsible officer

**4**

### Authorisation of Journals

**Observation**

Manual journals are prepared by the Finance Manager and reviewed and authorised by the Finance Director. However our review identified that this authorisation is informal and is not formally documented. As such, we have

	<p>been unable to evidence that journals have been appropriately reviewed and authorised prior to posting.</p>
<b>Risk and recommendation</b>	<p>There is a risk that inaccurate and/or fraudulent journals are posted to the ledger as secondary review and authorisation of manual journals cannot be evidenced and may not be performed.</p> <p>EICC should ensure that authorisation of manual journals is formally documented to provide a clear audit trail of staff members preparing and authorising journals.</p> <p><b>Grade 3</b></p>
<b>Management response</b>	Responsible officer

<b>5</b>	<b>Control Account Reconciliations</b>
<b>Observation</b>	Reconciliations for the control accounts are performed monthly by the Finance Team. However our review identified that this is an informal check and as such, not formally recorded.
<b>Risk and recommendation</b>	<p>There is a risk that control account reconciliations are not performed and/or reviewed in a timely manner, resulting in failure to identify potential errors and resultant misstatement of the financial statements.</p> <p>EICC should ensure that control accounts reconciliations are reviewed by a secondary member of staff and that both the preparation and review of reconciliations are formally documented, providing a clear audit trail.</p> <p><b>Grade 2</b></p>
<b>Management response</b>	Responsible officer

## Follow up on prior year action plan

1	VAT not included in creditors at year end
<b>Observation</b>	It was noted during the testing of creditors that invoices that are received but not authorised pre-year end are posted to accruals and not creditors, and the VAT on these is not included within creditors.
<b>Risk and recommendation</b>	<p>As the VAT is not being recognised until after the tax point, being the date of the invoice, there is a risk that the VAT returns and the financial statements are misstated.</p> <p>If VAT submissions are incorrect, EICC could potentially be liable to fines or penalties.</p> <p><b>Grade 3</b></p>
<b>Prior year management response</b>	<b>Responsible officer:</b> Les Florence
<b>Audit observation in current year</b>	<p>We note that at the year end the VAT on unauthorised invoices was not included as a creditor. From discussion with the Finance Director our understanding is that the finance team consider this to be low risk. EICC Limited recovers VAT and therefore would expect any VAT on unauthorised invoices to be recoverable therefore the inclusion of VAT would not have an impact on the Statement of Profit or Loss and Other Comprehensive Income. This issue has resulted in a trivial error in 2018 and as such, this has not been disclosed. The adjustment is not material and has no impact on the reported profit figure.</p> <p><b>Point outstanding</b></p>
<b>Management response</b>	

## 6 Future developments

As part of our service to you and to help you keep up to date with the latest accounting, audit and tax developments relative to your organisation, we publish regular e-bulletins. We would encourage you to sign up to receive information on topics and events which are of interest to you via our website:

<http://www.scott-moncrieff.com/news/e-bulletin-signup>.

# Appendix 1 – Your audit team

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**Nick Bennet**  
Engagement Partner  
[nick.bennett@scott-moncrieff.com](mailto:nick.bennett@scott-moncrieff.com)

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**Claire Gardiner**  
Audit Manager  
[claire.gardiner@scott-moncrieff.com](mailto:claire.gardiner@scott-moncrieff.com)

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**Andrea Larkin**  
Audit Senior  
[andrea.larkin@scott-moncrieff.com](mailto:andrea.larkin@scott-moncrieff.com)

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# Governance, Risk and Best Value Committee

10am, Tuesday 3 December 2019

## Capital Theatres Company Performance Report 2018/19 – referral from the Culture and Communities Committee

Executive/routine  
Wards  
Council Commitments

### 1. For Decision/Action

---

- 1.1 The Governance, Risk and Best Value Committee is asked to consider this report as part of its programme of work.

**Laurence Rockey**

Head of Strategy and Communications

Contact: Martin Scott, Committee Services

Email: [martin.scott@edinburgh.gov.uk](mailto:martin.scott@edinburgh.gov.uk) | Tel: 0131 529 4237

# Referral Report

## Capital Theatres Company Performance Report 2018/19 – referral from the Culture and Communities Committee

### 2. Terms of Referral

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- 2.1 On 12 November 2019 the Culture and Communities Committee considered the sixth annual performance report prepared by the Executive Director of Place as a requirement of the Services Funding Agreement process adopted in 2013/14.
- 2.2 The Culture and Communities Committee agreed:
  - 2.2.1 To note the positive performance of Capital Theatres during 2018/19.
  - 2.2.2 To refer this report to the Governance, Risk and Best Value Committee.

### 3. Background Reading/ External References

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- 3.1 Minute of the Culture and Communities Committee of 12 November 2019.
- 3.2 [Culture and Communities Committee – 12 November 2019 - Webcast](#)

### 4. Appendices

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Appendix 1 – report by the Executive Director of Place

# Culture and Communities Committee

10.00am, Tuesday, 12 November 2019

## Capital Theatres Company Performance Report 2018/19

Executive/routine	Executive
Wards	All
Council Commitments	<a href="#">C46</a>

### 1. Recommendations

---

- 1.1 That Committee note the positive performance of Capital Theatres during 2018/19; and
- 1.2 Refer this report to the Governance, Risk and Best Value Committee.

#### Paul Lawrence

Executive Director of Place

Contact: Lindsay A Robertson, Culture Manager

E-mail: [Lindsay.robertson@edinburgh.gov.uk](mailto:Lindsay.robertson@edinburgh.gov.uk) | Tel: 0131 529 6719

## Capital Theatres Company Performance Report 2018/19

### 2. Executive Summary

---

- 2.1 This is the sixth annual performance report prepared as a requirement of the Services and Funding Agreement process adopted in 2013/14.
- 2.2 Capital Theatres has had another successful year, with continuing strong financial and programme performance.
- 2.3 Capital Theatres continue with the development of the King's Theatre Capital Project and formal reporting has been timetabled into the committee calendar. A brief reminder of key project aspirations is contained in the Business Bulletin for this meeting.

### 3. Background

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- 3.1 This is the sixth annual performance report prepared as a requirement of the Services and Funding Agreement process adopted in 2013/14.
- 3.2 The last update was considered by Committee on [13 November 2018](#).

### 4. Main report

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- 4.1 Capital Theatres reports on its performance to Council Monitoring Officers as required by the Services and Funding Agreement on a monthly, quarterly and annual basis.
- 4.2 The Services and Funding Agreement for 2018/19 was aligned to Council Commitments and had 26 Targets aligned to six key performance headings reflecting the citywide Culture Plan objectives. These were:
  - 4.2.1 ensuring that everyone has access to world class cultural provision;
  - 4.2.2 encouraging the highest standards of creativity and excellence in all aspects of cultural activity;
  - 4.2.3 supporting greater partnership working in the cultural and creative sectors and maximise resources available to help them thrive all year round;

- 4.2.4 articulating the positive impact to culture in Edinburgh and promoting Edinburgh’s cultural success locally, nationally and internationally;
  - 4.2.5 developing and supporting the infrastructure which sustains Edinburgh’s cultural and creative sectors; and
  - 4.2.6 investing in artist and practitioner development and supporting and sustaining the local artistic community.
- 4.3 A summary report used as part of the Annual Review Meeting between the Council and Capital Theatres, showing how targets included in the funding agreement have been achieved is attached as Appendix 1.
- 4.4 The Capital Theatres programme continues to reflect work by international and national theatre and dance companies, alongside performances and participation activities by local non-professional groups across the three venues.
- 4.5 2018/19 programme examples included:
- 4.5.1 The National’s *War Horse*, and Cameron Macintosh’s *Les Miserables*;
  - 4.5.2 The continued success of the King’s pantomime, *Beauty and the Beast* in 2018;
  - 4.5.3 Matthew Bourne’s *Swan Lake* and *Cinderella*;
  - 4.5.4 The Leeds Playhouse production of *Sunshine on Leith*;
  - 4.5.5 David Haig’s *Pressure* – a story of the D-Day landings;
  - 4.5.6 *Nativity! The Musical*;
  - 4.5.7 *Nye and Jennie* and *Poggle* demonstrated Capital Theatres’ commitment to developing work;
  - 4.5.8 the Learning and Participation Team, delivering their strategy to making arts accessible for all, have further developed the Trust’s commitment to relaxed and dementia-friendly performances thereby widening access and sharing lessons learned nationally and internationally, for example reported across the membership of the World Cities Culture Forum through the Council’s representative membership; and
  - 4.5.9 there have been 295 learning and participation events including 70 accessible performances including integrated BSL, audio-described and captioned.
- 4.6 A link to the online Capital Theatres Annual Review is provided [here](#).
- 4.7 Capital Theatres are also committed to the further development of creative partnerships through:
- 4.6.1 programming and pioneering alternative performance experiences, such as the relaxed and dementia-friendly performances, for audience whose needs are not met by traditional models;

- 4.6.2 offering greater access to their artistic programme through collaborations with visiting companies, for example offering teacher workshops with Unicorn Theatre and Edinburgh International Festival;
- 4.6.3 producing high quality new work in which diverse people take part as participants, co-creators and performers; and
- 4.6.4 animating the foyer spaces through a stimulating series of performances, activities and events.

## **5. Next Steps**

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- 5.1 Capital Theatres will continue to deliver against both their Business Plan as well as Council Funding Agreement, Commitments and Culture Plan Objectives thereby continuing to build on their provision of access to the best in theatre-based experiences for all.

## **6. Financial impact**

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- 6.1 The Council awarded a grant of £593,850 to Capital Theatres in 2018/19.
- 6.2 Capital Theatres continue to successfully manage and deliver a very robust financial performance.

## **7. Stakeholder/Community Impact**

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- 7.1 Capital Theatres has an extensive and successful Learning and Participation programme reaching a very wide community base alongside its main theatres and Studio programmes seeking to deliver accessible programme of activities and theatre.
- 7.2 Capital Theatres meet their Council Funding Agreement Conditions.
- 7.3 Capital Theatres has an Environmental Policy – [Towards a Greener Future](#).

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

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- 8.1 Capital Theatres website: [Capital Theatres](#)

## **9. Appendices**

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- 9.1 Capital Theatres Summary Report



THE CITY OF EDINBURGH COUNCIL  
ANNUAL REVIEW REPORT 2018/19

**1. Name of Organisation:**

Capital Theatres  
(King's and Festival Theatres and The Studio)

**2. Attendance levels, or service user levels, April 2018 to September 2018:**

Performance KPIs attached

**3. Please provide a brief summary on your financial position current and projected:**

Trading for the year has been positive and we are anticipating being able to transfer a moderate surplus into the Theatres Development Fund at the end of the year.

Both theatres are mostly programmed for the next 18 months with an exciting mix of productions. We are looking forward to *Les Miserables* in the spring 2019 but, unfortunately, there is no blockbuster musical at the Festival Theatre in 2019/20. This year's panto has already sold well. We are hopeful that Andy Gray will be able to return in 2019/20.

We have spent some considerable effort so far this year on moving the King's redevelopment project forward. It was disappointing news that we had not succeeded with our application to HLF this time round. HLF was extremely competitive with only 13% of applications funded. However, having taken advice from HLF, we now intend to re-apply for a reduced amount by mid-2019. We remain confident that, with the support of our funders, including CEC, we still have a viable project in the region of £20-£25m. We have recently lodged an application with a private grant making trust for £1m and have begun funding discussions with the Scottish Government.

We now have a design team in place with some new ideas on how to deliver our objectives, perhaps in a slightly more elegant and, hopefully, less costly way. We will have firmer costs and a better worked up design concept in the spring of 2019.

4. Please paste in your targets under each of the relevant headings as detailed in your funding agreement. please then summarise next to each target if it is achieved, and how it was achieved and if not or unlikely to be achieved, why:

**Ensuring that everyone has access to world class cultural provision**

<b><u>Targets</u></b>	<b><u>Achieved/Will be Achieved/ Not Achieved</u></b>
Programme at least 2 pieces of international work in addition to Dance Consortium Tours.	Achieved. Shen Yun, Bill Murray and Friends, Madeleine Peyroux in addition to <i>Les Ballets Trockadero de Monte Carlo</i>
Programme at least 10 weeks of quality drama measured by staff and customer feedback and 4/5 star reviews in at least 2 quality newspapers.	Achieved. Dr Jekyll and Mr Hyde, Birdsong, Sunshine on Leith, Still Alice, Rebus, Dracula, Shakespeare in Love, Glasgow Girls, The Lady Vanishes, The Girl on the Train, To Kill A Mockingbird
Programme diverse events to meet Equality, Diversity and Inclusion (EDI) Plan targets including: children's work, reaching socially and economically deprived communities and disabled groups.	Achieved. Kadamati Dance, Imagine programme, Poggle, Reboot, The Singing Mermaid,
Work towards LGBT Youth Scotland Equalities Charter.	Achieved. Hosted LGBT IGLYO (European Youth Conference)
Programme at least 2 large scale and 1 small scale Relaxed Performances, 1 large scale Dementia Friendly Performance, 25 described, 15 Captioned and 25 sign language interpreted performances pa.	Achieved – Relaxed performances of Panto, Cinderella Ballet and Poggle. Full programme of assisted performances in brochure.

**Encouraging the highest standards of creativity and excellence in all aspects of cultural activity**

<b><u>Targets</u></b>	<b><u>Achieved/Will be Achieved/ Not Achieved</u></b>
Achieve or exceed attendance targets	Achieved
Deliver a minimum of 6 staged productions of work specifically to address achieving a more diverse programme as outlined in EDI Plan.	Achieved – see EDI plan targets above

**Supporting greater partnership working in the cultural and creative sectors and maximise resources available to help them thrive all year round**

<b><u>Targets</u></b>	<b><u>Achieved/Will be Achieved/ Not Achieved</u></b>
Continue to take an active part in the Edinburgh Cultural Venues Group, including attendance at a minimum of 75% of meetings.	Achieved
Work with Lyceum and Traverse Theatres to deliver schools careers days.	Achieved.
Programme quality work from consortia in which Capital Theatres are involved, at least 1 production from each group.	Achieved.
Work with a minimum of 9 other venues, sharing good practice through the Forget Me Not (dementia) project, measured against the project action plan.	Achieved
Review Capital Theatres' Learning and Participation strategy to refocus Capital Theatres' work, alongside other providers working in the city and across Scotland to optimise provision, on outreach engagement, overcoming barriers to access, nurturing emerging talent and working with schools and older people.	Achieved

**Articulating the positive impact to culture in Edinburgh and promoting Edinburgh's cultural success locally, nationally and internationally**

<b><u>Targets</u></b>	<b><u>Achieved/Will be Achieved/ Not Achieved</u></b>
Measure success by retaining or improving performance as measured against the Indigo customer experience benchmark - including venues across the country	Achieved - at 6 months national benchmark is 4.31. King's is currently at 4.04 and Festival Theatre is 4.5
Measure success against the CSE benchmark, then create an action plan to measure responses.	Achieved. Action plan in place and initial conversations with external auditor are taking place.

Put a heritage interpretation plan in place.	Achieved, although under review prior to a revised HLF funding application.
Work with cultural partners in the Southside realm to scope out if Capital Theatres' heritage plan may be part of a wider project.	Partly achieved, although under review as a result of HLF funding re-application.
Publish 4 guides on the different elements of the Forget Me Not project.	Achieved. Forget Me Not project will be moving forwards under a different title – Dementia Friendly Communities.

**Developing and supporting the infrastructure which sustains Edinburgh's cultural and creative sectors**

<b><u>Targets</u></b>	<b><u>Achieved/Will be Achieved/Not Achieved</u></b>
Continue active participation and input to the Desire Lines Steering Group and Culture Task Group – a minimum of 75% attendance.	Achieved
Assuming a successful HLF stage 1 pass, and a commitment from CEC for a capital contribution, Capital Theatres will develop our HLF stage 2 application, procure a design team and start design development towards planning and listed buildings consent, and towards RIBA stage 3.	HLF application unsuccessful. Re-application planned for spring/summer 2019  Design team procured, engaged to end RIBA stage 3, and working up costed plans for what can be achieved within a £20-25m project.
Will continue our fundraising campaign for the King's Theatre.	Achieved. Public launch events planned early November 2018.
Deliver Capital Theatres' rolling 5-year Capital Expenditure Plan for essential works at the Festival Theatre.	Will be achieved.
Aim to be a good employer and will seek to continued accreditation from Investors in People, measured by their annual rolling review.	Achieved. Annual audit due December 2018

**Investing in artist and practitioner development, and supporting and sustaining the local artistic community**

<b><u>Targets</u></b>	<b><u>Achieved/Will be Achieved/Not Achieved</u></b>
Deliver 10 professional development workshops relating to productions engaging 200 people.	Achieved.
Develop and deliver an action plan for working with FE partners.	Achieved. MoU in place with Queen Margaret University, projects underway with Edinburgh College and Edinburgh Art College.
Deliver the aims of the EPAD project, including its action plan, to support smaller arts organisations and build capacity.	Achieved.
Support industry colleagues through the FST StepUp programme supporting 1 mentee.	Achieved. This will be difficult to deliver next year due to time pressures on trained mentors. We anticipate a further mentor being trained at the end of 2019 to fill the gap.

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**Capital Theatres**  
(A company limited by guarantee)

**Annual report  
and consolidated financial statements  
for the year ended 31 March 2019**

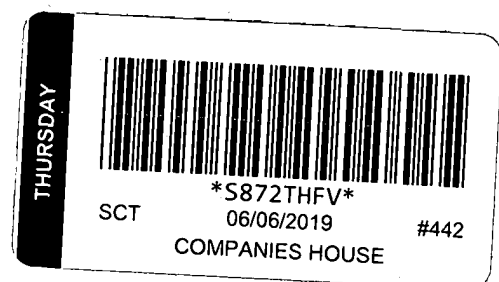
Registered in Scotland No SC134619

Registered Scottish Charity No SC018605

COMPANIES HOUSE  
EDINBURGH

06 JUN 2019

FRONT DESK



**Capital Theatres**  
**(A company limited by guarantee)**

**Annual report and consolidated financial statements**  
**for the year ended 31 March 2019**

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# Capital Theatres

(A company limited by guarantee)

## Reference and Administrative Details

### Trustees / Directors

Professor Dame Joan K Stringer DBE FRSE	<i>Chair</i>
Helen Mackie	
Alasdair Peacock	
Karen Cairney	
Gordon Jack	
Karyn Watt	
Andrew Neilson	<i>appointed 2 October 2018</i>
Lesley Drummond	<i>appointed 2 October 2018</i>
Councillor Melanie Main	
Councillor Amy McNeese-Mechan	
Councillor Donald Wilson	
Councillor Max Mitchell	
Philip Bernays	<i>retired 29 May 2018</i>

The directors of the charitable company (the Trust) are its Trustees for the purposes of charity law.

### Chief Executive

Duncan Hendry

### Company Secretary

Iain Ross

**Charity Number** SC018605

**Company Number** SC134619

### Registered office

13/29 Nicolson Street  
Edinburgh  
EH8 9FT

### Auditor

Chiene + Tait LLP  
Chartered Accountants and Statutory Auditor  
61 Dublin Street  
Edinburgh  
EH3 6NL

### Solicitors

Shepherd & Wedderburn WS  
Level 2  
Saltire Court  
Castle Terrace  
Edinburgh  
EH1 2ET

### Bankers

Bank of Scotland  
The Mound  
Edinburgh  
EH1 1YZ

### Investment Managers

Brewin Dolphin  
144 Morrison Street  
Edinburgh  
EH3 8BR

# Capital Theatres

(A company limited by guarantee)

## Trustees' report for the year ended 31 March 2019

The Trustees, who are also Directors for charitable law purposes, present their report and the audited financial statements for the year ended 31 March 2019. This report is prepared in accordance with the Articles of Association and the Statement of Recommended Practice – Accounting and Reporting by Charities.

After a very successful year we look forward to celebrating the 25<sup>th</sup> anniversary of the Festival Theatre in June 2019 and progressing plans for a £20 million redevelopment of the King's Theatre due to begin in September 2021.

### Objectives and Activities

Our Charitable Purposes, whether working on our own or collaboratively with others, are to promote Arts and Culture in all or any of their forms and to foster an understanding and appreciation thereof, and to educate the public about Arts and Culture in all or any of their forms, and the heritage of Arts and Culture. We have the general aim of contributing to the quality of life of the people of Edinburgh and East Central Scotland by expanding their horizons through the provision of exciting, challenging and accessible performing and participatory arts events.

We aim to have our theatres recognised internationally as centres of excellence, to be engaged with the local community and to present work of the highest quality that stimulates, entertains, educates and inspires. Our mission over the next five years is to enhance the reputation of our theatres by presenting a programme of quality work from Scottish, UK and international companies and to give leadership, support and exemplary levels of care to visiting companies, stakeholders, customers and our own staff.

In pursuance of this mission our strategic goals are: to develop and grow new audiences from a wide geographic area and a broad range of demographics, whilst retaining and deepening engagement with existing audiences; to present quality work best suited to our theatres from local, national and international companies; to provide flexible facilities for our visiting companies, audiences and staff that meet or exceed their expectations; and to maintain a surplus of a minimum of £350,000 in unrestricted reserves.

Based in Edinburgh, our activities are concentrated on the management, programming and operation of our three theatres, the Festival Theatre, King's Theatre, and The Studio on Potterrow. We aim to programme quality work, referenced against a number of parameters: high threshold of artistic excellence; multiple art forms; cultural diversity and richness; participation and learning opportunities for all ages; inclusiveness – programmes for all tastes and backgrounds; accessibility; mainstream – a variety of well known and loved shows; innovative programming and experimental shows; world class and international work as well as being a window on the world through which Scottish work can be presented nationally and internationally. Productions range across the performing arts including opera, ballet, contemporary dance, theatre, drama, music - classical, contemporary and jazz - musical theatre, pantomime and cinema. Shows are presented by local, national and international professional companies alongside local amateur groups. The Trust maintains a flexible approach to the programme quantity and mix based on the parameters above and on commercial viability.

In addition, we present a Learning and Participation programme which engages, informs and enthuses a wide range of participants, develops new audiences, and helps deepen our relationship with existing audiences. Activities include education initiatives to attract new audiences into our theatres, continuous personal development for teachers, career day advice for students, and an extensive range of talks and workshops based around performances in our venues.

### Structure, Governance and Management

The Charitable Company ('the Trust') is limited by guarantee and does not have a share capital. It is registered as a charity in Scotland and governed by Articles of Association which were last updated on 2nd December 2014. Members, of whom there are a minimum of six and a maximum of thirteen, are those individuals elected as Trustees. A maximum of four are Councillors of, and appointed by, City of Edinburgh Council, up to eight are elected by the Board from time to time, and up to one may be co-opted in the short term to take the place of an elected member during periods of illness or indisposition.

The Management of the Charitable Company is the responsibility of the Trustees who are appointed under the terms of the Articles of Association.

Elected Trustees may serve for two periods of four years before retiring. Trustees co-opted by the Board are subject to re-election at the AGM immediately following their co-option. Trustees are elected or co-opted based on an audit, reviewed annually, to ensure that a wide range of skills and interests are represented on the Board.

# Capital Theatres

(A company limited by guarantee)

## Trustees' Report for the year ended 31 March 2019 (cont)

New Trustees meet with the Chair and the Chief Executive to be appraised of the Trust, its structure, governance, the content of its Articles of Association, the committee decision-making process, the business plan and recent financial performance. Members of the Board are encouraged to undertake training provided by Arts and Business on best practice in Board Membership for Trustees of Arts Charities, and attend a Diversity Training course. They are also given guided tours of our venues, afforded the opportunity to meet key staff, and encouraged to attend performances.

The Board of Trustees, which administers the Trust, meets approximately every eight weeks and there are sub-committees covering audit, finance and risk, remuneration and nomination. The Trustees elect one of their number as Chair for a period of four years, which can be renewed. The Board appoints a Chief Executive, who is not a member of the Board, to deliver the strategic objectives set by the Board and manage the day to day operations of the Trust. To facilitate effective operations, the Chief Executive has authority, within terms of delegation approved by the Trustees, for artistic performance and operational matters including finance and employment.

We have two wholly owned subsidiaries. Capital Theatres Trading Limited operates the commercial bar, catering and conference facilities at all venues, donating its taxable surplus to the Trust using Gift Aid. Capital Theatres King's Limited is currently dormant, but will be the vehicle through which the King's redevelopment project will be administered.

### Related Parties

As noted above, we have two wholly owned subsidiaries, whose Board members comprise our Chair and Chief Executive.

We have a close relationship with City of Edinburgh Council, which regards us as an associate entity and provides essential core funding for the artistic programme as an amenity for local residents and the public. The Council also acts as our landlord under lease agreements.

We are a minority stakeholder in a touring consortium, Music & Lyrics Limited, which produces large scale touring musicals which visit the Festival Theatre. Our Finance department provides accounting, business planning and managerial support to the company, for which we receive fees.

We are members of Touring Consortium Theatre Company and Touring Partnership which curate and tour dramatic productions which visit the King's Theatre. Our Chief Executive, Duncan Hendry, is a Director of both companies.

### Key Management Personnel and remuneration policy

We consider the Board of Trustees, the Chief Executive, the Director of Operations and the Director of Finance & HR to be the key management personnel of the charity as they are in charge of directing, controlling, running and operating the organisation on a day to day basis. All Trustees give of their time freely but can claim travel expenses for attendance at meetings. See note 10 for further details.

The Remuneration Committee reviews the salaries of all staff each year, taking account of the financial performance of the Trust and achievement of key outcomes, together with benchmarking against salaries of comparable positions in the industry.

### Reserves

One of our strategic goals is to maintain a surplus on unrestricted reserves of a minimum of £350,000. In assessing the quantum of this reserve, consideration is given to the effect that short-term adverse economic or trading conditions could have on the Trust and its ability to sustain its operations until matters improve. During the year the Board considered the potential financial effect of the closure of the King's Theatre during its proposed redevelopment in the period between September 2021 and July 2023 and agreed that it would be prudent to increase temporarily the balance of unrestricted reserves to £450,000 prior to that event. At 31 March 2019 this reserve was £418,535 (2018 - £357,451) and the Board is confident that the remaining £31,465 will be accrued prior to building work commencing.

Designated funds represent the Theatres Development Fund of £3,660,570 (2018 - £3,041,439) which benefits from the ticket levy charged on the majority of tickets sold at our venues. Of the total balance £597,642 is already committed to projects and is being amortised over up to fifty years in line with the life of the assets concerned. The remaining balance of £3,062,928 will provide seed funding for the proposed redevelopment of the King's Theatre.

# Capital Theatres

(A company limited by guarantee)

## Trustees' Report for the year ended 31 March 2019 (cont)

Restricted funds of £798,294 (2018 - £521,031) include The Studio development in Potterrow, grants received to upgrade our wi-fi and broadband infrastructure, and the King's Theatre redevelopment project. Further detail is provided in notes 19 to 21 of the financial statements.

### Investment policy

During the year we reviewed our investment policy and agreed that unrestricted and restricted funds should remain held in minimum risk accounts or term deposit arrangements.

£2,500,000 of designated Theatres Development Fund balances, which are committed as seed funding for the redevelopment of the King's Theatre scheduled to begin in 2021, were placed with investment manager Brewin Dolphin in December 2017 with the aim of producing a return at least equal to inflation over the four to five-year period prior to being required. In taking this decision, we acknowledged that investment values can fall as well as rise, but are content that the time frame inherent in the decision is sufficient for any short-term downturn to be recoverable. The funds are invested at Risk Level 4 – Low Investment Risk. We review this arrangement at least twice a year. At the year end the valuation of these investments was £2,581,902 (2018: £2,452,329).

### Statement of Trustees' responsibilities

As Trustees (who are also directors of Capital Theatres for the purposes of company law) we are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires us to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group, and the incoming resources and application of resources, including the net income and expenditure, of the charitable group for the year. In preparing the financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; *and*
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation. The going concern basis of preparation is disclosed further in note 2, Principal Accounting Policies, of the financial statements.

We are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable us to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

We are also responsible for safeguarding the assets of the charitable company and group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the we are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; *and*
- we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that the auditor is aware of that information.

# Capital Theatres

(A company limited by guarantee)

## Strategic Report for the year ended 31 March 2019

We are pleased to present our Strategic Report for the year ended 31 March 2019.

### Achievements and Performance

The last twelve months have been a confusing and frustrating period, particularly in the UK and Europe, as political leadership seems to have disappeared under a sea of division, delay and lack of vision. Whatever one might think of the aims, methods or success of the Gilets Jaunes in Paris and Extinction Rebellion in the UK, they suggest a growing unrest at the apparent inability or unwillingness of those in charge to address issues and provide clarity to those that they serve and represent. And the singular lack of progress made in Brexit negotiations over an extended period merely adds to the significant uncertainty which pervades all spheres of life and, in particular, business.

It is debatable whether or not this instability has been an influence but, over the last three months, four productions due to visit our theatres have been cancelled or their tours curtailed at relatively short notice, leaving gaps in the programme that are difficult to fill with shows of an equivalent standard. While it is not unheard of that a tour is cancelled, four instances over such a short period is unusual to say the least, and we must hope that it is not a sign of a deeper malaise.

In such circumstances we are very fortunate to have had stability and very solid leadership at the Trust which is reflected in our results and overall financial position.

Our Chief Executive, Duncan Hendry, took up the role in April 2012, at a time when the Trust was still recovering from losing a quarter of its full-time staff to redundancy after incurring, at its peak, a deficit on unrestricted reserves of £934,000. After eight consecutive years of surplus, that deficit has been repaid and replaced with positive reserves of £418,000. The programme in our theatres has improved out of all recognition, and our much strengthened financial position has enabled us to extend our outreach work and make much needed investment in the fabric of our venues, including planning for a major redevelopment of the King's Theatre due to start in Autumn 2021.

Given the parlous state of our finances in 2010, this has been a major achievement, and it was therefore with much regret that we heard of Duncan's plan to retire from his role during the current financial year. Recruitment of his replacement will begin soon, and we will have an opportunity to mark his leaving in an appropriate manner nearer the time, but he will, without doubt, be a very hard act to follow.

The results for 2018/2019 underline the progress we have made in all areas of the business. A surplus of unrestricted income of £61,084 has been added to reserves rather than transferred to our Theatres Development Fund (TDF). As indicated last year, we consider it prudent to increase our unrestricted reserves to £450,000 in the period of closure of the King's Theatre for redevelopment and, having now reached £418,535, are well on our way to achieving that goal prior to Autumn 2021.

It was a period of very positive trading, during which we welcomed over 503,000 paying visitors to our venues, the first time we have ever even approached, never mind exceeded, the half a million mark.

The Festival Theatre hosted two "blockbuster" shows. *Warhorse* made a welcome return and again made us wonder at the futility of war and the ultimate sacrifice made by so many but, at the same time, brought a tear to many an eye as the bond between man and animal was unbroken by the surrounding mayhem of battle. And *Les Misérables*, one of the most popular musicals of all time, brought revolution and heroism in abundance to Edinburgh. The production values were outstanding, and the quality of orchestra and voices impeccable during a four-week run that was sold out months before it began. We are truly blessed that we have a theatre that can attract such world-renowned and inspiring productions, and look forward to announcing further major collaborations in the near future.

As the Edinburgh venue of choice for both Scottish Opera and Scottish Ballet, we are treated to the very best of our nation's artistic output which this year included the vocal artistry of *Ariadne Auf Naxos*, *Eugene Onegin*, *Katya Kabanova* and *Rigoletto*, and the grace and beauty of *Highland Fling* and, at Christmas, *Cinderella*. Matthew Bourne visited twice, once with his version of *Cinderella* and again with the spectacular *Swan Lake*.

We hosted performances for all of the major festivals, including film and jazz. The Edinburgh International Festival is always a challenge to the imagination and food for thought, and Akram Khan's solo work *Xenos*, his last performance in a full-length production, did not disappoint in confronting the tragedy of the First World War through the eyes of an Indian soldier in the trenches. In complete contrast, *Cold Blood* was a unique combination of dancing hands, miniature sets and an iconic music soundtrack. Fred and Ginger would have loved the tap routine danced by fingers in thimbles.

We were visited by several touring premieres during the year. *The Last Ship* musical, written by Police front man Sting, was a passionate tale of defiance and community during the final days of shipbuilding in the North East of England. *Rebus: Long Shadows* was the first and, if its author is to be believed, last appearance on stage of the now retired detective

# Capital Theatres

(A company limited by guarantee)

## Strategic Report for the year ended 31 March 2019 (continued)

still haunted by his former life in Edinburgh. A collaboration between Ian Rankin and Rona Munro, it elicited an especially warm response in his home city.

Samantha Womack starred in the stage adaptation of Paula Hawkins' novel, *The Girl On The Train*, which overcame the challenge of the absence of a real train without recourse to excuses about leaves on the track or the wrong sort of snow. And *Vulcan VII*, written by Adrian Edmondson and Nigel Planer, had some of the hysterical oddity that was previously *The Young Ones* but set in a make-up caravan in the wastelands of Iceland.

The King's pantomime, *Beauty and the Beast*, once again broke all records and further underlined its place both as an essential "must-see" show during our capital city's Christmas, but also a hugely important financial building block of the Trust's business model. We were much saddened that one of its principal stars, Andy Gray, was unable to take part this year because he was "no' very well", but are very hopeful that he will return to the circus ring later this year in *Goldilocks and the Three Bears*.

The return of *Sunshine on Leith*, the first visit of *Calendar Girls the Musical*, a sparkling *Nativity* and raucous *Dirty Dancing* added further to the musical programme, with comedy well served by, amongst others, Chris Ramsey, Rob Brydon, Iain Stirling, Sarah Millican and Sandi Toksvig. For those with more of a thirst for knowledge, *Trust Fast Health* with Dr. Michael Mosley, an audience with Simon Reeve, and the elves from QI explaining that there is *No Such Thing As A Fish* helped stimulate the brain cells.

Our film screenings continue to build a loyal following and spanned the classics such as *Julius Caesar* and *King Lear* to the outdoor pursuits of the *Banff Mountain* and *Ocean Film Festivals*. Not to be left out, *Teletubbies*, *Peppa Pig* and *Cat In The Hat* were amongst several shows that kept our younger audience on their toes and very vocal.

We are extremely fortunate to have a team of hugely committed and able employees, both full time and part time, and take this opportunity to thank them again for their invaluable contribution to the running of the Trust. As the business develops and the reach and breadth of our activities widen, they are set new challenges on a regular basis. The period between December 2018 and February 2019 was a good example, when the pantomime ran for eight weeks at the King's, and *Nativity* and *Cinderella* were followed almost without a break by *Les Misérables* at the Festival Theatre. Between them these shows were seen by more than 184,000 paying customers, and stretched our resources both back-of-house and front-of-house to their limits, but the reaction from both our audiences and visiting producers was unanimously positive, as was the audible sigh of relief from all concerned when a short period of calm returned to the venues. It is only when an organisation is put under real pressure that you see its true strength and, thanks to our wonderful staff, we passed with flying colours.

As with every business, a lot of the very good work that goes on is never seen from the outside and, indeed, is inconspicuous exactly because it is so well executed. Amongst many such projects, the replacement of our website during the year happened with barely any downtime or interruption to our internet sales, such a vital part of our offering. As a consequence we now have a much improved digital presence, particularly for our increasingly mobile clientele, and huge credit must go to our marketing team and, in particular, Joanna Miller and Anabel Barrero, whose expertise and commitment were pivotal to its success.

We have also seen further development of the café in the foyer of the Festival Theatre, the management of which was brought back in-house in 2017. Previously it had a history of loss-making activity or underperformance as a concession, but now provides a welcoming and appetising attraction in an area of the building that benefits enormously from activity and colour. The hard-working team runs under the guidance of manager Matthew Halsall, whose expertise we are calling on during the design phase of a new café due to be created during the King's project.

Our Learning and Participation work has continued apace, despite the interruption of personnel changes during the year. Our involvement with the Life Changes Trust has further developed the good work being done to understand and adapt to the needs of those of our friends suffering from dementia, and contact with the education sector, including the special schools in the region, has helped strengthen our ties with those most in need.

Because it has become an integral part of how the Trust operates, it is easy to overlook the significant level of help we give to a whole variety of organisations with which we interact. We are the co-funder of Edinburgh Performing Arts Development (EPAD), "a light-touch project that supports Edinburgh-based independent artists and companies working in the performing arts sector" and, in addition, provide pro bono office space and facilities to its administrators. Several of our management team have provided mentoring or support to users of EPAD's services.

Edinburgh Cultural Venues Group (ECVG) is a consortium of Edinburgh's key publicly funded organisations, formed to maximise the effectiveness, appeal and reach of the city's year-round cultural offer. As well as the Trust being a founding

# Capital Theatres

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## Strategic Report for the year ended 31 March 2019 (continued)

member and funder, our Chief Executive has served two terms as its Chair and we provide them with accounting and management services, again free-of-charge, as we do for three other small arts organisations based in the city.

As the largest independent theatre management organisation in Scotland, we believe that it is incumbent on us, as a charity and recipient of public funding, to be proactive in supporting smaller arts organisations in our area that are not fortunate enough to have an administrative infrastructure such as ours. We will therefore continue to expand this often unseen strand of our work.

### Financial Review

The financial statements show a consolidated operating surplus of unrestricted general funds, after transfers, of £61,084.

Our revenue grant from City of Edinburgh Council (CEC) was reduced by £23,087 to £593,850. Although our financial position has improved significantly in recent years, we continue to be dependent on grant support and further significant reductions could have a substantial impact on our ability to operate efficiently. But we recognise that, as with all local authorities, CEC is under immense pressure to contain cost and deliver ever-expanding services, and are immensely grateful for their continuing support.

In addition to the surplus earned on unrestricted income, we added £561,500 to the Theatres Development Fund (TDF) from the ticket levy that is added to the majority of ticket sales for our venues. Having committed to contributing £5 million to the proposed King's redevelopment project, this income is essential to allow us to reach our target before project's end.

Our patrons and benefactors have, once again, shown great generosity in helping us fund a variety of projects, and will be especially important as we seek to generate funds to allow the King's redevelopment project to progress. Their support is immensely appreciated and we hope that, by engaging with them and involving them in our plans for the future, we have the pleasure of their company on the road ahead.

### Plans for Future Periods

June 2019 marks the 25<sup>th</sup> anniversary of the opening of the Festival Theatre and plans are afoot to mark the occasion with a celebratory variety show featuring the very best of our creative people, projects and partnerships. Now well established as a major landmark in the centre of Edinburgh, the design of the building was a statement of intent and a challenge to its users to be bold and adventurous in outlook and ambition, and it has achieved those aims over its lively and exciting life.

The much loved King's Theatre will soon begin an exciting journey of its own when a long planned redevelopment is due to begin in September 2021. Our architects have produced a striking and bold design that will retain the glory of the existing Category A listed building while, at the same time, replacing what is now a very dated infrastructure, enabling hugely improved access to all areas and providing our visiting companies and audiences with state of the art facilities.

With a projected cost of £20 million it is a very major undertaking and our Development team, much strengthened for the purpose, have begun a fundraising campaign to ensure that we are able to achieve the transformational targets that the project has set. It has got off to a positive start and will be a major focus of our work in the next two to three years.

As we are now accustomed to, there is a very varied and attractive programme running in our venues throughout the year. The Christmas period, always a key time for the Trust, begins with Dr. Seuss' classic story *How the Grinch Stole Christmas* at the Festival Theatre followed, in complete contrast, by Scottish Ballet's *The Snow Queen*. We are especially pleased that, in their 50<sup>th</sup> year, we are not only hosting this world premiere but, in June, making available our stage as the venue of the gala dinner celebrating their half century. The pantomime, *Goldilocks and the Three Bears*, sees the established threesome of Allan Stewart, Andy Gray and Grant Stott joined by *River City's* Jordan Young who has previously starred in Aberdeen's festive show. Penguin lovers can waddle along to The Studio to join in the childrens' immersive performance of *Flutter*.

The Scottish Opera season includes *The Magic Flute*, *Tosca* and *Nixon in China*, and dance is well catered for by both Rambert's principal and young dancers, *Ballet Black*, *Acosta Danza* and the last visit from Richard Alston whose 50 year involvement in contemporary dance will officially end in 2020.

Having sobered up after *Abigail's Party*, we look forward to, amongst other drama delights, *The Comedy About a Bank Robbery*, *Captain Corelli's Mandolin* and the National Theatre's *A Taste of Honey*, together with the compulsory identity parade of crime thrillers including *An Inspector Calls* and *Dial M For Murder*.

For musical fans, there is *Amelie the Musical* and the welcome return of *Avenue Q*, *Cabaret* and *Buddy*. Towards the end of the year the "chuffing marvellous" *Everybody's Talking About Jamie* promises a feelgood evening as he overcomes prejudice and bullies against the backdrop of a Sheffield council estate. And Jings, Crivvens, Help Ma Boab, let's not forget *Oor Wullie* who's invited all his friends to visit the King's, including Fat Boab – are we still allowed to say that ?

# Capital Theatres

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## Strategic Report for the year ended 31 March 2019 (continued)

The variety is equally broad amongst one night visits from Elaine C. Smith, *Hormonal Housewives*, James Acaster, Eddie Izzard and Frank Skinner, and our technical team will be anxious that *Burn The Floor* leaves their beloved stage intact when Kevin Clifton arrives. Silver screen aficionados can be tempted by screenings such as *All My Sons*, *All About Eve*, *The Lehman Trilogy* and *Nosferatu*, the last of which continues the highly popular Silent Cinema series curated by our very own Sam Goldblatt and is enhanced by live piano accompaniment.

For the younger members of our audience, *Horrible Histories* will be laying bare the worst side of the *Terrible Tudors* and *Awful Egyptians*, *Funbox* are in the Wild West, and Scottish Ballet's specially adapted *Wee Hansel & Gretel* threatens to produce a hyperactive response with a gingerbread house and dancing sweets.

As well as an expanding programme of general work, The Studio is the base for a number of our Learning and Participation events, and we would encourage anyone with an interest in theatre to become involved in the excellent work that our team curates as part of our drive to encourage equality and diversity in all that we do.

### Principal Risks and Uncertainties

Our Audit Committee has delegated authority from the Trustees to ensure that a review of the major risks to which the charity is exposed is conducted and that systems have been established to mitigate those risks. We receive a report from the Audit Committee following their review.

We have a comprehensive risk management process in place to identify and address the major financial, operational, governance, reputational and regulatory risks which might impact on our ability to meet our objectives. This includes the maintenance of a register which records the major risks, the controls in place to mitigate them, and actions required, where appropriate. Management reviews and updates the register on an annual basis, including compliance with General Data Protection Regulations.

Internal risks are minimised by the implementation of procedures for authorisation of all material transactions and events, and to ensure quality of delivery for all operational aspects of the services provided by the Trust.

We have identified the following key risks:

- the potential for further reductions in core funding;
- the ageing of our theatres which require substantial and increased maintenance;
- the ongoing economic uncertainty caused by Brexit negotiations and the potential for a second independence referendum in Scotland; and
- our exposure to disruption, particularly weather-based, leading to the cancellation of performances during the runs of major productions at our venues

These risks are subject to ongoing monitoring by the Audit Committee and the Board of Trustees. We also have a strategic business plan with aims, objectives and key performance indicators that are monitored monthly by senior management and the Board to ensure the effective delivery of the plan and the management of risk.

Our Trustees' Report and Strategic Report have been approved by the Board and are signed on our behalf by:



Professor Dame Joan K Stringer DBE FRSE

Trustee

28<sup>th</sup> May 2019



# Capital Theatres

(A company limited by guarantee)

## Independent auditor's report to the members and Trustees of Capital Theatres (a company limited by guarantee)



### Opinion

We have audited the consolidated financial statements of Capital Theatres (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Consolidated and Company Statement of Financial Activities, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2019, and of the group's and parent charitable company's incoming resources and application of resources, including the group's and parent charitable company's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Capital Theatres

(A company limited by guarantee)

## Independent auditor's report to the members and Trustees of Capital Theatres (a company limited by guarantee)



### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 6, the Trustees (who are also the Directors of the charitable company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the group's and parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

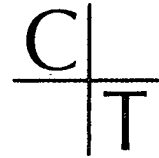
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# Capital Theatres

(A company limited by guarantee)

## Independent auditor's report to the members and Trustees of Capital Theatres (a company limited by guarantee)



### Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's Trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Jeremy Chittleburgh BSc CA (Senior Statutory Auditor)**

For and on behalf of

**CHIENE + TAIT LLP**

**Chartered Accountants and Statutory Auditor**

**61 Dublin Street**

**Edinburgh**

**EH3 6NL**

31 May 2019

Chiene + Tait LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

# Capital Theatres

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## Consolidated statement of financial activities for the year ended 31 March 2019

(Incorporating a consolidated income and expenditure account)

		Unrestricted Funds	Designated Funds	Restricted Funds	Total Funds	Total Funds
		2019	2019	2019	2019	2018
	Notes	£	£	£	£	£
<b>Income and endowments</b>						
<i>Donations and legacies</i>						
Grants and donations	4	791,100	-	-	791,100	871,937
Friends/Patrons/Sponsorship		279,861	-	307,733	587,594	413,190
<i>Other trading activities</i>						
Commercial trading operations	5	1,717,849	-	-	1,717,849	1,406,136
Investment income	6	5,611	4,423	-	10,034	8,409
		2,794,421	4,423	307,733	3,106,577	2,699,672
<b>Income from Charitable activities</b>						
Operation of theatre income	7	14,491,410	561,500	-	15,052,910	11,838,090
<b>Total Income</b>		<b>17,285,831</b>	<b>565,923</b>	<b>307,733</b>	<b>18,159,487</b>	<b>14,537,762</b>
<b>Expenditure:</b>						
<b>Costs of raising funds</b>						
Fundraising costs of grants and donations	8	(215,031)	-	-	(215,031)	(100,735)
Commercial trading operations	5	(1,342,163)	-	-	(1,342,163)	(1,086,561)
		(1,557,194)	-	-	(1,557,194)	(1,187,296)
<b>Expenditure on Charitable activities</b>						
Operation of theatre costs	9	(15,774,388)	-	-	(15,774,388)	(12,990,511)
<b>Total expenditure</b>		<b>(17,331,582)</b>	<b>-</b>	<b>-</b>	<b>(17,331,582)</b>	<b>(14,177,807)</b>
<b>Net (expenditure)/income and net movement in funds before transfers</b>						
Transfer between funds	19-21	106,835	(76,365)	(30,470)	-	-
Actuarial gains on defined benefit pension schemes	11	-	-	-	-	347,000
<b>Net income/ (expenditure)</b>		<b>61,084</b>	<b>489,558</b>	<b>277,263</b>	<b>827,905</b>	<b>706,955</b>
Unrealised gains/ (losses) on investments	13	-	129,573	-	129,573	(47,671)
<b>Net movement in funds for the year</b>		<b>61,084</b>	<b>619,131</b>	<b>277,263</b>	<b>957,478</b>	<b>659,284</b>
<b>Reconciliation of funds</b>						
Fund balance as at 1 April 2018	19-21	357,451	3,041,439	521,031	3,919,921	3,260,637
<b>Fund balances as at 31 March 2019</b>	<b>19-21</b>	<b>418,535</b>	<b>3,660,570</b>	<b>798,294</b>	<b>4,877,399</b>	<b>3,919,921</b>

All incoming resources and resources expended in 2019 were derived from continuing activities. The statement of financial activities includes all gains and losses recognised in the year.

A detailed analysis of the 2018 comparative figures is provided in note 24 of these statements.

# Capital Theatres

(A company limited by guarantee)

## Company statement of financial activities for the year ended 31 March 2019

(Incorporating a consolidated income and expenditure account)

		Unrestricted Funds	Designated Funds	Restricted Funds	Total Funds	Total Funds
		2019	2019	2019	2019	2018
	Notes	£	£	£	£	£
<b>Income and endowments</b>						
<i>Donations and legacies</i>						
Grants and donations	4	791,100	-	-	791,100	871,937
Friends/Patrons/Sponsorship		279,861	-	307,733	587,594	413,190
Investment income	6	5,611	4,423	-	10,034	8,409
Gift Aid from trading subsidiary	5	375,686	-	-	375,686	319,575
		1,452,258	4,423	307,733	1,764,414	1,613,111
<b>Income from Charitable activities</b>						
Operation of theatre income	7	14,491,410	561,500	-	15,052,910	11,838,090
<b>Total Income</b>		<b>15,943,668</b>	<b>565,923</b>	<b>307,733</b>	<b>16,817,324</b>	<b>13,451,201</b>
<b>Expenditure:</b>						
<b>Costs of raising funds</b>						
Fundraising costs of grants and donations	8	(215,031)	-	-	(215,031)	(100,735)
<b>Expenditure on Charitable activities</b>						
Operation of theatre costs	9	(15,774,388)	-	-	(15,774,388)	(12,990,511)
<b>Total expenditure</b>		<b>(15,989,419)</b>	<b>-</b>	<b>-</b>	<b>(15,989,419)</b>	<b>(13,091,246)</b>
<b>Net (expenditure)/income and net movement in funds before transfers</b>		<b>(45,751)</b>	<b>565,923</b>	<b>307,733</b>	<b>827,905</b>	<b>359,955</b>
Transfer between funds	19-21	106,835	(76,365)	(30,470)	-	-
Actuarial gains on defined benefit pension schemes	11	-	-	-	-	347,000
<b>Net income/ (expenditure) and net movement in funds for the year</b>		<b>61,084</b>	<b>489,558</b>	<b>277,263</b>	<b>827,905</b>	<b>706,955</b>
Unrealised gains/ (losses) on investments	13	-	129,573	-	129,573	(47,671)
<b>Net movement in funds for the year</b>		<b>61,084</b>	<b>619,131</b>	<b>277,263</b>	<b>957,478</b>	<b>659,284</b>
<b>Reconciliation of funds</b>						
Fund balance as at 1 April 2018	19-21	351,265	3,041,439	521,031	3,913,735	3,254,451
<b>Fund balances as at 31 March 2019</b>	19-21	<b>412,349</b>	<b>3,660,570</b>	<b>798,294</b>	<b>4,871,213</b>	<b>3,913,735</b>

All incoming resources and resources expended in 2019 were derived from continuing activities. The statement of financial activities includes all gains and losses recognised in the year.

# Capital Theatres

(A company limited by guarantee)

## Consolidated balance sheet as at 31 March 2019

		2019	2018
	Notes	£	£
<b>Fixed Assets</b>			
Tangible assets	12(a)	1,998,394	2,337,038
<b>Current assets</b>			
Investments	13	2,581,902	2,452,329
Stock	14	29,973	27,811
Debtors	15	109,603	244,060
Cash at bank and in hand		3,195,034	4,555,998
		<b>5,916,512</b>	<b>7,280,198</b>
<b>Creditors: amounts falling due within one year</b>	16	<b>(3,037,507)</b>	<b>(5,697,315)</b>
<b>Net current assets</b>		<b>2,879,005</b>	<b>1,582,883</b>
<b>Net Assets</b>		<b>4,877,399</b>	<b>3,919,921</b>
<b>Funds</b>			
Unrestricted – general	19	418,535	357,451
Designated – Theatres Development Fund	20	3,660,570	3,041,439
Restricted	21	798,294	521,031
<b>Total charity funds</b>	22	<b>4,877,399</b>	<b>3,919,921</b>

The financial statements on pages 14 to 31 were approved by the Board of Trustees and authorised for issue on 28<sup>th</sup> May 2019 and were signed on its behalf by:

Professor Dame Joan K Stringer DBE FRSE  
Trustee

Gordon Jack C.A.  
Trustee

Registered in Scotland No SC134619

# Capital Theatres

(A company limited by guarantee)

## Company balance sheet as at 31 March 2019

		2019	2018
	Notes	£	£
<b>Fixed Assets</b>			
Tangible assets	12(b)	1,988,552	2,258,563
Investments	13	3	3
		<b>1,988,555</b>	<b>2,258,566</b>
<b>Current assets</b>			
Investments	13	2,581,902	2,452,329
Debtors	15	166,962	380,823
Cash at bank and in hand		3,142,761	4,499,638
		<b>5,891,625</b>	<b>7,332,790</b>
<b>Creditors: amounts falling due within one year</b>	16	<b>(3,008,967)</b>	<b>(5,677,621)</b>
<b>Net current assets</b>		<b>2,882,658</b>	<b>1,655,169</b>
<b>Net Assets</b>		<b>4,871,213</b>	<b>3,913,735</b>
<b>Funds</b>			
Unrestricted – general	19	412,349	351,265
Designated – Theatres Development Fund	20	3,660,570	3,041,439
Restricted	21	798,294	521,031
<b>Total charity funds</b>		<b>4,871,213</b>	<b>3,913,735</b>

The financial statements on pages 14 to 31 were approved by the Board of Trustees and authorised for issue on 28<sup>th</sup> May 2019 and were signed on its behalf by:

Professor Dame Joan K Stringer DBE FRSE  
Trustee

Gordon Jack C.A.  
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Registered in Scotland No SC134619

# Capital Theatres

(A company limited by guarantee)

## Consolidated statement of cash flows for the year ended 31 March 2019

	Notes	2019 £	2018 £
<b>Net cash (used in)/provided by operating activities</b>		<b>(1,370,998)</b>	<b>2,766,803</b>
<b>Cash flows from investing activities:</b>			
Interest received	6	10,034	8,409
Purchase of property, fixtures and fittings	12(a)	-	(809,736)
Purchase of investments	13	-	(2,500,000)
<b>Cash provided by/(used in) investing activities</b>		<b>10,034</b>	<b>(3,301,327)</b>
<b>Decrease in cash and cash equivalents in the year</b>		<b>(1,360,964)</b>	<b>(534,524)</b>
Cash and cash equivalents at 1 April 2018		4,555,998	5,090,522
<b>Cash and cash equivalents at 31 March 2019</b>		<b>3,195,034</b>	<b>4,555,998</b>

## Reconciliation of net movement in funds to net cash flow from operating activities

	Notes	2019 £	2018 £
<b>Net movement in funds</b>		<b>957,478</b>	<b>659,284</b>
<b>Adjustments for:</b>			
Add back depreciation charges	12(a)	338,644	306,268
Deduct interest income shown in investing activities		(10,034)	(8,409)
Pension scheme movements		-	(347,000)
Unrealised (gains)/ losses on investments	13	(129,573)	47,671
Increase in stocks		(2,162)	(313)
Decrease/ (increase) in debtors		134,457	(15,946)
(Decrease)/ Increase in creditors		(2,659,808)	2,125,248
<b>Net cash (used in)/ provided by operating activities</b>		<b>(1,370,998)</b>	<b>2,766,803</b>



# Capital Theatres

(A company limited by guarantee)

## Company statement of cash flows for the year ended 31 March 2019

		2019	2018
	Notes	£	£
<b>Net cash (used in)/provided by operating activities</b>		<b>(1,366,911)</b>	<b>2,743,958</b>
<b>Cash flows from investing activities:</b>			
Interest received	6	10,034	8,409
Purchase of property, fixtures and fittings	12(b)	-	(805,002)
Purchase of investments	13	-	(2,500,000)
<b>Cash provided by/(used in) investing activities</b>		<b>10,034</b>	<b>(3,296,593)</b>
<b>Decrease in cash and cash equivalents in the year</b>		<b>(1,356,877)</b>	<b>(552,635)</b>
Cash and cash equivalents at 1 April 2018		4,499,638	5,052,273
<b>Cash and cash equivalents at 31 March 2019</b>		<b>3,142,761</b>	<b>4,499,637</b>

## Reconciliation of net movement in funds to net cash flow from operating activities

		2019	2018
	Notes	£	£
<b>Net movement in funds</b>		<b>957,478</b>	<b>659,284</b>
<b>Adjustments for:</b>			
Add back depreciation charges	12(b)	270,011	277,295
Deduct interest income shown in investing activities		(10,034)	(8,409)
Pension scheme movements		-	(347,000)
Unrealised (gains)/ losses on investments	13	(129,573)	47,671
Decrease/(Increase) in debtors		213,861	(7,318)
(Decrease)/ Increase in creditors		(2,668,654)	2,122,435
<b>Net cash (used in)/ provided by operating activities</b>		<b>(1,366,911)</b>	<b>2,743,958</b>

# Capital Theatres

(A company limited by guarantee)

## Notes to the consolidated financial statements for the year ended 31 March 2019

### 1 Company information and legal status

Capital Theatres is a company limited by guarantee with no share capital, incorporated in Scotland with registered company number SC134619. The registered office is 13/29 Nicolson Street, Edinburgh EH8 9FT.

The liability of each member in the event of winding up is limited to £1. There are currently 12 members (2018: 11).

The financial statements have been presented in Pounds Sterling as this is the functional and presentational currency of the company.

### 2 Principal accounting policies

#### Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Capital Theatres meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

#### Basis of consolidation

These financial statements consolidate the results of the charity and its wholly owned subsidiaries, Capital Theatres Trading Limited and Capital Theatres King's Limited.

#### Going concern

The Trustees consider the charitable company and group to be a going concern and the financial statements have been prepared on that basis. The future operations of the charitable company and group are dependent on the continued financial support of the core funding body and sufficient ongoing operating cash flow.

The group and company inherently depend on grants from outside sources to finance ordinary activities. Support from the core funding body has been confirmed until 31 March 2020. At the date of approval of these financial statements the Board is not aware of any reason why core funding would not be renewed in future years.

Having considered the matters above the Trustees are of the view that, at the date of approval of the financial statements, the group has sufficient reserves to continue to operate for the foreseeable future and have plans in place to mitigate any issues associated with any unforeseen circumstances.

The financial statements have therefore been drawn up on a going concern basis.

#### Incoming resources

Voluntary income including donations, gifts and grants that provide core funding or are of a general nature are recognised where there is an entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Such income is only deferred when:-

- the donor specifies that the grant or donation must only be used in future accounting periods; or
- the donor has specified conditions which must be met before the charity has unconditional entitlement.

Capital grants and donations are recognised in the year of receipt and treated as restricted funds, with subsequent depreciation on the relevant assets matched by a transfer from restricted funds to unrestricted funds. Depreciation on assets purchased using the Theatres Development Fund is matched by a transfer from designated funds to unrestricted funds.

Income from patrons, friends and sponsorship is recognised on receipt. Income from commercial trading activities is recognised as earned.

Investment income is recognised on a receivable basis.

Income from charitable activities includes income received under contract or, where entitlement to grant funding is subject to specific performance conditions, is recognised as and when it is earned. Income is deferred when ticket sales or performance related grants are received in advance of the performance to which they relate.

# Capital Theatres

(A company limited by guarantee)

## Notes to the consolidated financial statements for the year ended 31 March 2019

### 2 Principal accounting policies (continued)

#### Resources expended

Expenditure is recognised when a liability is incurred. Contractual arrangements and performance related grants are recognised as goods or services are supplied.

- Costs of raising funds are those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.
- Charitable activities include expenditure associated with the staging of concerts, stage productions, and include both the direct and support costs relating to these activities.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g. allocating property costs by floor areas, or per capita, staff costs by the time spent and other costs by their usage. Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

#### Significant judgements and estimation uncertainty

In the application of the company's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. As the estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and those that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for carrying amounts of tangible assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 15 for carrying amount of debtors.

#### Tangible fixed assets

The cost of tangible fixed assets is their purchase cost together with any incidental expenses of acquisition. Depreciation is calculated to write off the cost of tangible fixed assets less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:-

Fixtures and fittings	five years
Computers	three to five years
Leasehold improvements	over the term of the lease
Leasehold asset	fifty years

There is no minimum value below which fixed assets are not capitalised as items are reviewed by management on an individual basis.

#### Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year. The Charitable Company does not acquire put options, derivatives or other complex financial instruments.

#### Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

# Capital Theatres

(A company limited by guarantee)

## Notes to the consolidated financial statements for the year ended 31 March 2019

### 2 Principal accounting policies (continued)

#### Stock

Stock is stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis.

#### Debtors

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid net of any discounts due.

#### Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

#### Creditors

Creditors are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

#### Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

#### Pension costs

The company makes pension contributions to employees' personal pension plans which are charged to the income and expenditure account when paid.

On 3 January 2018 the Trust withdrew from the Lothian Pension Scheme. As a consequence, a deficit of £347,000 within Designated Reserves and a corresponding liability were removed from the Balance Sheet at 31 March 2018. There are no remaining liabilities and those members of staff previously within this scheme are now part of the group personal pension plan.

#### Taxation

The company is a charity for the purposes of Section 505 ICTA 1988 and is exempt from taxation on the whole of its income. The subsidiaries are not charities but have agreed to Gift Aid any taxable surplus of income over expenditure to Capital Theatres.

#### Restricted funds

These are funds from a donor or grant body that can only be used for a particular restricted purpose within the objects of the charity.

#### Designated funds

The Theatres Development Fund represents funds set aside for the repair and renewal of the Trust's venues and the replacement of equipment.

#### Unrestricted funds

These are funds which can be used in accordance with the charitable objects at the discretion of the Trustees. In particular circumstances the Board may reclassify reserves as appropriate.

## Capital Theatres

(A company limited by guarantee)

### Notes to the consolidated financial statements for the year ended 31 March 2019

#### 3 Movement in total funds for the year

The movements in total funds for the year are stated after charging: -

	2019	2018
	£	£
Auditor's remuneration		
- As auditor	13,025	12,625
Operating leases:		
- Festival Theatre	-	-
- King's Theatre	150,000	150,000
Depreciation:		
- Owned assets	338,644	306,268

#### 4 Voluntary Income – Grants and Donations

	2019	2018
	£	£
	Notes	
CEC Revenue Funding	593,850	616,937
CEC King's Rent	150,000	150,000
Creative Scotland RFO Grant	47,250	105,000
<b>Unrestricted funds</b>	<b>791,100</b>	<b>871,937</b>
<b>Restricted funds</b>	<b>-</b>	<b>-</b>
Total	791,100	871,937

#### 5 Commercial Trading operations

The company owns 100% of the issued share capital of Capital Theatres Trading Limited which provides bar, catering and front of house facilities at all venues, and pays management charges for heating, lighting and management provided by the Trust staff.

A summary of the trading results is shown below:

	2018	2017
	£	£
Turnover	1,717,849	1,406,136
Cost of sales and admin costs	(1,342,163)	(1,086,561)
Interest receivable	-	-
Net Profit	375,686	319,575
Gift Aid	(375,686)	(319,575)
Retained in subsidiary	-	-
The assets and liabilities of the subsidiary		
Fixed Assets	9,842	78,475
Current Assets	90,103	97,901
Current Liabilities	(93,757)	(170,188)
Total Net Assets	6,188	6,188
<b>Aggregate Share Capital &amp; Reserves</b>	<b>6,188</b>	<b>6,188</b>

## Capital Theatres

(A company limited by guarantee)

### Notes to the consolidated financial statements for the year ended 31 March 2019

#### 6 Investment Income

	2019	2018
	£	£
Interest receivable	10,034	8,409

#### 7 Income from Charitable activities

The income was primarily from the operation of the three theatres.

	2019	2018
	£	£
<b>Unrestricted funds</b> – concert, stage performance, box office & ancillary income	14,491,410	11,358,753
<b>Designated funds</b> – box office income	561,500	479,337
<b>Total</b>	15,052,910	11,838,090

#### 8 Allocation of support costs

The Trust allocates its support costs as shown in the table below. Support costs are allocated on a basis consistent with the use of resources.

Support cost	Theatre	Allocated to	Governance	Total
	Operation	Fundraising	(note 9)	
	(note 9)	Costs of Grants		
	£	and Donations	£	£
General office	287,523	215,031	46,846	549,400
Finance office	96,372	-	-	96,372
Information technology	73,771	-	-	73,771
External audit	-	-	13,025	13,025
Legal and other professional fees	67,038	-	-	67,038
<b>Total</b>	524,704	215,031	59,871	799,606

#### 9 Analysis of Expenditure on Charitable activities

The Trust undertakes direct charitable activities only and does not make grant payments.

	Notes	2019	2018
		£	£
Backstage and other production costs		12,266,603	10,050,814
Production/ activity advertising, Marketing & education		904,640	756,204
Box office		431,528	456,034
Course and activities		12,545	11,810
Depreciation		131,877	100,525
Central premises costs		1,442,620	993,436
Governance	8	59,871	57,980
Support costs	8	524,704	427,793
<b>Unrestricted funds</b>		15,774,388	12,854,596
<b>Designated funds</b>		-	15,352
<b>Restricted funds</b>		-	120,563
<b>Total</b>		15,774,388	12,990,511

# Capital Theatres

(A company limited by guarantee)

## Notes to the consolidated financial statements for the year ended 31 March 2019

### 10 Employee information

(a) The average number of people employed by the Group during the year was:

	2019		2018	
	Full time	Part time	Full time	Part time
Customer Services	6	37	6	32
Marketing and Box office	13	9	14	9
Stage, stage door and maintenance	27	24	27	22
Administration	15	-	13	-
	61	70	60	63

Part time numbers are represented on a full time equivalent basis.

(b) Employment costs - all employees: -

	2019	2018
	£	£
Aggregate gross wages and salaries paid to employees	3,404,622	3,107,743
Social security costs	292,998	264,605
Pension contributions	192,238	171,277
Total direct costs of employment	3,889,858	3,543,625

(c) The number of employees who earned greater than £60,000 during the year (including employer's pension contributions) is as follows:

	2019	2018
£60,001 - £70,000	2	2
£70,001 - £80,000	-	1
£80,001 - £90,000	2	1
£120,001 - £130,000	1	1

(d) Key Management Personnel

For the purposes of this disclosure, the Key Management Personnel are defined as the Trustees, Chief Executive, Director of Operations and Director of Finance & HR whose aggregate remuneration in the year was £291,414 (2018 - £280,156)

(e) Trustees' emoluments

Trustees received no remuneration (2018: nil) and were paid £ nil (2018: £212) travel expenses in the year.

### 11 Pension obligations

The company makes pension contributions to employees' personal pension plans which are charged to the income and expenditure account when paid.

The assets of both schemes are held separately from those of the Trust, and the total cost of contributions during the year was £192,238 (2018: £171,277).

On 3 January 2018 the Trust withdrew from the Lothian Pension Scheme. As a consequence, a deficit of £347,000 within Designated Reserves and a corresponding liability were removed from the Balance Sheet at 31 March 2018.

# Capital Theatres

(A company limited by guarantee)

## Notes to the consolidated financial statements for the year ended 31 March 2019

### 12 Tangible fixed assets

(a) Group	Leasehold assets £	Leasehold Improvements £	Fixtures and Fittings £	Total £
<b>Cost</b>				
At 1 April 2018	1,654,123	21,349,359	2,066,274	25,069,756
Additions	-	-	-	-
Disposals	(158,428)	-	(237,691)	(396,119)
<b>At 31 March 2019</b>	<b>1,495,695</b>	<b>21,349,359</b>	<b>1,828,583</b>	<b>24,673,637</b>
<b>Depreciation</b>				
At 1 April 2018	347,385	21,349,359	1,035,974	22,732,718
Charge for year	49,879	-	288,765	338,644
Disposals	(158,428)	-	(237,691)	(396,119)
<b>At 31 March 2019</b>	<b>238,836</b>	<b>21,349,359</b>	<b>1,087,048</b>	<b>22,675,243</b>
<b>Net book value</b>				
<b>At 31 March 2019</b>	<b>1,256,859</b>	<b>-</b>	<b>741,535</b>	<b>1,998,394</b>
At 31 March 2018	1,306,738	-	1,030,300	2,337,038
<b>(b) Company</b>				
(b) Company	Leasehold assets £	Leasehold Improvements £	Fixtures and Fittings £	Total £
<b>Cost</b>				
At 1 April 2018	1,654,123	21,349,359	1,908,234	24,911,716
Additions	-	-	-	-
Disposals	(158,428)	-	(226,897)	(385,325)
<b>At 31 March 2019</b>	<b>1,495,695</b>	<b>21,349,359</b>	<b>1,681,337</b>	<b>24,526,391</b>
<b>Depreciation</b>				
At 1 April 2018	347,385	21,349,359	956,409	22,653,153
Charge for year	49,879	-	220,132	270,011
Disposals	(158,428)	-	(226,897)	(385,325)
<b>At 31 March 2019</b>	<b>238,836</b>	<b>21,349,359</b>	<b>949,644</b>	<b>22,537,839</b>
<b>Net book value</b>				
<b>At 31 March 2019</b>	<b>1,256,859</b>	<b>-</b>	<b>731,693</b>	<b>1,988,552</b>
At 31 March 2018	1,306,738	-	951,825	2,258,563



# Capital Theatres

(A company limited by guarantee)

## Notes to the consolidated financial statements for the year ended 31 March 2019

### 12 Tangible fixed assets (continued)

On 16 July 1992 the Trust signed a 25 year lease for the Festival Theatre with Edinburgh District Council, predecessor of City of Edinburgh Council, who own the site. A new lease is still in the course of preparation by the Council.

On 20 July 1998, the Trust signed a 25 year lease for the King's Theatre with City of Edinburgh Council.

On 4 August 2011 the Trust signed a 125 year lease for the site of The Studio on Potterrow with City of Edinburgh Council.

### 13 Investments

Group and company	2019 £	2018 £
Market value of listed securities at 1 April 2018	2,452,329	-
Additions	-	2,500,000
Unrealised gains/ (losses)	129,573	(47,671)
Market value of listed securities at 31 March 2019	2,581,902	2,452,329
Cost at 31 March 2019	2,500,000	2,500,000

The following investment exceeded 5% of the total portfolio value as at 31 March 2019:

- Ishares II PLC GBP Index-Linked Gilts 5.04%

All investments are carried at their fair value. Investment in equities and fixed interest securities are all traded in quoted public markets, primarily the London Stock Exchange. Holdings in common investment funds, unit trusts and open-ended investment companies are at the bid price. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is, their transaction value). The main risk to the Trust from financial instruments lies in the combination of uncertain investment markets and volatility in yield. The Trust manages these investment risks by retaining expert advisors and operating an investment policy that provides for a high degree of diversification of holdings within investment asset classes that are quoted on recognised stock exchanges.

#### Investments in unlisted entities

The Trust owns 100% of the ordinary shares of each of its trading subsidiaries:

- Capital Theatres Trading Limited, amounting to £2 (2018: £2).
- Capital Theatres King's Limited, amounting to £1 (2018: £1). The company was dormant during the year.

It also holds one ordinary share (6.25%) in Music & Lyrics Ltd., a consortium of theatres which produces large scale touring musicals. Its cost of £1 has been written off.

### 14 Stock

	Group	
	2019 £	2018 £
Café	5,675	5,131
Bars	21,619	20,547
Ice Cream and Sweets	2,679	2,133
	29,973	27,811

# Capital Theatres

(A company limited by guarantee)

## Notes to the consolidated financial statements for the year ended 31 March 2019

### 15 Debtors

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
<b>Amounts falling due within one year</b>				
Trade debtors	27,638	29,545	22,943	18,123
Prepayments and accrued income	81,965	214,515	78,802	212,207
Amounts due from subsidiary	-	-	65,217	150,493
	<b>109,603</b>	<b>244,060</b>	<b>166,962</b>	<b>380,823</b>

### 16 Creditors: amounts falling due within one year

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Trade creditors	145,824	292,963	131,591	277,321
Other creditors, tax and social security	731,948	732,605	731,948	732,605
Accruals and deferred income	2,159,735	4,671,747	2,145,428	4,667,695
	<b>3,037,507</b>	<b>5,697,315</b>	<b>3,008,967</b>	<b>5,677,621</b>

Other creditors, including tax and social security are made up as follows:

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Salary costs including taxation and social security	102,699	31,053	102,699	31,053
Other creditors	629,249	701,552	629,249	701,552
	<b>731,948</b>	<b>732,605</b>	<b>731,948</b>	<b>732,605</b>

Other creditors include settlements due to producers.

### 17 Operating lease commitments

At 31 March 2019, the group had total future minimum commitments under non-cancellable operating leases, all of which are due to City of Edinburgh Council, of:

	2019 £	2018 £
Expiring within one year	150,000	150,000
Expiring between two and five years	550,000	600,000
Expiring in more than five years	-	50,000

### 18 Capital and other commitments

The Trust had no authorised capital expenditure at 31 March 2019 (2018: £nil)

Guarantees to promoters issued in the normal course of business at 31 March 2019 amounted to £108,000 (2018: £552,600).

# Capital Theatres

(A company limited by guarantee)

## Notes to the consolidated financial statements for the year ended 31 March 2019

### 19 Unrestricted funds

General	Group £	Company £
At 31 March 2018	357,451	351,265
Deficit for the year	(45,751)	(45,751)
Transferred from funds	106,835	106,835
Transferred to Theatres Development Fund	-	-
<b>At 31 March 2019</b>	<b>418,535</b>	<b>412,349</b>

### 20 Designated funds

Group and company	Theatres Development Fund £
At 31 March 2018	3,041,439
Income	565,923
Expenditure	-
Transfer in from Unrestricted Funds	-
Transfers out	(76,365)
Unrealised gains/(losses) on investments	129,573
<b>At 31 March 2019</b>	<b>3,660,570</b>

### 21 Restricted funds

Group and company	At 31 March 2018 £	Income £	Expenditure £	Transfers out £	At 31 March 2019 £
The Studio	449,874	-	-	(8,580)	441,294
King's redevelopment	12	307,733	-	-	307,745
Broadband	71,145	-	-	(21,890)	49,255
	521,031	307,733	-	(30,470)	798,294

**The Studio:** The cost of the construction and fitting out of The Studio on Potterrow was funded by donations from trusts and individuals, a grant from Creative Scotland and a contribution of £500,000 from the Theatres Development Fund. The reserve is being released annually over 50 years in line with the associated depreciation charges arising.

**King's redevelopment:** Gifts from individual donors have been received in support of the project to redevelop the King's Theatre, and will be utilised in paying expenditure incurred.

**Broadband:** The Trust received a grant through the Public Buildings WiFi Scheme to finance the upgrading of broadband and wi-fi facilities at its properties. The reserve is released annually in line with the associated depreciation charges and running costs.

## Capital Theatres

(A company limited by guarantee)

### Notes to the consolidated financial statements for the year ended 31 March 2019

#### 22 Analysis of group net assets between funds

At 31 March 2019	Unrestricted £	Designated £	Restricted £	Total £
Tangible Fixed Assets	971,833	597,642	428,919	1,998,394
Cash at Bank	2,139,811	685,848	369,375	3,195,034
Investments	-	2,581,902	-	2,581,902
Other current assets	139,576	-	-	139,576
Liabilities	(2,832,685)	(204,822)	-	(3,037,507)
	418,535	3,660,570	798,294	4,877,399

At 31 March 2018	Unrestricted £	Designated £	Restricted £	Total £
Tangible Fixed Assets	1,203,641	674,007	459,390	2,337,038
Cash at Bank	4,374,432	119,925	61,641	4,555,998
Investments	-	2,452,329	-	2,452,329
Other current assets	271,871	-	-	271,871
Liabilities	(5,492,493)	(204,822)	-	(5,697,315)
	357,451	3,041,439	521,031	3,919,921

#### 23 Related party transactions

City of Edinburgh Council is a related party of Capital Theatres by virtue of the Council's representation on the Board of Trustees. During the year City of Edinburgh Council invoiced the Trust for the sum of £196,294 (2018: £370,629) in respect of foyer shop rentals, King's Theatre rental and insurance with invoices raised to the Council for training, seminars, box office tickets and functions totalling £66 (2018: £144). Balances outstanding at the year end to and from the Council totalled £128,550 (2018: £128,550) and £ nil (2018: £ nil) respectively. Grant income of £743,850 (2018: £766,937) was received during the year.

The Trust is a stakeholder in a touring consortium, Music & Lyrics Limited, which produces large scale musicals. During the year Music & Lyrics Limited and its subsidiaries invoiced the Trust for the sum of £52,000 (2018: £233,035) for production fees and the Trust raised invoices to them for £9,000 (2018: £32,035) for accounting, business planning and managerial support, and miscellaneous expenses. At the year end a subsidiary of Music & Lyrics Limited owed the Trust £15,268 representing advances paid and sundry un-invoiced expenses (2018: £5,979).

# Capital Theatres

(A company limited by guarantee)

## Notes to the consolidated financial statements for the year ended 31 March 2019

### 24 Consolidated statement of financial activities for the year ended 31 March 2018

(Incorporating a consolidated income and expenditure account)

		Unrestricted Funds	Designated Funds	Restricted Funds	Total Funds
		2018	2018	2018	2018
	Notes	£	£	£	£
<b>Income and endowments</b>					
<i>Donations and legacies</i>					
Grants and donations	4	871,937	-	-	871,937
Friends/Patrons/Sponsorship		350,144	-	63,046	413,190
<i>Other trading activities</i>					
Commercial trading operations	5	1,406,136	-	-	1,406,136
Investment income	6	4,484	3,925	-	8,409
		2,632,701	3,925	63,046	2,699,672
<b>Income from Charitable activities</b>					
Operation of theatre income	7	11,358,753	479,337	-	11,838,090
<b>Total income</b>		<b>13,991,454</b>	<b>483,262</b>	<b>-</b>	<b>14,537,762</b>
<b>Expenditure:</b>					
<b>Costs of Raising funds</b>					
Fundraising costs of grants and donations	8	(100,735)	-	-	(100,735)
Commercial trading operations	5	(1,086,561)	-	-	(1,086,561)
<b>Expenditure on Charitable activities</b>		<b>(1,187,296)</b>	<b>-</b>	<b>-</b>	<b>(1,187,296)</b>
Operation of theatre costs	9	(12,854,596)	(15,352)	(120,563)	(12,990,511)
<b>Total expenditure</b>		<b>(14,041,892)</b>	<b>(15,352)</b>	<b>(120,563)</b>	<b>(14,177,807)</b>
<b>Net (expenditure)/income and net movement in funds before transfers</b>		<b>(50,438)</b>	<b>467,910</b>	<b>(57,517)</b>	<b>359,955</b>
Transfers between funds	19-21	53,050	(1,365)	(51,685)	-
Actuarial losses on defined benefit pension schemes	11	-	347,000	-	347,000
<b>Net income/(expenditure)</b>		<b>2,612</b>	<b>813,545</b>	<b>(109,202)</b>	<b>706,955</b>
Unrealised (losses) on investments		-	(47,671)	-	(47,671)
<b>Net movement in funds for the year</b>		<b>2,612</b>	<b>765,874</b>	<b>(109,202)</b>	<b>659,284</b>
<b>Reconciliation of funds</b>					
Fund balance as at 1 April 2017	19-21	354,839	2,275,565	630,233	3,260,637
<b>Fund balances as at 31 March 2018</b>	19-21	<b>357,451</b>	<b>3,041,439</b>	<b>521,031</b>	<b>3,919,921</b>

The statement above contains detailed analysis of the comparative figures noted in the consolidated statement of financial activities on page 14 of the financial statements.

# Capital Theatres

(A company limited by guarantee)

This page does not form part of the audited financial statements

## Consolidated income and expenditure account for the year to 31 March 2019

	Trading 2019	Theatre 2019	Total 2019	Cons Total 2018
	£	£	£	£
Turnover	1,717,849	14,771,270	16,489,119	13,115,034
Cost of sales	(605,984)	(10,359,468)	(10,965,452)	(8,451,763)
<b>Gross profit</b>	<b>1,111,865</b>	<b>4,411,802</b>	<b>5,523,667</b>	<b>4,663,271</b>
<b>Other income</b>				
Interest receivable	-	5,611	5,611	4,484
Grant income	-	791,100	791,100	871,937
Total other income	-	796,711	796,711	876,421
<b>Expenditure</b>				
Salaries and wages (net of technical contras)	644,271	2,638,662	2,985,747	2,985,747
Rent & rates	-	314,527	314,527	316,803
Repairs	-	586,718	586,718	205,566
Gas & electric	21,600	317,151	338,751	296,677
Insurances	-	122,135	122,135	107,268
Books, Magazines & Subs	-	5,643	5,643	3,469
Post, printing, Stationery & copying	-	13,751	13,751	13,881
Telephone	-	33,428	33,428	29,578
Admin computer exps	-	73,771	73,771	45,531
Travel & subs	-	10,569	10,569	9,615
Recruitment & Training	-	34,122	34,122	26,877
Hospitality & entertaining	-	10,354	10,354	9,825
Subs & licences	-	2,290	2,290	2,883
Audit	1,675	11,350	13,025	12,625
Legal	-	4,888	4,888	3,601
Professional fees	-	62,150	62,150	43,813
Bank charges & interest	-	13,133	13,133	11,180
Marketing & promotion	-	487,139	487,139	424,138
Box Office exps(net)	-	111,645	111,645	125,887
Front of House	-	54,145	54,145	55,697
Development & education	-	88,143	88,143	74,145
Sundry costs	-	644	644	1,106
Stage	-	84,097	84,097	54,474
Irrecoverable VAT	-	279,483	279,483	423,476
Depreciation	68,633	270,011	338,644	306,268
Total expenses	736,179	5,629,950	6,366,129	5,590,130
Gift aid charge/income	(375,686)	375,686	-	-
Operating deficit	-	(45,751)	(45,751)	(50,438)

# Governance, Risk, and Best Value Committee

10.00am, Tuesday, 3 December 2019

## Internal Audit Update Report: 1 April to 31 October 2019

Item number

Executive/routine

Wards

Council Commitments

### 1. Recommendations

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- 1.1 It is recommended that Committee notes:
  - 1.1.1 the outcomes of completed audits;
  - 1.1.2 progress with the delivery of the 2019/20 Internal Audit (IA) plan and the carried forward 2018/19 audits; and
  - 1.1.3 key IA priorities and ongoing areas of focus.

**Lesley Newdall**

Chief Internal Auditor

Legal and Risk Division, Resources Directorate

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## Internal Audit Update Report: 1 April to 31 October 2019

### 2. Executive Summary

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- 2.1 One audit (the Transfer of the Management of Development Funding Grant) has been completed, with an overall 'effective' (green) outcome, and 34 of the 56 audits to be completed in the 2019 / 20 plan year are currently in progress.
- 2.2 Engagement with CGI in relation to the technology reviews included in the 2019 / 20 annual plan is ongoing, with the reviews scheduled for completion between January and March 2020.
- 2.3 Key IA priorities for the next quarter include focus on completion of the 2019/20 IA plan; preparation of the 2020/21 IA annual plan; ongoing follow-up of open findings; ongoing development of new IA team members; further development and application of data analytics to support plan delivery; and delivery of training for both new Governance, Risk and Best Value Committee and Edinburgh Integration Joint Board elected members.

### 3. Background

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- 3.1 Internal Audit is required to deliver an annual plan of work which is scoped using a risk-based assessment of the Council's 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 Governance, Risk, and Best Value Committee (GRBV).
- 3.2 The IA Charter that was approved by the Governance, Risk and Best Value Committee in March 2019 notes that Internal Audit reserves the right to raise findings on areas that have not been specifically included in the annual plan where significant or systemic control gaps are evident. Where this methodology is applied, the outcomes are described as 'findings only' reports.
- 3.3 The Charter also included a refresh of the overall assessment ratings applied to IA reports and also used to as the basis of the IA annual opinion. The revised ratings are: effective (green); some improvement required (amber); significant improvement required (red); and inadequate (black). Definitions supporting the ratings are included at Appendix 4 of the IA Charter and as an appendix to each final IA report.



- 3.4 The 2019/20 IA plan approved by GRBV in March 2019 included 50 audits. This was subsequently increased to 52 audits in August 2019, when the Committee approved the addition of reviews of the Transfer of the Management Development Funds (at the request of the Scottish Government) and review of the financial processes supporting the Edinburgh and South East Scotland City Region Deal.
- 3.5 IA progress and copies of completed reports are presented to GRBV quarterly for their review and scrutiny.
- 3.6 All audits performed for the Lothian Pension Fund (LPF) are subject to separate scrutiny by the Pension Audit Sub-Committee and the Pensions Committee.
- 3.7 Audits performed for the Edinburgh Integration Joint Board (EIJB) are presented to the EIJB Audit and Risk Committee for scrutiny, with any reports that are relevant to the Council subsequently referred to the GRBV Committee.
- 3.8 Audits performed for the City of Edinburgh Council (the Council) that are relevant to the EIJB will be recommended for referral to the EIJB Audit and Risk Committee by the GRBV Committee.
- 3.9 All audits performed for other arms length external organisations are reported to the relevant management teams and audit and risk committees of those organisations.

## 4. Main report

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### 2018/19 Plan delivery progress

- 4.1 As noted above, the 2019/20 IA annual plan was increased to 52 audits in August 2019. Additionally, a further three audits that were not completed in the 2018/19 plan year (Payroll; Looked After and Accommodated Children (St Katherine's); and Building Standards Follow-up) were carried forward, and one 'findings only review' (Drivers) has been added to the plan, giving a total of 56 audits to be completed in the 2019/20 annual plan year.
- 4.2 Of the 56 audits to be completed in the 2019/20 plan year, 17 (5 specialist and 12 generalist) will be delivered by PwC, and the planned review of Risk Management will be performed by Scott Moncrieff, leaving a total of 38 audits to be completed by the IA team.
- 4.3 The Risk Management audit will be carried out by Scott Moncrieff, given the independence challenges associated with IA directly auditing the Head of Legal and Risk who performs the Chief Risk Officer role.
- 4.4 A total of seven technology audits are included in the IA plan to provide assurance in relation to ongoing management of the Council's technology risks, that will involve reviewing the control environment, governance, and risk management arrangements operated by the Council's technology partner CGI. Engagement with CGI in relation to these reviews is ongoing and it is expected that they will be completed between January and March 2020. Further detail on the reviews to be completed is included at Appendix 2.

- 4.5 A full reconciliation of the 2019/20 IA plan is included at Appendix 1 and an analysis of progress with delivery of the audits to be completed to support the 2019/20 IA annual opinion is included at Appendix 2. This highlights that:
- 4.5.1 one audit (the Transfer of the Management of Development Funding Grant) is complete with an overall 'effective' (green) outcome. The final report detailing the outcomes of this review is included at Appendix 3;
  - 4.5.2 three draft reports have been issued to management;
  - 4.5.3 two draft reports are currently being prepared;
  - 4.5.4 11 audits are currently in fieldwork;
  - 4.5.5 18 audits are currently in planning, with nine of these to be delivered by PwC; and
  - 4.5.6 21 audits have not yet started and, of these, seven will be delivered by PwC and one by Scott Moncrieff.

#### **Internal Audit Key Performance Indicators**

- 4.6 The IA journey map and key performance indicators was approved by both the Corporate Leadership Team (CLT) and the Committee in January 2019 and are designed to support timely and effective delivery of the annual IA plan. The key performance indicators (KPIs) specify expected delivery timeframes for both the IA team and management at all stages of the audit process.
- 4.7 A dashboard detailing performance against KPIs for both IA and management has been prepared and is regularly presented to the CLT for review and discussion.

#### **Progress with Internal Audit key priorities**

- 4.8 Whilst we have experienced further turnover at auditor level within the team, gaps were backfilled by contractors who have now been recruited to the vacant posts, and the IA team is currently fully resourced
- 4.9 A TeamCentral post-implementation review has been performed and feedback on use of the system has been favourable. The IA team continues to provide guidance to all new system users following issue of final audit reports.
- 4.10 Time sheet recording and reporting has been implemented enabling us to track and report on time spent on both audit delivery and follow-up activities.

#### **Ongoing areas of focus**

- 4.11 Ongoing areas of focus for Internal Audit include:
- 4.11.1 delivery of the 2019/20 IA plan and annual opinion;
  - 4.11.2 preparation for the 2020/21 IA annual plan;
  - 4.11.3 ongoing development of new IA team members;
  - 4.11.4 consideration of extension of the existing co-source arrangements;

- 4.11.5 procurement of external services to support completion of an external IA quality assessment review in 2020/21 in line with Public Sector Internal Audit Standards (PSIAS) requirements for completion of an external quality review every five years;
- 4.11.6 ongoing development and application of data analytics to support plan delivery;
- 4.11.7 review of the latest version of the IA system to determine whether this can more effectively support delivery of the IA plan and other governance and assurance activities (for example, risk management). The software provider has advised that the current version of the system will remain supported until circa 2023;
- 4.11.8 delivery of training for both new GRBV and EIJB committee members;
- 4.11.9 ongoing quarterly Council wide training has still to be scheduled; and
- 4.11.10 development and launch of IA pages on the refreshed intranet (the Orb).

## **5. Next Steps**

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- 5.1 IA will continue to monitor progress with plan delivery and the other activities noted at 4.10 above.

## **6. Financial impact**

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- 6.1 There are no direct financial impacts arising from this report, although failure to close IA findings raised and address the associated risks in a timely manner may have some inherent financial impact.

## **7. Stakeholder/Community Impact**

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- 7.1 IA findings are raised as a result of control gaps or deficiencies identified during audits. If agreed management actions are not implemented to support closure of Internal Audit findings, the Council will be exposed to the risks set out in the relevant IA reports.

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

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- 8.1 [IA 2019/20 annual plan](#)
- 8.2 [IA Charter](#)
- 8.3 [Public Sector Internal Audit Standards](#)

## **9. Appendices**

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Appendix 1 2019/20 IA Annual Plan Reconciliation

Appendix 2 Summary of 2019/20 IA Plan Progress

Appendix 3 Final Report - Transfer of the Management of Development Funding Grant

## Appendix 1 – 2019/20 IA Annual Plan Reconciliation

Reconciliation		Comments
<b>Total number of reviews in 19/20 IA Plan</b>	<b>50</b>	<b>Approved by GRBV March 2019</b>
Add - Reviews carried forward from 2018/19	3	Payroll; Looked After and Accommodated Children (St Katherine's); Building Standards Follow-up
Add - Reviews added in 2019/20	2	Transfer of the Management of Development Funding Grant and City Deal
Add – Findings only review	1	Drivers
Less - Reviews removed from the plan	-	
<b>Total reviews to be delivered to support 2019/20 IA opinion</b>	<b>56</b>	<b>Refer Appendix 2 below for further detail</b>

## Appendix 2 – Summary of 2019/20 IA Plan Progress as at 31 October 2019

Audit Review			
Completed		Report Rating	Presented to Committee
1.	Transfer of the Management of Development Funding Grant	Effective	December 2019
<b>Total reports completed</b>		<b>1</b>	
<b>Draft Reports Issued to Management</b>		<b>Expected Completion</b>	
2.	Building Standards Follow-up b/f 2018/19	November 2019	
3.	*CGI Sub Contract Management		
4.	Drivers – Findings Only Report		
<b>Total draft reports issued to management</b>		<b>3</b>	
<b>Draft Reports Being Prepared</b>		<b>Expected Completion</b>	
5.	LPF - Charles River Project	November 2019	
6.	Housebuilding and Local Development Plan (PwC)		
<b>Total reports being prepared</b>		<b>2</b>	
<b>Fieldwork</b>		<b>Expected Completion</b>	
7.	Edinburgh Tram Extension	Ongoing agile project reviews	
8.	Enterprise Resource Planning System Implementation		
9.	Port Facilities Security Plan	November 2019	
10.	Health and Safety – Tree Management	November 2019	
11.	*CGI Partnership Management and Governance	November 2019	
12.	Social Media	November 2019	
13.	Policy Management Framework	November 2019	
14.	Schools Admissions and Inclusion	November 2019	
15.	Payroll b/f 2018/19	November 2019	
16.	Budget Setting and Management	December 2019	
17.	Looked After and Accommodated Children (St Katherine's) b/f 2018/19	January 2019	
<b>Total reviews in progress</b>		<b>11</b>	
<b>Planning</b>		<b>Expected Completion</b>	
18.	Protection of Vulnerable Groups and Disclosures	January 2020	
19.	Customer Experience	March 2020	
20.	Health and Social Care Localities	December 2020	
21.	Models and Coding	December 2020	

Audit Review		
Planning		Expected Completion
22.	City Deal	December 2020
23.	Validation	January 2020
24.	EIJB Transformation Framework	January 2020
25.	Repairs and Maintenance	March 2020
26.	Health and Safety - Lone working	February 2020
27.	Community Intervention (PwC)	March 2020
28.	Implementation of Assurance Actions and Linkage to Annual Governance Statement (PwC)	March 2020
29.	Internal Council Companies / Significant Trading Operations (STOs) (PwC)	March 2020
30.	Brexit Impacts – Supply Chain Management (PwC)	March 2020
31.	*Unsupported Technology (Shadow IT) (PwC Specialist)	March 2020
32.	*Digital Services – Resilience (PwC Specialist)	March 2020
33.	*CGI Change Management - c/f 2018/19 (PwC Specialist)	March 2020
34.	*Digital Services - Incident Management and Helpdesks (PwC Specialist)	March 2020
35.	*Digital Services - Direct Access and Mobile Device Mgt (PwC Specialist)	March 2020
<b>Total reviews at planning stage</b>		<b>18</b>
Not yet started		Expected Completion
36.	Health and Safety – Managing Aggressive Behaviour	January 2020
37.	Records Management – FOIs	February 2020
38.	Performance Management Information (PwC)	March 2020
39.	Prevention Services	March 2020
40.	Universal Credit and Enhanced / Intensive Housing Benefit (PwC)	March 2020
41.	Building Standards Follow-Up 2019/20	March 2020
42.	Care Homes Follow Up	April 2020
43.	Payroll - continuous monitoring 2019/20	April 2020
44.	EIJB Recommendations from external bodies	March 2020
45.	EIJB Strategic Planning – Capital and Workforce Planning	March 2020
46.	LPF - Custodian Services	March 2020
47.	Parking and Traffic (PwC)	March 2020
48.	Registration Services (PwC)	March 2020
49.	Major Project review (PwC)	March 2020
50.	Major Project review (PwC)	March 2020
51.	Major Project review (PwC)	March 2020
52.	Risk Management (Scott Moncrieff – Specialist Review)	March 2020

<b>Audit Review</b>		
<b>Not yet started</b>		<b>Expected Completion</b>
53.	LPF Pensions Entitlement	March 2020
54.	SEStran	February 2020
55.	Tattoo	March 2020
56.	Lothian Valuation Joint Board	March 2020
<b>Total reviews not yet started</b>		<b>21</b>

\* reviews where support is required from CGI



## Appendix 3

# *The City of Edinburgh Council* Internal Audit

## Transfer of the Management Development Funds Grant

Place

Final Report

14 October 2019

PL1906

**Effective**

The control environment and governance and risk management frameworks have been adequately designed and are operating effectively, providing assurance that risks are being effectively managed, and the Council's objectives should be achieved.

# Contents

1. Background and Scope	1
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This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2019/20 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2019. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there is a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

# 1. Background and Scope

## Background

The Council receives an annual development funding grant from the Scottish Government for the Affordable Housing Supply Programme (AHSP). The purpose of the funding is to provide assistance for housing under section 92 of the Housing (Scotland) Act 2001.

T MDF grant funding received in 2018/19 totalled £53.164M and was paid in monthly instalments following receipt of draw down requests from the Council. The terms of the grant offer specify that the Council must manage the AHSP, and disbursement of the grant in accordance with the grant procedures issued by the Scottish Ministers, and the procedures set out in the Council's Local Housing Strategy.

The 2018/19 grant was spent in full and resulted in the completion of 690 affordable housing units against a target of 805. 968 units were approved for funding, against a target of 1,029, and 1,119 sites starting during the year, exceeding the target of 1,000. Regular meetings are held between the Scottish Government and the Housing Development Team to discuss the progress made against the target set by the Scottish Government.

Failure to comply with the terms of the Grant Offer Letter could be termed as a breach of terms and may result in Scottish Ministers "withholding such present or future amount of grant and / or clawback such amount of grant as they reasonably consider appropriate and proportionate with regard to the breach".

The Scottish Government's HARP system was introduced in quarter three of 2017/18 and is now used to manage allocation of funding to the respective registered social landlords.

The Scottish Government's Offer of Grant for the management of development funding states that 'The Council will include the management of Development Funding in its annual Internal Audit plan and will submit a report to the Scottish Ministers on Internal Audit coverage from 1 April 2018 to 31 March 2019.

The 2018/19 IA review included the use of the HARP system and concluded that effective controls were established and operating effectively to support the ongoing management and allocation of development funding, with only three low rated findings raised.

Following submission of the final Internal Audit report to the Scottish Government, it was discussed that (based on the associated risks) there may not be a requirement for an annual review of the management of development funding, and that the Government would advise re an appropriate cycle (for example, every three years) for completion. Consequently, the review was not included in the 2019/20 Internal Audit plan approved by GRBV in March 2019.

The Scottish Government then advised (April 2019) that they would require the review to be completed by July 2019. This review has been added to the 2019/20 Internal Audit plan approved by the Governance, Risk and Best Value Committee in March 2019 at the request of the Scottish Government.

## Scope

The objective of this review was to assess the adequacy of design and operating effectiveness of the key controls established to ensure the development funding grant is managed and disbursed in line with Scottish Government requirements.

Testing was performed across the period 1 April 2018 to 31 March 2019.

## **Limitations of Scope**

During the course of our review, it was established that three areas could not be tested. These areas and the supporting rationale are detailed below:

### **1. Grant Offer Letter Conditions**

The 2017/18 Grant Letter Conditions were reviewed as part of the 2018/19 audit, and it was agreed that following the introduction of the HARP system, some of the Scottish Government clauses within the grant offer letter (i.e. tables 1 – 5), would 'merit review and update' as HARP does not have the reporting functionality to enable the Housing and Development Team to produce the required management information to confirm that these Grant Award Letter requirements have been achieved.

We obtained evidence confirming that the Housing and Development Team had raised this with the Scottish Government at a meeting on 9 August 2018. However, management has advised that the Scottish Government has not updated the 2019/20 award letter to reflect these changes. Consequently, we have been unable to confirm whether the requirements specified in relation to tables 1 – 5 in the Scottish Government's grant offer letter have been achieved.

Internal Audit will engage with the Scottish Government to confirm that this testing will not be performed in future unless clauses in the grant offer letter are reviewed and refreshed.

### **2. Allocation of Grant Funds**

The Scottish Government monitors the allocation of grant funds across the social housing categories by agreeing the initial allocation and meeting with CEC Officers to agree subsequent changes to the programme. The Scottish Government confirmed (as part of last year's review) that this monitoring control and process is in place, however, this has not been tested by Internal Audit as part of the 2019/20 review.

### **3. HARP Council User Access List**

As part of the validation of agreed management actions within the previous year's audit review, it was agreed that an annual review of the 'HARP Council user access list' would be completed annually in September with the next review due to be completed in September 2019, therefore, we were not able to test this control at this time. It was agreed with the Housing Operations Manager that the date of review of the HARP Council user access list would be brought forward next year to become aligned with the required testing of the 2019/20 award grant.

## **Reporting Date**

Our audit work concluded on 4 July 2019 and our findings and opinion are based on the conclusion of our work as at that date.

## 2. Executive summary

Total number of findings: 3

Summary of findings raised	
Medium	1. Customer Payment Authorisation Process
Low	2. Grant Payment Authorisation
Low	3. Scheme of Delegation

### Opinion

#### Effective

Our review confirmed that the control environment and governance and risk management frameworks established to support the ongoing management and allocation of development funding received from the Scottish Government have been adequately designed and are operating effectively, and (as highlighted in our 2018/19 review) the introduction of the HARP system has significantly enhanced the operational control framework.

However, whilst no significant control gaps have been identified, our review highlighted one moderate weakness in relation to key person dependency, within the Customer Payment Authorisation Process, which could potentially impact the Council's ability to generate monthly payments to Registered Social Landlords and draw down grant funding from the Scottish Government in the event of any unplanned absence.

This key person dependency concern had been identified and highlighted to management in the 2018/19 review, and management confirmed that this would be addressed. Consequently, this was not raised as a formal Internal Audit finding. During the current review, we established that this had not been addressed and this has now been raised as a medium rated finding.

In addition, we identified some minor weaknesses in the design and operating effectiveness of the controls established to evidence the approval of grant payments, and the use of a scheme of delegation 'Proper Officer' letter in the Place directorate that does not reflect current roles and responsibilities.

During the course of our review, we identified some areas where testing could not be performed. These are detailed in 'Limitations of Scope' at section 1, however, we do not believe that these exclusions would significantly impact our overall opinion.

Consequently, one Medium; and two Low rated findings have been raised.

Our detailed findings and recommendations are laid out at Section 3 below.

#### Areas of good practice

The following areas of good practice were identified:

- All prior year Internal Audit findings raised have been effectively implemented and sustained. The only exception to this is the review of HARP system user access profiles, which is not due for completion until September 2019, as detailed in our limitations of scope;
- The 2018/19 grant award was fully allocated;

- Due to the success of the programme, additional funding was received during the year from the Scottish Government;
- There were no breaches of the terms of the funding requirements identified from minutes of the joint meetings Council's Housing and Development Team;
- Good working relationships between the Council's Housing and Development Team and the Scottish Government were evident, with regular meetings held to review programme progress; and
- There is also regular ongoing engagement between the Council and Registered Social Landlords (RSLs), at both strategic and operational levels.

### **Management Response**

It is management's opinion that the council has a strong and well deserved reputation for the strength of the TMDF programme, the depth of the pipeline, and the management of risk.

Key person dependency has been an issue since the Council initiated the TMDF process in 2004 and has not resulted in any payment issues. When the key person dependency issue was raised as a finding in the current Internal Audit review, it was addressed immediately with an additional two members of the Payments team provided with access to the system and trained (circa 30 minutes training time) on how to authorise the payment run. Access rights and training delivery was completed as soon as the next available end of month payment run was due, circa one to two weeks after the finding was raised at the end of June 2019.

Indeed, strong performance on the housing programme is supported by the strength of the administration of the grant programme. This is reflected in the additional funding received each year from the Scottish Government, where the Council has secured an additional £21.2 million in grant funding over the last two years (an additional 25% funding). Additionally, the Government has increased the 2019/20 resource planning assumptions by £3.1m at the beginning of 2019/20 on the basis of the strength of the delivery of the programme.

# 3. Detailed findings

## 1. Customer Payment Authorisation Process

Medium

The Transactions Team Manager within Banking and Payment Services is responsible for the completion of the Transfer of the Management Development Funding Grant (TMDF) payment run on a monthly basis.

Our review highlighted that the Transactions Team Manager is the only person within the Banking and Payment Services team who has access to the HARP system and also the knowledge and authority to authorise and process payments (up to £60k) to Registered Social Landlords (RSLs). Any payments over £60k must be authorised by a Senior Officer within Finance.

Additionally, the end to end payment process within the Banking and Payment Services team is not documented.

It was also established that the Resources Corporate Finance team depends on completion of the payment run to allow them to draw-down funds from the Scottish Government.

### Risk

Delay in payments to Registered Social Landlords (RSLs) and draw-downs from Scottish Government if there were unplanned or extended absences.

### 1.1 Recommendation – Documentation of the payment authorisation process

The 'end to end' payment authorisation process performed by the Banking and Payment Services team should be documented, and regularly reviewed to ensure that documentation is updated to reflect any process changes.

### Agreed Management Action

Banking and Payments Services team have prepared an end to end process that will be reviewed and updated in conjunction with any system and process changes.

**Owner:** Stephen Moir, Executive Director of Resources

**Contributors:** Nicola Harvey, Head of Customer & Digital Services; Neil Jamieson, Customer Senior Manager; Sheila Haig, Customer Manager; Catherine Smith, Transactions Team Manager, Banking and Payment Services; Julie Rosano, Executive Assistant; Layla Smith, Business Manager.

**Implementation Date:**

30 August 2019

### 1.2 Recommendation - Key person dependency

- Capacity and skills within Banking and Payment Services should be reviewed to identify team members who would be able to complete the monthly payment run process;
- Full training on the 'end to end' payment process including access to the HARP system should be provided; and
- Responsibilities for completion of the monthly payment run should be rotated between the team members identified to ensure that their knowledge of the process remains up to date and relevant.

### Agreed Management Action

Two Banking and Payments Services Transactions Officers will be trained on the authorisation of payments and have already been given user access to HARP.

Responsibility for payment authorisation will be rotated between trained team members on a monthly basis.

**Owner:** Stephen Moir, Executive Director of Resources

**Implementation Date:**

**Contributors:** Nicola Harvey, Head of Customer & Digital Services; Neil Jamieson, Customer Senior Manager; Sheila Haig, Customer Manager; Catherine Smith, Transactions Team Manager, Banking and Payment Services; Julie Rosano, Executive Assistant; Layla Smith, Business Manager.

30 November 2019



## 2. Grant Payment Authorisation

Low

Under the Council's Scheme of Delegation, the Operations Manager, Enabling and Partnership can approve payment claims up to £1m. Therefore, for any payments under £1m, Housing Development Officers email the details of the relevant payment claim to the Operations Manager for approval i.e. the project name, reference number and claim amount.

Approval is granted via a responding email and the authorisation for payments is granted and recorded on the HARP system by the Housing Development Officer to note that the claim is 'authorised on behalf of the Operations Manager'. However, the authorising email is not retained to support the authorisation of the payment claim.

There are compensating controls built into the HARP system, for example an audit trail lists all authorisations made; there are annual and total grant restrictions that cannot be exceeded; and there is only the option to accept or reject a claim with no option to alter the claim amount submitted by the Registered Social Landlord.

In addition, the Transactions Team Manager, checks the supporting documentation as part of the payment process and the Scottish Government complete spot checks on claims submitted within the system.

### Risks

Lack of evidence of the payment claims of up to £1m being approved by relevant Senior responsible officer.

### 2.1 Recommendation - Retention of Authorising Emails

Approval emails should be retained in a secure location and in compliance with records management retention periods to evidence that the relevant approval has been granted in line with applicable delegated authorities.

### Agreed Management Action

Management have agreed to set up a folder to retain authorising emails in a central location.

#### Owner:

Paul Lawrence, Executive Director of Place

#### Contributors:

Michael Thain, Head of Place Development; Elaine Scott, Housing and Development Manager; Lisa Mallon, Operations Manager Enabling and Partnerships; Alastair Ranyard, Senior Development Officer; Alison Coburn, Operations Manager; Rona Guild, Resource Officer; Sandra Harrison, Executive Assistant.

#### Implementation Date:

30 August 2019

### 3. Scheme of Delegation

Low

The Council's Scheme of delegation in the Place Directorate covers the authority to approve grant offers and payments to Registered Social landlords, and to sign documentation as a 'Proper Officer'.

The delegation provided by the Executive Director of Place specifies that the authority levels will remain applicable so long as the individuals remain in the specified roles.

Review of the Scheme of Delegation letter held within our audit files (dated 27.01.17) against the Register of Proper Officers and Sub-Delegation held by the Council's Governance Manager established that the roles and responsibilities of the Head of Place Development requires to be updated.

#### Risks

The Head of Place Development does not have the 'authority to approve' under the Councils Scheme of Delegation until the correct roles and responsibilities have been documented.

#### 3.1 Recommendation - Scheme of Delegation Letter

The roles and responsibilities of the Head of Place Development should be reviewed, and an updated Scheme of Delegation letter should be issued.

#### Agreed Management Action

Operations Manager will liaise with Housing and Development Manager to consider whether Head of Place Development requires delegated authority for the TMDF process.

#### Owner:

Paul Lawrence, Executive Director of Place

#### Contributors:

Michael Thain, Head of Place Development; Elaine Scott, Housing and Development Manager; Lisa Mallon, Operations Manager Enabling and Partnerships; Alastair Ranyard, Senior Development Officer; Alison Coburn, Operations Manager; Rona Guild, Resource Officer; Sandra Harrison, Executive Assistant.

#### Implementation Date:

30 August 2019

#### 3.2 Recommendation - Proper Officer Register

The Council's Register of Proper Officers and Sub-Delegation record should be updated to reflect the current roles and responsibilities of the Head of Place Development.

#### Agreed Management Action

Place scheme of delegation is currently being reviewed and the 'Proper Officer' Register will be updated to reflect current roles and responsibilities.

#### Owner:

Paul Lawrence, Executive Director of Place

#### Implementation Date:

31 December 2019

**Contributors:**

Michael Thain, Head of Place Development; Elaine Scott, Housing and Development Manager; Lisa Mallon, Operations Manager Enabling and Partnerships; Alastair Ranyard, Senior Development Officer; Alison Coburn, Operations Manager; Rona Guild, Resource Officer; Sandra Harrison, Executive Assistant.

# Appendix 1 - Basis of our classifications

Finding rating	Assessment rationale
<b>Critical</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on the operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation of the organisation which could threaten its future viability.</li> </ul>
<b>High</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation of the organisation.</li> </ul>
<b>Medium</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation of the organisation.</li> </ul>
<b>Low</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>
<b>Advisory</b>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

# Appendix 2 - Areas of Audit Focus

## Grant Payment

- Draw down notices and supporting evidence are reviewed and approved prior to submission to the Scottish Government.
- Where funding has not been fully utilised, the underspend is less than 10% of the amount drawn and is agreed between parties.

## Application of Grant

- Funding has been allocated across each programme category and designated areas as specified in tables 1 and 2 of the offer letter; and
- There is a clear definition of general needs; particular needs; and intermediate rent in the Housing for rent category, and these are consistently applied.
- The Council has consistently applied SG definitions to the projects within the AHSP to ensure there is a clear audit trail of application of funds.
- The Council has approved projects for provision of 1,029 units in total across programme category; area type and designated area as specified in table 3 of the offer letter.
- The Council has completed a total of 805 units across the allocations specified in table 4 of the offer letter.
- The Council has started a total of 1,000 units across the allocations specified in table 5 of the offer letter.

## Programme Management

- Where funding has been used to cover administrative costs, permission has been obtained from the Scottish Ministers.
- The Council has worked in partnership with registered social landlords to develop and implement effective strategies for local areas, consistent with the Council's Local Housing strategy.
- Recognition of SG funding is included on signage at development sites.

## Monitoring

- Expenditure on the programme has not exceeded the allocation provided by the SG; and
- Any carry forward of expenditure into 2019/20 does not exceed the 2018/19 Resource Planning Assumption of £41.269M.
- Additional funding of £10M has not been included in any carry forward amounts.

## Breaches

- Confirm whether there is a process in place to establish and escalate breaches of the terms of the funding requirements;
- Establish whether there have been any breaches in the current year and confirm that they have been reported to the SG; and

- If any breaches have occurred and been reported, confirm that SG remedial actions have been effectively implemented.

### **Systems**

- Confirm that all projects are recorded and maintained on the SG RESOURCE or HARP system; and
- Confirm that HARP user access rights appropriate to ensure sufficient segregation of duties in relation to payments.

### **Follow-Up**

- Confirm that all management actions supporting closure of findings raised from the prior year review have been effectively implemented and sustained.

# Governance, Risk, and Best Value Committee

10.00am, Tuesday, 3 December 2019

## Internal Audit: Overdue Findings and Late Management Responses as at 22 October 2019

Item number

Executive/routine

Wards

Council Commitments

### 1. Recommendations

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- 1.1 It is recommended that the Committee notes:
- 1.1.1 the status of the overdue Internal Audit (IA) findings as at 22 October 2019;
  - 1.1.2 progress with delivery of the 2019/20 IA plan; and
  - 1.1.3 The delays with finalising the final Transfer of the Management Development Funds Grant audit report for submission to the Scottish Government and agreeing the scope of the terms of reference the planned review of Unsupported Technology (Shadow IT).

**Lesley Newdall**

Chief Internal Auditor

Legal and Risk Division, Resources Directorate

E-mail: [lesley.newdall@edinburgh.gov.uk](mailto:lesley.newdall@edinburgh.gov.uk) | Tel: 0131 469 3216

## Internal Audit: Overdue Findings and Late Management Responses as at 22 October 2019

### 2. Executive Summary

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#### Open and overdue Internal Audit findings

- 2.1 Continued good progress is evident with the 26 historic overdue findings reopened in June 2018, with all High rated findings now having been closed. As at 22 October 2019, a total of 23 of the 26 findings have been closed. This includes three historic findings that have been closed (following completion of an audit in July 2019) and replaced by a single new finding that continues to be reported as overdue based on originally agreed implementation dates for the historic findings. IA is currently reviewing evidence to support closure of 1 finding, with the 2 remaining findings still to be addressed by management.
- 2.2 A total of 101 open IA findings remain to be addressed across the Council as at 22 October 2019. This includes the remaining 3 of the 26 historic Council findings and excludes open and overdue Internal Audit findings for the Edinburgh Integration Joint Board and the Lothian Pension Fund.
- 2.3 Of the 101 currently open IA findings:
- 2.3.1 a total of 59 (58%) are open, but not yet overdue;
  - 2.3.2 42 (42%) are currently reported as overdue as they have missed the final agreed implementation dates. This is an increase of 2 from the position as at 23 September 2019.
  - 2.3.3 66% of the overdue findings are more than six months overdue, with 16% aged between six months and one year and 50% more than one year overdue.
  - 2.3.4 evidence in relation to 10 of the 42 overdue findings is currently being reviewed by IA to confirm that it is sufficient to support their closure; and
  - 2.3.5 32 overdue findings still require to be addressed.
- 2.4 Whilst good progress is evident with resolution of reopened historic overdue findings, it is important to ensure that management continues to focus on timely implementation of agreed management actions supporting the remaining population



of open and overdue findings. This should result in an improvement in the ageing profile of overdue findings and will help to ensure that the Council is not exposed to the risks associated with these findings for a significant period of time.

- 2.5 The number of overdue findings where completion dates for supporting management actions have been revised more than once between July 2018 and September 2019 is 33, reflecting a decrease of four when compared to the 37 revised completion dates reported as at 23 September 2019.

#### **Late management responses to IA terms of reference and reports**

- 2.6 The IA report detailing the outcomes of our review of the Transfer of the Management Development Funds Grant was issued to Place Development on 30 July 2019 with the final report due to be shared with the Scottish Government by the end of July. Following discussions with Place Development, an extension was provided until the end of September. The final report was finally signed off and sent to the Scottish Government on 18 October 2019.
- 2.7 Terms of reference for the planned review of unsupported technology (shadow IT) was issued to both Executive Directors and CGI in May 2019, and was finalised in October 2019, which reflected the time taken to reach agreement with CGI on the work to be performed.

### **3. Background**

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- 3.1 Overdue findings arising from IA reports and late management responses to draft IA reports are reported monthly to the CLT and quarterly to the GRBV Committee.
- 3.2 This report specifically excludes open and overdue findings that relate to the Edinburgh Integration Joint Board (EIJB) and the Lothian Pension Fund (LPF). These are reported separately to the EIJB Audit and Risk Committee and the Pensions Audit Sub Committee respectively.
- 3.3 The IA definition of an overdue finding is any finding where all agreed management actions have not been evidenced as implemented by management and validated as closed by IA by the date agreed by management and IA and recorded in relevant IA reports.
- 3.4 Where management considers that actions are complete and sufficient evidence is available to support IA review and confirm closure, the action is marked as 'implemented' by the relevant division on the IA follow-up system. When IA has reviewed the evidence provided, the management action will either be 'closed' or will remain open and returned to the relevant owner with supporting rationale provided to explain what further evidence is required to enable closure.
- 3.5 The IA Journey Map and Key Performance Indicators detail the agreed requirement for receipt of management responses to draft IA findings as being within 10 working days from receipt of the draft report. Where management responses are not received within this timeframe, details are included within this report.

## 4. Main report

- 4.1 The 101 open IA findings across the Council have been split into the following two categories to enable separate monitoring and reporting of the historic findings that were reopened in June 2018:
- 4.1.1 Current findings (98 in total) shows progress with findings raised, tracked, and reported on as part of the routine IA assurance cycle; and
- 4.1.2 Historic overdue findings (3 in total) highlight progress with closure of the 26 historic findings that were reopened in June 2018.
- 4.2 A total of 42 open IA findings (39 current and 3 historic) are overdue.
- 4.3 The movement in open and overdue IA findings during the period 23 September to 22 October 2019 is as follows:

Analysis of changes between 23/09/19 and 22/10/19					Analysis at 22/10/19	
	Position 23/09/19	Added	Closed	Position 22/10/19	Current	Historic reopened
<b>Open</b>	105	6	(10)	101	98	3
<b>Overdue</b>	40	7	(5)	42	39	3

Appendix 1 provides a graphic of the analysis detailed at 4.1 and 4.2 above.

### Current Overdue Findings

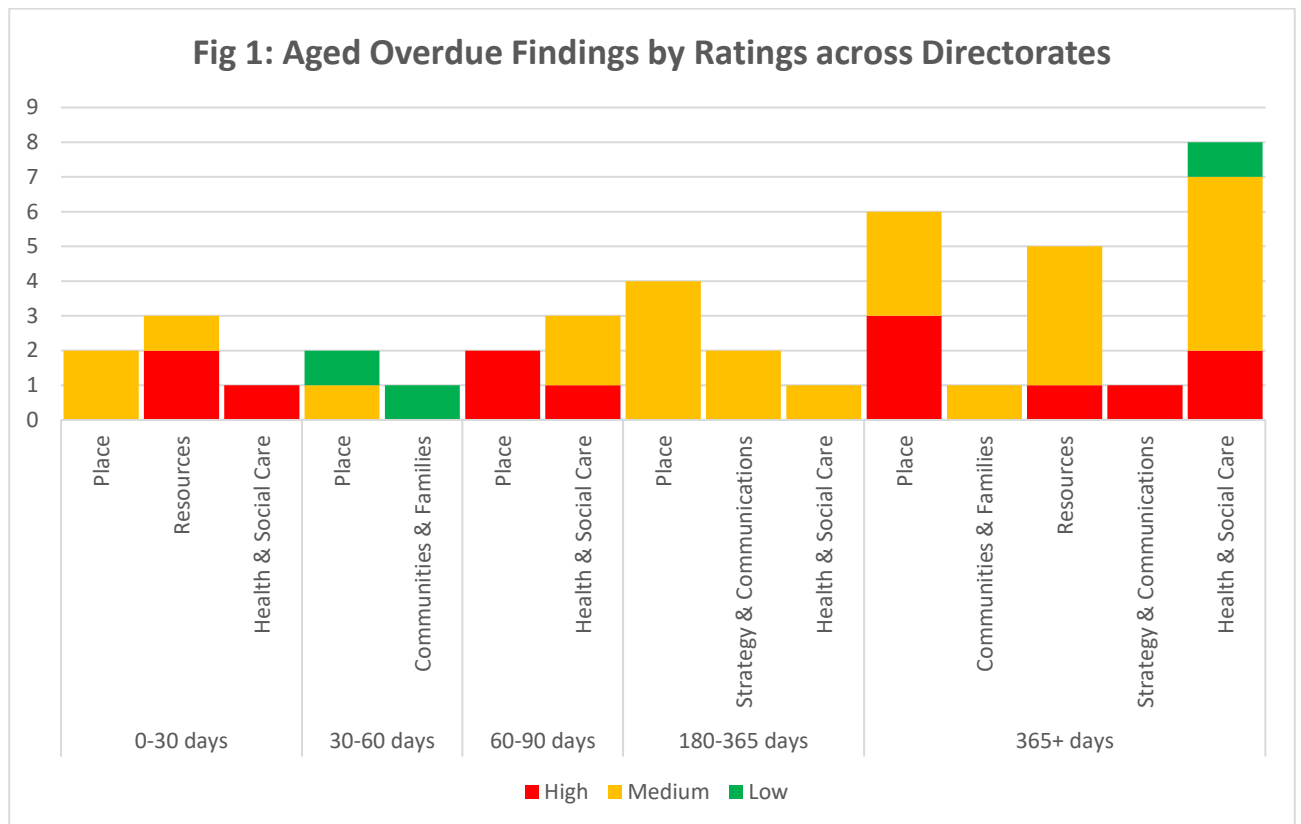
- 4.4 Of the 101 currently open findings, 42 (42%) comprising 13 High; 26 Medium; and 3 Low rated findings are now 'overdue'.
- 4.5 However, IA is currently reviewing evidence to support closure of 10 of these findings (2 High; 7 Medium; and 1 Low), leaving a balance of 32 overdue findings (11 High; 19 Medium; and 2 Low) still to be addressed.

### Historic Overdue Findings

- 4.6 Progress is evident with regard to the closure of the 26 historic findings that were reopened in June 2018, as 23 (8 High and 15 Medium) have now been closed across all Directorates. IA is currently reviewing evidence provided to support closure of 1 (Medium rated) of the remaining 3 historic findings, leaving a balance of 2 historic findings (1 Medium and 1 Low) still to be addressed
- 4.7 It should be noted that 3 of 26 historic findings closed (1 High and two Medium) related to the completeness; accuracy; and quality of property and facilities management data. The asset management strategy and CAFM system IA review completed in July 2019 confirmed that these findings would be closed and replaced by a single new High rated finding that continues to be reported as overdue based on the originally agreed implementation dates for these findings, as the identified risks have not yet been fully addressed.

## Overdue findings ageing analysis

4.8 Figure 1 illustrates the ageing profile of all 42 current and historic overdue findings by rating across directorates as at 22 October 2019.



4.9 This analysis highlights that of the 42 overdue findings:

- 11 (26%) are less than 3 months (90 days) overdue in comparison to September (18%);
- 3 (7%) are between 3 and 6 months (90 and 180 days) overdue in comparison to September (10%);
- 7 (16%) are between 6 months and one year (180 and 365 days) overdue in comparison to September (22%); and
- 21 (50%) are more than one year overdue, which is aligned with the position reported in September (50%).

It should be noted that findings more than 180 days old include the remaining 3 historic findings to be closed (see 4.6 above).

### Agreed Management Actions Analysis

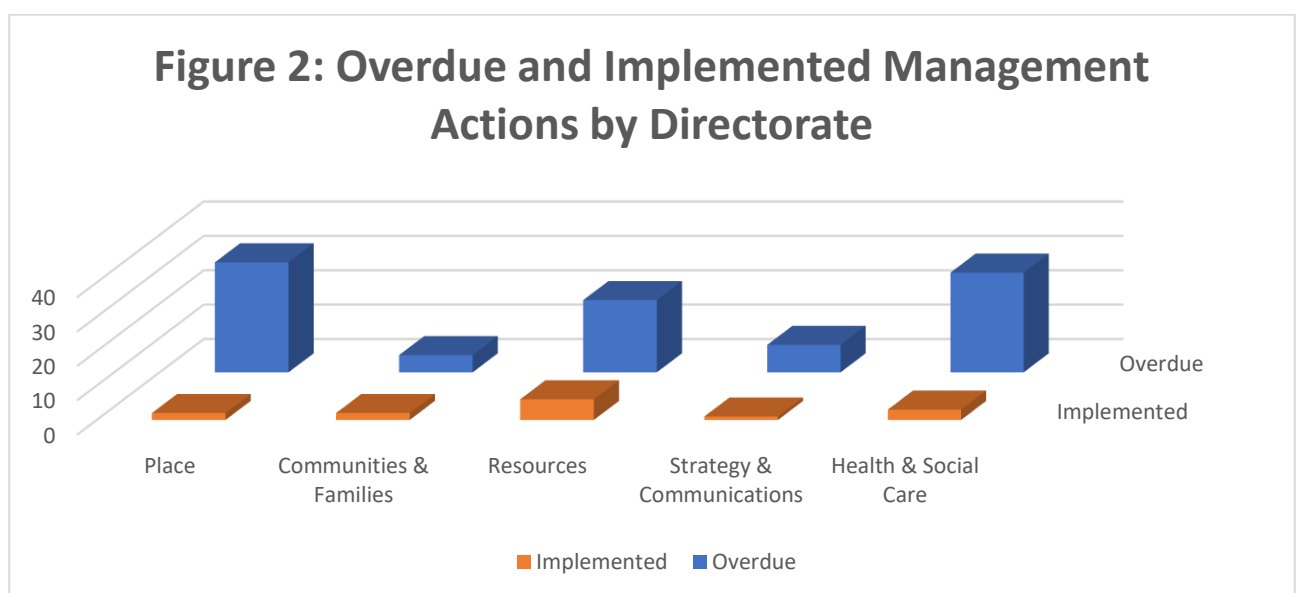
4.10 The 101 open IA findings are supported by a total of 293 agreed management actions. Of these, 95 (32%) are overdue per the agreed timescale for the specific action.

4.11 Of the 95 overdue management actions, 14 are currently with IA for review to confirm whether they can be closed, leaving a balance of 81 to be addressed

4.12 Appendix 2 provides an analysis of the 95 overdue management actions highlighting:

- their current status
- overdue management actions that are resulting in overdue findings;
- instances where the latest implementation date has been missed; and
- instances where the implementation date has been revised more than once.

4.13 Figure 2 illustrates the allocation of the 95 overdue management actions between those where action is required (81) and the 14 that have been passed to IA for review across the directorates.



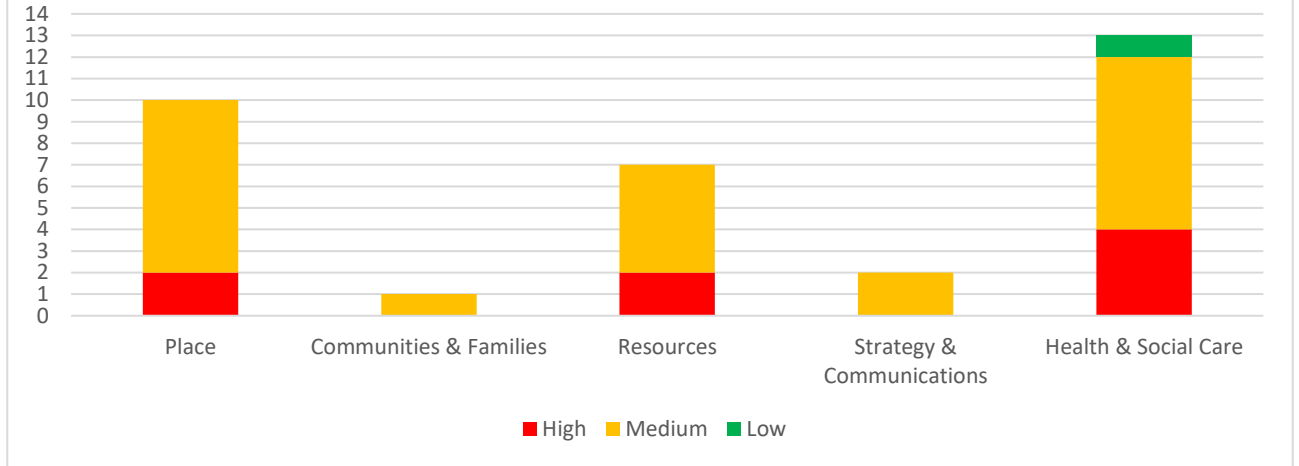
### Revised Implementation Dates

4.14 Figure 3 illustrates that there are currently 33 open management actions (including those that are overdue) across directorates where completion dates have been revised more than once since July 2018.

4.15 This reflects a decrease in comparison to the position reported in September (37).

4.16 Of these 33 management actions, 8 are associated with High rated findings; 24 Medium; and 1 Low.

**Figure 3 - management actions with more than one revised completion date since July 2018**



**IA terms of reference and reports not finalised in line with agreed key performance indicators**

- 4.17 The terms of reference for the planned review of unsupported technology (shadow IT) was issued to both Executive Directors and CGI in May 2019, and was finalised in October 2019, reflecting the time taken to reach agreement with CGI on the work to be performed. Time for meetings with relevant CGI team is currently being arranged and it is expected that this work will now commence in November.
- 4.18 The final draft IA report detailing the outcomes of our review of the Transfer of the Management Development Funds Grant was issued to the Head of Place Development on 30 July 2019 and following discussions was not finalised and issued until 18 October 2019 following approval from the Head of Place Development and the Executive Director of Place.
- 4.19 The final report was due to be shared with the Scottish Government by the end of July, and an extension was provided following discussion between the Scottish Government and the Housing and Regulatory Services Division until the end of August, with a further extension then agreed by the Division until the end of September. The final report was signed off and issued to the Scottish Government on 18 October.

**5. Next Steps**

- 5.1 IA will continue to monitor the open and overdue findings position, providing monthly updates to the CLT and quarterly updates to the Governance, Risk and Best Value Committee.

- 5.2 IA will continue to focus on 2019/20 IA plan delivery and will share the IA plan delivery dashboard with both the CLT and GRBV on a quarterly and monthly basis respectively.

## **6. Financial impact**

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- 6.1 There are no direct financial impacts arising from this report, although failure to close findings and address the associated risks in a timely manner may have some inherent financial impact.
- 6.2 Inability to commence planned 2019/20 IA reviews could result in delayed completion of the 2019/20 IA plan and the requirement for additional co-source support to support delivery at additional unbudgeted cost to the Council.

## **7. Stakeholder/Community Impact**

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- 7.1 If agreed management actions supporting closure of Internal Audit findings are not implemented, the Council will be exposed to the service delivery risks set out in the relevant Internal Audit reports. Internal Audit findings 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.
- 7.2 If Internal Audit cannot deliver the agreed annual plan, it will be unable to provide assurance regarding how effectively the Council is managing its most significant risks.

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

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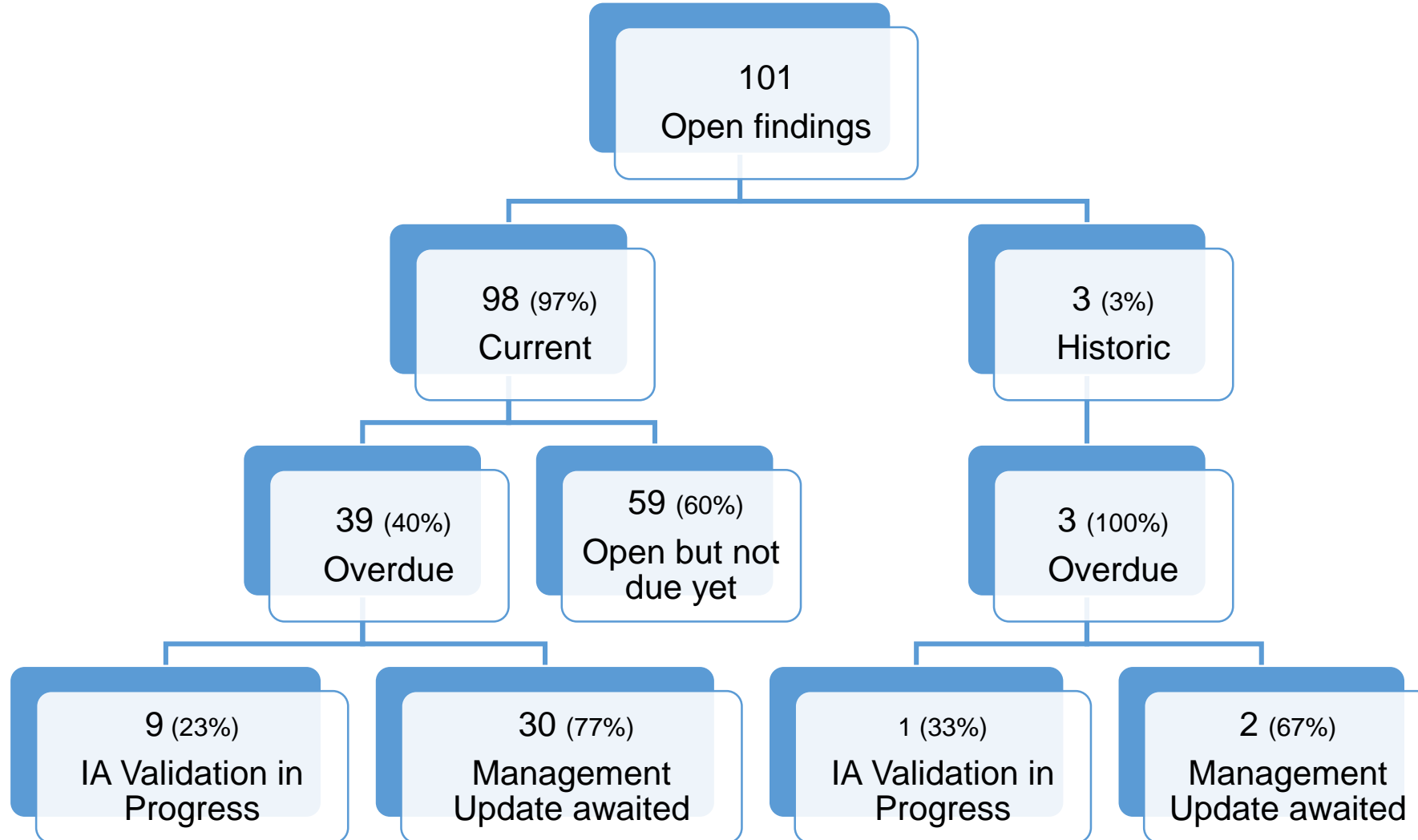
- 8.1 [Internal Audit report - Historic Internal Audit Findings - Item 7.3](#)
- 8.2 [Internal Audit Journey Map and Key Performance Indicators](#)

## **9. Appendices**

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- 9.1 Appendix 1 – Graphic of Open and Overdue IA Findings
- 9.2 Appendix 2 – Open and Overdue Management Actions Detailed Analysis

# Appendix 1 - Internal Audit Open and Overdue findings position as at the 22<sup>nd</sup> of October 2019



## Appendix 2 - Internal Audit Overdue Management Actions as at 22 October 2019

### Glossary of terms

- Project – This is the name of the audit report.
- Owner – The Executive Director responsible for implementation of the action.
- Issue Type – This is the priority of the audit finding, categorised as Critical, High, Medium, Low and Advisory.
- Issue – This is the name of the finding.
- Status – This is the current status of the management action. These are categorised as Pending (the action is open and there has been no progress towards implementation), Started (the action is open and work is ongoing to implement the management action), Implemented (the service area believe the action has been implemented and this is with Internal Audit for validation).
- Agreed Management action – This is the action agreed between Internal Audit and Management to address the finding.
- Estimated date – the original agreed implementation date.
- Revised date – the current revised date. **Red** formatting in the dates field indicates the last revised date is overdue.
- Number of revisions – the number of times the date has been revised post implementation of TeamCentral. **Amber** formatting in the dates field indicates the date has been revised more than once.
- Contributor – Officers involved in implementation of an agreed management action.



Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
1	<p>Review of the General Data Protection Regulations Readiness Programme</p> <p>Programme Progress and Information Governance Capacity</p> <p>Laurence Rockey, Head of Strategy &amp; Communications</p>	High	<p>Programme Progress and Information Governance Capacity - Issue 1 rec 1b</p> <p>Implemented</p>	Operational activities will be subject to review and a report made to Corporate Leadership Team (CLT) on longer term resource impacts for the Information Governance Unit (IGU) and service areas in meeting statutory requirements;	<p>Estimated Date: 28/09/2018</p> <p>Revised Date: 31/01/2019</p> <p>No of Revisions 1</p>	Donna Rodger, Kevin Wilbraham, Sarah Hughes-Jones.
Page 2 173	<p>Historic Unimplemented Findings</p> <p>MIS1601 - issue 1 Budgetary Impact</p> <p>Stephen Moir, Executive Director of Resources</p>	Medium	<p>Recommendation 1 - Budgetary Impact</p> <p>Implemented</p>	The repairs and maintenance budget for 2016/17 will be closely monitored as services are now procured direct from suppliers and an imbedded due diligence process has been developed. This will inform the budget setting process but it should, however, be noted that this has historically been based on availability and not need.	<p>Estimated Date: 31/03/2017</p> <p>Revised Date: 29/06/2018</p> <p>No of Revisions 1</p>	Audrey Dutton, Gohar Khan, Layla Smith, Murdo MacLeod, Peter Watton.
3	<p>Quality, Governance and Regulation</p> <p>CW1802 Issue 2: Quality Assurance and Compliance Methodology and Operational Processes</p> <p>Alistair Gaw, Executive Director of Communities and Families</p>	Medium	<p>CW1802 Issue 2.3: QAC Risk Register</p> <p>Implemented</p>	The Quality and Compliance Service recognise the need for a service Risk Register. Version 1 of the register was generated on 16 April 2019 and will be monitored through QAC Management within Safer and Stronger and reported to Communities and Families Wider Management Team in accordance with current reporting requirements.	<p>Estimated Date: 31/08/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	Jackie Irvine, Jon Ferrer, Keith Dyer, Michelle McMillan, Nichola Dadds, Nickey Boyle.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
4	<p>Quality, Governance and Regulation</p> <p>CW1802 Issue 3: Data Protection Impact Assessment</p> <p>Alistair Gaw, Executive Director of Communities and Families</p>	Low	<p>CW1802 Issue 3.1: QAC Data Protection Impact Assessment</p> <p>Implemented</p>	<p>The Quality and Compliance (QAC) Manager has completed a Data Protection Impact Assessment (DPIA) which was signed off by Information Governance Unit on 9 April 2019. This is now available for Internal Audit to review.</p>	<p>Estimated Date: 31/08/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Jackie Irvine, Jon Ferrer, Keith Dyer, Michelle McMillan, Nichola Dadds, Nickey Boyle.</p>
Page 174	<p>H&amp;SC Care Homes - Corporate Report</p> <p>A1.1: Care Homes Self Assurance Framework</p> <p>Judith Proctor, Chief Officer</p>	Medium	<p>A1.1: Care Homes Self Assurance Framework</p> <p>Implemented</p>	<p>A self-assurance framework will be designed and implemented that will validate effective operation of controls in place to manage these risks. The Health and Social Care Partnership Operations Manager will be accountable for development; implementation and ongoing operation of the framework. Development and implementation support will be requested from Business Support and Quality Assurance and Compliance.</p>	<p>Estimated Date: 30/06/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Angela Ritchie, Cathy Wilson, Debbie Adams, Helen Elder, Jean Inglis, Julie Rosano, Tom Cowan.</p>
6	<p>H&amp;SC Care Homes - Corporate Report</p> <p>A2.3: Welfare Fund and Outings Funds</p> <p>Judith Proctor, Chief Officer</p>	Medium	<p>A2.3(2) Establishment of welfare fund committees</p> <p>Implemented</p>	<p>A working group has been established that will focus on welfare. The remit of the group will focus on welfare committees; constitutions; accounts; criteria and donations. 2 officers from the working group have been assigned responsibility to write and implement welfare guidelines.</p>	<p>Estimated Date: 31/07/2018</p> <p>Revised Date: 31/10/2019</p> <p>No of Revisions 4</p>	<p>Angela Ritchie, Cathy Wilson, Debbie Adams, Helen Elder, Tom Cowan.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
7	H&SC Care Homes - Corporate Report  A2.3: Welfare Fund and Outings Funds  Judith Proctor, Chief Officer	Medium	A2.3(3) Production of annual accounts and review by welfare fund committee  Implemented	A working group has been established that will focus on welfare. The remit of the group will focus on welfare committees; constitutions; accounts; criteria and donations. 2 officers from the working group have been assigned responsibility to write and implement welfare guidelines Task assigned to Business Officer for annual accounts and daily bookkeeping. Guidelines to be written for consistency.	Estimated Date: 31/07/2018 Revised Date: 31/10/2019 No of Revisions 3	Angela Ritchie, Cathy Wilson, Debbie Adams, Helen Elder, Tom Cowan.
Page 175	Non-Housing Invoices  Schedule of Rates  Stephen Moir, Executive Director of Resources	Medium	New non-housing contractor framework  Implemented	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.	Estimated Date: 31/08/2017 Revised Date: 31/03/2019 No of Revisions 3	Audrey Dutton, Gohar Khan, Layla Smith, Mark Stenhouse, Murdo MacLeod, Peter Watton.
9	Non-Housing Invoices  Availability of documentation  Stephen Moir, Executive Director of Resources	Medium	CAFM  Implemented	It is anticipated that Computer Aided Facilities Management (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	Estimated Date: 01/04/2017 Revised Date: 31/08/2018 No of Revisions 2	Audrey Dutton, Gohar Khan, Layla Smith, Murdo MacLeod, Peter Watton.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
10	<p>Planning Control - Building Standards Implementation of The Building Standards Continuous Improvement Programme</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	High	<p>Document and resource management system</p> <p>Implemented</p>	<p>ICT are working closely with the Council's IT provided, CGI, to deliver an up-to-date version of the document management and case management systems (Idox and Uniform) and their associated software systems and will ensure that these are delivered in Quarter 2 2018/19.</p>	<p>Estimated Date:28/09/2018</p> <p>Revised Date:30/09/2019</p> <p>No of Revisions2</p>	<p>Alison Coburn, Claire Duchart, David Givan, Jade Sutherland, Michael Thain, Nancy Brown, Sandra Harrison.</p>
Page 176 <sub>1</sub>	<p>Street Lighting and Traffic Signals</p> <p>Traffic Signals: UTC system access controls</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	Medium	<p>PL1810 Issue 1: Rec 2 - UTC Unauthorised users</p> <p>Implemented</p>	<p>Access rights will be removed for staff leaving (or changing) roles with access rights for all users reviewed annually. An annual frequency is appropriate as users require access to the Council network in order to access the UTC. If leavers are removed from the Council network, they would need to download the UTC application onto a personal device to maintain access to the system.</p>	<p>Estimated Date: 30/09/2019</p> <p>Revised Date: 30/09/2019</p> <p>No of Revisions 3</p>	<p>Alan Simpson, Alison Coburn, Claire Duchart, Cliff Hutt, Gareth Barwell, Lindsey McPhillips, Nicole Fraser, Robert Mansell, Tony Booth.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
12	Property Maintenance Monitoring of outstanding jobs Stephen Moir, Executive Director of Resources	Medium	Monitoring of outstanding jobs  Implemented	The AS400 system does not allow recoding or reporting on completion until invoice stage. Contractors are already confirming when jobs complete to agreed Service Level Agreements (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 Computer Aided Facilities Management (CAFM) system will also be in place. CAFM system 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	Estimated Date: 31/12/2017 Revised Date: 31/05/2019 No of Revisions 4	Audrey Dutton, Gohar Khan, Layla Smith, Mark Stenhouse, Murdo MacLeod, Peter Watton.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
13	<p>Cyber Security - Public Sector Action Plan</p> <p>RES1808: Issue 1: Critical Operational Cyber Security Controls</p> <p>Stephen Moir, Executive Director of Resources</p>	High	<p>RES1808: Issue 1: Recommendation 4.1 - User access controls</p> <p>Implemented</p>	<p>CGI indicated that the full recommendations made by the external auditor could not be implemented without significant change to the contract and at a notable additional cost. CGI provided the Council and the External Auditors with details of the current oversight of the CGI Wintel and UNIX password policies. Current ongoing evidence of this oversight via the Security Working Group will be provided to external audit, a statement confirming the risk acceptance by the Executive Director of Resources will be prepared, approved, signed, and provided to Scott Moncrieff.</p>	<p>Estimated Date: 31/05/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Alison Roarty, Carolann Miller, Heather Robb, Layla Smith, Nicola Harvey.</p>
14	<p>Transfer of the Management Development Funding (TMDF)</p> <p>PL1906 - TMDF Customer Payment Authorisation Process</p> <p>Stephen Moir, Executive Director of Resources</p>	Medium	<p>PL1906 Issue 1.1 - Documentation of the payment authorisation process</p> <p>Implemented</p>	<p>Banking and Payments Services team have prepared an end to end process that will be reviewed and updated in conjunction with any system and process changes.</p>	<p>Estimated Date: 30/08/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Julie Rosano, Layla Smith, Neil Jamieson, Nicola Harvey, Sheila Haig.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
15	Complaints Process Complaints Software Laurence Rockey, Head of Strategy & Communications	Medium	Complaints Software Pending	The procurement of a new Customer Relationship Management (CRM) to record customer contacts is part of the new CGI contract. This is a medium- to long- term solution, and the project plan and implementation timetable have not yet been developed.	Estimated Date: 31/03/2019 Revised Date: No of Revisions 0	Donna Rodger, Frances Smith.
16	Emergency Prioritisation & Complaints CW1806 Issue 1: ATEC 24 Operational Framework Judith Proctor, Chief Officer	Medium	CW1806 Issue 1.3(1): ATEC 24 Performance Reporting - Scorecard KPIs Pending	1. Key performance indicators included within the Health and Social Care scorecard will include percentage of calls answered within set targets; percentage of emergency response visits within target; and well as volumes of calls and responses.	Estimated Date: 30/09/2019 Revised Date: No of Revisions 0	Cathy Wilson, Craig O'Donnell, Katie McWilliam, Philip Brown, Tony Duncan.
17	Emergency Prioritisation & Complaints CW1806 Issue 1: ATEC 24 Operational Framework Judith Proctor, Chief Officer	Medium	CW1806 Issue 1.3(3): ATEC 24 Performance Reporting - Scrutiny of Performance Measures Pending	3. ATEC 24 Service performance will be reported and regularly scrutinised by the Health and Social Care Partnership Executive Management Team.	Estimated Date: 30/09/2019 Revised Date: No of Revisions 0	Cathy Wilson, Craig O'Donnell, Katie McWilliam, Philip Brown, Tony Duncan.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
18	<p>Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management</p> <p>Risk and Supplier Performance Management</p> <p>Judith Proctor, Chief Officer</p>	High	<p>Rec 1 - Risk Management</p> <p>Pending</p>	<p>A contracts management risk register will be developed describing, prioritising, and addressing risks to delivery. The risk register will be shared with and approved by the Core group by January 2018. The risk register will be refreshed quarterly and reviewed by the Core Group.</p>	<p>Estimated Date: 30/03/2018</p> <p>Revised Date: 31/07/2019</p> <p>No of Revisions 3</p>	<p>Angela Ritchie, Cathy Wilson, Colin Beck, David Williams, Debbie Adams, Helen Elder, Jay Sturgeon, Tom Cowan.</p>
Page 180 P19	<p>Trams to Newhaven</p> <p>MP1801: Issue 2 - Tram Project Governance</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	Medium	<p>MP1801: Trams Issue 2.1 - Action note and outstanding matters log</p> <p>Pending</p>	<p>Recommendation agreed. The action note, and outstanding matters log will be reinstated as a standing agenda item. The Board will monitor progress of outstanding actions and matters and ensure that completion of follow-up action supporting decisions is completed.</p>	<p>Estimated Date: 30/08/2019</p> <p>Revised Date: 29/11/2019</p> <p>No of Revisions 1</p>	<p>Alison Coburn, Hannah Ross, Veronica Wishart.</p>



Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
Page 181	<p>Planning and S75 Developer Contributions Backlog of Legacy Developer Contributions</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	High	<p>PL 1802 Recommendation 1.2 Retrospective review of historic developer contribution legal agreements</p> <p>Pending</p>	<p>Planning has worked with Finance to identify the status of legacy contributions identified in 2015. Planning accepts that the status of the remaining £2.3 million backlog needs to be identified, and any associated actions identified and recorded. Whilst an agreed implementation date of 30 September 2020 is noted below, priority will be given to completing these actions as quickly as possible.1. The audit recommendations detailed above will be implemented. Finance and planning will work together to determine the risk-based sample to be included in the review for the sample selected, Planning will determine whether or not the terms of the agreement have been fulfilled. Where agreements have been fulfilled, Finance will determine whether developer contributions have been received and applied, where agreements have not been fulfilled and the Council is holding developer funds, the management action specified at 2.3 below will be applied.2. An internal record will be maintained of agreements that have not been fulfilled to prevent services from drawing down contributions to support any development work. Developers will not be advised that agreements are void and no longer applicable, as (under legislation) only</p>	<p>Estimated Date:31/01/2016 Revised Date:30/09/2020 No of Revisions1</p>	<p>Alison Henry, David Leslie, Graham Nelson, Hugh Dunn, John Inman, Kevin McKee, Michael Thain, Nick Smith, Rebecca Andrew</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
Page 182				<p>developers can seek to discharge the agreement; and 3. and 4 where agreements have not been fulfilled and funds are held by the Council, the developer will be contacted (where they can be traced) to ascertain whether they would accept reimbursement of funds. Where this is the case, a value should be agreed between the Council and the developer that reflects interest and indexation (where applicable) and reimbursed.</p>		

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
21	<p>Planning and S75 Developer Contributions</p> <p>End to end developer contribution processes, procedures, and training</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	High	<p>PL 1802 Iss 2 Rec 2.4 Induction and refresher training</p> <p>Pending</p>	<p>Planning has a continuous programme of officer training which has included legal agreements, developer contributions and the Action Programme. Planning have scheduled refresher training on contributions and invited officers from other services. 1. All Internal Audit recommendations related to induction and refresher training will be implemented as detailed above. The training will include those employees from Planning; Finance and Legal Services who are involved in the developer contributions process; and 2. Training content will be reviewed at least annually and will be updated (when required) to reflect any legislative and process changes.</p>	<p>Estimated Date: 30/09/2019 Revised Date:</p> <p>No of Revisions 0</p>	<p>Alison Henry, David Leslie, Graham Nelson, Hugh Dunn, John Inman, Kevin McKee, Michael Thain, Nick Smith, Rebecca Andrew.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
22	HMO Licensing PL1803 Issue 3 - Operational Performance and Reporting Paul Lawrence, Executive Director of Place and SRO	Medium	PL1803 Issue 3.4 Refund request policy Pending	The established policy approved by Regulatory Committee is that refunds will only be authorised in very exceptional circumstances, for example, serious illness. Guidance on how to request a refund form is therefore not appropriate. Licencing will ensure that the terms of the Policy are more clearly referenced on application forms and the Council website so that customers are aware of the terms of the policy, and will advise that in exceptional circumstances, refund requests should be made by letter to the Licensing Manager.	Estimated Date: 20/09/2019 Revised Date: No of Revisions 0	Alison Coburn, Andrew Mitchell, Michael Thain, Sandra Harrison.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
23	HMO Licensing PL1803 Issue 4 Training and Guidance Documentation Paul Lawrence, Executive Director of Place and SRO	Low	PL1803 Issue 4.1 Induction process Pending	Regulatory Services introduced a service specific induction program for all teams in 2018 in order to ensure that all new starts are appropriately supported. Written Induction packs for the licensing service were created and will be used for all new staff. The pack includes a 6-week training programme which will be tailored for each new start depending on where they sit within the service. The member of staff identified by the audit had been assigned alternate duties was not therefore familiar with the process. This has been addressed with the individual concerned. Appropriate refresher briefings will be given for all managers within the service.	Estimated Date: 30/09/2019 Revised Date: No of Revisions 0	Alison Coburn, Andrew Mitchell, Michael Thain, Sandra Harrison.
24	Port Facility Security Plan PL1808 Issue: 2 Resilience and Risk Management Paul Lawrence, Executive Director of Place and SRO	Low	PL1808 Issue: 2.1 Risk Register Pending	The most appropriate risk register to record and manage the specific risks associated with the operation of Hawes Pier will be identified; and the risks will be recorded; rated; and matched to the established controls.	Estimated Date: 31/05/2019 Revised Date: 30/11/2019 No of Revisions 1	Chris Spence, Cliff Hutt, David Strachan, Gareth Barwell, Gordon McOmish.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
25	<p>Street Lighting and Traffic Signals</p> <p>Street Lighting and Traffic Signals: Process and quality assurance documentation and training</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	Low	<p>PL1810 Issue 3 - Rec 1 Operation and maintenance procedures</p> <p>Pending</p>	<p>Street Lighting and Traffic Signals Operational Guides will be developed, implemented, and reviewed to ensure that processes align with current regulatory requirements. Operational Guides will be implemented within six months of implementation of the Roads Improvement Plan, or by 30 September 2019, whichever comes first.</p>	<p>Estimated Date: 30/09/2019</p> <p>Revised Date: 31/07/2020</p> <p>No of Revisions 1</p>	<p>Alan Simpson, Alison Coburn, Claire Duchart, Gareth Barwell, Lindsey McPhillips, Nicole Fraser, Robert Mansell, Tony Booth.</p>
Page 186	<p>Transfer of the Management Development Funding (TMDF)</p> <p>PL1906 - TMDF Grant Payment Authorisation</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	Low	<p>PL1906 Issue 2.1 Retention of Authorising Emails</p> <p>Pending</p>	<p>Management have agreed to set up a folder to retain authorising emails in a central location.</p>	<p>Estimated Date: 30/08/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Alastair Ranyard, Alison Coburn, Elaine Scott, Lisa Mallon, Michael Thain, Sandra Harrison,</p>
27	<p>Transfer of the Management Development Funding (TMDF)</p> <p>PL1 906 - TMDFScheme of Delegation</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	Low	<p>PL1906 Issue 3.1 Scheme of Delegation Letter</p> <p>Pending</p>	<p>Operations Manager will liaise with Housing and Development Manager to consider whether Head of Place Development requires delegated authority for the TMDF process.</p>	<p>Estimated Date: 30/08/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Alastair Ranyard, Alison Coburn, Elaine Scott, Lisa Mallon, Michael Thain, Sandra Harrison</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
28	Fleet Review Project management and governance framework Paul Lawrence, Executive Director of Place and SRO	High	4. Recommendation - Stakeholder Engagement Pending	An internal/ external stakeholder engagement plan will be developed; approved by the project Board and applied throughout the project. Any key stakeholder engagement actions will also be reflected in the project plan.	Estimated Date: 28/06/2019 Revised Date: 31/12/2019 No of Revisions 1	Alison Scott, Claire Duchart, Gareth Barwell, Nicole Fraser, Scott Millar, Veronica Wishart.
29	Fleet ReviewProject management and governance framework Paul Lawrence, Executive Director of Place and SRO	High	5. Recommendation - Procurement Strategy and Plan Pending	A procurement and strategy plan will be designed along with the procurement team; approved by the project Board and used to support the procurement process; The request for procurement will include requirements in relation to paperless processes and compatibility with existing fleet systems; and the contractual position with CGI regarding telematics will be confirmed prior to commencement of procurement.	Estimated Date:30/07/2019 Revised Date: No of Revisions0	Alison Scott, Claire Duchart, Gareth Barwell, Nicole Fraser, Scott Millar, Veronica Wishart
30	Drivers Recording and addressing driving incidents Paul Lawrence, Executive Director of Place and SRO	Medium	Recording and addressing driving incidents Rec 2 Pending	A monthly reconciliation between the incidents reported to Fleet Services and those recorded on SHE will be performed, with line managers advised re any gaps on the SHE system that need to be addressed;	Estimated Date: 01/04/2019 Revised Date: 30/04/2019 No of Revisions 1	Adam Fergie, Alison Coburn, Claire Duchart, Gareth Barwell, Katy Miller, Martin Young, Scott Millar, Steven Wright, Susan Tannahill.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
31	<p>Drivers</p> <p>Recording and addressing driving incidents</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	Medium	<p>Recording and addressing driving incidents Rec 3</p> <p>Pending</p>	<p>Quarterly analysis of driving incidents will be performed and provided to Service Areas with a request that any recurring themes or root causes are incorporated into ongoing driver training;</p>	<p>Estimated Date: 01/02/2019</p> <p>Revised Date: 30/04/2019</p> <p>No of Revisions 1</p>	<p>Adam Fergie, Alison Coburn, Claire Duchart, Gareth Barwell, Katy Miller, Martin Young, Nicole Fraser, Scott Millar, Steven Wright, Susan Tannahill.</p>
Page 188 <sup>32</sup>	<p>Drivers</p> <p>Recording and addressing driving incidents</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	Medium	<p>Recording and addressing driving incidents</p> <p>Pending</p>	<p>Six monthly reporting will be provided to the Corporate Leadership Team together with details of relevant actions taken.</p>	<p>Estimated Date: 01/10/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Adam Fergie, Alison Coburn, Claire Duchart, Gareth Barwell, Katy Miller, Martin Young, Nicole Fraser, Scott Millar, Steven Wright, Susan Tannahill.</p>
33	<p>Cyber Security - Public Sector Action Plan</p> <p>RES1808: Issue 3: Public Sector Action Plan for Cyber Resilience Project Governance</p> <p>Stephen Moir, Executive Director of Resources</p>	Medium	<p>RES1808: Issue 3: Recommendation 3.3 - Thematic Cyber Security Risk Register</p> <p>Pending</p>	<p>The Internal Audit recommendation will be implemented.</p>	<p>Estimated Date: 30/09/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Layla Smith, Nick Smith, Rebecca Tatar.</p>



Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
Page 189	<p>Asset Management Strategy and CAFM system 18/19</p> <p>RES1813 Asset Management Strategy and CAFM: Issue 3 - Property and Facilities Management Data Completeness; Accuracy; and Quality</p> <p>Stephen Moir, Executive Director of Resources</p>	High	<p>3.1 Ensuring Data Completeness, Accuracy, and Quality</p> <p>Pending</p>	<p>Current CAFM users have access to the operational data they need in the system to perform their roles and are also updating the CAFM system with new data. Whilst the vision is to have all property data in CAFM, the volume of property data that could be captured and recorded is near infinite, therefore property data that will be retained in CAFM has to be focused on the effort and cost to collect versus the value it provides. The CAFM Business Case includes requirement for a Data Quality Manager, who will be the responsible data steward for Property and Facilities Management (P&amp;FM) data. Their role is not necessarily to collect the data but to ensure rigor and control over it. This will involve ensuring regular reviews of data within the system and ensuring that data is managed and maintained in line with the established CAFM data hierarchy and agreed Council information management policies and procedures. Sharing data steward responsibilities across services is problematic, as they hold responsibility and accountability for the data under their remit. It would be highly unlikely that a data steward from another service would want to take on the additional accountability of data from P&amp;FM. We recommend that P&amp;FM establish their own data</p>	<p>Estimated Date: 31/03/2016  Revised Date: 31/03/2022  No of Revisions: 1</p>	<p>Andrew Field,  Audrey Dutton,  Brendan Tate,  Gohar Khan,  Layla Smith,  Peter Watton.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
Page 190				<p>steward. The CAFM Business Case includes the delivery of a Data Quality Strategy for P&amp;FM. The objective of the data quality strategy is to attribute risk and value to the data maintained in the system. Additionally: data change processes and procedures that capture data processing and management in CAFM will be designed and implemented. Processes for reviewing data quality, for example, review of condition survey data run in tandem with review of property data every five years, will be designed and implemented. Data validation controls within CAFM will be applied; and data quality audit controls for individual data fields available in CAFM will be applied, and audit reports run at an appropriate frequency to identify any significant changes to key data.</p>		

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
35	<p>Asset Management Strategy and CAFM system 18/19</p> <p>RES1813 Asset Management Strategy and CAFM: Issue 3 - Property and Facilities Management Data Completeness; Accuracy; and Quality</p> <p>Stephen Moir, Executive Director of Resources</p>	High	<p>3.2 Resolution of known data quality issues</p> <p>Pending</p>	<p>A reconciliation of the two lists has been performed and there are no obvious discrepancies other than properties which are out with the scope of the survey team. The viability of establishing a referencing system for concessionary lets in the CAFM system will be explored. The volume and value of known concessionary lets across the Council Estate will form part of the Annual Investment Portfolio update which is reported to the Finance and Resources committee. There is an ongoing work stream looking at vacant and disposed properties and the systems updates required.</p>	<p>Estimated Date: 31/03/2016</p> <p>Revised Date: 31/03/2022</p> <p>No of Revisions 2</p>	<p>Andrew Field, Audrey Dutton, Brendan Tate, Gohar Khan, Graeme McGartland, Layla Smith, Peter Watton.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
36	Foster Care Review Foster & Kinship Care Vetting, Approval, and Agreements Alistair Gaw, Executive Director of Communities and Families	Medium	6. Kinship Carer Agreements Started	6.1 Procedures to be reviewed and updated to specify that a Carer Agreement must be signed by the carer and CEC, a copy provided to the carer and the original held on file.6.2 Formal checks will be implemented (prior to placements being offered) to ensure that all foster and kinship carer agreements have been signed by both the carer and the Council, and that a copy of the signed agreement has been issued to the carer and securely retained by the Council.	Estimated Date: 30/09/2018 Revised Date: 29/11/2019 No of Revisions 3	Andy Jeffries, Bernadette Oxley, Michelle McMillan, Nickey Boyle, Russell Sutherland, Ruth Currie, Sean Bell.
37	Resilience BC Resilience responsibilities Paul Lawrence, Executive Director of Place and SRO	High	Rec 3.1 Place - Defining and Allocating Operational Resilience responsibilities Started	Operational resilience responsibilities for completion and ongoing maintenance of Directorate and Service Area Business Impact Assessments; Resilience plans; and coordination of resilience tests in conjunction with the Resilience team will be clearly defined and allocated. The total number of employees with operational resilience responsibilities will be determined with reference to the volume of business impact assessments and resilience plans that require to be completed and maintained to support recovery of critical services.	Estimated Date: 20/12/2018 Revised Date: 11/12/2020 No of Revisions 1	Alison Coburn, Claire Duchart, Mary-Ellen Lang.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
38	Resilience BC Resilience responsibilities  Judith Proctor, Chief Officer	High	Rec 3.3 H&SC - Defining and allocating operational resilience duties  Started	Operational resilience responsibilities for completion and ongoing maintenance of Directorate and Service Area Business Impact Assessments; Resilience plans; and coordination of resilience tests in conjunction with the Resilience team will be clearly defined and allocated. The total number of employees with operational resilience responsibilities will be determined with reference to the volume of business impact assessments and resilience plans that require to be completed and maintained to support recovery of critical services.	Estimated Date:20/12/2018 Revised Date:31/12/2019 No of Revisions3	Cathy Wilson, Tom Cowan.
39	Resilience BC Resilience responsibilities  Paul Lawrence, Executive Director of Place and SRO	High	Rec 4.1 Place - Objectives for Operational Resilience responsibilities  Started	Corporate; management; and team member objectives for operational resilience responsibilities (for example completion of Service Area Business Impact Assessments; Resilience Plans; and coordination of Resilience tests) will be established, with ongoing oversight performed by Directors and Heads of Service to confirm that these are being effectively delivered to support the resilience responses included in both the Directorate and Council's annual governance statements.	Estimated Date: 31/07/2019 Revised Date:  No of Revisions 0	Alison Coburn, Claire Duchart.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
40	Resilience BC Resilience responsibilities Judith Proctor, Chief Officer	High	Rec 4.3 H&SC - Objectives for operational Resilience responsibilities  Started	Corporate; management; and team member objectives for operational resilience responsibilities (for example completion of Service Area Business Impact Assessments; Resilience Plans; and coordination of Resilience tests) will be established, with ongoing oversight performed by Directors and Heads of Service to confirm that these are being effectively delivered to support the resilience responses included in both the Directorate and Council's annual governance statements.	Estimated Date: 31/07/2019 Revised Date:  No of Revisions 0	Cathy Wilson, Tom Cowan.
41	Resilience BC Resilience responsibilities Alistair Gaw, Executive Director of Communities and Families	High	Rec 4.4 C&F - Objectives for Operational Resilience responsibilities  Started	Corporate; management; and team member objectives for operational resilience responsibilities (for example completion of Service Area Business Impact Assessments; Resilience Plans; and coordination of Resilience tests) will be established, with ongoing oversight performed by Directors and Heads of Service to confirm that these are being effectively delivered to support the resilience responses included in both the Directorate and Council's annual governance statements.	Estimated Date: 31/07/2019 Revised Date: 30/11/2019 No of Revisions 1	Michelle McMillan, Nickey Boyle, Ruth Currie.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
42	<p>Resilience BC</p> <p>Resilience responsibilities</p> <p>Laurence Rockey, Head of Strategy &amp; Communications</p>	High	<p>Rec 4.5 S&amp;C - Objectives for Operational Resilience responsibilities</p> <p>Started</p>	<p>Corporate; management; and team member objectives for operational resilience responsibilities (for example completion of Service Area Business Impact Assessments; Resilience Plans; and coordination of Resilience tests) will be established, with ongoing oversight performed by Directors and Heads of Service to confirm that these are being effectively delivered to support the resilience responses included in both the Directorate and Council's annual governance statements.</p>	<p>Estimated Date: 31/07/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Donna Rodger, Gavin King.</p>
43	<p>Resilience BC</p> <p>Completion and adequacy of service area business impact assessments and resilience arrangements</p> <p>Laurence Rockey, Head of Strategy &amp; Communications</p>	High	<p>Rec 1 - Review of BIA templates</p> <p>Started</p>	<p>The BIA template will be reviewed by Resilience, including recovery objectives, in conjunction with key internal stakeholders (dependent on Procurement's action 2.7)</p>	<p>Estimated Date: 31/07/2019</p> <p>Revised Date: 31/12/2019</p> <p>No of Revisions 1</p>	<p>Donna Rodger, Gavin King, Mary-Ellen Lang.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
44	<p>Resilience BC</p> <p>Completion and adequacy of service area business impact assessments and resilience arrangements</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	High	<p>Rec 12.1 Place - Annual assurance from Third Party Providers</p> <p>Started</p>	<p>Assurance should be obtained annually for statutory and critical services from third party service providers that their resilience plans remain adequate and effective; and have been tested to confirm that the recovery time objectives for systems and recovery time and point objectives for technology systems agreed with the Council were achieved. Where this assurance cannot be provided, this should be recorded in Service Area and Directorate risk registers.</p>	<p>Estimated Date: 28/06/2019</p> <p>Revised Date: 30/06/2020</p> <p>No of Revisions 1</p>	<p>Alison Coburn, Claire Duchart.</p>
45	<p>Resilience BC</p> <p>Completion and adequacy of service area business impact assessments and resilience arrangements</p> <p>Stephen Moir, Executive Director of Resources</p>	High	<p>Rec 12.2 Resources - Annual assurance from Third Party Providers</p> <p>Started</p>	<p>Assurance should be obtained annually for statutory and critical services from third party service providers that their resilience plans remain adequate and effective; and have been tested to confirm that the recovery time objectives for systems and recovery time and point objectives for technology systems agreed with the Council were achieved. Where this assurance cannot be provided, this should be recorded in Service Area and Directorate risk registers.</p>	<p>Estimated Date: 28/06/2019</p> <p>Revised Date: 30/06/2020</p> <p>No of Revisions 1</p>	<p>Layla Smith, Mary-Ellen Lang.</p>



Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
46	<p>Resilience BC</p> <p>Completion and adequacy of service area business impact assessments and resilience arrangements</p> <p>Judith Proctor, Chief Officer</p>	High	<p>Rec 12.3 H&amp;SC - Annual assurance from Third Party Providers</p> <p>Started</p>	<p>Assurance will be obtained annually for statutory and critical services from third party service providers that their resilience plans remain adequate and effective; and have been tested to confirm that the recovery time objectives for systems and recovery time and point objectives for technology systems agreed with the Council were achieved. Where this assurance cannot be provided, this will be recorded in Service Area and Directorate risk registers.</p>	<p>Estimated Date: 21/06/2019</p> <p>Revised Date: 30/06/2020</p> <p>No of Revisions 1</p>	<p>Cathy Wilson, Tom Cowan.</p>
47	<p>Resilience BC Completion and adequacy of service area business impact assessments and resilience arrangements</p> <p>Alistair Gaw, Executive Director of Communities and Families</p>	High	<p>Rec 12.4 C&amp;F - Annual assurance from Third Party Providers</p> <p>Started</p>	<p>Assurance should be obtained annually for statutory and critical services from third party service providers that their resilience plans remain adequate and effective; and have been tested to confirm that the recovery time objectives for systems and recovery time and point objectives for technology systems agreed with the Council were achieved. Where this assurance cannot be provided, this should be recorded in Service Area and Directorate risk registers.</p>	<p>Estimated Date: 28/06/2019</p> <p>Revised Date: 30/06/2020</p> <p>No of Revisions 1</p>	<p>Michelle McMillan, Nickey Boyle, Ruth Currie.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
48	<p>Resilience BC</p> <p>Completion and adequacy of service area business impact assessments and resilience arrangements</p> <p>Laurence Rockey, Head of Strategy &amp; Communications</p>	High	<p>Rec 12.5 S&amp;C - Annual assurance from Third Party Providers</p> <p>Started</p>	<p>Assurance should be obtained annually for statutory and critical services from third party service providers that their resilience plans remain adequate and effective; and have been tested to confirm that the recovery time objectives for systems and recovery time and point objectives for technology systems agreed with the Council were achieved. Where this assurance cannot be provided, this should be recorded in Service Area and Directorate risk registers.</p>	<p>Estimated Date: 28/06/2019</p> <p>Revised Date: 30/06/2020</p> <p>No of Revisions 1</p>	<p>Donna Rodger, Mary-Ellen Lang.</p>
49	<p>Resilience BC</p> <p>Adequacy, maintenance and approval of Council wide resilience plans</p> <p>Laurence Rockey, Head of Strategy &amp; Communications</p>	Medium	<p>Rec 1 a) Notification and escalation processes for essential activity areas</p> <p>Started</p>	<p>a) Resilience will issue a communication to CLT requesting that their essential activity areas have appropriate notification and escalation processes in place should an incident occur affecting the area. This information will be included in business area resilience plans.</p>	<p>Estimated Date: 29/03/2019</p> <p>Revised Date: 31/10/2019</p> <p>No of Revisions 2</p>	<p>Donna Rodger, Gavin King, Mary-Ellen Lang.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
50	<p>Resilience BC</p> <p>Adequacy, maintenance and approval of Council wide resilience plans</p> <p>Laurence Rockey, Head of Strategy &amp; Communications</p>	Medium	<p>Rec 1b) Provision of support and guidance for developing incident management processes</p> <p>Started</p>	<p>b) An agreed and validated Council Resilience Incident Notification and Escalation procedure is in place for resilience incidents. In line part A of the recommendation guidance will be offered to business areas through Corporate Leadership Team to share good practice and support provided where required, to assist in the development of business area notification and escalation processes.</p>	<p>Estimated Date: 29/03/2019</p> <p>Revised Date: 31/10/2019</p> <p>No of Revisions 3</p>	<p>Donna Rodger, Gavin King, Mary-Ellen Lang.</p>
Page 99	<p>Historic Unimplemented Findings</p> <p>ED1501 Issue 1 Resource risk with delivering the SEAP programme</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	Medium	<p>Recommendation 1a</p> <p>Started</p>	<p>(i) The Communications Plan will be rolled out.</p>	<p>Estimated Date: 31/01/2016</p> <p>Revised Date: 31/12/2019</p> <p>No of Revisions 4</p>	<p>Alison Coburn, Claire Duchart, Donna O'Donnell, Janice Pauwels, Michael Thain, Sandra Harrison.</p>
52	<p>Historic Unimplemented Findings</p> <p>ED1501 Issue 1 Resource risk with delivering the SEAP programme</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	Medium	<p>Recommendation 1b</p> <p>Started</p>	<p>(ii) A risk register will be developed as part of the reporting to Committee. Resourcing the SEAP (Sustainable Energy Action Plan) is still an ongoing concern. As the Council Transformation Programme progresses, it will be crucial to ensure existing resources are in place (as far as possible) to ensure delivery of the SEAP.</p>	<p>Estimated Date: 30/04/2016</p> <p>Revised Date: 31/12/2019</p> <p>No of Revisions 4</p>	<p>Alison Coburn, Claire Duchart, Donna O'Donnell, Janice Pauwels, Michael Thain, Sandra Harrison.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
53	<p>Historic Unimplemented Findings</p> <p>HSC1502 - issue 1 lack of routine monitoring of users</p> <p>Judith Proctor, Chief Officer</p>	Low	<p>Recommendation 1c</p> <p>Started</p>	<p>It is proposed that an online training module is developed to provide a mixture of operational guidance and system controls which would be mandatory for all Swift users to complete. Staff would be expected to undertake an annual refresher.</p>	<p>Estimated Date: 30/04/2016</p> <p>Revised Date: 30/09/2019</p> <p>No of Revisions 3</p>	<p>Alison Roarty, Angela Ritchie, Cathy Wilson, Debbie Adams, Dougal Allan, Heather Robb, Helen Elder, Julie Rosano, Nicola Harvey, Tom Cowan.</p>
Page 200 <sup>4</sup>	<p>Validation of Management Actions 2018/19</p> <p>Validation Audit CW1810 reopened finding - HSC1513: Management structure and business support arrangements</p> <p>Judith Proctor, Chief Officer</p>	High	<p>Validation Audit CW1810 - Issue 2.1 HSC1503: Partnership Management Structure</p> <p>Started</p>	<p>The Partnership's organisational management structure will be finalised, implemented, and embedded. The revised structure does not need to be approved by the IJB (Integration Joint Board) because it is an operational matter. It will however be presented to the EIJB (Edinburgh Integration Joint Board) for information. The revised implementation date of April 2020 will allow completion of Partnership budget and transformation Programmes.</p>	<p>Estimated Date: 31/12/2015</p> <p>Revised Date: 30/04/2020</p> <p>No of Revisions 1</p>	<p>Cathy Wilson.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
55	<p>Validation of Management Actions 2018/19</p> <p>Validation Audit CW1810 reopened finding - HSC1513: Management structure and business support arrangements</p> <p>Judith Proctor, Chief Officer</p>	High	<p>Validation Audit CW1810 - Issue 2.3 HSC1503: Business Support Service Level Agreements</p> <p>Started</p>	<p>The Partnership and Business Support Service will jointly establish Service Level Agreements for business support out with the organisational management structure. Regular meetings between relevant senior managers in the Partnership and Business Support will be established to ensure performance against Service Level Agreements is monitored. Any performance issues will be escalated to the Partnership's Executive Team for consideration and resolution.</p>	<p>Estimated Date: 31/12/2015</p> <p>Revised Date: 31/10/2019</p> <p>No of Revisions 1</p>	<p>Alison Roarty, Cathy Wilson, John Arthur, Layla Smith, Louise McRae, Nicola Harvey, Stephen Moir.</p>
Page 201 <sup>56</sup>	<p>H&amp;SC Care Homes - Corporate Report</p> <p>A3.1: Training</p> <p>Judith Proctor, Chief Officer</p>	Medium	<p>A3.1(1) Manager review of training</p> <p>Started</p>	<p>This will be included as part of a new monthly controls process to be implemented and monitored via completion of a monthly spreadsheet. A working group has been established to document all processes to be included.</p>	<p>Estimated Date: 30/06/2019</p> <p>Revised Date: 31/10/2019</p> <p>No of Revisions 2</p>	<p>Angela Ritchie, Cathy Wilson, Debbie Adams, Helen Elder, Tom Cowan.</p>
57	<p>H&amp;SC Care Homes - Corporate Report</p> <p>A3.3: Performance &amp; Attendance Management</p> <p>Judith Proctor, Chief Officer</p>	Medium	<p>A3.3(2) Health &amp; Social Care Teams - 6 monthly and annual performance conversations</p> <p>Started</p>	<p>Health and Social Care Teams Will ensure that annual performance conversations (once completed) are recorded on the iTrent system.</p>	<p>Estimated Date: 30/06/2018</p> <p>Revised Date: 31/07/2019</p> <p>No of Revisions 1</p>	<p>Angela Ritchie, Cathy Wilson, Debbie Adams, Helen Elder, Tom Cowan.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
58	H&SC Care Homes - Corporate Report A3.3: Performance & Attendance Management  Judith Proctor, Chief Officer	Medium	A3.3(3) HSCP - Managing Attendance Training  Started	Refreshed Action as per re-based action plan presented to GRBV May 2019. The Council suspended its 'Managing Attendance Workshop' while it was reviewing its policy which caused delays in implementing this item. The Partnership currently has a project manager who has been actively working with Care home Managers for absence management through the workforce planning strategy stream. Aiming to have new CeCil Online Module completed by February 2019 with evidence provided to IA for validation by end May. Previous management action will ensure that managing attendance workshops have been attended by all H&SC line managers in Care Homes.	Estimated Date: 30/06/2018 Revised Date: 31/05/2019 No of Revisions: 3	Angela Ritchie, Cathy Wilson, Debbie Adams, Helen Elder, Tom Cowan.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
59	H&SC Care Homes - Corporate Report A3.3: Performance & Attendance Management Judith Proctor, Chief Officer	Medium	A3.3(4) Health & Social Care Teams - quarterly review of absence and performance management  Started	This is the responsibility of the Unit manager for their direct reports. The Business Support Officer will ensure that the Unit Manager is aware on a monthly basis for Domestic and Handyman reporting to them. The Business Support Officer is required to monitor and report through the Customer process on a monthly basis. The staff nurse / charge nurse to be appointed at Gylemuir will ensure that this is performed for all NHS staff.	Estimated Date: 30/06/2018 Revised Date: 31/07/2019 No of Revisions 1	Angela Ritchie, Cathy Wilson, Debbie Adams, Helen Elder, Tom Cowan.
60	H&SC Care Homes - Corporate Report A3.4: Agency Staffing Judith Proctor, Chief Officer	Medium	A3.4(2) Analysis of the agency staff and hours worked charges  Started	The Business Support Officer will assist the Unit Manager (See A2.1). A paper is being presented to the Health and Social Care Senior Management Team week commencing 15th January 2018 that proposes a solution where information will be provided to Locality Managers who will prepare reports for Care Homes. If this solution is agreed, it will be implemented immediately.	Estimated Date: 31/03/2018 Revised Date: 30/04/2019 No of Revisions 2	Angela Ritchie, Cathy Wilson, Colin Beck, Debbie Adams, Jay Sturgeon.
61	H&SC Care Homes - Corporate Report A3.5: Adequacy of Resources Judith Proctor, Chief Officer	Medium	A3.5(1) Care Inspectorate Dependency Assessments requirements  Started	Unit managers submit monthly reports to Cluster manager and Locality management team. Locality management team responsible for ensuring resource meets the demand based on dependency scoring.	Estimated Date: 31/01/2019 Revised Date: 30/06/2019 No of Revisions 1	Angela Ritchie, Cathy Wilson, Debbie Adams, Helen Elder, Tom Cowan.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
Page 204 <sup>62</sup>	Social Work Centre Bank Account Reconciliations Corporate Appointee Client Fund Management Judith Proctor, Chief Officer	High	Recommendation 1a - Health & Social Care Started	<p>1. Health and Social Care: Given the considerable business support and social worker resources implications, the above recommendations will take time to design, implement and maintain. Business Support is resolving problem appointee arrangements as we go along, however, the backlog of reviews will need a programme management approach to rectify errors and support the governance required. In the meantime, associated risks will be added to the Partnership's risk register to monitor controls and progress on a monthly basis, given its high finding rating. Following the Care Home Assurance Review, the Partnership is developing a self-assurance control framework. Locality Managers have agreed for corporate appointee arrangements to be included in the assurance framework – which if found to be successful and useful, can be mirrored by the other applicable services in this report. Business Support is working on new guidelines for the administration of Corporate Appointeeship (e.g. new procedures, monthly checklists, etc.), which will support the effective delivery of the framework.</p>	Estimated Date: 28/06/2019 Revised Date:  No of Revisions 0	Angela Ritchie, Cathy Wilson, Debbie Adams, Helen Elder, Ian Waitt, Tom Cowan.



Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
63	Social Work Centre Bank Account Reconciliations Corporate Appointee Client Fund Management Judith Proctor, Chief Officer	High	Recommendation 2 Started	2. New guidelines will be written to ensure clarity of responsibilities. Sections will be included detailing Social Work; Business Support; and Transactions team responsibilities. The objective is to create and implement an end to end process that includes eligibility criteria, Department for Work and Pensions processes and a full administrative process that will be applied centrally and across Locality offices; clusters; and hubs.	Estimated Date: 30/04/2018 Revised Date: 28/06/2019 No of Revisions 1	Cathy Wilson, Colin Beck, Ian Waitt.
Page 205 64	Social Work Centre Bank Account Reconciliations Corporate Appointee Client Fund Management Judith Proctor, Chief Officer	High	Recommendation 8 Started	8. Refresher training will be offered as part of the implementation of the new guidelines to all staff involved in the process and recorded on staff training records. The training will also be incorporated into the new staff induction process.	Estimated Date: 31/05/2018 Revised Date: 28/06/2019 No of Revisions 1	Cathy Wilson, Emma Pemberton, Ian Waitt, Layla Smith, Linda Dodgson, Louise McRae, Robert Smith, Stephen Moir, Tony Duncan.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
65 Page 206	Social Work Centre Bank Account Reconciliations  Corporate Appointee Client Fund Management  Judith Proctor, Chief Officer	High	Recommendation 1b - Business Support  Started	1. Business Support: Business Support will enable the review of current processes and guidelines in conjunction with Hub and Cluster Managers with sign off at the Locality Managers Forum. Business support will review all Corporate Appointee accounts and contact the relevant social worker, support worker or hub where the funds are over £16K for immediate review. Business support will advise social work when the funds exceed £16K where there is not a valid reason (for example, client deceased and social worker discussing estate with solicitor). Clarity on contact with Department for Work and Pensions is being progressed and will be written into the new guidelines. Regular reporting will be introduced from the revised systems being implemented. This will be provided monthly at Senior Social Work level and annually for H&SC management	Estimated Date: 31/05/2018 Revised Date: 28/06/2019 No of Revisions 1	Cathy Wilson, Ian Waitt, Julie Rosano, Layla Smith, Louise McRae, Marian Gray, Nicola Harvey, Stephen Moir, Tom Cowan, Tony Duncan.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
66	Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management Risk and Supplier Performance Management  Judith Proctor, Chief Officer	High	Rec 3 - Performance Expectations Started	The existing contract management procedures will be summarised in a single document. It will include the dates information needs to come in, the key contacts, the escalation process in the event of non-performance and the priority metrics that would trigger those processes (waiting times, numbers taken onto caseloads, planned discharges). There will still be subject knowledge and judgement involved in monitoring the contracts; the escalation process cannot be reduced to an algorithm. To be agreed with the providers to confirm our shared understanding and shared with the EADP (Edinburgh Alcohol and Drug Partnership) core group by January 2018.	Estimated Date:31/01/2018 Revised Date:31/05/2019 No of Revisions2	Angela Ritchie, Cathy Wilson, Colin Beck, David Williams, Debbie Adams, Helen Elder, Jay Sturgeon, Tom Cowan.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
67	Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management Risk and Supplier Performance Management Judith Proctor, Chief Officer	High	Rec 4 - Timeframes Started	The existing contract management procedures will be summarised in a single document. It will include the dates information needs to come in, the key contacts, the escalation process in the event of non-performance and the priority metrics that would trigger those processes (waiting times, numbers taken onto caseloads, planned discharges). There will still be subject knowledge and judgement involved in monitoring the contracts; the escalation process cannot be reduced to an algorithm. To be agreed with the providers to confirm our shared understanding and shared with the EADP (Edinburgh Alcohol and Drug Partnership) core group by January 2018.	Estimated Date: 31/01/2018 Revised Date: 31/05/2019 No of Revisions 2	Angela Ritchie, Cathy Wilson, Colin Beck, David Williams, Debbie Adams, Helen Elder, Jay Sturgeon, Tom Cowan.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
68	<p>Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management</p> <p>Key Person Dependency and Process Documentation</p> <p>Judith Proctor, Chief Officer</p>	Medium	<p>Rec 2 - Contract Management Processes</p> <p>Started</p>	<p>The existing contract management procedures will be summarised in a single document. It will include the dates information needs to come in, the key contacts, the escalation process in the event of non-performance and the priority metrics that would trigger those processes (waiting times, numbers taken onto caseloads, planned discharges). There will still be subject knowledge and judgement involved in monitoring the contracts; the escalation process cannot be reduced to an algorithm. To be agreed with the providers to confirm our shared understanding and shared with the Edinburgh Alcohol and Drug Partnership core group by January 2018.</p>	<p>Estimated Date: 31/01/2018 Revised Date: 31/05/2019 No of Revisions 2</p>	<p>Angela Ritchie, Cathy Wilson, Colin Beck, David Williams, Debbie Adams, Helen Elder, Jay Sturgeon, Tom Cowan.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
69	Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management  Key Person Dependency and Process Documentation  Judith Proctor, Chief Officer	Medium	Rec 4 - Key Supplier Contracts  Started	The existing contract management procedures will be summarised in a single document. It will include the dates information needs to come in, the key contacts, the escalation process in the event of non-performance and the priority metrics that would trigger those processes (waiting times, numbers taken onto caseloads, planned discharges). There will still be subject knowledge and judgement involved in monitoring the contracts; the escalation process cannot be reduced to an algorithm. To be agreed with the providers to confirm our shared understanding and shared with the Edinburgh Alcohol and Drug Partnership core group by January 2018.	Estimated Date: 31/01/2018 Revised Date: 31/05/2019 No of Revisions 2	Cathy Wilson, Colin Beck, David Williams, Debbie Adams, Helen Elder, Jay Sturgeon, Tom Cowan.
70	Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management  Key Person Dependency and Process Documentation  Judith Proctor, Chief Officer	Medium	Rec 5 - Records Management Policy  Started	Records retention policy: Direction will be requested from the Information Governance team in relation to Records Management Policy requirements and how they should be applied to retention, archiving and destruction of contract management information. Any lessons learned will be shared with the Health and Social Care contracts management team.	Estimated Date: 30/03/2018 Revised Date: 31/05/2019 No of Revisions 2	Angela Ritchie, Cathy Wilson, Colin Beck, David Williams, Debbie Adams, Helen Elder, Tom Cowan.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
71	Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management  Supplier Sustainability  Judith Proctor, Chief Officer	Medium	Rec 2 - Contingency Plans  Started	Contingency plans will be developed, discussed with existing suppliers, and approved by the Core Group.	Estimated Date: 31/01/2018 Revised Date: 31/05/2019 No of Revisions 1	Angela Ritchie, Cathy Wilson, Colin Beck, David Williams, Debbie Adams, Helen Elder, Tom Cowan.
72	Phishing Resilience  TARGETED TRAINING  Stephen Moir, Executive Director of Resources	High	Targeted Training - Issue 3  Started	Accepted. Once such courses are agreed ICT will ensure these are updated annually (or earlier depending on NSCS guidance changes or in response to incidents) in line with best practice advice and e.g. in-line with PScAP recommendations. The courses will be reviewed and updated by the first anniversary date of their release.	Estimated Date: 30/09/2019 Revised Date:  No of Revisions 0	Alison Roarty, Carolann Miller, Heather Robb, Layla Smith, Lorraine McLeod, Nicola Harvey.
73	Garden Waste Bin Collection  MIS1801: Issue 2 Garden Waste Registration Process  Laurence Rockey, Head of Strategy & Communications	Medium	MIS1801: Issue 2.3 Communicating cessation of outbound calls  Started	The change will also be communicated via the Orb; Managers News; and the Chief Executive's blog Reinforced at the Wider Leadership Team Meeting; and communicated via other social media channels used by the Council. Additionally, all Corporate Leadership Team members will be requested to reinforce the decision with their direct reports	Estimated Date: 29/03/2019 Revised Date:  No of Revisions 0	Chris Wilson, Donna Rodger.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
74	Enterprise Resource Planning (ERP) MP1804 - Issue 3 ERP Detailed Project Plans  Stephen Moir, Executive Director of Resources	High	ERP Issue 3.2 - HR: Midland project plan  Started	Agree, detailed plans will be developed in collaboration with third party suppliers onboarding onto the programme and when they are engaged in delivery. Timelines for Midland being engaged is subject to change, but indicative timeline is – 31 July 2019	Estimated Date: 31/07/2019 Revised Date:  No of Revisions 0	Layla Smith, Nicola Harvey, Tom Piper.
75	Enterprise Resource Planning (ERP)MP1804 - Issue 3 ERP Detailed Project Plans  Stephen Moir, Executive Director of Resources	High	ERP Issue 3.3a - Debt Management - draft project plan Started	Agree, however detailed plans will be developed in collaboration with third party suppliers onboarding onto the programme and when they are engaged in delivery. No supplier is in place for replacement of the debt management system. Draft project plan with key milestones and deliverables will be prepared for 30 August 2019	Estimated Date:30/08/2019 Revised Date:29/11/2019 No of Revisions2	Layla Smith, Nicola Harvey, Tom Piper.
76	Local Development Plan  Financial Modelling  Paul Lawrence, Executive Director of Place and SRO	High	Funding  Started	Challenge of infrastructure proposals will be performed at the LDP Action Programme oversight group. Complete and agree Financial Model of 2018 LDP Action Programme Annual Report to CLT and F&R Committees; Prepare update to Financial Model in line with next LDP project plan.	Estimated Date: 31/03/2018 Revised Date: 29/05/2020 No of Revisions 2	Alison Coburn, Claire Duchart, David Leslie, John Inman, Kate Hopper, Michael Thain, Sandra Harrison.



Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
77	Local Development Plan Governance arrangements over infrastructure appraisals  Paul Lawrence, Executive Director of Place and SRO	Medium	Infrastructure Governance arrangements  Started	Establish and agree appropriate roles, resources and the responsibilities for delivery the above matters as an early action in the project plan for LDP 2. Oversight will be provided by the Project Board to ensure that all individual appraisals performed across Service Areas have applied these recommendations. (sept 18)	Estimated Date: 31/03/2018 Revised Date: 29/05/2020 No of Revisions 2	Alison Coburn, Claire Duchart, David Leslie, John Inman, Kate Hopper, Michael Thain, Sandra Harrison.
Page 8 213	Waste & Cleansing Health & Safety  Significant incident / emergency procedure  Paul Lawrence, Executive Director of Place and SRO	Medium	Recommendation 1.1 Incident and Escalation Procedures  Started	Arrange workshop with Resilience to understand the requirements of significant incident and escalation procedures. Develop the procedure and arrange tool box talks with staff to cascade the procedure;	Estimated Date: 28/09/2018 Revised Date:  No of Revisions 0	Alison Coburn, Claire Duchart, Gareth Barwell, Nicole Fraser.
79	Waste & Cleansing Health & Safety  Operational health and safety roles and responsibilities  Paul Lawrence, Executive Director of Place and SRO	Medium	Recommendation 2 1 and 2.2 - Roles and responsibilities - site and equipment checks  Started	1. and 2 - In conjunction with Property and Facilities Management produce list of site and equipment checks to be carried out and agree responsibilities;	Estimated Date: 31/07/2018 Revised Date: 31/10/2019 No of Revisions 4	Alison Coburn, Andy Williams, Claire Duchart, Gareth Barwell, Mark Stenhouse.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
80	<p>Waste &amp; Cleansing Health &amp; Safety</p> <p>Operational health and safety roles and responsibilities</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	Medium	<p>Recommendation 2.3 and 2.4</p> <p>Communication of H&amp;S roles and responsibilities</p> <p>Started</p>	3. and 4 - Co-develop H&S Roles and Responsibilities for each site and provide to relevant Managers on site.	<p>Estimated Date: 31/10/2018</p> <p>Revised Date: 31/10/2019</p> <p>No of Revisions 4</p>	<p>Alison Coburn, Andy Williams, Claire Duchart, Gareth Barwell, Mark Stenhouse, Nicole Fraser.</p>
Page 214	<p>Planning and S75 Developer Contributions</p> <p>Backlog of Legacy Developer Contributions</p> <p>Stephen Moir, Executive Director of Resources</p>	High	<p>PL 1802</p> <p>Recommendation 1.1 Review of developer contributions held in the Finance database</p> <p>Started</p>	A full review of all developer contributions held in the Finance database will be performed, and all entries reconciled to amounts held on deposit and/or in the general ledger.	<p>Estimated Date: 31/01/2016</p> <p>Revised Date: 30/09/2020</p> <p>No of Revisions 1</p>	<p>Alison Henry, David Leslie, Hugh Dunn, John Inman, Layla Smith, Michael Thain, Rebecca Andrew.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
82	<p>Planning and S75 Developer Contributions</p> <p>End to end developer contribution processes, procedures, and training</p> <p>Stephen Moir, Executive Director of Resources</p>	High	<p>PL 1801 Iss 2 Rec 2.3(1) Legal agreements and rates</p> <p>Started</p>	<p>Legal Services has developed a contributions template for use by planning officers prior to the determination of an application where contributions are required. Planning will continue to work with Legal Services to refine and finalise the template. 1. Legal Services will develop a template which will contain a drop-down list of all information required to be filled in by Planning officers for every developer agreement, prior to a minded to grant status being issued by Planning.2. To ensure consistency, Legal Services will apply a revised hourly charge rate based on a blended rate of the charges made by existing external firms preparing developer contribution legal agreements.</p>	<p>Estimated Date: 01/07/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Graham Nelson, Kevin McKee, Layla Smith, Nick Smith.</p>
83	<p>Fleet Review</p> <p>Project management and governance framework</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	High	<p>2. Recommendation - Project Governance Framework</p> <p>Started</p>	<p>Project board to be finalised and evidence submitted indicating terms of reference, meeting scheduling and meeting notes</p>	<p>Estimated Date: 29/03/2019</p> <p>Revised Date: 31/12/2019</p> <p>No of Revisions 1</p>	<p>Alison Scott, Claire Duchart, Gareth Barwell, Nicole Fraser, Scott Millar, Veronica Wishart.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
84	Fleet Review Project management and governance framework Paul Lawrence, Executive Director of Place and SRO	High	3. Recommendation - Project Management Framework Started	Agreed. The guidance designed by Strategy and Insight will be applied to support the Fleet project management framework; Agreed – all documentation noted above will be prepared to support the project; Project documentation will be approved by the Project Board. Status reporting will be provided to Strategy and Insight for inclusion in the CLT Change Board pack; and agreed – actions will be documented; allocated; and monitored to confirm their completion.	Estimated Date: 28/06/2019 Revised Date: 31/12/2019 No of Revisions 1	Alison Scott, Claire Duchart, Gareth Barwell, Nicole Fraser, Scott Millar, Veronica Wishart.
85	Drivers Driving Assessments and Training Paul Lawrence, Executive Director of Place and SRO	Medium	Driving Assessments and Training Rec 2 Started	The decision will be approved by the Corporate Leadership Team and the Corporate Policy and Strategy Committee; and the draft Driving policy and supporting procedures will be updated and implemented;	Estimated Date: 29/03/2019 Revised Date: 10/06/2019 No of Revisions 2	Alison Coburn, Claire Duchart, Gareth Barwell, Nicole Fraser, Scott Millar, Susan Tannahill,
86	Drivers Management and use of Driver Permits and fuel FOB cards Paul Lawrence, Executive Director of Place and SRO	Medium	Management and use of Driver Permits and Fuel FOB cards Rec 3 Started	On a driver's last working day, the line manager will recover the leavers driving permit and fuel FOB and return those to Fleet Services, driving permits will be cancelled and destroyed, with details removed from the system;	Estimated Date: 01/04/2019 Revised Date: 31/12/2019 No of Revisions 1	Alison Coburn, Claire Duchart, Gareth Barwell, Katy Miller, Martin Young, Nicole Fraser, Scott Millar, Steven Wright.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
87	<p>DriversManagement and use of Driver Permits and fuel FOB cards</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	Medium	<p>Management and use of Driver Permits and Fuel FOB cards Rec 4</p> <p>Started</p>	<p>Fleet Services will perform an exercise to remove all historic leavers from their database and advise the external third party who performs the annual licence checks to ensure that no subsequent checks are performed on former employees;</p>	<p>Estimated Date:01/02/2019</p> <p>Revised Date:31/12/2019</p> <p>No of Revisions2</p>	<p>Alison Coburn, Claire Duchart, Gareth Barwell, Katy Miller, Martin Young, Nicole Fraser, Scott Millar, Steven Wright</p>
88	<p>Drivers</p> <p>Ongoing compliance with driving hours regulations</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	Medium	<p>Ongoing compliance with driving hours regulations Rec 4</p> <p>Started</p>	<p>Fleet Services will reconcile its records of Council/agency drivers and their line managers with HR records on a quarterly basis to ensure that it is complete and accurate;</p>	<p>Estimated Date: 01/02/2019</p> <p>Revised Date: 31/10/2019</p> <p>No of Revisions 1</p>	<p>Adam Fergie, Alison Coburn, Claire Duchart, Gareth Barwell, Katy Miller, Martin Young, Nicole Fraser, Scott Millar, Steven Wright, Susan Tannahill.</p>
89	<p>Asset Management Strategy</p> <p>Issue 1: Visibility and Security of Shared Council Property</p> <p>Stephen Moir, Executive Director of Resources</p>	Medium	<p>Review of existing shared property</p> <p>Started</p>	<p>A review of the office estate is underway by the Operational Estates team to identify third party users and approach them to seek appropriate leases or licences to allow them to occupy the premises and ensure the Council is appropriately reimbursed.</p>	<p>Estimated Date: 31/10/2018</p> <p>Revised Date: 31/08/2019</p> <p>No of Revisions 2</p>	<p>Audrey Dutton, Gohar Khan, Layla Smith, Lindsay Glasgow, Peter Watton.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
90	<p>Asset Management Strategy</p> <p>Issue 1: Visibility and Security of Shared Council Property</p> <p>Stephen Moir, Executive Director of Resources</p>	Medium	<p>Formalised rental agreements</p> <p>Started</p>	<p>The Operational Estates team are also reviewing third sector tenancies across the Operational Estate. This will require the collation of information directly from establishments (who have traditionally made direct arrangements with third parties), to capture all instances and formalise these arrangements. Given the size and complexity of this task, it is envisaged that this will take around two years to complete.</p>	<p>Estimated Date: 31/10/2018</p> <p>Revised Date: 31/10/2019</p> <p>No of Revisions 2</p>	<p>Audrey Dutton, Gohar Khan, Layla Smith, Lindsay Glasgow, Peter Watton.</p>
91	<p>Compliance with IR35 and Right to Work</p> <p>RES1802: Issue 1. IR35 Compliance and Oversight Framework</p> <p>Judith Proctor, Chief Officer</p>	High	<p>RES1802: Issue 1.5 Daybreak Carer's Agreements</p> <p>Started</p>	<p>The Carer's Agreement will be revised with assistance from Legal and Risk service to ensure it complies with all requirements. All current carers will be asked to sign a revised agreement. The agreement will be revised on an annual basis to take account of any relevant changes.</p>	<p>Estimated Date: 30/09/2019</p> <p>Revised Date: 31/12/2019</p> <p>No of Revisions 1</p>	<p>Anne-Marie Donaldson, Cathy Wilson, Craig Russell, Mark Grierson, Tony Duncan.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
92	<p>Cyber Security - Public Sector Action Plan</p> <p>RES1808: Issue 1: Critical Operational Cyber Security Controls</p> <p>Stephen Moir, Executive Director of Resources</p>	High	<p>RES1808: Issue 1: Recommendation 1.1 - Cyber Essentials Accreditation</p> <p>Started</p>	<p>Cyber Essentials Accreditation was achieved October 2018. Based on the advice received, we are therefore continuing with the current plan for Cyber Essentials Plus accreditation in 2019. We are dependent on some improvement plans and programmes by CGI that are tracked via the Public Services Network Board and Security Working Group. CGI 's progress will be reviewed at the end of January 2019 and monthly afterwards. A formal review to assess whether accreditation can be achieved will be completed by end March 2019 by the Enterprise Architect with support and oversight by the Chief Information Officer. A proposal to continue for submission will be then made by the Chief Information Officer, to the Head of Customer and Digital Services, and the Executive Director of Resources.</p>	<p>Estimated Date: 30/09/2019</p> <p>Revised Date: 31/03/2020</p> <p>No of Revisions 1</p>	<p>Alison Roarty, Carolann Miller, Heather Robb, Layla Smith, Nicola Harvey.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
93	<p>Cyber Security - Public Sector Action Plan</p> <p>RES1808: Issue 1: Critical Operational Cyber Security Controls</p> <p>Stephen Moir, Executive Director of Resources</p>	High	<p>RES1808: Issue 1: Recommendation 1.2 - Cyber Essentials Accreditation</p> <p>Started</p>	<p>CGI completed a complete manual vulnerability scan of the estate in November 2018 Vulnerabilities identified from this scan are being resolved as part of the Public Services Network remediation action plan. CGI have been formally requested to implement automated vulnerability scanning as a service. To ensure this is in place in time for Cyber Essentials Plus accreditation this automated vulnerability scanning is targeted to be implemented by end of June 2019.</p>	<p>Estimated Date: 30/09/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Alison Roarty, Carolann Miller, Heather Robb, Layla Smith, Nicola Harvey.</p>
94	<p>Cyber Security - Public Sector Action Plan</p> <p>RES1808: Issue 3: Public Sector Action Plan for Cyber Resilience Project Governance</p> <p>Stephen Moir, Executive Director of Resources</p>	Medium	<p>RES1808: Issue 3: Recommendation 3.1 - Thematic Cyber Security Risk Register</p> <p>Started</p>	<p>The Internal Audit recommendation will be implemented.</p>	<p>Estimated Date: 30/09/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Layla Smith, Nick Smith, Rebecca Tatar.</p>



Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
95	<p>Cyber Security - Public Sector Action Plan</p> <p>RES1808: Issue 3: Public Sector Action Plan for Cyber Resilience Project Governance</p> <p>Stephen Moir, Executive Director of Resources</p>	Medium	<p>RES1808: Issue 3: Recommendation 3.2 - Thematic Cyber Security Risk Register</p> <p>Started</p>	The Internal Audit recommendation will be implemented.	<p>Estimated Date: 30/09/2019</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	Layla Smith, Nick Smith, Rebecca Tatar.

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## Governance, Risk, and Best Value Committee

10.00am, Tuesday, 3 December 2019

### Capacity to deliver the 2019/20 Internal Audit plan

Item number

Executive/routine

Wards

Council Commitments

#### 1. Recommendations

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- 1.1 It is recommended that Committee notes:
  - 1.1.1 the estimated shortfall in Internal Audit's (IA) capacity to deliver the 2019/20 annual plan by 31 March 2020 as at 1 October 2019;
  - 1.1.2 the supporting rationale for the shortfall;
  - 1.1.3 that following review of the annual plan, it is IA's opinion that reduction in the content of the plan would impact IA's ability to provide sufficient assurance across the 2019/20 financial year, resulting in a qualified IA annual opinion for 2019/20; and
  - 1.1.4 the solution agreed with the Executive Director of Resources to enable delivery of the plan by 31 March 2020.

**Lesley Newdall**

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## Capacity to deliver the 2019/20 Internal Audit plan

### 2. Executive Summary

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- 2.1 The purpose of this paper is to address the Governance, Risk and Best Value (GRBV) Committee's request in August 2019 to confirm the capacity of Internal Audit (IA) to deliver the 2019/20 IA plan by 31 March 2020.
- 2.2 It is currently estimated that there is a shortfall of 239 audit days between the period 1 October 2019 to 31 March 2020 (which is the equivalent of approximately 2.7 FTE and/or delivery of 10 audits) that will impact IA's ability to fully deliver the 2019/20 IA plan by 31 March 2020.
- 2.3 This estimated shortfall is attributable to higher than anticipated sickness absence within the team; longer than anticipated notice periods for new starters; additional turnover within the team; late finalisation of a number of 2018/19 audit reports; the addition of two audits to the plan (as approved by the Committee in August 2019); and the impact of a significant investigation performed by the Chief Internal Auditor. These activities have also fully utilised the contingency of 100 days that was originally included within the plan.
- 2.4 Following review of the 2019/20 IA annual plan, it is IA's opinion that reduction in the content of the plan would impact IA's ability to provide sufficient assurance on how effectively the Council is managing its most significant risks, resulting in a qualified IA annual opinion for 2019/20.
- 2.5 The Executive Director of Resources has agreed that support should be provided to IA to support delivery of the current plan to address the estimated shortfall in IA capacity as at 1 October 2019 to support delivery of the 2019/20 IA annual plan by 31 March 2020. This will be through use of the PwC co-source agreement.

### 3. Background

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- 3.1 The Public Sector Internal Audit Standards (PSIAS) require Internal Audit to deliver an annual plan of work that is scoped using a risk-based assessment of Council activities. Additional reviews are added to the plan where considered necessary, to address any emerging risks and issues identified during the year.

- 3.2 GRBV approved the proposed 2019/20 IA plan in March 2019. It was noted that the plan may need to be reviewed during the year to deal with any unplanned changes in resource availability or to address new areas that may require changes to the plan.
- 3.3 The 2019/20 internal audit plan includes a total of 42 audits for completion by the Council's IA team (across the Council; the Edinburgh Integration Joint Board; Lothian Pension Fund; and three arms-length organisations), requiring an estimated total of 2,225 audit days. This included 600 days for follow up activity; 100 days contingency time and five days for delivery of training across the Council.
- 3.4 In addition to this, the plan also includes eight specialist audits (audits where the IA team does not have the necessary specialist skills) that will be delivered by PwC under the existing co-source agreement.
- 3.5 The delivery of the originally approved plan was based on approximately 1,862 days of projected available capacity of IA resources as at 1 April 2019 to support delivery of the plan. This calculation was based on the following assumptions:
- 3.5.1 that the IA team would be at full capacity by 1 July 2019;
  - 3.5.2 that sickness absence would be circa 2% of available days; and
  - 3.5.3 that circa 30% of available time would be required to support team training and personal development; performance management; ongoing enhancement of our audit system; and governance and committee reporting activities.
- 3.6 The proposed plan approved by Committee in March 2019 also highlighted that (based on the IA capacity model outlined at 3.5 above) IA was approximately 1 FTE short to enable delivery of the proposed plan. This equates to a total of 8 audits based on an average of 25 days per audit. It was hoped that good progress would allow this shortfall to be reduced over the year. However, this has not been possible.
- 3.7 Following discussion at Committee in August 2019, GRBV requested a paper to confirm IA's capacity to deliver the 2019/20 plan.

## 4. Main report

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### **Internal Audit's capacity to deliver the 2019/20 annual plan**

- 4.1 Following approval of the proposed plan by the Committee in March 2019, IA's capacity to deliver the plan has been closely monitored. Review of IA's capacity to deliver the remainder of the 2019/20 plan, as at 1 October 2019, highlighted a shortfall of 239 days. This equates 2.7 FTE or a total of circa 10 audits based on an average of 25 days per audit between 1 October 2019 and 31 March 2020.
- 4.2 This shortfall is attributable to:
- 4.2.1 higher than anticipated sickness absence across the team (due to no single factor);

- 4.2.2 delays in achieving full team capacity due to notice periods etc (end of July 2019 in comparison to the beginning of July 2019);
  - 4.2.3 additional staff turnover within the team resulting in extra management time spent on recruitment and training;
  - 4.2.4 late finalisation of 2018/19 audit reports with divisions and directorates;
  - 4.2.5 the addition of two audits to the 2019/20 annual plan (the Transfer of the Management Development Funds and review of the financial processes supporting the Edinburgh and South East Scotland City Region Deal) that were approved by Committee in August 2019; and
  - 4.2.6 the impact of a significant and complex investigation performed by the Chief Internal Auditor.
- 4.3 The 2019/20 Internal Audit annual plan has been reviewed and it is the Chief Internal Auditor's opinion that reduction in the content of the plan would impact IA's ability to assess how adequately and effectively of the Council's established governance, risk management, and control frameworks are supporting the Council in managing its most significant risks, resulting in a qualified IA annual opinion.
- 4.4 Consequently, the Executive Director of Resources has approved drawdown and use of PwC generalist resources under the terms of the existing co-source agreement to support delivery of the remainder of the 2019/20 IA plan by 31 March 2020.

## **5. Next Steps**

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- 5.1 IA has secured resources from PwC to support delivery of ten planned audits included in the 2019/20 IA annual plan and will work with PwC teams to engage with the relevant divisions and directorates to support their delivery.

## **6. Financial impact**

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- 6.1 The additional costs associated with using PwC support are circa £200K.

## **7. Stakeholder/Community Impact**

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- 7.1 Provision of full and effective assurance across the Council's most significant risks following completion of the 2019/20 IA plan and implementation of associated management actions should have an indirect positive impact on services delivered to citizens, stakeholders, and communities.

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

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- 8.1 [Internal Audit 2019-20 Annual Plan](#)

**9. Appendices**

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9.1 None

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# Governance, Risk, and Best Value Committee

10.00am, Tuesday, 3 December 2019

## The Role of the Head of Internal Audit and Leading Internal Audit in the Public Sector

Item number

Executive/routine

Wards

Council Commitments

### 1. Recommendations

1.1 It is recommended that Committee:

- 1.1.1 considers the areas for improvement and good practice recommendations detailed at 4.3; 4.5; and 4.8 below and decides whether these should be implemented to ensure alignment with Chartered Institute of Public Finance and Accountancy (CIPFA) Statement recommendations and good practice already implemented across other public sector organisations.
- 1.1.2 notes that the Corporate Leadership Team (CLT) has agreed that a Council wide accountability and assurance framework (which is one of the key recommendations included in the CIPFA statement) will be implemented by 31 March 2022.
- 1.1.3 directs Internal Audit (IA) to report on the extent of the Council's alignment with CIPFA Statement recommendations in the annual Internal Audit opinion.
- 1.1.4 directs IA to request consideration of alignment with CIPFA Statement recommendations in the IA external quality assessments performed every five years as required by the Public Sector Internal Audit Standards (PSIAS).

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## The Role of the Head of Internal Audit and Leading Internal Audit in the Public Sector

### 2. Executive Summary

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- 2.1 The purpose of this paper is present the outcomes of a comparison performed between the CIPFA April 2019 Statement (the Statement) titled the Role of the Head of Internal Audit (HIA) in Public Service Organisations, and the good practice examples highlighted in their associated publication (the Associated Publication) titled Leading Internal Audit in the Public Sector: Putting Principles into Practice, with the Council's current Internal Audit (IA) arrangements.
- 2.2 The comparison was performed in line with the CIPFA recommendation that public sector bodies evaluate their organisational arrangements for IA and consider the extent to which they align to the five principles and the supporting leadership team and HIA responsibilities detailed in the Statement.
- 2.3 Review of the 28 leadership team responsibilities in comparison to current practices applied across the Council identified six potential areas for improvement, whilst review of the 23 core HIA responsibilities identified one area for improvement. Further detail is included at 4.3 and 4.4 below, and Appendix 1.
- 2.4 The most significant areas for potential improvement include the opportunity for implementation of a Council wide accountability and assurance framework; the CLT and senior management to engage IA more effectively in providing independent advice in relation to significant organisational changes; and performing ongoing reviews of GRBV effectiveness.
- 2.5 Following consideration of the Statement, the CLT has agreed that a Council wide accountability and assurance framework will be implemented by 31 March 2022.
- 2.6 Additionally, review of the 15 good practice examples included in the Associated Publication in comparison to current Council IA practices identified a total of eight areas of good practice employed by IA in other public sector organisations that are not currently applied at the Council. Four of these were already identified in the six potential areas for improvement noted above, with the remaining four detailed at 4.8 below, and further detail included at Appendix 2.

### 3. Background

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- 3.1 In April 2019 the CIPFA (the standards setter for internal audit, governance and financial accounting in the Public Sector) published a new Statement and Associated Publication.
- 3.2 The Statement is aligned with PSIAS 2017 and is explicitly linked to the Core Principles for the Professional Practice of Internal Auditing, helping to demonstrate how the HIA role supports internal audit effectiveness.
- 3.3 CIPFA confirms in the Statement that the main reasons for are the ongoing challenges faced by HIAs in public services to ensure that professional standards are maintained and their internal audit (IA) teams remain effective, as organisations have a direct impact on the resources, scope and authority given to internal audit, and that whilst HIAs must step up and deliver a professional service to the best of their ability, it is important to recognise this responsibility does not lie solely with the HIA. As one of the setters of the PSIAS, CIPFA considers it essential that public service organisations properly support their internal auditors to enable them to meet the standards.
- 3.4 Additionally, as CIPFA champions good governance and strong public financial management in public services and believes that IA has an essential role to play in supporting those objectives, they consider that HIAs need recognition for their contributions, together with support and encouragement.
- 3.5 Consequently, the Statement is designed to set out the role of the HIA in public service organisations; to help ensure organisations engage with and support the HIA role effectively; and to recommend how the role operates in practice to deliver high quality IA leadership.
- 3.6 The Statement includes five principles that set out not only the responsibilities of the HIA but also those of the organisation, and the Associated Publication includes good practice examples of how HIAs are already successfully working with their organisations to put the Statement principles into practice.
- 3.7 CIPFA highlights that the Statement should support both HIAs and those they work with such as members of the leadership team or the audit committee in their adoption of the principles.
- 3.8 CIPFA believes that organisations should view the Statement as best practice and use it together with the good practice examples in the Associated Publication to support their HIA arrangements and improve both IA quality and organisational governance arrangements.
- 3.9 The intended audience for the Statement is HIAs in public services; all those with a leadership role in public bodies; and members of audit committees.
- 3.10 CIPFA recommends that public sector bodies evaluate their organisational arrangements for IA and consider the extent to which they align to the five principles detailed in the Statement.

- 3.11 The CIPFA statement and the recommendations included in this paper were considered by the CLT in October 2019.

## 4. Main report

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### **CIPFA Statement Principles**

- 4.1 The five principles included in the CIPFA Statement are:
- 4.1.1 Principle 1: The HIA plays a critical role in delivering the organisation's strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control.
  - 4.1.2 Principle 2: The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance and commenting on responses to emerging risks and proposed developments.
  - 4.1.3 Principle 3: The HIA must be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee.
  - 4.1.4 Principle 4: The HIA must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively.
  - 4.1.5 Principle 5: The HIA must be professionally qualified and suitably experienced.

### **Leadership Team Responsibilities to enable the HIA to fulfil their role**

- 4.2 CIPFA has defined a total of 28 organisational responsibilities aligned with the five principles and recommends that leadership teams should implement them to ensure that that organisation effectively supports the HIA in fulfilling their role; achieves ongoing IA compliance with PSIAS requirements; and implements the best practice expectations detailed in the Statement.
- 4.3 Review of the 28 leadership team responsibilities in comparison to current practices applied across the Council identified the following six potential areas for improvement. Further detail on these opportunities is also included at Appendix 1. The points annotated with \* reflect potential areas for improvement that are also included as good practice examples in the Associated Publication that have been implemented across other public sector organisations. Further detail on the good practice examples is included at 4.6 and 4.7 below and also Appendix 2.
- 4.3.1 \*Principle 1 (requirement 2): potential for development and implementation of a Council wide accountability and assurance framework detailing the roles and responsibilities for provision of assurance across the three lines of defence and external assurance providers.
  - 4.3.2 Principle 1 (requirement 3): the accountability and assurance framework highlighted above should specify the need for inclusion of all assurance

findings raised by all assurance providers (including IA) in annual governance statements.

- 4.3.3 \*Principle 2 (requirement 3): opportunity for the CLT and senior management to engage IA more effectively in providing independent advice in relation to significant organisational changes.
- 4.3.4 \*Principle 3 (requirement 3): opportunity to perform a regular review of GRBV effectiveness with support from IA.
- 4.3.5 \*Principle 3 (requirement 4): update the Council's Committee Terms of Reference and Delegated Functions document to reflect GRBV's responsibility to monitor IA's adherence to professional standards (PSIAS).
- 4.3.6 Principle 3 (requirement 8): opportunity for the CLT to agree CIA responsibilities relating to organisational partners, including collaborations and outsourced and shared services, and update the IA charter to reflect this

### **Core HIA responsibilities**

- 4.4 CIPFA has defined a total of 23 core HIA responsibilities aligned with the five principles and recommends that the HIA should implement these to ensure ongoing compliance with PSIAS requirements and achieve the best practice expectations detailed in the Statement.
- 4.5 Review of the 23 core CIPFA HIA responsibilities in comparison to current practices applied by the Council's Chief Internal Auditor has identified one area for improvement. This relates to Principle 3 (requirement 3) and highlights the opportunity for IA to provide support for regular reviews of GRBV effectiveness as recommended at 4.3.4 above. Further detail is also included at Appendix 1.

### **CIPFA Good Practice Examples included in the Associated Publication**

- 4.6 CIPFA has identified a total of 15 good practice examples in the Associated Publication that demonstrate how HIAs are successfully working with their organisations to put the recommended Statement principles into practice
- 4.7 Review of the 15 examples in comparison to current practices applied by the Council's IA team has identified a total of eight areas of good practice employed by IA in other public sector bodies that are not currently applied at the Council.
- 4.8 Four of these have already been identified in the potential opportunities detailed at section 4.3 above (annotated with a \*), with the remaining four detailed below. Further detail is also included at Appendix 2.
  - 4.8.1 Principle 1 (example 1): potential for the outputs from the assurance map and assurance findings raised could be used to further inform the Internal Audit annual planning process and ensure appropriate ongoing focus of Internal Audit resources.
  - 4.8.2 Principle 2 (example 1): opportunity for Internal Audit to include specific recommendations in audit reports that the risks associated with control gaps

identified should be included in divisional and directorate risk register where appropriate.

4.8.3 Principle 2 (example 1): opportunity for IA to improve alignment between IA and risk management following implementation of the new risk management framework.

4.8.4 Potential for inclusion of a specific risk culture and ethics review in the 2020/21 Internal Audit annual plan.

## **5. Next Steps**

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5.1 Implementation of approved recommendations by both the Corporate Leadership Team and IA.

## **6. Financial impact**

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6.1 There are no direct financial impacts arising from this report.

## **7. Stakeholder/Community Impact**

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7.1 Alignment with the CIPFA Statement recommendations should further enhance the Council's governance, risk management and control frameworks, with an indirect positive impact on services delivered to citizens, stakeholders, and communities.

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

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8.1 [CIPFA: The Role of the Head of Internal Audit in Public Sector](#)

8.2 [CIPFA: Leading Internal Audit in the Public Sector](#)

8.3 [Internal Audit Charter](#)

8.4 [Internal Audit 2019-20 Annual Plan](#)

8.5 [Internal Audit 2018-19 Annual Opinion](#)

## **9. Appendices**

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Appendix 1 - Comparison of CIPFA Statement responsibilities current Council practices

Appendix 2 – Comparison of CIPFA good practice examples with current Council practices

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
<p><b>Principle 1: The head of internal audit (HIA) plays a critical role in delivering the organisation’s strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks giving an evidence-based opinion on all aspects of governance, risk management and internal control.</b></p>			
1.1	<p><b>Requirement</b> Set out the responsibilities of the leadership team for internal audit</p> <p><b>Response</b> The Corporate Leadership Team’s responsibilities are detailed in the Internal Audit Annual Charter that is refreshed annually and approved by the Corporate Leadership Team and the Governance, Risk and Best Value Committee.</p>	<p><b>Requirement</b> Ensure that internal audit’s work is risk-based and aligned to the organisation’s strategic objectives and will support the annual internal audit opinion</p> <p><b>Response</b> The IA annual plan is risk based and clearly aligned with the CLT risk register. IA terms of reference also include reference to the relevant CLT risks covered in the scope of each review.</p>	None
1.2	<p><b>Requirement</b> Establish an internal accountability and assurance framework including how internal audit works with other providers of assurance</p> <p><b>Response</b> Details of how internal audit works with other assurance providers (second line of defence; external audit and external assurance providers) is included in the annual Internal Audit plan. This has not yet been established as a framework across the Council</p>	<p><b>Requirement</b> Identify where internal audit assurance will add the most value or do most to facilitate improvement</p> <p><b>Response</b> The annual IA plan is predominantly focused on most significant risks included in the CLT risk register and aims to provide assurance across all Council services on a rolling three year basis. The annual planning process also considers:</p> <ul style="list-style-type: none"> <li>• Lower level Directorate and Divisional risk register</li> <li>• New and emerging legislation and statutory requirements (e.g. GDPR and IR35).</li> <li>• Technology risk</li> </ul>	<p><b>Organisational:</b> potential for development and implementation of a Council wide accountability and assurance framework detailing the roles and responsibilities for provision of assurance across the three lines of defence and external assurance providers.</p>

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
		<ul style="list-style-type: none"> <li>• The views of Elected Members</li> <li>• Findings raised by other assurance providers and their assurance plans for the year.</li> </ul>	
1.3	<p><b>Requirement</b></p> <p>Set out how the framework of assurance supports the annual governance statement and identify internal audit's role within it. The HIA should not be responsible for the statement</p> <p><b>Response</b></p> <p>This has not yet been clearly defined across the Council, however management is required to reflect details of all significant control gaps identified by IA in the annual governance statement.</p>	<p><b>Requirement</b></p> <p>Produce an evidence-based annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p> <p><b>Response</b></p> <ul style="list-style-type: none"> <li>• An overall audit outcome is applied to each audit report using a scoring system based on the volume and significance of findings raised.</li> <li>• The annual opinion is based on the consolidated outcomes of all audits completed in the plan year and the status and age of open and overdue IA findings.</li> <li>• Each audit report concludes on the adequacy and effectiveness of governance, risk management and control for each area / process reviewed.</li> <li>• The annual opinion includes an overall opinion in on the adequacy and effectiveness of the Council's framework of governance, risk management and control.</li> </ul>	<p><b>Organisational:</b> the framework highlighted above should specify the need for inclusion of all assurance findings raised by all assurance providers (including IA) in annual governance statements.</p>
1.4	<p><b>Requirement</b></p> <p>Set out the responsibilities of the HIA and ensure the independence of the role is preserved. If additional</p>	Not applicable	<b>None</b>



## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
	<p>responsibilities are taken on then appropriate safeguards should be put in place</p> <p><b>Response</b></p> <ul style="list-style-type: none"> <li>The Chief Internal Auditor is currently solely responsible for delivery of Internal Audit assurance.</li> <li>The responsibilities of the CIA are defined in the CIA role description.</li> <li>The CIA reports on independence annually in the annual Internal Audit opinion.</li> </ul>		
1.5	<p><b>Requirement</b></p> <p>Ensure internal audit is independent of external audit</p> <p><b>Response</b></p> <p>Internal Audit is an internal service and is completely independent of external audit (currently Scott Moncrieff).</p>	Not applicable	<b>None</b>
1.6	<p><b>Requirement</b></p> <p>Establish clear lines of reporting of the HIA to the leadership team and to the audit committee</p> <p><b>Response</b></p> <ul style="list-style-type: none"> <li>The CIA reports via the Head of Legal and Risk to the Executive Director of Resources and then to the Chief Executive.</li> <li>The Internal Audit charter includes details of the independent reporting line to the Chief Executive and GRBV.</li> </ul>	Not applicable	<b>None</b>
1.7	<p><b>Requirement</b></p>	Not applicable	<b>None</b>

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
	<p>Ensure the HIA reports in their own right and that the annual internal audit opinion and report are issued in the name of the HIA</p> <p><b>Response</b></p> <p>All reports prepared and presented to the CLT and GRBV are signed as prepared by the CIA.</p>		
1.8	<p><b>Requirement</b></p> <p>Ensure the internal audit charter and plan are approved by the audit committee in accordance with the PSIAS</p> <p><b>Response</b></p> <p>The Internal Audit charter and plan are approved annually by the GRBV, usually in March each year.</p>	Not applicable	None
<p><b>Principle 2: The head of internal audit (HIA) in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance and commenting on responses to emerging risks and proposed developments.</b></p>			
2.1	<p><b>Requirement</b></p> <p>Establish top level commitment to the principles of good governance, recognising its importance for achieving strategic objectives</p> <p><b>Response</b></p> <p>The Council has an established governance framework that should be consistently applied. It is also expected that Internal Audit will highlight any potential governance weaknesses as part of the ongoing assurance that they provide across the Council.</p>	<p><b>Requirement</b></p> <p>Work with others in the organisation to promote and support good governance</p> <p><b>Response</b></p> <p>IA will provide advice on good governance when requested and routinely considers the design adequacy and operating effectiveness of established governance frameworks during audit reviews, with any control gaps identified detailed in findings raised.</p>	None

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
2.2	<p><b>Requirement</b></p> <p>Set out the HIA’s role in good governance and how this fits with the role of others</p> <p><b>Response</b></p> <p>The CIA’s role in relation to good governance is detailed in the IA charter which states that IA’s responsibilities include the requirement to independently review, evaluate and report on the operation of the Council’s corporate governance arrangements, and that IA is authorised by the CLT to 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.</p>	<p><b>Requirement</b></p> <p>Help the organisation understand the risks to good governance</p> <p><b>Response</b></p> <p>This is achieved through delivery of the annual IA plan and opinion, with additional advice and guidance provided upon request.</p>	None
2.3	<p><b>Requirement</b></p> <p>Recognise and support the role internal audit can play in providing advice and consultancy internally</p> <p><b>Response</b></p> <p>IA is not routinely engaged to provide internal advice and consultancy.</p>	<p><b>Requirement</b></p> <p>Give advice to the leadership team and others on the control arrangements and risks relating to proposed policies, programmes and projects.</p> <p><b>Response</b></p> <p>IA is not routinely engaged to provide advice on organisational changes that could impact control arrangements, proposed policies and programmes and projects, however there are some examples where IA has provided this type of support such as the</p>	<p><b>Organisational:</b></p> <p>opportunity for the leadership team and senior management to engage IA more effectively in providing independent advice in relation to significant organisational changes.</p>

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
		Building Standards Change Programme, and the Tram and Enterprise Resource Planning Projects	
2.4	<p><b>Requirement</b> Ensure that the HIA has the opportunity to advise on or provide assurance on all major projects, programmes and policy initiatives</p> <p><b>Response</b> Covered at 2.3 above</p>	<p>Promote the highest standards of ethics and standards across the organisation based on the principles of integrity, objectivity, competence and confidentiality</p> <p><b>Response</b> IA team and CIA objectives include the requirement to ensure ongoing compliance with the Institute of Internal Auditors ethical standards.</p>	<b>None</b>
Page 240 2.5	<p><b>Requirement</b> Take account of the HIA's advice in new and developing systems.</p> <p><b>Response</b> Covered at 2.3 above.</p>	<p><b>Requirement</b> Demonstrate the benefits of good governance for effective public service delivery and how the HIA can help.</p> <p><b>Response</b> Covered at 2.2 above and also included in IA training on risk, controls and the three lines of defence delivered to the CLT and Heads of Divisions in May 2019.</p>	
2.6	Not applicable	<p><b>Requirement</b> Offer advisory or consulting services where appropriate</p> <p><b>Response</b> IA support is available upon request, and this will also be reinforced in the new IA Intranet pages that are currently being developed.</p>	

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
2.7	Not applicable	<p><b>Requirement</b></p> <p>Give advice on risk and internal control arrangements for new and developing systems, including major projects, programmes and policy initiatives whilst maintaining safeguards over independence.</p> <p><b>Response</b></p> <p>Covered in the response at 2.3 above.</p>	As per 2.3 above.
<p><b>Principle 3: The head of internal audit (HIA) must be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee.</b></p>			
3.1	<p><b>Requirement</b></p> <p>Designate a named individual as HIA in line with the principles in this Statement. The individual could be someone from another organisation where internal audit is contracted out or shared. Where this is the case then the roles of the HIA and the client manager must be clearly set out in the contract or agreement</p> <p><b>Response</b></p> <p>Lesley Newdall is the current designated Chief Internal Audit employed by the Council, following her appointment to the role in May 2017.</p>	<p><b>Requirement</b></p> <p>Ensure the internal audit charter clearly establishes appropriate reporting lines that facilitate engagement with the leadership team and audit committee</p> <p><b>Response</b></p> <p>The CIA has an independent reporting line to the Chief Executive and also to the Governance Risk and Best Value Committee, and these arrangements are detailed in the Internal Audit Charter.</p> <p>These reporting lines facilitate engagement with both the Corporate Leadership Team (CLT) and the Governance, Risk and Best Value Committee (GRBV).</p>	None
3.2	<p><b>Requirement</b></p> <p>Ensure that where the HIA is an employee they report functionally to a member of the leadership team. The HIA should be sufficiently senior and independent within the</p>	<p><b>Requirement</b></p> <p>Escalate any concerns about maintaining independence through the line manager, chief</p>	None

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
Page 24 243	<p>organisation's structure to allow them to carry out their role effectively and be able to provide credibly constructive challenge to management</p> <p><b>Response</b></p> <p>The CIA reports through the Head of Legal and Risk to the Executive Director of Resources and ultimately the Council's Chief Executive.</p> <p>The CIA has an independent reporting line to the Chief Executive and also to the Governance Risk and Best Value Committee, and these arrangements are detailed in the Internal Audit Charter.</p> <p>The annual Internal Audit opinion includes an attestation prepared by the CIA in relation to ongoing IA independence.</p>	<p>executive, audit committee and leadership team or external auditor as appropriate</p> <p><b>Response</b></p> <p>Any concerns in relation to maintaining independence would be escalated via the established CIA reporting line or directly to the Chief Executive or GRBV Convenor where necessary.</p>	
	<p><b>Requirement</b></p> <p>Engage constructively with the HIA and facilitate their role throughout the organisation</p> <p><b>Response</b></p> <p>A suite of IA key performance indicators was approved by the CLT and the GRBV in January 2019 to track effectiveness of delivery of the annual plan by IA and support to deliver the plan provided by Council Directorates and Divisions.</p> <p>A performance dashboard has now been developed based on these KPIs and will be shared with the CLT monthly to highlight and facilitate discussion on any engagement challenges that have the potential to impact on delivery of the annual plan.</p>	<p><b>Requirement</b></p> <p>Contribute to the review of audit committee effectiveness, advising the chair and relevant managers of any suggested improvements</p> <p><b>Response</b></p> <p>No recent review has been performed of GRBV effectiveness.</p>	<p><b>Organisational and CIA:</b></p> <p>opportunity to perform a regular review of GRBV effectiveness with support from IA.</p>

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
3.4	<p><b>Requirement</b> Ensure the audit committee terms of reference includes oversight of internal audit including the monitoring of adherence to professional standards</p> <p><b>Response</b> Responsibility for monitoring the effectiveness of the Council's audit team is specified in the powers delegated to the Governance, Risk and Best Value Committee at section 7.5.1 to 7.5.4 of the Council's approved <a href="#">Committee Terms of Reference and Delegated Functions document</a>. The document does not specify that the GRBV should monitor IA's adherence to professional standards, however ongoing PSIAS compliance is included in the annual IA opinion</p>	<p><b>Requirement</b> Consult stakeholders, including senior managers and non-executive directors/elected representatives on internal audit plans.</p> <p><b>Response</b> There is an established Internal Audit annual planning process that involves engagement with senior managers (including Heads of Divisions; Directors and the CLT) and Elected Members. The Council currently has no non-executive directors.</p>	<p><b>Organisational:</b> opportunity to update the Committee Terms of Reference and Delegated Functions document to reflect GRBV's responsibility to monitor IA's adherence to professional standards (PSIAS).</p>
3.5	<p><b>Requirement</b> Ensure the HIA's reporting relationship with the audit committee and its chair as set out in the internal audit charter is applied.</p> <p><b>Response</b> Regular meetings are held between the CIA and the Convenor of the GRBV</p>	Not Applicable	None
3.6	<p><b>Requirement</b> Ensure the organisation's governance arrangements give the HIA:</p>	Not Applicable	None

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
Page 244	<ul style="list-style-type: none"> <li>• direct access to the chief executive, other leadership team members, the audit committee and external audit; and</li> <li>• attendance at meetings of the leadership team and management team when the HIA considers this to be appropriate</li> </ul> <p><b>Response</b> Regular one to one meetings are held between the Chief Executive and the CIA. The CIA attends the CLT regularly to present progress with delivery of the IA annual plan; the outcomes of completed audits; and the status of open and overdue IA findings. The CIA also receives copies of all CLT agendas and meeting papers and would ask to join the CLT meeting where this was considered appropriate</p>		
3.7	<p><b>Requirement</b> Set out unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in arms-length bodies</p> <p><b>Response</b> Rights of access for IA to all papers and people in the organisation are detailed in the IA Charter that is refreshed and approved annual by the CLT and GRBV. Right to audit clauses are also included in significant supplier contracts and governance arrangements with arms-length organisations.</p>	Not Applicable	None



## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
	Internal Audit also delivers IA services to a number of arms-length organisations (for example SEStran; Lothian Valuation Joint Board; Lothian Pension Fund and the Royal Edinburgh Military Tattoo).		
3.8	<p><b>Requirement</b></p> <p>Set out the HIA's responsibilities relating to organisational partners including collaborations and outsourced and shared services.</p> <p><b>Response</b></p> <p>Whilst these have not been documented in the IA Charter, right to audit clauses are also included in significant supplier contracts (for example CGI).</p>	Not Applicable	<p><b>Organisational :</b></p> <p>Opportunity for the CLT to agree CIA responsibilities relating to organisational partners, including collaborations and outsourced and shared services, and update the IA charter to reflect this</p>
<p><b>Principle 4: The head of internal audit (HIA) must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively.</b></p>			
3.11	<p><b>Requirement</b></p> <p>Provide the HIA with the status, resources, expertise and systems necessary to perform their role effectively</p> <p><b>Response</b></p> <p>The adequacy of Internal Audit resources to support plan delivery is considered when preparing the IA annual plan and routinely monitored throughout the year.</p> <p>Internal Audit resources have substantially increased following the appointment of the CIA in May 2017.</p>	<p><b>Requirement</b></p> <p>Lead and direct the internal audit service so that it meets the needs of the organisation and external stakeholders and fulfils professional standards</p> <p><b>Response</b></p> <p>As noted at 1.2 above, the annual IA plan is predominantly focused on most significant risks included in the CLT risk register and aims to provide assurance across all Council services on a rolling three year basis, and ongoing conformance with the requirements of Public Sector Internal Audit Standard is included in the IA annual opinion</p>	None

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
	IA resources are further augmented by the existing co source arrangement with PwC that enables IA to draw down resources to support delivery of the plan as required.		
4.2	<p><b>Requirement</b></p> <p>Ensure the audit committee contributes to a performance framework for the HIA and the internal audit service and takes action as appropriate</p> <p><b>Response</b></p> <p>Both CLT and GRBV approved the Internal Audit Journey Map and Key Performance Indicators in January 2019. This performance framework has been applied throughout the 2019/20 IA plan year.</p>	<p><b>Requirement</b></p> <p>Demonstrate how internal audit adds value to the organisation</p> <p><b>Response</b></p> <p>Recent training provided to the Corporate Leadership Team and Heads of Divisions included examples of where IA had added value to the organisation. Positive feedback and examples of where IA had added value were also included in the IA training vide developed in July 2018.</p>	None
4.3	<p><b>Requirement</b></p> <p>ensure an external review of internal audit quality is carried out at least once every five years in accordance with PSIAS</p> <p><b>Response</b></p> <p>The GRBV reviewed and approved the IA journey map and supporting key performance indicators (KPIs) in January 2019. A dashboard monitoring progress against the KPIs has been developed and applied throughout the 2019/20 plan year.</p>	<p><b>Requirement</b></p> <p>Determine the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives</p> <p><b>Response</b></p> <p>Adequacy of IA resources to support delivery of the IA annual plan is modelled during the annual planning process and the outcomes included the IA annual opinion.</p>	None
4.4	<p><b>Requirement</b></p> <p>Ensure the audit committee provides support for and participates in the quality assurance and improvement programme as set out in PSIAS.</p>	<p><b>Requirement</b></p> <p>Inform the leadership team and audit committee as soon as they become aware of insufficient resources to carry out a satisfactory level of internal audit, and</p>	None

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
	<p><b>Response</b></p> <p>The next scheduled IA external quality assessment is in plan year 2020/21 to ensure conformance with PSIAS requirements for a five yearly EQA cycle (the last review was completed in 2016/17).</p> <p>GRBV members will be requested to provide support for and input into this process.</p>	<p>the consequence for the level of assurance that may be given</p> <p><b>Response</b></p> <p>The CIA monitors adequacy of resources and IA capacity to deliver the plan on an ongoing basis, highlighting any concerns through the established CIA reporting line and ultimately to the CLT and GRBV.</p>	
4.5	Not applicable	<p><b>Requirement</b></p> <p>Ensure the professional and personal training needs for staff are assessed and that these needs are met</p> <p><b>Response</b></p> <ul style="list-style-type: none"> <li>• A significant proportion of the Internal Audit team are professionally qualified and require to meet the continuous professional development requirements of their relevant professional bodies. This is largely achieved by attending ‘free’ courses provided by the relevant professional bodies.</li> <li>• Each member of the Internal Audit team attends the Scottish Institute of Internal Audit annual conference once every three years, with details of conference presentations shared across the team.</li> <li>• A number of team members who are currently studying for their professional qualifications have successfully obtained support from the Council’s Further and higher education scheme to fund their studies.</li> </ul>	None

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
Page 248		<ul style="list-style-type: none"> <li>• IA regularly attends the 'lunch and learn' sessions hosted by Finance to help develop their knowledge and understanding of the Council.</li> <li>• IA also attends any relevant training designed and delivered by SLACIAG which is normally delivered at a reduced rate.</li> <li>• An essential learning programme has been prepared for each member of the IA team and completion is included in team performance objectives. This uses the training resources currently available within the Council to ensure the team remain up to date with applicable legislation, relevant Council policies, and guidance.</li> <li>• The IA team is also actively encouraged to use LinkedIn as a training tool as a number of interesting technical articles are published there by CIPFA, professional accountancy firms, the Institute of Internal Auditors and IA professionals. A number of helpful soft skills and leadership articles are also available via the LinkedIn forum.</li> </ul>	
4.6	Not applicable	<p><b>Requirement</b></p> <p>Establish a quality assurance and improvement programme that includes:</p> <ul style="list-style-type: none"> <li>• ensuring professional internal audit standards are complied with</li> </ul>	<b>None</b>

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
Page 249		<ul style="list-style-type: none"> <li>• reviewing the performance of internal audit and ensuring the service provided is in line with the expectations and needs of its stakeholders</li> <li>• providing an efficient and effective internal audit service – demonstrating this by agreeing key performance indicators and targets with the line manager and audit committee; annually reporting achievements against targets</li> <li>• putting in place adequate ongoing monitoring and periodic review of internal audit work and supervision and review of files, to ensure that audit plans, work and reports are evidence-based and of good quality</li> <li>• seeking continuous improvement in the internal audit service</li> </ul> <p><b>Response</b></p> <p>In 2018/19 IA reported a minor instance of non conformance in relation to completion of a specific internal quality assessment across a sample of completed audits. An Internal QA review is scheduled for completion in February 2020 and will resolve this issue.</p> <ul style="list-style-type: none"> <li>• Current IA methodology is based on industry best practice used by a professional services firm.</li> <li>• In 2019/20 IA updated their IA system to ensure that all aspects of the methodology are embedded in the system, with supporting review processes to confirm that each stage of the methodology has</li> </ul>	

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
Page 250		<p>been applied or supporting rational provided where it is not applicable.</p> <ul style="list-style-type: none"> <li>• As noted at 3.3 above, the IA journey map and key performance indicators was approved by the CLT and GRBV in January 2019. A dashboard detailing performance against the KPIs has been developed and is reported monthly to the CLT, and an assessment of IA performance based on the KPIs will be included in the 2019/20 annual opinion.</li> <li>• Ongoing monitoring and review is performed during the course of each audit to ensure that all audit outcomes are supported by appropriate evidence with controls steps and review processes signed off in the IA TeamMate system. All terms of reference and reports are subject to review by the CIA prior to their issue.</li> <li>• IA has a regular strategic team meeting (circa every 6 weeks) and an annual strategy offsite day to focus on both strategic objectives and areas for continuous improvement. A continuous improvement log is maintained, and team members encouraged to contribute their improvement ideas and support delivery of initiatives.</li> </ul>	
4.7	Not applicable	<p><b>Requirement</b></p> <p>Keep up to date with developments in governance, risk management, control and internal auditing,</p>	<b>None</b>

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
		<p>including networking with other HIAs and learning from them, implementing improvements where appropriate.</p> <p><b>Response</b></p> <p>The CIA attends local authority head of audit networking groups (SLACIAG) and the Institute of Internal Auditors Head of Audit forum.</p>	
<p><b>Principle 5: The head of internal audit (HIA) must be professionally qualified and suitably experienced</b></p>			
<p>5.1</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 251</p>	<p><b>Requirement</b></p> <p>Appoint a professionally qualified HIA whose core responsibilities include those set out in the PSIAS <i>as well as</i> under the other principles in this statement and ensure that these are properly understood throughout the organisation</p> <p><b>Response</b></p> <p>The current Chief Internal Auditor is a qualified Chartered Accountant (member of the Institute of Chartered Accountants Scotland) and an affiliate member of the Institute of Internal Auditors</p>	<p><b>Requirement</b></p> <p>Be a full member of an appropriate professional body and have an active programme for personal professional development</p> <p><b>Response</b></p> <p>The current Chief Internal Auditor is a qualified Chartered Accountant (member of the Institute of Chartered Accountants Scotland); an affiliate member of the Institute of Internal Auditors and a member of the Chartered Institute of Management and is required to meet their ongoing continuous professional development requirements.</p>	<p><b>None</b></p>
<p>5.2</p>	<p><b>Requirement</b></p> <p>Ensure the HIA has the skills, knowledge and internal audit experience, together with sufficient resources to perform effectively in the role</p> <p><b>Response</b></p>	<p><b>Requirement</b></p> <p>Adhere to professional internal audit and ethical standards (and where appropriate accounting and auditing standards).</p> <p><b>Response</b></p>	<p><b>None</b></p>

## Appendix 1 – Comparison of CIPFA Statement responsibilities current Council practices

Ref	Organisational Leadership Team Responsibilities	Chief Internal Auditor responsibilities	Areas for Improvement
	<p>The current CIA has extensive experience in Internal Audit at a senior management level in the financial services sector.</p> <p>The adequacy of IA resources is covered at point 4.1 above.</p>	<p>The CIA is a member of the Institute of Chartered Accountants Scotland, and an Affiliate member of the Institute of Internal Auditors and is required to demonstrate ongoing compliance with the ethical standards of both organisations.</p>	
5.3	<p><b>Requirement</b></p> <p>Support continuing professional development of the HIA.</p> <p><b>Response</b></p> <p>The CIA is required to meet the ongoing continuous professional development requirements of both ICAS and the IIA and is supported in this by the Council.</p>	Not Applicable	None



## Appendix 2 - Comparison of CIPFA good practice examples with current Council practices

Ref	CIPFA Good Practice Examples	Approach at City of Edinburgh Council	Areas for Improvement
<p><b>Principle 1: The head of internal audit (HIA) plays a critical role in delivering the organisation’s strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks giving an evidence-based opinion on all aspects of governance, risk management and internal control.</b></p>			
<p>1.1</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 253</p>	<p>Developing internal audit planning to support auditing at the speed of risk for example:</p> <ul style="list-style-type: none"> <li>• Introduction of flexible planning</li> <li>• Development of an assurance map detailing how assurance is provided across the three lines of defence within the organisation and by external organisations.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual risk based internal audit plan produced that focuses on the Council’s most significant risks. The plan also considers assurance provided by regulators and other external organisations to avoid potential duplication of effort.</li> <li>• Review of the plan halfway through the year by the Chief Internal Auditor to confirm that it remains relevant.</li> <li>• Established governance process to support approval of planned and retrospective plan changes by the Corporate Leadership Team and Governance, Risk, and Best Value Committee.</li> <li>• Additional audits added to plan where required (for example Garden Waste and Mela in 2018/19, and City Deal in 2019/20)</li> <li>• Inclusion of ‘findings only’ methodology in the Internal Audit charter, enabling Internal Audit to raise findings where significant risks are identified regardless of whether the area / subject is included in the annual plan</li> <li>• Implementation of ‘agile’ auditing for significant projects.</li> <li>• The Chief Internal Auditor attends the Local Area Network meetings facilitate by external audit and attended by external assurance providers, and regularly engages with</li> </ul>	<p><b>Assurance Mapping</b></p> <p>Potential to develop an assurance map for the Council detailing the levels of assurance provided across the first (divisions); second (corporate teams such as Health and Safety; Resilience; and Information Governance) and third (Internal Audit) lines of defence and assurance provided by external organisations.</p> <p>The outputs from the assurance map and assurance findings raised could be used to further inform the Internal Audit annual planning process and ensure appropriate ongoing focus of Internal Audit resources.</p>

## Appendix 2 - Comparison of CIPFA good practice examples with current Council practices

Ref	CIPFA Good Practice Examples	Approach at City of Edinburgh Council	Areas for Improvement
		external assurance providers on the scope of ongoing Internal Audit work to avoid potential duplication of effort.	
1.2	<p>Providing assurance over cyber security, for example:</p> <ul style="list-style-type: none"> <li>Review of penetration testing</li> <li>Phishing exercises</li> </ul>	<ul style="list-style-type: none"> <li>The current Internal Audit co-source arrangement enables IA to draw upon specialist technical skills where these do not currently exist within the team.</li> <li>A comprehensive list Digital Services (including CGI) audits are included in the annual plan. In 2018/19 Internal Audit reviewed key cyber security controls as part of the Public Sector Cyber Action Plan and Public Services Network reviews. A review of Phishing was also completed in 2017/18 that included completion of a simulated phishing exercise across the Council.</li> <li>A review of user access rights across key financial systems was also performed in 2018/19.</li> <li>Security and technology risks will continue to be considered as a key risk for inclusion in all future Internal Audit annual plans.</li> </ul>	None.
<p><b>Principle 2: The head of internal audit (HIA) in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance and commenting on responses to emerging risks and proposed developments.</b></p>			
2.1	<p>Introducing an 'organisational infrastructure' approach to governance, risk and control. For example, asking Internal Audit to support development of a new risk management framework that is focused on governance and control through a series of forums that determines accountabilities and ensures compliance.</p>	<ul style="list-style-type: none"> <li>A review of the risk management framework is included in the 2019/20 Internal Audit plan. This will be performed by an external provider to ensure that IA independence is maintained given current reporting lines through to the Head of Legal and Risk.</li> <li>The Council's risk management framework is in the process of being redesigned and IA is providing input to the proposals.</li> </ul>	<p><b>Internal Audit recommendations</b></p> <p>Opportunity for Internal Audit to include specific recommendations in audit reports that the risks associated with control gaps identified should be included in divisional and directorate risk register where appropriate.</p>

## Appendix 2 - Comparison of CIPFA good practice examples with current Council practices

Ref	CIPFA Good Practice Examples	Approach at City of Edinburgh Council	Areas for Improvement
	<p>It also encourages the 'top table' to have an oversight on the basic control framework to reflect the fact that it has strategic importance for the organisation's success.</p>	<ul style="list-style-type: none"> <li>Internal Audit currently attends the Corporate Leadership Team and Directorate Risk Committees, providing input and challenge where appropriate.</li> <li>Internal Audit has also provided training to the Corporate Leadership Team and Heads of Service on risk, control and the three lines of defence.</li> </ul>	<p>Opportunity for IA to improve alignment between IA and risk management following implementation of the new risk management framework.</p>
2.2	<p>Supporting the development of governance arrangements and an ethical culture, for example:</p> <ul style="list-style-type: none"> <li>An annual audit of the Council's culture and ethical governance arrangements.</li> <li>Establishing an assurance board chaired by the Chief Executive with IA membership to focus on new and emerging issues that could impact on the Council's control environment.</li> <li>IA delivery of training and guidance on controls and control environments.</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit is not currently involved in supporting the development of the Council's governance arrangements.</li> <li>There have been no audits of culture included in recent Internal Audit annual plans.</li> <li>The Corporate Leadership Team Committee is the established forum to discuss any new and emerging risks; assurance findings and issues that could impact on the Council's control environment.</li> <li>Internal Audit has designed and delivered training to the Corporate Leadership Team on risk, controls, and the three lines of defence and is planning to deliver monthly council wide training on these areas.</li> </ul>	<p>Potential for inclusion of a specific risk culture and ethics review in the 2020/21 Internal Audit annual plan.</p>
2.3	<p>Supporting the development of an effective audit committee, for example a review of the effectiveness of the Audit Committee.</p>	<ul style="list-style-type: none"> <li>Training has been provided to members of the Governance, Risk and Best Value Committee covering risk management, and internal and external audit. Further training is currently being scheduled following a recent change in a number of committee members.</li> <li>A new committee member e mail has also been prepared that provides the member with details on the role and</li> </ul>	<p>Potential for a review of Governance, Risk, and Best Value Committee effectiveness with support from Internal Audit.</p>

## Appendix 2 - Comparison of CIPFA good practice examples with current Council practices

Ref	CIPFA Good Practice Examples	Approach at City of Edinburgh Council	Areas for Improvement
		responsibilities of internal audit and links to relevant documentation.	
2.4	Advising on the terms of reference of the audit committee and its role within the authority to ensure it remains aligned with good practice and delivering training to audit committee members.	<ul style="list-style-type: none"> <li>Internal Audit has not yet been involved in review of the Governance, Risk, and Best Value Committee terms of reference.</li> <li>Internal Audit has established induction and training procedures to support new committee members as detailed at 2.3 above.</li> </ul>	<p>Potential to include Internal Audit in the next planned review of Governance, Risk and Best Value Committee terms of reference.</p> <p>This could potentially be linked with a review or committee effectiveness as highlighted at 2.3 above.</p>
2.5	Providing advice and assurance on new developments	With the exception of the Tram and Enterprise Resource Planning projects, Internal audit is not currently engaged to provide assurance on new strategic developments to provide guidance and challenge (where appropriate) on the associated risks, and the design of the governance frameworks and controls that would be required to support them.	Potential for Internal Audit to be engaged in any planned significant organisational strategic and operational changes to provide assurance in relation to the proposals.
<b>Principle 3: The head of internal audit (HIA) must be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee.</b>			
3.1	Developing effective working relationships between the chief executive and the head of internal audit, for example: <ul style="list-style-type: none"> <li>Working directly with the Chief Executive on a range of governance and internal control issues, with Internal Audit providing advice when required.</li> </ul>	<ul style="list-style-type: none"> <li>The Chief Internal Auditor reports through the Head of Legal and Risk to the Executive Director of Resources and the Chief Executive, with an independent reporting line to the Chief Executive and GRBV. This is specified in the Internal Audit charter that is refreshed and approved annually by the GRBV committee.</li> <li>Internal audit also has right of access to all employees and all documentation within the Council. This is also detailed in the Internal Audit charter.</li> </ul>	None.

## Appendix 2 - Comparison of CIPFA good practice examples with current Council practices

Ref	CIPFA Good Practice Examples	Approach at City of Edinburgh Council	Areas for Improvement
	<ul style="list-style-type: none"> <li>Quarterly one to ones with the Chief Executive to discuss new and emerging issues.</li> <li>Meetings between the Chief Executive and the whole Internal Audit team to ensure that IA remains informed of the organisation's strategic direction and key issues.</li> </ul>	<ul style="list-style-type: none"> <li>Regular one to one meetings are held between the Chief Executive and the Chief Internal Auditor.</li> </ul>	
3.2	Establishing regular and open engagement with the leadership team, for example: <ul style="list-style-type: none"> <li>The head of internal audit is a member of the council's assurance board that meets monthly to review the council's risk register, governance framework (including the annual governance statement) and the operation of its control environment.</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit regularly attends the Corporate Leadership Team to present updates on progress with delivery of the IA annual plan; the outcomes of completed audit reviews; and the position on open and overdue internal audit findings.</li> <li>The Chief Internal Auditor also attends the Corporate Leadership Team and Directorate Risk and Assurance Committees and has separate one to one meetings with Executive Directors and Heads of Service when required.</li> </ul>	None.
<b>Principle 4: The head of internal audit (HIA) must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively.</b>			
4.1	Collaborative working arrangements between authorities for internal audit to address resource shortages, share skills effectively and support councils to achieve efficiency targets whilst maintaining high	<ul style="list-style-type: none"> <li>The adequacy of Internal Audit resources to support plan delivery is considered when preparing the IA annual plan and routinely monitored throughout the year.</li> <li>IA resources are further augmented by the existing co source arrangement with PwC that enables IA to draw down resources to support delivery of the plan as required.</li> </ul>	None.

## Appendix 2 - Comparison of CIPFA good practice examples with current Council practices

Ref	CIPFA Good Practice Examples	Approach at City of Edinburgh Council	Areas for Improvement
Page 258	<p>quality internal audit delivery. For example:</p> <ul style="list-style-type: none"> <li>• Completion of joint reviews</li> <li>• Sharing terms of reference and audit programmes</li> <li>• Developing common approaches to support the audit committee</li> </ul>	<ul style="list-style-type: none"> <li>• The Chief Internal Auditor is a member of the Scottish Local Authority Chief Internal Auditor Group (SLACIAG) that seeks to share good practice and develop collaborative working.</li> <li>• The Chief Internal Auditor is also working collaboratively with the Glasgow City Council Internal Audit team with a view to developing a joint approach in relation to technology based reviews.</li> <li>• The Chief Internal Auditor also works collaboratively with the Head of Internal Audit for NHS Lothian in relation to planned Edinburgh Integration Joint Board and Health and Social Care reviews.</li> </ul>	
	<p>Developing the internal audit team, for example:</p> <ul style="list-style-type: none"> <li>• Delivery of 'soft skills' training</li> <li>• Ongoing professional development to maintain technical knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• A significant proportion of the Internal Audit team are professionally qualified and require to meet the continuous professional development requirements of their relevant professional bodies. This is largely achieved by attending 'free' courses provided by the relevant professional bodies.</li> <li>• Each member of the Internal Audit team attends the Scottish Institute of Internal Audit annual conference once every three years, with details of conference presentations shared across the team.</li> <li>• A number of team members who are currently studying for their professional qualifications have successfully obtained support from the Council's Further and higher education scheme to fund their studies.</li> </ul>	None.

## Appendix 2 - Comparison of CIPFA good practice examples with current Council practices

Ref	CIPFA Good Practice Examples	Approach at City of Edinburgh Council	Areas for Improvement
Page 259		<ul style="list-style-type: none"> <li>• IA regularly attends the 'lunch and learn' sessions hosted by Finance to help develop their knowledge and understanding of the Council.</li> <li>• IA also attends any relevant training designed and delivered by SLACIAG which normally delivered at a reduced rate.</li> <li>• An essential learning programme has been prepared for each member of the IA team and completion is included in team performance objectives. This uses the training resources currently available within the Council to ensure the team remain up to date with applicable legislation, relevant Council policies, and guidance.</li> <li>• The IA team is also actively encouraged to use LinkedIn as a professional development tool as a number of interesting technical articles are published there by CIPFA, professional accountancy firms, the Institute of Internal Auditors and IA professionals. A number of helpful soft skills and leadership articles are also available via the LinkedIn forum.</li> </ul>	
4.3	<p>Output-focussed, quality assurance and improvement programme, for example:</p> <ul style="list-style-type: none"> <li>• Setting personal goals and objectives for each team member to support delivery of the annual plan</li> <li>• Ongoing review of auditor performance</li> <li>• Reporting performance</li> </ul>	<ul style="list-style-type: none"> <li>• A set of standard objectives has been designed for each role level within the IA team. These are supplemented by personal objectives and areas where further development for each individual team member is required.</li> <li>• Monthly meetings are held between line managers and team members to discuss their ongoing performance against objective. Importantly, upward feedback is also encouraged at these meetings.</li> </ul>	None.



## Appendix 2 - Comparison of CIPFA good practice examples with current Council practices

Ref	CIPFA Good Practice Examples	Approach at City of Edinburgh Council	Areas for Improvement
	<ul style="list-style-type: none"> <li>Use of client satisfaction surveys</li> </ul>	<ul style="list-style-type: none"> <li>IA has now designed an implemented a dashboard that monitors progress with delivery of the plan by IA and divisions / directorates in comparison to the key performance indicators approved by the CLT and GRBV in January 2019. This dashboard was implemented at the start of the 2019/20 plan year.</li> <li>A client survey feedback form has been designed in the IA system but cannot be implemented until completion of the laptop refresh project across the Council as it was not compatible with the previous version of Internet Explorer. Once implemented, the IA system will consolidate the survey results for inclusion in reporting to both CLT and GRBV.</li> </ul>	
<b>Principle 5: The head of internal audit (HIA) must be professionally qualified and suitably experienced</b>			
5.1	Developing the head of internal audit's experience and expertise, for example, <ul style="list-style-type: none"> <li>Attending continuous professional development events</li> <li>Local Head of Internal Audit networking groups</li> <li>Undertaking professional volunteering</li> </ul>	<ul style="list-style-type: none"> <li>The current Chief Internal Auditor is a qualified Chartered Accountant (member of the Institute of Chartered Accountants Scotland); and affiliate member of the Institute of Internal Auditors and a member of the Chartered Institute of Management.</li> <li>The CIA attends local head of audit networking groups (SLACIAG and the Institute of Internal Auditors Head of Audit forum).</li> </ul>	None.



# Governance, Risk and Best Value Committee

10.00am, Tuesday, 3 December 2019

## Historic and Outstanding Internal Audits – Health and Social Care

Item number  
Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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Committee is recommended to note:

- 1.1. The recent internal audit (IA) related activities across the Edinburgh Health and Social Partnership; and
- 1.2. The status update for all historic and overdue Council IA items (aged six months or more) for health and social care services.

**Judith Proctor**

Chief Officer, Edinburgh Health and Social Care Partnership

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# Report

## Outstanding Internal Audits – Health and Social Care

### 2. Executive Summary

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- 2.1 This report sets out affirmative actions that are underway to address historic and overdue internal audit risk findings affecting health and social care services in Edinburgh.

### 3. Background

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- 3.1 Internal audit (IA) overdue findings for the Edinburgh Health and Social Care Partnership (the Partnership) are regularly reviewed and monitored by the Partnership's Executive Team.
- 3.2 Over the last year, greater accountability has been achieved through the Chief Officer's Assurance Oversight Group (AOG). The Group is composed of the Partnership's Executive Team, the Chief Internal Audit Officer and relevant Council Heads of Service whose officers are accountable for the delivery of IA actions. This approach has aided in the significant progress and overall closure of risk findings over the last year.
- 3.3 An ownership protocol was agreed in January 2019 by the AOG for all IJB and Health and Social Care internal audits. The protocol enables the Partnership to retain overall ownership of risk findings, while holding to account contributing officers outside of the organisation through regular tracking and assurance from their respective Head of Service until completion.
- 3.4 Following this protocol arrangement, the IA team reallocated several IA items which had previously sat in other Council Directorates to the Partnership in February 2019.

## 4. Main report

- 4.1. A total of 41 open IA findings remain to be addressed across the Council as 8 November 2019. This includes 20 risk findings from the Edinburgh Integration Joint Board (EIJB). The cover report will primarily focus on the Council's Health and Social Care 21 open risk findings, however an EIJB overdue IA risk summary that was shared with IJB Audit and Assurance committee members as part of a risk workshop on 28 October 2019 is attached for noting in appendix 2.
- 4.2. The 21 open IA findings across the Council's health and social care services have been split into the following two categories to enable separate monitoring and reporting of the historic findings that were reopened in June 2018:
- Current findings (20 in total) shows progress with findings raised, tracked, and reported on as part of the routine IA assurance cycle; and
  - Historic overdue findings (1 in total) highlights progress with closure of the 7 historic health and social care findings that were reopened in June 2018.
- 4.3. A total of 13 (65%) are currently reported as overdue as they have missed their original agreed implementation dates.
- 4.4. The below graphic analysis (Figure 1) illustrates the composition of open and overdue risk findings as of 8 November 2019.

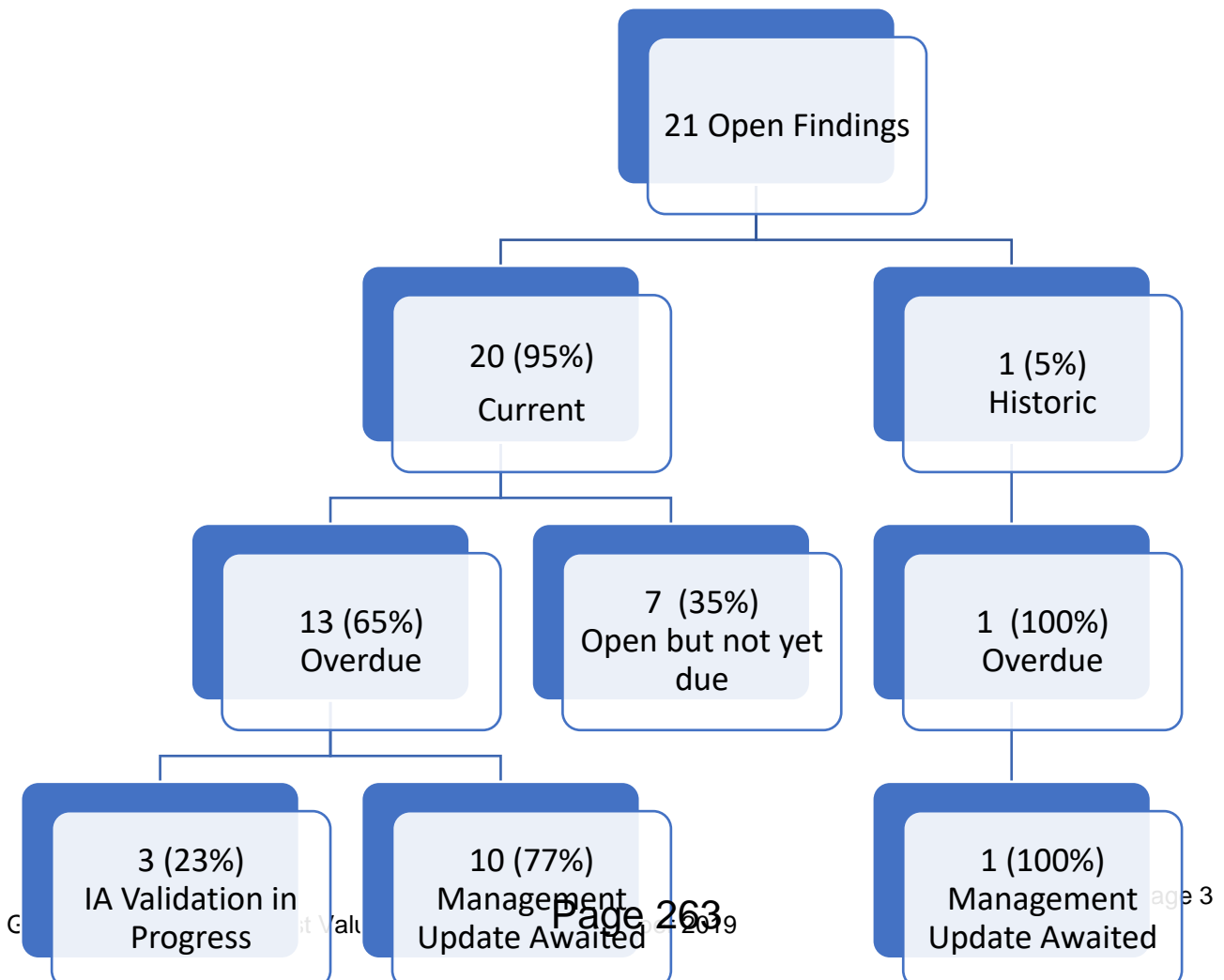


Figure 1: Graphic analysis of Open and Overdue Risk Findings

## Historic Overdue Findings

4.5. Continued good progress is evident with the 7 historic overdue findings (reopened in June 2018). As at 8 November 2019, a total of 6 of the 7 overall historic findings have been closed. The remaining risk finding has a current High rating.

4.6. Table 1 below provides a summary of open and closed historic IA items.

Report Name	Final Report Date	Re-opened Risk Findings	Open	Closed
HSC1503 – Self Direct Support – Option 3	August 2016	2	1	1
CG1502 – Use of Demographics in the Budgeting Provision	August 2015	1	0	1
HSC1502 – Swift Access Control	November 2015	2	0	2
CG1511 – Standby on call and disturbance	April 2016	1	0	1
HSC1601 – Care Home Debt Management	November 2016	1	0	1
<b>Total:</b>		<b>7</b>	<b>1</b>	<b>6</b>

Table 1: Historic risk findings summary by report

4.7. The remaining historic risk is from the *Self-Directed Support – Option 3* report that was finalised in August 2016.

4.8. The risk was re-opened by IA following the self-validation exercise in April 2018. The risk relates to quality assurance checks for personal support plans. The Partnership has been in discussions with Safer and Stronger’s Quality Assurance Team (QA) to take on this role and is aiming to finalise a Service Level Agreement for this work to begin by the end of the year. Additional time will then be needed to allow QA to complete performance checks with reporting cycles in order to successfully close down this risk.

## Current Overdue Findings

- 4.9. Of the 21 currently open findings, 13 (65%) risks comprising of 5 High and 8 Medium rated findings are now 'overdue'.
- 4.10. Table 2 provides a progress summary of current overdue risk findings and associated recommendations by report.

Report Name	Total Risk Findings	Risk Findings overdue	Total Management Actions	Management Actions Overdue
HSC1715 - Edinburgh Drug and Alcohol Partnership – Contract Management	3	3	13	7
HSC1701 – Care Home Thematic Report	44	6*	90	3*
CW1806 – Emergency Prioritisation †	3	1	23	5
HSC1714 - Social Work Centre Bank Account Reconciliations	2	1	15	4
CW1702 - Resilience – Business Continuity †	3	1	17	1
HSC1513: Management structure and business support arrangements	1	1	3	2
<b>Total:</b>	<b>28</b>	<b>13</b>	<b>117</b>	<b>25</b>

*Table 2: Current overdue risk items summary by report*

*\* 3 risks are currently being validated by IA*

*† Overdue items by less than 6 months*

## Current overdue risk findings by more than 6 months

- 4.11. 11 of 13 current overdue risk findings are overdue by more than 6 months. As requested by this committee, a progress summary (by report) is provided below and a full update for each management actions is listed in appendix 1.
- 4.12. Edinburgh and Drugs Alcohol Partnership (EADP) – Contract Management (3 remaining risks)

The IA EADP Contract Management final report (2017) was produced at time when the Council didn't have a formal contract management framework (CMF). The Partnership attempted to create its own interim CMF based on another local

authority which contributed to the closure of 6 out of 13 management actions. The remaining 7 had stalled due to key vacancies within the team and an EHSCP Contract Manager in post.

The Council published its own Contract Management Manual and Toolkit in June 2018. At that point it was thought that the EADP would attempt to align itself to the new guidelines. Later on, the Partnership appointed a new EHSCP Contract Manager in early 2019. The Contract Manager is now creating her own bespoke CMF for all EHSCP contracts that will include EADP contracts.

#### 4.13. Care Home Thematic Report (6 remaining risks)

The Care Home report was finalised in February 2018. The report contained 44 risks and 90 management actions. At that time, many of the business support functions, process and procedures required to be updated and documented. This considerable piece of work involved the collaboration of the Council's Business Support, Health and Safety, Information Governance and Finance teams. The AOG's intervention to progress stagnant issues was instrumental in completing the large majority of the risk findings (58 management actions closed).

Currently, only 6 risks (8 agreed management actions) remain. 3 risks are currently implemented and are being validated by IA. The remaining 3 require further evidence to close – this is being managed by the Partnership's Head of Operations.

#### 4.14. Social Work Centre Bank Account Reconciliations (1 risk)

In 2018, the Council's Resources Business Support team originally took the lead on completing the risk findings on behalf of the Partnership. Following a workshop, it was agreed in March 2019 that the Partnership would complete the last risk relating to the creation of process and procedures for Corporate Appointees. Additional time is now needed to finalise the document, communicate it to the wider social worker teams and ensure that appropriate training is in place to successfully close the risk.

#### 4.15. Management Structure and Business Support Arrangements (1 risk)

This historic risk findings (2015) was re-opened by IA in June 2019 due to the lack of Service Level Agreements (SLA) in place for the Council's Business Support and Transactions services.

Good progress has been made with only the Transactions services SLA remaining to be finalised.

## Challenges

- 4.16. Challenges preventing the successful closure of long-standing IA findings have varied. However, one emerging common theme has been around the gathering of evidence. The gathering of evidence has often revealed an unexpected issue that requires more work to fully understand – increasing the amount of time needed to close the risk that is not fully being controlled.
- 4.17. For the majority, the risk element remains a constant - it is the historic context that changes over time, sometimes more than once. The Partnership is relatively young and is dynamic by nature – as it grows and develops, so do its processes and approaches.
- 4.18. The organisation that contributed to the original risk findings and agreed its management actions is no longer the same. The transition can be at times faster than its ability to successfully implement an agreed control, gather evidence to close a risk and be confident that the exact control can be sustained. By the time the service has moved on and changed its process, the IA risk finding's management actions are no aligned and relevant to adequately address the risk.
- 4.19. Because of this, the Partnership has carried out a series of designated workshops with IA colleagues to target these complex IA items and close the disconnected gap that time may have caused. This positive engagement has resulted in new management actions with realistic timescales in to successfully close (and sustain) 'historic' risk findings.
- 4.20. Another important factor following these workshops, has been around the communication of evidence needed to successfully close the IA items. (e.g. one month's worth of performance reports or six months). On IA's Team Central monitoring application, 'modern' IA reports have the benefit of an added *evidence required to close* tab that was agreed when the final report was produced. Older reports do not have this option. By closely working with IA, the aim is to modernise and update the Team Central database to clarify, better plan and manage expectations.

## Assurance Oversight Group

- 4.21. One element of good practice has been the Partnership's Assurance Oversight Group. The AOG aims to gain a fuller understanding of any aspects or issues (thematic blockages) that are cross-cutting, which might also prevent progress being made. Where appropriate, it will also create protocols (e.g. Ownership Protocols) for clarity and better governance.

- 4.22. Through the AOG, a comprehensive IA Assurance Programme was also introduced in early 2019 to co-ordinate IA management activities. The programme ensures that regular updates on all individual outstanding recommendations are provided to the AOG to enable oversight of progress to address exposure to risk.
- 4.23. Since the Partnership's IA Assurance Programme, new IA reports are thoroughly scrutinised from the start:
- IA workshops are organised with all key stakeholders (including IA officers) to agree management actions;
  - realistic deadlines are set against each action;
  - clearer ownership and reporting lines are also set against each action;
  - increased usage of IA's monitoring application (Team Central) to actively monitor all IA items;
  - early staff engagement and understanding of risk management (e.g. management actions, implementation, ongoing risk management); and
  - when original deadlines are not met, an escalation path is clear - actions are re-evaluated (new action plan) and discussed at the AOG for continual progress monitoring.
- 4.24. The above methodology has contributed to the successful closure of 79 management actions across 30 risk findings<sup>1</sup> since October 2018.

## 5. Next Steps

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- 5.1. In October 2019, the AOG agreed to enhance and strengthen its oversight objectives with the introduction of an Assurance Governance Group. From January 2019, Senior Officers assigned with a risk finding will be allocated a specific timeslot to present a short progress update in person to the Partnership's Executive Team. Any issues requiring escalation will then be raised in the following hour at the AOG that is also attended by relevant Council Heads of Services and the Chief Internal Auditor.
- 5.2. This approach will not only ensure that the most appropriate senior officer is held into account for any overdue items, but that also keep an eye on upcoming open risk findings are delivered within timescales and prevent them from being overdue.

## 6. Financial impact

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- 6.1 Although there are no direct financial implications arising from the consideration of this report, delivering the recommended audit actions will have a positive impact by strengthening financial control in audited Partnership service areas.

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<sup>1</sup> Since October 2018, the Partnership IA Programme's portfolio includes 14 Council IA Reports with a total of 68 Council risk findings.



## **7. Stakeholder/Community Impact**

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- 7.1 Recommendations arising from IA reports for health and social care services in Edinburgh promote improvements which have an impact on protected characteristics groups.
- 7.2 If IA findings and associated management actions are not implemented, the Partnership will be exposed to the risks set out in the relevant detailed IA reports. IA findings 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.

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

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- 8.1 N/A

## **9. Appendices**

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Appendix 1 – Health and Social Care Partnership – Historic and Overdue IA Items (by more than 6 months) Summary – November 2019

Appendix 2 – EIJB Historic and Overdue IA items Summary – October 2019



## Appendix 1 - Edinburgh Health and Social Care Partnership – December Update

### Non-Implemented Overdue IA Items (by 6 months or more) as of 8 November 2019

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	EHSCP Comments
Page 270	Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management	Medium	Rec 5 - Records Management Policy	Records retention policy: Direction will be requested from the Information Governance team in relation to Records Management Policy requirements and how they should be applied to retention, archiving and destruction of contract management information. Any lessons learned will be shared with the Health and Social Care contracts management team.	Estimated Date: 30/03/2018  Revised Date: 30/09/2020	EHSCP Contract Manager presented a new Contract Management Framework proposal in July 2019 to the Procurement Board. She has since developed the document and toolkit with the contract team with support from the Council Procurement Team. Consultation with providers has also taken place and the Contract Team is also assessing all 141 EHSCP contracts so that they are tiered. The contract team's remit will be redesigned according to the priorities that emerge from the CMF tool. They then hope to incorporate all the contracts on to PCS-T. Once completed this will be presented to the Core Group.
	Key Person Dependency and Process Documentation		Started			
2	Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management	Medium	Rec 4 - Key Supplier Contracts	The existing contract management procedures will be summarised in a single document. It will include the dates information needs to come in, the key contacts, the escalation process in the event of non-performance and the priority metrics that would trigger those processes (waiting times, numbers taken onto caseloads, planned discharges). There will still be subject knowledge and judgement involved in monitoring the contracts; the escalation process cannot be reduced to an algorithm. To be agreed with the providers to confirm our shared understanding and shared with the Edinburgh Alcohol and Drug Partnership core group by January 2018.	Estimated Date: 31/01/2018  Revised Date: 30/09/2020	Due to this change of direction (creation of new CMF), additional time is requested to allow this new process to be imbedded by the team and then validated by the IA.
	Key Person Dependency and Process Documentation		Pending			
	Judith Proctor, Chief Officer					

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	EHSCP Comments
3	<p>Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management</p> <p>Key Person Dependency and Process Documentation</p> <p>Judith Proctor, Chief Officer</p>	Medium	<p>Rec 2 - Contract Management Processes</p> <p>Started</p>	<p>The existing contract management procedures will be summarised in a single document. It will include the dates information needs to come in, the key contacts, the escalation process in the event of non-performance and the priority metrics that would trigger those processes (waiting times, numbers taken onto caseloads, planned discharges). There will still be subject knowledge and judgement involved in monitoring the contracts; the escalation process cannot be reduced to an algorithm. To be agreed with the providers to confirm our shared understanding and shared with the Edinburgh Alcohol and Drug Partnership core group by January 2018.</p>	<p>Estimated Date: 31/01/2018</p> <p>Revised Date: 30/09/2020</p>	<p>Same as above.</p>
Page 271	<p>Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management</p> <p>Risk and Supplier Performance Management</p> <p>Judith Proctor, Chief Officer</p>	High	<p>Rec 1 - Risk Management</p> <p>Pending</p>	<p>A contracts management risk register will be developed describing, prioritising, and addressing risks to delivery. The risk register will be shared with and approved by the Core group by January 2018. The risk register will be refreshed quarterly and reviewed by the Core Group.</p>	<p>Estimated Date: 30/03/2018</p> <p>Revised Date: 31/10/2020</p>	<p>Although, the EADP have an interim risk register, considerable work needs to be done to establish a risk register governance across the Partnership. The Partnership is currently developing its risk register and governance framework following an Executive Team Risk Workshop on the 29th August 2019. This work is being led by Jennifer Evans (Quality Improvement and Safety Assurance Lead). This work will establish a risk escalation process for all Partnership risks.</p> <p>A draft paper will be with the Executive Team early in the new year. Should it be approved, a communication plan/toolkit will be developed to roll out this risk management approach.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	EHSCP Comments
5	Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management  Risk and Supplier Performance Management  Judith Proctor, Chief Officer	High	Rec 3 - Performance Expectations  Pending	The existing contract management procedures will be summarised in a single document. It will include the dates information needs to come in, the key contacts, the escalation process in the event of non-performance and the priority metrics that would trigger those processes (waiting times, numbers taken onto caseloads, planned discharges). There will still be subject knowledge and judgement involved in monitoring the contracts; the escalation process cannot be reduced to an algorithm. To be agreed with the providers to confirm our shared understanding and shared with the Edinburgh Alcohol and Drug Partnership core group by January 2018.	Estimated Date: 31/01/2018  Revised Date: 30/09/2020	Same as item 1.
6	Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management Risk and Supplier Performance Management  Judith Proctor, Chief Officer	High	Rec 4 - Timeframes  Pending	The existing contract management procedures will be summarised in a single document. It will include the dates information needs to come in, the key contacts, the escalation process in the event of non-performance and the priority metrics that would trigger those processes (waiting times, numbers taken onto caseloads, planned discharges). There will still be subject knowledge and judgement involved in monitoring the contracts; the escalation process cannot be reduced to an algorithm. To be agreed with the providers to confirm our shared understanding and shared with the Edinburgh Alcohol and Drug Partnership core group by January 2018.	Estimated Date: 31/01/2018 Revised Date: 30/09/2020	Same as item 1

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	EHSCP Comments
7	Edinburgh Alcohol and Drug Partnership (EADP) – Contract Management  Supplier Sustainability  Judith Proctor, Chief Officer	Medium	Rec 2 - Contingency Plans  Pending	Contingency plans will be developed, discussed with existing suppliers, and approved by the Core Group.	Estimated Date: 31/01/2018  Revised Date: 30/09/2020	Same as item 1.
8	H&SC Care Homes - Corporate Report  A3.5: Adequacy of Resources	Medium	A3.5(1)  Pending	Unit managers submit monthly reports to Cluster manager and Locality management team. Locality management team responsible for ensuring resource meets the demand based on dependency scoring.	Estimated Date: 31/01/2019  Revised Date: 30/11/2019	Implemented on 11 November 2019 as evidence required to close this item is tied with self-assurance framework that is being validated by IA.
9	H&SC Care Homes - Corporate Report  A3.4: Agency Staffing  Judith Proctor, Chief Officer	Medium	A3.4(2)  Started	The Business Support Officer will assist the Unit Manager (See A2.1). A paper is being presented to the Health and Social Care Senior Management Team week commencing 15th January 2018 that proposes a solution where information will be provided to Locality Managers who will prepare reports for Care Homes. If this solution is agreed, it will be implemented immediately.	Estimated Date: 30/06/2018  Revised Date: 31/01/2020	Agency Spend spreadsheet for last 3 months prepared by finance has been added to TC as evidence. Additional evidence of regular reporting to Savings Governance Group will be added shortly.
10	H&SC Care Homes - Corporate Report  A3.3: Performance & Attendance Management  Judith Proctor, Chief Officer	Medium	A3.3(2) Health & Social Care Teams  Started	Six monthly and annual performance conversations should be completed for all employees and the outcomes recorded on the iTrent human resources system..	Estimated Date: 30/06/2018  Revised Date: 30/06/2020	Head of Operations has now requested that Annual Conversations completion rate be added as a standing agenda item on the Care Home Manager Forum to remind managers of the importance of Annual Conversations. He will also be running the iTrent report every 2 months to monitor progress.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	EHSCP Comments
11	H&SC Care Homes - Corporate Report  A3.3: Performance & Attendance Management  Judith Proctor, Chief Officer	Medium	A3.3(3) Health & Social Care Teams  Started	Health and Social Care Teams will ensure that managing attendance workshops have been attended by all H&SC line managers in Care Homes.	Estimated Date: 30/06/2018  Revised Date: 20/12/2019	All managers have completed their training however due to a technical glitch, records are not being recorded on Cecil. 2 Managers have now been asked to re-sit module and take a print screen to demonstrate completion.
12	H&SC Care Homes - Corporate Report  A3.3: Performance & Attendance Management  Judith Proctor, Chief Officer	Medium	A3.3(4) Health & Social Care Teams  Started	Health and Social Care Teams will ensure that annual performance conversations (once completed) are recorded on the iTrent system.	Estimated Date: 30/06/2018  Revised Date: 31/01/2020	Head of Operations has now requested that Annual Conversations completion rate be added as a standing agenda items on the Care Home Manager Forum to remind managers of the importance of Annual Conversations. He will also be running the iTrent report every 2 months to monitor progress.
13	Validation of Management Actions 2018/19 Validation Audit CW1810 reopened finding - HSC1513: Management structure and business support arrangements Judith Proctor, Chief Officer	High	Validation Audit CW1810 - Issue 2.3 HSC1503: Business Support Service Level Agreements Started	The Partnership and Business Support Service will jointly establish Service Level Agreements for business support out with the organisational management structure.  Regular meetings between relevant senior managers in the Partnership and Business Support will be established to ensure performance against Service Level Agreements is monitored. Any performance issues will be escalated to the Partnership's Executive Team for consideration and resolution.	Estimated Date: 31/12/2015  Revised Date: 31/01/2019	Good progress has been made. Only two Business Support SLA remain to be signed off and one for Transactions services remains to be finalised.

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	EHSCP Comments
14	Validation of Management Actions 2018/19 Validation Audit CW1810 reopened finding - HSC1513: Management structure and business support arrangements Judith Proctor, Chief Officer	High	Validation Audit CW1810 - Issue 2.1 HSC1503: Business Support Service Level Agreements Started	The Partnership's organisational management structure will be finalised, implemented, and embedded.  The revised structure does not need to be approved by the IJB because it is an operational matter. It will however be presented to the EIJB for information.  The revised implementation date of April 2020 will allow completion of Partnership budget and transformation Programmes.	Estimated Date: 12/31/2015  Revised Date: 4/30/2020	Transformation programme is progressing well. Proposed structure will be circulated to staff within the next two weeks.
Page 5 275	Historic Unimplemented Findings HSC1503 - issue 3 Quality Assurance Judith Proctor, Chief Officer	High	Recommendation 3a Started	There is an existing file audit process that will pick up on overall issues of both data quality and quality of recording. In order to address the specific issues identified through this audit the Quality Assurance Team will undertake a themed audit in respect of Personal Support Plans. This will involve engaging with key managers to establish the questions that need to be answered and will include consideration of the model used in the North West Team.	Estimated Date: 31/12/2016 Revised Date: 31/10/2020	Draft SLA between Quality Assurance Team and EHSCP is in development. EHSCP has requested that PSPs are included in the SLA.  Once approved, additional time will be needed to allow QA checks to be performed and reported on a regular basis.
16	Social Work Centre Bank Account Reconciliations  Corporate Appointee Client Fund Management  Judith Proctor, Chief Officer	High	Rec. 2  Started	New guidelines will be written to ensure clarity of responsibilities. Sections will be included detailing Social Work; Business Support; and Transactions team responsibilities. The objective is to create and implement an end to end process that includes eligibility criteria, Department of Work and Pensions processes and a full administrative process that will be applied centrally and across Locality offices; clusters; and hubs.	Estimated Date: 31/05/2018  Revised Date: 31/03/2020	The Corporate Appointee procedure is written, the necessary questionnaire for approval of financial interventions is available on AIS so it just needs approval for the EMT and Audit. A meeting has with business services on 12 November 2019 to agree next steps. Once the procedure has necessary governance approvals then we will need to develop training to be rolled out.
17	Social Work Centre Bank Account Reconciliations  Corporate Appointee Client Fund Management  Judith Proctor, Chief Officer	High	Rec. 8  Started	Refresher training will be offered as part of the implementation of the new guidelines to all staff involved in the process, and recorded on staff training records. The training will also be incorporated into the new staff induction process.	Estimated Date: 31/05/2018  Revised Date: 31/03/2020	Same as above



Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	EHSCP Comments
18	Social Work Centre Bank Account Reconciliations Corporate Appointee Client Fund Management Judith Proctor, Chief Officer	High	Rec Started	<p>Business Support will enable the review of current processes and guidelines in conjunction with Hub and Cluster Managers with sign off at the Locality Managers Forum.</p> <p>Business support will review all Corporate Appointee accounts and contact the relevant social worker, support worker or hub where the funds are over £16K for immediate review.</p> <p>Business support will advise social work when the funds exceed £16K where there is not a valid reason (for example, client deceased and social worker discussing estate with solicitor). Clarity on contact with DWP is being progressed and will be written into the new guidelines.</p> <p>Regular reporting will be introduced from the revised systems being implemented. This will be provided monthly at Senior Social Work level and annually for H&amp;SC management</p>	Estimated Date: 31/05/2018  Revised Date: 31/03/2020	Same as above.



Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	EHSCP Comments
19	Social Work Centre Bank Account Reconciliations Corporate Appointee Client Fund Management Judith Proctor, Chief Officer	High	Rec. 1a – Health and Social Care	<p>Given the considerable business support and social worker resources implications, the above recommendations will take time to design, implement and maintain.</p> <p>Business Support is resolving problem appointee arrangements as we go along, however, the backlog of reviews will need a programme management approach to rectify errors and support the governance required. In the meantime, associated risks will be added to the Partnership’s risk register to monitor controls and progress on a monthly basis, given its high finding rating.</p> <p>Following the Care Home Assurance Review, the Partnership is developing a self-assurance control framework. Locality Managers have agreed for corporate appointee arrangements to be included in the assurance framework – which if found to be successful and useful, can be mirrored by the other applicable services in this report. Business Support is working on new guidelines for the administration of Corporate Appointeeship (e.g. new procedures, monthly checklists, etc.), which will support the effective delivery of the framework.</p>	Estimated Date: 31/05/2018 Revised Date: 31/03/2020	Same as above



## Appendix 2 - Edinburgh Integration Joint Board – October Update

### Overdue IA Items (IJB only) as of 28 October 2019

IJB Management Information - 2017						
Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Comments
Page 278	IJB Management Information (Historic)	High	Rec 1a	We now monitor and have data against the 23 core indicators. However, the 2016/17 data will not be available by July 2017. This is a national issue and Scottish Government is aware of it.	Estimated Date: 28/02/2017	New Performance & Delivery Group is operational  Minutes of meeting required to close down item
	Performance Management Framework in Development		Pending	A Performance Board is being established as part of the overall governance framework for the Health and Social Care Partnership which will work closely with the IJB Performance and Quality Group. The main role of the Performance Board will be to agree the core set of performance indicators and monitor	Revised Date: 31/12/2019	
2	IJB Management Information (Historic)	High	Rec 1c	A governance framework has been developed and documented setting out the roles, remits and membership of the various committees and groups and the relationship between them.	Estimated Date: 28/02/2017	<b>Status:</b> Ongoing  Governance Framework is being finalised by the Interim Head of Strategic Planning following the Good Governance Institute Report (IJB December 2018) through the transformation programme.
	Performance Management Framework in Development		Pending		Revised Date: 31/12/2019	

3	<p>IJB Management Information (Historic)</p> <p>Performance information does not meet the needs of users</p> <p>Judith Proctor, Chief Officer</p>	Medium	<p>Rec 2 - Escalation Process</p> <p>Pending</p>	<p>The existing Performance Improvement Meeting (PIM) will be replaced by a Performance Board, membership of which will include all members of the IJB Executive Team.</p>	<p>Estimated Date: 28/02/2017</p> <p>Revised Date: 20/12/2019</p>	<p><b>Status:</b> Ongoing</p> <p>At the Assurance Oversight Group of 16/04 it was agreed that the agreed management actions would be revised to align itself with the Good Governance Institute's Review which provided recommendations to address performance management reporting arrangements.</p>
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## IJB Data Integration & Sharing - 2017

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Comments
4	<p style="text-align: center;">IJB Data Integration &amp; Sharing</p> <p style="text-align: center;">Hardware compatibility and connectivity in NHS and CEC locations</p> <p style="text-align: center;">Judith Proctor, Chief Officer</p>	Medium	<p style="text-align: center;">Connectivity and Hardware Compatibility</p> <p style="text-align: center;">Pending</p>	<p>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.</p> <p style="text-align: center;"><i>*New management action to follow*</i></p>	<p style="text-align: center;">Estimated Date: 31/01/2018</p> <p style="text-align: center;">Revised Date: 31/12/2019</p>	<p>An IJB Data Integration &amp; Sharing workshop was held on 8 May 2019. Follow up session required. New Management Actions to follow.</p>
5	<p style="text-align: center;">IJB Data Integration &amp; Sharing</p> <p style="text-align: center;">Lack of available training, policies and guidance</p> <p style="text-align: center;">Judith Proctor, Chief Officer</p>	Medium	<p style="text-align: center;">Compliance with training plan</p> <p style="text-align: center;">Pending</p>	<p>A training plan will be developed to ensure all existing staff who need to access systems belonging to both the Council and NHS Lothian receive the appropriate training to enable them to use the system appropriately with due regard to data protection. Training on all systems to be used by a postholder will become part of the mandatory training for new appointments. Compliance with this arrangement will be overseen by the nominated officer with responsibility for ICT and Information Governance.</p> <p style="text-align: center;"><i>*New management action to follow*</i></p>	<p style="text-align: center;">Estimated Date: 31/03/2018</p> <p style="text-align: center;">Revised Date: 31/12/2019</p>	<p>An IJB Data Integration &amp; Sharing workshop was held on 8 May 2019. Follow up session required. New Management Actions to follow.</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Comments
6	IJB Data Integration & Sharing  Lack of available training, policies and guidance  Judith Proctor, Chief Officer	Medium	Data Protection  Pending	The nominated officer with responsibility for ICT and Information Governance will work with relevant colleagues in the Council and NHS Lothian to develop an integrated approach to data protection training taking account of the role and responsibilities of the IJB.  <i>*New management action to follow*</i>	Estimated Date: 31/12/2017  Revised Date: 31/12/2019	An IJB Data Integration & Sharing workshop was held on 8 May 2019. Follow up session required. New Management Actions to follow.
Page 281 7	IJB Data Integration & Sharing  Prioritisation Process  Judith Proctor, Chief Officer	High	Prioritisation Process  Pending	Prioritisation of requirements to be agreed through the EHSCP ICT and Information Governance Steering Group.  <i>*New management action to follow*</i>	Estimated Date: 30/09/2019  Revised Date: 31/12/2019	An IJB Data Integration & Sharing workshop was held on 8 May 2019. Follow up session required. New Management Actions to follow.
8	IJB Data Integration & Sharing  Prioritisation Process  Judith Proctor, Chief Officer	High	Communication  Pending	Vision and goals in respect of ICT to be conveyed through the development and publication of an ICT Strategy for the EHSCP.  <i>*New management action to follow*</i>	Estimated Date: 31/10/2017  Revised Date: 31/12/2019	An IJB Data Integration & Sharing workshop was held on 8 May 2019. Follow up session required. New Management Actions to follow.

9	<p>IJB Data Integration &amp; Sharing</p> <p>Prioritisation Process</p> <p>Judith Proctor, Chief Officer</p>	High	<p>Roadmap</p> <p>Pending</p>	<p>Contingency plans will be developed, discussed with existing suppliers, and approved by the Core Group.</p> <p><i>*New management action to follow*</i></p>	<p>Estimated Date: 30/09/2019</p> <p>Revised Date: 31/12/2019</p>	<p>An IJB Data Integration &amp; Sharing workshop was held on 8 May 2019. Follow up session required. New Management Actions to follow.</p>
10	<p>IJB Data Integration &amp; Sharing</p> <p>Robustness of access management &amp; data protection processes</p> <p>Judith Proctor, Chief Officer</p>	High	<p>Access Management</p> <p>Pending</p>	<p>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.</p> <p><i>*New management action to follow*</i></p>	<p>Estimated Date: 30/09/2019</p> <p>Revised Date: 31/12/2019</p>	<p>An IJB Data Integration &amp; Sharing workshop was held on 8 May 2019. Follow up session required. New Management Actions to follow.</p>

## IJB Purchasing Budget Management - 2018

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Comments
11	Purchasing Budget Management Issue 2 Financial Control Judith Proctor, Chief Officer	High	Issue 2.2d Delegated authority to wider Partnership	The above will be replicated for the wider Partnership with a view of including any process which impacts on the purchasing budget.	Estimated date: 31/10/2019	Delegated authorities list is manually reviewed on a regular basis, however, there is discussion to have this practice embedded with the Contract Manager's new process and procedure.
12	Purchasing Budget Management Issue 2 Financial Control Judith Proctor, Chief Officer	High	EIJB1701 - Issue 2.2e Review of Delegated Authorities	The Partnership's Operations Manager will be responsible for reviewing and refreshing delegated authorities every three months. A quality control framework for sample-based checking that is aligned with the delegated authority process to be applied and implemented.	Estimated date: 31/10/2019	Delegated authorities list is manually reviewed on a regular basis, however, there is discussion to have this practice embedded with the Contract Manager's new process and procedure.
13	Purchasing Budget Management Issue 2 Financial Control Judith Proctor, Chief Officer	High	EIJB1701 - Issue 2.3b Strategic approach to charging for services	The Partnership's strategic approach to charging for services is currently being reviewed and the output of this work will be presented to the appropriate Council committees in the first quarter of 2019.	Estimated Date: 31/05/2019  Revised Date: 31/12/2020	This has been overtaken by the Council's review of charging being undertaken as part of the 2020-2021 budget process. Once this has concluded the Partnership will develop a relevant policy
14	Purchasing Budget Management Issue 2 Financial Control Judith Proctor, Chief Officer	High	EIJB1701 - Issue 2.3c Operational plan for charging for services	Once the strategy is agreed, an operational plan will be developed to detail how the strategy will be implemented.	Estimated Date:  31/10/2019	Revised date needs to be in alignment with 2.3b

15	Purchasing Budget Management Issue 2 Financial Control Judith Proctor, Chief Officer	High	EIJB1701 - Issue 2.4a Communication of reduction in services	HSC to lead on process development for ensuring Business Support and Social Care Finance teams are effectively updated (potential link to SWIFT upgrade).	Estimated Date: 30/08/2019 Revised Date: 29/05/2020	New process agreed, but slight delay to implementation as we are negotiating terms of new care at home contract which will then be mirrored in our new spot contracts. SMU to be the central point that spot contracts are issued and therefore new controls will be in place as only agreed rates can be selected. New process to be in place by Nov.
16	Purchasing Budget Management Issue 2 Financial Control Judith Proctor, Chief Officer	High	EIJB1701 - Issue 2.5a Agreed provided rates built into Swift	Agreed provider rates have been automatically built into Swift however system based approval process is still to be developed. It is expected this will be rolled out by end of March 2020.	Estimated Date: 28/06/2019 Revised Date: 30/05/2020	New process agreed, but slight delay to implementation as we are negotiating terms of new care at home contract which will then be mirrored in our new spot contracts. SMU to be the central point that spot contracts are issued and therefore new controls will be in place as only agreed rates can be selected. New process to be in place by Nov.
17	Purchasing Budget Management Issue 2 Financial Control Judith Proctor, Chief Officer	High	EIJB1701 - Issue 2.6a Prohibit Swift care cost override	Swift will be amended to prohibit any care costs override. This will be part of development of Swift's Budget Management model with is due to be rolled out by the end of March 2020.	Estimated Date 28/02/2019 Revised Date 30/05/2020	Swift upgrade was delayed by 5 months. System based approval will be included as part of the Swift 'Budget Management Module' which is underdevelopment and expected to be rolled out by the end of the financial year. Date revised to 30 May 2020 to provide sufficient time for roll-out and implementation to be evidenced.
18	Purchasing Budget Management Issue 2 Financial Control Judith Proctor, Chief Officer	High	EIJB1701 - Issue 2.9a Escalation process for non-aligned rates	The Contracts Manager will lead on the review and refresh of current process and/or guidance. The final process/guidance will be available by the end of March and will be verified by IA by the end of June 2019.	Estimated Date: 28/06/2019 Revised Date: 31/01/2020	As per above – new process by Nov. January revised date to allow IA validation time



19	Purchasing Budget Management Issue 2 Financial Control Judith Proctor, Chief Officer	High	EIJB1701 - Issue 2.9b Communication of escalation guidance	Business Support will work with the contracts team to embed the process in conjunction with the Partnership's Contract Team. Communication to all relevant users to reinforce the process will then be sent to relevant staff.	Estimated Date 31/10/2019 Revised Date 29/05/2020	Additional time to allow Business support to embed new process.
20	Purchasing Budget Management Issue 3 Operational Structure Processes Judith Proctor, Chief Officer	High	EIJB1701 - Issue 3.2 Recording client reviews in Swift	A new, redesigned process for the recording of client reviews in Swift will be developed and rolled out as part of the remit of the Systems and Process Management Group.	Estimated Date 30/09/2019 Revised Date: To follow	Workshop required  Revised date to follow
Page 21 285	Purchasing Budget Management Issue 4 Supplier & Contract Manager Judith Proctor, Chief Officer	High	EIJB1701 - Issue 4.1 Agreed authorities across the Partnership	Authorities for issuing contracts should be agreed across the Partnership and the register of proper officers updated to reflect the outcomes of this review.	Estimated Date 31/10/2019 Revised Date 31/01/2020	SMU to issue spots, when new provider's process is ready to launch (Nov).
22	Purchasing Budget Management Issue 4 Supplier & Contract Manager Judith Proctor, Chief Officer	High	EIJB1701 - Issue 4.2 Communication of revised authorities	Revised authorities for contract approval will be communicated and implemented across the Partnership	Estimated Date 31/10/2019 Revised Date 31/01/2020	This will be done as soon as process is ready to launch in Nov.
23	Purchasing Budget Management Issue 4 Supplier & Contract Manager Judith Proctor, Chief Officer	High	EIJB1701 - Issue 4.3 Former employee signatures	CT/SWIFT Development Team will find a solution to stop the use of electronic signature of former employees by June 2018 with verification by IA by February 2019.	Estimated Date: 29/03/2019	Previously implemented – IA have requested additional evidence to close.  Original Issues caused by technical fault design in SWIFT

24	Purchasing Budget Management Issue 4 Supplier & Contract Manager Judith Proctor, Chief Officer		EIJB1701 - Issue 4.4 Ongoing revision of delegated authorities	A Delegated Authority Process will be created and implemented. It will ensure that contract delegated authorities are regularly revised to reflect all new starts and leavers. The process will include a quality control framework for sample-based checking to ensure that process to correctly be applied and implemented.	Estimated Date 31/10/2019	Included in new process (nov) Proposed Revised date 31 Jan 2020
25	Purchasing Budget Management Issue 4 Supplier & Contract Manager Judith Proctor, Chief Officer		EIJB1701 - Issue 4.5 Establish a formal owner of contract authorities	A Delegated Authority Process will be created and implemented. It will ensure that contract delegated authorities are regularly revised to reflect all new starts and leavers. The process will include a quality control framework for sample-based checking to ensure that process to correctly be applied and implemented.	Estimated Date 31/10/2019	Included in new process (Nov) Proposed Revised date 31 Jan 2020
26	Purchasing Budget Management Issue 4 Supplier & Contract Manager Judith Proctor, Chief Officer	High	EIJB1701 – Issue 4.6a Support of Partnership Contracts Team (short term) Started	The new contracts manager, who will be in post in January 2019, will review the existing processes and procedures and come up with a revised plan by March 2019. The new model will be based on best practice and implemented	Estimated date: 29/03/2019 Revised Date: 31/10/2019	Included in new process (Nov) Proposed Revised date 31 Jan 2020

27	<p>Purchasing Budget Management</p> <p>Issue 4 Supplier &amp; Contract Manager</p> <p>Judith Proctor, Chief Officer</p>	High	<p>EIJB1701 - Issue 4.6b Support of Partnership contracts team (long term)</p>	<p>In the longer term, a more fundamental redesign of the Partnership's operating model is planned, which is likely to result in further review and redesign of end to end processes.</p>	<p>Estimated Date 31/10/2019</p>	<p>Included in new process (Nov)</p> <p>Proposed Revised date 31 Jan 2020</p>
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# Governance, Risk and Best Value Committee

10am, Tuesday, 3 December 2019

## Change Portfolio

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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- 1.1 To note the status of the Council's Portfolio of significant projects.

**Andrew Kerr**

Chief Executive

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## Change Portfolio

### 2. Executive Summary

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- 2.1 This report forms part of the regular six-monthly report to Governance, Risk and Best Value Committee to give members an oversight of delivery and risk of the Council's Portfolio of change.
- 2.2 Appendix 1 contains:
  - 2.2.1 the dashboard with the status of projects within the portfolio as at the end of October;
  - 2.2.2 those projects which are currently assessed as red and their supporting narrative and remedial action; and
  - 2.2.3 details of how projects included within the portfolio are aligned with Committees for the purpose of decision making and scrutiny.

### 3. Background

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- 3.1 Since our last report in June 2019 the Change Board has continued to meet monthly to monitor the overall shape and size of the portfolio; manage resource allocation; track project delivery and ensure that benefits are delivered.

### 4. Main report

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- 4.1 The Delivery Unit lead this work and are embedding a portfolio approach to delivery across the Council. This encompasses ensuring projects are set up for success through a "Gated" process at key stages of the project lifecycle. This starts with business case development at initiation and planning stages which reviews available options and agrees project benefits up front.
- 4.2 Project management best practice documentation consistently highlights the importance of key tasks noted below in the initiation and planning stages to ensure successful project delivery.
  - 4.2.1.1 Understanding and reviewing the various options
  - 4.2.1.2 Understanding complexities, risks and opportunities

4.2.1.3 clearly defining benefits upfront

4.2.1.4 and identifying the appropriate resource

- 4.3 This business case process is embedding well and there is a steady stream of business cases coming to Change Board for approval. This includes all key change strategy budget proposals being underpinned by business cases.
- 4.4 In addition, there is now a solid track record in producing close reports to confirm how the objectives outlined as part of the business case have been delivered. The close report also includes any lessons learned that can be applied to future projects.
- 4.5 The Change Board actively reviews the status of projects and considers supportive actions where appropriate. The change strategy and change portfolio actively work together to ensure ongoing alignment.
- 4.6 There are currently 53 projects included within the portfolio, this is inclusive of 7 projects joining and 3 projects leaving the Portfolio.
- 4.7 The monthly dashboard in Appendix 1 sets out the status of the portfolio as at the end of October.

## **5. Next Steps**

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- 5.1 Change Board continues to monitor the portfolio of projects monthly. Work will continue to consolidate and embed the Portfolio governance framework. The change strategy is actively considering change proposal options which are supported by initial business case documentation. In due course delivery of key proposals will be tracked by the change portfolio.

## **6. Financial impact**

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- 6.1 The financial impacts of significant change will also be reported through the revenue and capital monitoring process. The purpose of the pack is to give a holistic overview of all the change activity in the council, so we can direct finances accordingly.

## **7. Stakeholder/Community Impact**

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- 7.1 Consultation and engagement is carried out within individual projects and is addressed in separate reports to Council or committee.

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

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- 8.1 [Change Portfolio June 2019](#)

**9. Appendices**

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Appendix 1 Portfolio Dashboard as at the end of October.



# Portfolio Update: Dashboard – October 2019

Place 22			Communities & Families 15			Resources 10			Councilwide 4			Strategy & Communication 4		
	Sep/Oct	Theme		Sep/Oct	Theme		Sep/Oct	Theme		Sep/Oct	Theme		Sep/Oct	Theme
Building Standards	Yellow	TRM	Boroughmuir High School	Blue	CC	Service Design	Red	TRM	Your Total Reward	Yellow	TRM	Business Intelligence	Green	TRM
Roads improvement plan	Green	TRM	Craigmillar High School	Green	CC	Web/Customer Digital Enablement	Yellow	TRM	Efficiencies Programme	Yellow	ES	Intranet	Yellow	TRM
Communal Bin Review	Yellow	TRM	New St Johns PS	Yellow	CC	Customer Digital Multi-Channel	Yellow	TRM				SE Scot City Regional Deal	Green	CC
Depots and Yards	Yellow	TRM	Early Year Programme	Yellow	CC	ERP	Red	TRM						
Zero Waste	Blue	TRM	New Queensferry HS	Green	CC	Enterprise Content Mgmt	Red	TRM						
Housing Service Improvement Project	Green	TRM	New St Crispins SS	Green	CC	Gandlake	Red	TRM						
City Centre Transformation	NEW	TRM	New South Edinburgh PS	Yellow	CC	Paperless Strategy	Yellow	TRM						
			New Broomhills PS	Yellow	CC				Asset Condition	Green	MAN			
National Housing Trust	Yellow	CC	New Victoria PS	Yellow	CC				Estate Rationalisation	Red	ES			
10,000 Homes	Yellow	CC	Replacement Currie HS	Green	CC				FM Transformation	Red	ES			
St James GAM	Yellow	CC	Bangholm Sports Centre	Green	CC									
Street Lighting (EESLP)	Yellow	CC	Rising School Rolls	Green	MAN									
Meadowbank Redevelopment	Yellow	CC	LAAC & Merged File Review	Yellow	MAN									
Tram Extension	Green	CC												
Fountainbridge	Yellow	CC	Edinburgh Leisure	Red	ES									
Granton Waterfront	Yellow	CC	Travel Demand Mgmt	Yellow	ES									
Local Development Plan 2	Yellow	MAN												
West Princes St Gardens	Yellow	MAN												
North Bridge Refurbishment	Yellow	MAN												
Localities Phase 2	NEW	MAN												
Culture Service Review	Yellow	ES												
Fleet Services	Yellow	ES												
Income Maximisation	Yellow	ES												

TRM – Transformation/Change  
ES – Efficiencies Savings  
MAN- Mandatory/Risk  
CC – Council Commitments

# Portfolio Update: GRBV 6 month Report

# 53

Projects

# £233m

Investment 19/20

## PROJECTS REPORTING RED

Facilities Management Transformation

Estate Rationalisation

Service Design

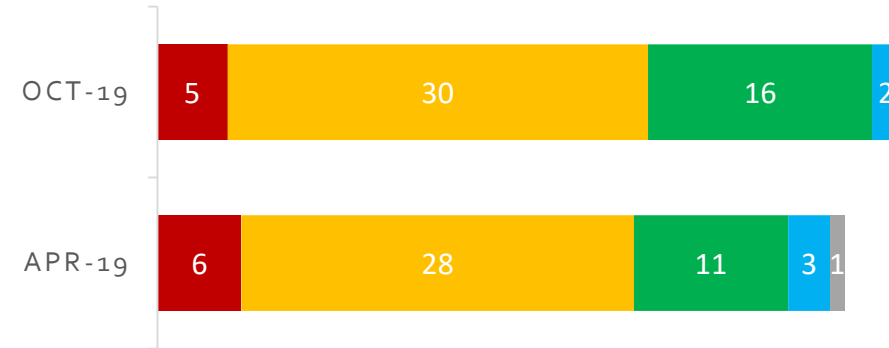
Edinburgh Leisure: Sports Facilities in Schools

ERP

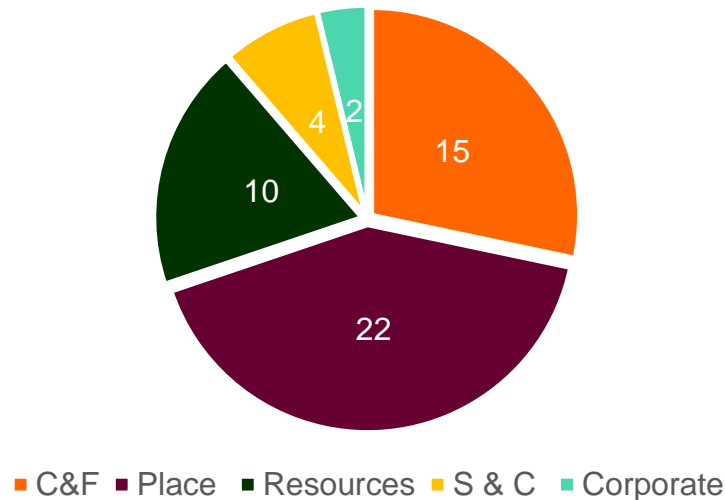
## PROJECTS BY PHASE



## PROJECT RAG STATUS



## PROJECTS BY DIRECTORATE



## PROJECTS JOINING THE PORTFOLIO

City Centre Transformation	Sep 19
Localities Phase 2	Sep 19
Housing Service Improvement Project	Aug 19
Granton Waterfront	Sep 19
Replacement Currie High School	Sep 19
Bangholm Sport Centre	Sep 19
Web/Customer Digital Enablement	Oct 19

## PROJECTS LEAVING THE PORTFOLIO

Investments	May 19
Voice Call Centre	Sep 19
SWIFT Replacement	Oct 19

# RAG status guidelines: the following RAG guidance is provided to project SROs

Page 295

RED	Amber	Green	Blue
<ul style="list-style-type: none"> <li>- The project requires immediate remedial action to achieve objectives</li> <li>- The timeline/cost/objectives are at risk</li> <li>- Significant obstacles or issues prevent the work team and consequently the programme from meeting plans</li> <li>- Even with corrective action, expected action may be insufficient to ensure outcomes/ benefits are met</li> <li>- 2 or more projects / workstreams are RED</li> <li>- 2 or more risks or issues are red</li> </ul>	<ul style="list-style-type: none"> <li>- The project has a problem but action is being taken to resolve this , or</li> <li>- The project has a potential problem that has been identified and no action may be taken at this time but it is being carefully monitored</li> <li>- Some obstacles or issues put the work team at risk of meeting plans</li> <li>- Outcomes/ benefits likely to be achieved but action must be taken quickly</li> <li>- 1 - 3 projects / workstreams are AMBER</li> <li>- 0 to 2 projects / workstreams are AMBER</li> <li>- 2 or more risks or issues are RED</li> </ul>	<ul style="list-style-type: none"> <li>- The project is on target to succeed.</li> <li>- Face only minor obstacles, if any</li> <li>- High confidence in ability to implement plans</li> <li>- No issues are threatening the outcomes or benefits</li> <li>- 0 to 1 projects / workstreams are AMBER</li> <li>- No projects / workstreams are RED</li> <li>- No risks or issues are RED</li> </ul>	<p>Project delivered, but needs to complete a formal close report to remove from the Portfolio</p>

# Portfolio Update: The following projects have reported RED 1/2

Project	Date First reported red	SRO	Description	Mitigating Actions
Facilities Management Transformation	July 18	Peter Watton	The Facilities Management (FM) Transformation element of the overarching 2015 Asset Management Strategy Programme has proven more challenging to implement than was originally envisaged. However, with the Councils' operational estate increasing in size due to new schools, the FM team is facing cost pressures with more floorspace to support, rather than a reduced estate costing less to manage.	The 2015 Asset Management Strategy, which was based upon a series of assumptions relating to asset disposals, reducing the service and costs of facilities management and generating greater income from the commercial property portfolio is being fundamentally reviewed. Officers are developing plans for consideration for a revised approach to create a 21 <sup>st</sup> Century Estate Programme as part of the ongoing Change Strategy and will be brought forward as part of the budget process for 2020/21.  This revised approach will develop a long term programme that seeks to improve access to services, reduce the Council's carbon footprint by learning from the recent service design experience and supporting further collaboration across the public sector that will design our buildings around service delivery.
Estate Rationalisation	February 18	Peter Watton	The Estate Rationalisation element of the overarching 2015 Asset Management Strategy Programme has been unable to release the assumed financial savings originally forecast, because the scale of disposal of Council operational properties has not been able to be achieved.	
Service Design	April 19 New Project	Peter Watton	The Service Design Programme is predicated on the application of the Scottish Government's approach to Service Design. This involves extensive community engagement and involvement in exploring the needs of citizens and re-provisioning the delivery of these using a different asset base for the future. This not only creates the opportunity to improve outcomes and access to services, but has the potential to support the rationalisation of the existing operational estate for the Council. 4 pilot areas across the City are being progressed as a Service Design approach. This is a long-term change programme which supports a community empowerment approach.	
Enterprise Resource Planning (ERP)	June 19	Stephen Moir	The ERP Programme, which is focussed upon the upgrading and improved interfacing of legacy systems and their core functionality, has reached a critical delivery point. The HR/Payroll system (MHR) is in the process of being upgraded. The Oracle Financials upgrade contract award is being finalised progressed. In addition, Oracle has been confirmed as the Debt Management replacement system subject to the necessary contract addendum.	

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# Portfolio Update: The following projects have reported RED 2/2

Project	Date first report red	SRO	Description	Mitigating Actions
Edinburgh Leisure Sports Facilities in Schools  Page 297	October 18	Andy Gray	Red status reflects the financial pressures emerging from this project	<p>The transfer of secondary school sport facilities to Edinburgh Leisure project is continuing to progress and develop options to mitigate the £1m budget pressure previously reported. The changes implemented during 2018/19 have delivered approximately £0.2m of additional income and cost reductions, reducing the pressure to £0.8m, and the full year benefit of this will reduce the pressure further in 2019/20.</p> <p>Further diligence is being carried out on the expansion of Edinburgh Leisure's role in managing community access to the school estate with a view to delivering further efficiencies. This includes non-sport lets at secondary schools and primary school lets.</p> <p>The transfer of WHEC and Leith Academy to Edinburgh Leisure has is progress, after TUPE transfer challenges from Edinburgh Leisure which have been addressed. Officers from the Council and Edinburgh Leisure are working to finalise and complete the transfer, aiming for completion by 1<sup>st</sup> April 2020. We will be working with Edinburgh Leisure to identify opportunities at both schools for efficiencies and additional income.</p>

# Parent Committees

## Place Directorate

Project/Programme	Committee	Date
Communal Waste Re-Design	Transport & Environment	5 Dec 19
Building Standards Improvement Plan	Planning	11 Dec 19
Roads Improvement Plan	Transport & Environment	11 Oct 19
National Housing Trust	Finance & Resource	Oct 18
20,000 Homes	Council	12 Dec 19
Zero Waste	Transport & Environment	
Fleet Services	Finance & Resources	10 Oct 19
West Princes St Gardens	Culture & Communities	4 Oct 18
Edinburgh St James	Transport & Environment	May 19
North Bridge	Transport & Environment. Finance & Resources:	27 Mar 18
Energy Efficient Street Lighting	Full Council	1 Feb 18
Tram Extension	Finance & Resources	10 Oct 19
Meadowbank Redevelopment	Finance & Resources	11 Oct 18
Fountainbridge	Finance & Resources	7 Mar 19
Local Development Plan 2	Planning	11 Dec 19
Culture Service Review	Culture and Communities	12 Nov 19
Depots Strategy	Finance & Resources	4 Dec 18
Housing Improvement Plan	Housing, Homelessness and Fair work	31 Oct 19
Income Maximisation	Finance & Resources	N/A
City Centre Transformation	Transport & Environment	12 Sept 19
Granton Waterfront	Finance & Resources	6 Dec 19
Localities Phase 2		

## Communities and Families Directorate

Project/Programme	Committee	Date
Edinburgh Leisure – Sports Facilities in schools	Education, Children and Families	16 Aug 19
Travel Demand Management	Education, Children and Families	May 2019
New Boroughmuir HS	Education, Children and Families	10 Oct 19
New St Johns	Education, Children and Families	10 Oct 19
Early Year Programme	Education, Children and Families	8 Oct 19
Rising School Rolls	Education, Children and Families	10 Oct 19
New Queensferry HS	Education, Children and Families	March 2018
New St Crispins SS	Education, Children and Families	April 2019
Edinburgh Canaan PS	Education, Children and Families	Feb 2018
New Broomhills PS	Education, Children and Families	Feb 2018
New Victoria PS	Education, Children and Families	Feb 2018
New Craigmillar HS	Education, Children and Families	Oct 2018
Currie HS	Education, Children and Families	Oct 2018
Bangholm Sports Facilities	Education, Children and Families	Oct 2018
LAAC & Merged File Review	GRBV	3 Dec 2019

## Resources Directorate

Project/Programme	Committee	Date
Customer / Digital/ MultiChannel	GRBV Quarterly	29 Oct 19
Web/ Customer/ Digital Enablement	GRBV Quarterly	29 Oct 19
Paperless Strategy	GRBV Quarterly	29 Oct 19
Asset Condition	Finance and Resources	15 Aug 19
Estate Rationalisation	Finance and Resources	15 Aug 19
Facilities Management Transformation	Finance and Resources	15 Aug 19
Service Design	Finance and Resources	15 Aug 19
Enterprise Content Mgt	GRBV Quarterly	29 Oct 19
Gandlake	GRBV Quarterly	29 Oct 19
ERP	GRBV Quarterly	29 Oct 19

## Strategy and Communications Division

Project/Programme	Committee	Date
Committee Management System	Not reporting	
Business Intelligence	GRBV	29 Oct 19
Intranet	GRBV Quarterly	29 Oct 19
Edinburgh & SE Scotland City Regional Deal	Council	24 Oct 19

## Councilwide

Project/Programme	Committee	Date
Efficiencies Programme	Finance and Resources	23 May 19
Workforce Modernisation	Finance and Resources	23 May 19

# Prioritisation Framework: this matrix acts as a guide as to whether a project should report to the Change portfolio

	Low - 1	Medium - 2	High - 3
Strategic	Does not align to the Council's Strategy Framework	Supports/ enables Council Strategy Framework Business Plan/ Coalition Pledges, City Vision/ City Deal	Integral component Council Strategy Framework Business Plan/ Coalition Pledges, City Vision/ City Deal
Financial	Financial impact revenue/ capital <£1m	Financial impact revenue/ capital £1-5m	Financial impact revenue/ capital £5m + Generates significant savings/income
Risk	Low probability of the risk materialising which has an impact on the Council's Objectives	Possible that the risk may materialise which has at least a significant impact on the Council's objectives	Greater than 50% that the risk will materialise with at least a significant impact to the Council's objectives
Transformational	Incremental change to the current service offering	Provides opportunity for a changed service offering such as deploying new software, however the changes does not fundamentally alter the service offering	Provides opportunities to deliver at least one service in a new or significantly different manner
Community / Environmental Impact	Moderate impact on one locality	Moderate impact on multiple Localities or significant impact in at least one locality	Major impact on Multiple Localities or significant impact in at least one locality forming part of a locality improvement plan
Political	Negligible/ Minor political implications	Project will require ongoing Committee Scrutiny	Highly sensitive, likely to be subject to Committee debate and scrutiny. Potential for Trade Union interest / Service reductions
Staff Impact/Culture	Negligible/ Minor staff implications	Major staff implications in at least one Service Area	Highly sensitive, likely to be subject to Committee debate and scrutiny. Potential for Trade Union interest / Service reductions
Legislative	Marginal change to existing regulatory/ legislative framework	New Mandatory Regulatory/ Compliance Project which has an incremental change. Unlikely to carry reputational impact	New Mandatory Regulatory/ Compliance Project with potential of reputational impact

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# Governance, Risk and Best Value Committee

10:00am, Tuesday, 3 December 2019

## Corporate Leadership Team Risk Register

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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- 1.1 Members of the Governance, Risk and Best Value Committee are asked to:
  - 1.1.1 review and scrutinise the CLT Risk Register and be assured by the risk management framework, controls and mitigations in operation; and
  - 1.1.2 request, where appropriate, further updates from relevant officers in relation to any of the risks, controls or actions described.

**Andrew Kerr**

Chief Executive

Contact: Nick Smith, Head of Legal and Risk,

Legal and Risk Division, Resources Directorate

E-mail: [nick.smith@edinburgh.gov.uk](mailto:nick.smith@edinburgh.gov.uk) Tel: 0131 469 3193

## Corporate Leadership Team Risk Register

### 2. Executive Summary

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- 2.1 The Council's risk management framework seeks to ensure that risks to, and within, the Council are effectively managed, reviewed and updated through quarterly Risk and Assurance Committees held at both Directorate and Corporate Leadership Team (CLT) levels.
- 2.2 The information presented in this report reflects CLT's view of the Council's top risks and the key controls in place to mitigate them as at 6 November 2019. These risks and the associated controls have been scrutinised and challenged by the CLT and are presented to the GRBV Committee for oversight and review.

### 3. Background

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- 3.1 The Governance, Risk and Best Value (GRBV) Committee is responsible for monitoring the effectiveness of the Council's risk management arrangements.
- 3.2 The Council has an Enterprise Risk Management Policy and associated operational procedures in place that describe why, when and how risk management should take place.
- 3.3 The purpose of this report is to provide an update to the Committee on the key risks currently facing the Council and the work being undertaken to reduce the level of risk to, and within, the Council.
- 3.4 Risk can be defined as "*an uncertain event (or set of events) that, should it/they occur, will have an effect upon our objectives*". Risk, therefore, must involve some degree of uncertainty. Reporting on aspects of the Council's performance, or on issues which are currently occurring, are therefore, by definition, outside the scope of this report.
- 3.5 Some risk and associated mitigation measures lie outside the control of the Council. The Council's risk management framework seeks to reduce the Council's exposure to risk where practicable and proportionate, recognising that some mitigation measures may be the responsibility of third parties.

- 3.6 The CLT Risk Update was last presented to the GRBV Committee on 13<sup>th</sup> August 2019.

## 4. Main report

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- 4.1 The information in this report and presented in the appendix reflects the Council's top risks and the key controls in place to mitigate them, as at 6<sup>th</sup> November 2019.
- 4.2 During the last quarter, risks including new and emerging threats and uncertainties have been reviewed at Risk Management Groups, Service Management Teams and Risk and Assurance Committees within each Directorate. The top risks have been escalated to the CLT Risk and Assurance Committee for oversight and scrutiny, in accordance with the Council's risk management framework.

### Key points

- 4.3 As a result of positive progress in embedding improvements there has been a reduction in the Health and Social Care risk. Health and Safety issues raised by the Trades Unions (including to Council), and the need to ensure robust and sustained health and safety management across the Council is reflected in the revised scores. Another change to the CLT risk profile has been to reduce the current risk around medium term financial planning. Whilst the Council monitors this closely, and clearly the overall financial settlement to the Council is outwith the Council's control, prudent planning, based on a number of assumptions, is being carried out.
- 4.4 Significant uncertainty continues to remain around Brexit, with discussion around national, political and economic impacts evolving on a daily basis. Directorates and Divisions continue to appraise the risks to their own areas whilst CLT is actively monitoring the risks across the Council from a corporate perspective. The Council's cross-party Brexit Working Group continues to meet to consider impacts to the Council and the City. Alongside the separate risks, as reported last quarter there remains an overarching risk that the impact of Brexit upon the City is that Edinburgh may become less attractive to invest in which in turn would have a negative impact upon our economy.
- 4.5 The Elections risk has now been dropped from the CLT Risk Register as a General Election has now been called and planning delivery of this is well underway. Nevertheless, we recognise in the updated Brexit risk that alongside the uncertainties of Brexit an ongoing risk remains that electoral events may still arise at short notice.

## 5. Next Steps

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- 5.1 Continuous and consistent ongoing use of the Council's risk management framework aims to ensure that risks to, and within, the Council are effectively managed, reviewed and updated.

- 5.2 The Corporate Risk Team will continue to introduce improvements designed to improve elements of the risk management framework where appropriate.

## **6. Financial impact**

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- 6.1 Although each risk may have an associated financial impact, there is no direct financial impact arising specifically from this report.
- 6.2 Control measures to mitigate risk may have an associated cost which is to be funded from existing budgets in the first instance.

## **7. Stakeholder/Community Impact**

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- 7.1 Taking decisions while understanding all relevant risks helps to improve performance across the whole Council, helping ensure better outcomes for all our citizens and communities.
- 7.2 Considering and managing risks appropriately aims to ensure that resources are used effectively, while aiming to ensure the Council remains compliant with all applicable legislation.

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

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- 8.1 Corporate Leadership Team Risk Update: report to GRBV 13<sup>th</sup> August 2019
- 8.2 Enterprise Risk Management Policy
- 8.3 Council's Risk Appetite Statement



## **9. Appendices**

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Appendix 1 – CLT Top Risks with Key Controls and Further Actions as at 6 November 2019



# CLT Risk Register as at 6<sup>th</sup> November 2019

Top risks prioritised by current score <i>(denotes previous position in the register)</i>		Original risk		Key Controls	Current risk		Further Actions	Target risk		Change in current score
		I	L		I	L		I	L	
1 <i>(10)</i>	<p><b>Health and Safety</b></p> <p>As a result of potential gaps in training, management or understanding, deliberate or accidental actions, there is a risk of non-compliance with legislative requirements and/or the Council's health and safety policies or operational procedures. This could lead to an incident resulting in regulatory breaches, harm to staff, service users or members of the public, subsequent liability claims, fines and associated reputational damage.</p>	5	4	<p>Council Health and Safety Policy and Council Asbestos, Fire Safety and Water Safety Policies are available to all and set out roles and responsibilities.</p> <p>H&amp;S corporate training programme includes the Council's induction programmes for all staff and new leaders; guidance/advice available on the Council's intranet; and, for example, Asbestos awareness training.</p> <p>IOSH Leading Safely courses delivered to the Wider Leadership Team.</p> <p>Rolling H&amp;S audit programme identifies areas and actions for improvement.</p> <p>H&amp;S risks and issues reported to CLT on a weekly basis, H&amp;S is a standing CLT agenda item.</p> <p>H&amp;S performance is measured and reported to the CLT Risk and Assurance Committee quarterly, Council H&amp;S Group and Service-level H&amp;S Groups. Actions for improvement agreed as appropriate.</p>	4	4	<p>Progress implementation of Corporate Health and Safety Strategy 2018-2020</p> <p>Progress implementation of Directorate level Health and Safety Plans.</p> <p>Continue delivery of Health and Safety Audit Programme.</p> <p>Review all operational procedures to ensure all requirements are understood and adhered to.</p> <p>Review the level of resources and technical capabilities for the management of asbestos.</p> <p>Identify all assets that may contain asbestos in properties such as schools.</p> <p>Ensure investigations are carried out for all relevant incidents.</p>	4	1	↑
2 <i>(2)</i>	<p><b>Medium-term financial planning (to 2022)</b></p> <p>Due to reduced funding available for Local Government, increasing demand for health social care services, challenges in achieving planned revenue and/or capital savings, public perception of (and reaction to) proposed changes, competing priorities, the requirement to ring-fence particular budgets, unknown financial impacts of the Scottish Child Abuse Inquiry and potential legislative changes following Brexit, the Council could find it more difficult to successfully undertake medium-term financial planning. The effects of this could include additional unplanned in-year financial pressures, and failure to achieve the Council's medium-to-long term objectives across all areas of service delivery.</p>	4	5	<p>Engagement and lobbying with other local authorities through COSLA (Convention of Scottish Local Authorities) to Scottish Government and Ministers.</p> <p>Budget-setting protocol in place at IJB and HSCP level.</p> <p>Good financial control in accordance with legislation and the Council's Financial Regulations to deliver planned capital and revenue budgets.</p> <p>Controls in place to monitor budgets and identify overspends.</p>	4	3	<p>Continue to pursue opportunities to integrate risk analysis into budget planning.</p> <p>Achieve the outcomes and savings as detailed in the Council's Change Strategy.</p> <p>Ensure Council and EIJB budgets approved by start of financial year.</p> <p>Prioritise budgets in line with key council objectives.</p> <p>Address underlying service pressures-on a sustainable basis.</p>	3	2	↓

<p>3 (3)</p>	<p><b>Asset management (property assets)</b></p> <p>Due to the age, condition and size of the Council's operational estate, there is a risk that properties are not of a sufficiently safe and sustainable standard for their continued use, potentially resulting in structural failures and/or negative health and safety consequences for staff, service users or members of the public. Associated with this, the Asset Management Strategy requires that decisions are made to close and dispose of properties in a planned manner. The risk associated with the implementation of the strategy is that closure decisions may not be made in a timely manner, resulting in additional cost pressures for both the capital and revenue budgets and consequently demographic pressures cannot be responded to adequately by the property portfolio, particularly for education and health and social care services.</p>	5	5	<p>Asset Management Works programme with 5 year investment to achieve improved safety and sustainability for Council operational properties.</p> <p>Planned preventative maintenance (PPM) regimes</p> <p>Progress against Asset Management Strategy reported regularly to Finance and Resources Committee.</p> <p>H&amp;S inspections undertaken regularly.</p> <p>Cyclical condition surveys every 3-5 years.</p> <p>Statutory compliance testing in place</p> <p>Fire Safety, Asbestos and Water Safety Standing Groups chaired by Head of Property and Facilities Management meets regularly to discuss issues</p> <p>Asset Management Board (operational group) meetings monthly and is chaired by the Executive Director of Resources, with senior representation from all directorates.</p> <p>Service Design change programme underway.</p>	4	3	<p>Continued delivery of the 5 year Asset Management Works programme.</p> <p>Asset Management Strategy (2015-2019) to be developed into new Council Property Strategy detailing how Council's property will be managed, maintained and used to deliver savings. This new Council Property Strategy will be a subset of the overall Corporate Asset Strategy 2014-2019 (currently being refreshed).</p> <p>Procurement of major, estate wide, PPM contracts underway.</p> <p>Full deployment and implementation of CAFM (computer aided facility management) and opportunities to converge other asset management systems into CAFM, along with a business case for sufficient resource to exploit CAFM fully is being developed.</p> <p>Edinburgh Partnership Land Commission approach, led by the Chief Executive and supported by SfT to develop broader approach to public asset mapping and consolidation across the City.</p>	2	2	
<p>4 (4)</p>	<p><b>Programme and Project Delivery</b></p> <p>Due to availability of appropriately-skilled project and programme management resource, there is a risk that the Council is unable to ensure the effective management and successful delivery, on time and on budget, of its challenging and ambitious plan for major programmes and projects. This risk also outlines the need for the Council to prioritise and deploy project delivery resource effectively, according to business needs, ensuring that benefits are realised and learning is shared effectively across all delivery activity. The Council has a large number of projects and programmes in various stages of progress – these include the Granton waterfront development,</p>	5	5	<p>Oversight of major programmes and projects by the relevant Executive Committees and the Governance, Risk and Best Value Committee (every six months)</p> <p>CLT Change Board provides robust monthly portfolio management and oversight for all programmes and projects, including review of business cases and project closedown benefits realisation and evaluation reports.</p>	4	3	<p>All significant change programmes are required to have an approved business case detailing resources and skills required to deliver.</p> <p>Further Internal Audit of Portfolio Governance Framework planned for 2019/20.</p>	3	3	

	the housebuilding programme, IT Device Refresh programme, and trams to Newhaven.			Internal Audit recommendations relating to Change Management delivered, and project management training rolled out. Integrated impact assessments in place More funding has been agreed for major projects as well as additional project management resource appointed to develop and enable delivery of Change Strategy business cases.						
5 (7)	<p><b>Housebuilding programme</b></p> <p>Due to longer term funding uncertainties and constraints, capacity levels within the house-building industry, availability of suitable land and sites within Edinburgh and uncertainties around planning assumptions used in financial models (demographics, demand, economics) there is a risk to the successful delivery of the Council's housebuilding programme. This could result in knock-on impacts to the Council's income and reputation as well as the Council's ability to effectively tackle the homelessness and/or temporary accommodation situations.</p>	4	3	<p>Short, medium and long-term planning through the Housing Revenue Account (HRA) planning process involving input from appropriate functions including Finance, Legal and Risk</p> <p>Project and risk management in place across the programme. Reviewed and reported on by Change Board.</p>	4	3	Development of the new Local Development Plan ("City Plan 2030") in accordance with timetable outlined in the Development Plan Scheme. Adoption anticipated May 2021.	2	1	↑
6 (6)	<p><b>Response to a major incident</b></p> <p>A sudden high impact event causes harm to people and damages infrastructure, systems or buildings. This could be as a result of weather, electronic or physical attack or accident. Impacts could include buildings, staff and/or systems being non-operational for a time, resulting in a reduced ability to deliver services. Also part of this risk is that a failure to deliver an appropriate level of service in response to a sudden operational requirement may lead to harm to people and reputational damage to the Council.</p>	5	3	<p>Council Business Continuity and Emergency Plans in place.</p> <p>All Chief Officers have been briefed about the Council's Incident Management response arrangements and on-call responsibilities and an effective on-call rota system operates throughout the year.</p> <p>Information Technology Disaster Recovery (IT DR) arrangements in place with regular testing undertaken.</p> <p>Regular liaison and partnership working between the Council and other responder organisations at a local and national level including contingency planning for major events</p> <p>Externally contracted services include DR and business continuity provisions.</p> <p>Lessons learned from key events including winter weather.</p>	3	4	Consider opportunities to improve command, control and communication structures in relation to incident response both by the Council and in tandem with multi-agency partners.	3	2	↑



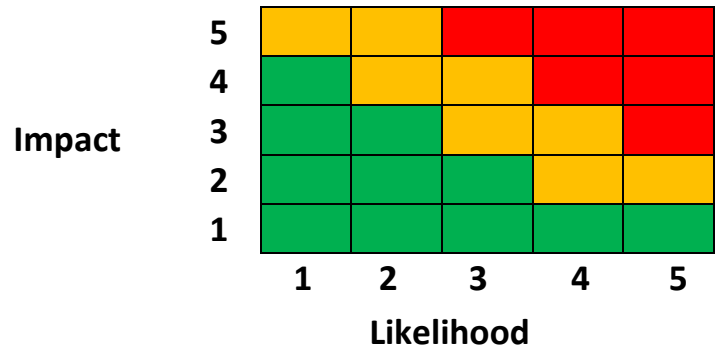
<p>7 (1)</p>	<p><b>Health and Social Care</b></p> <p>There is a risk that increased demand for services and demographic changes outside planned forecasts result in significant financial pressures which, when compounded by historic funding arrangements and traditional service models, could result in the Council failing to deliver its responsibilities under the Public Bodies (Joint Working) (Scotland) Act 2014 in relation to health and social care services delegated from the Integration Joint Board (IJB). Potential impacts could include harm to people, safeguarding breaches, inappropriate or insufficient care packages being offered and significant reputational damage to the Council with additional impact on funding of other Council budgets.</p>	<p>4</p>	<p>5</p>	<p>Regular scrutiny of health and social care performance by Governance, Risk and Best Value Committee (GRBV).</p> <p>Partnership working across NHS Lothian, the Council and the IJB ensures planning for demand and finance is taken into account.</p> <p>IJB Audit Programme in place takes a risk based approach.</p> <p>Head of Strategic Planning responsible for longer-term planning.</p> <p>Strategic Plan for 2019-2022 issued and implementation commenced.</p> <p>Budget setting protocol in place. Budget set for this year.</p>	<p>3</p>	<p>3</p>	<p>Work in progress to establish effective risk management and escalation processes within localities.</p> <p>Implement actions following the review of governance arrangements carried out with support from the Good Governance Institute.</p> <p>Enhanced financial controls to be developed and introduced.</p> <p>3 year transformation planning underway.</p> <p>We have an agreed transformation programme agreed with resources allocated for this by the IJB.</p>	<p>2</p>	<p>3</p>	
<p>8 (5)</p>	<p><b>Information and data</b></p> <p>There is a risk that if our cyber defences and information security processes are unable to defend the Council against emerging threats this will increase the probability of malicious or non-malicious action leading to loss of data, information and its confidentiality, integrity and availability as well as impacting upon our compliance with legal and regulatory obligations.</p>	<p>4</p>	<p>4</p>	<p>Cyber Information Security Steering Group (CISSG) chaired by the Executive Director of Resources to monitor delivery against the Scottish Government's Public Sector Action Plan on Cyber Resilience and reviews corporate cyber and information security risks.</p> <p>Cyber Essentials certification in place.</p> <p>Information Technology Disaster Recovery (IT DR) arrangements in place.</p> <p>Suite of information governance and security policies, procedures and e-learning in place, supported by Cybersecurity campaigns and refreshed ICT Acceptable Use Policy.</p> <p>IT Security Managed Service procured with requirements to adopt NCSC (National Cyber Security Centre) and ISO best practice approaches and improve security defences, monitoring and awareness of the security threat landscape.</p> <p>GDPR implementation tracked by the Information Governance Unit.</p>	<p>3</p>	<p>3</p>	<p>Work underway for the achievement of Cyber Essentials Plus certification.</p> <p>PSN Code of Connection accreditation submission for 2019 being finalised.</p> <p>Implement SharePoint technology to improve security and storage arrangements across the ICT estate.</p> <p>Complete device refresh programme across the Council's IT estate.</p> <p>Cybersecurity Manager takes up post end of November.</p>	<p>3</p>	<p>3</p>	



				Information sharing agreements in place with partner organisations. Laptop and media encryption. Password Guidance aligned to National Cyber Security Centre guidelines approved and being rolled out.						
9 (8)	<b>Brexit</b> Due to the political environment and uncertainties around Brexit and its outcomes, there are a number of risks to the Council, as well as to the City's economy, which could include supply chain disruption, price rises, workforce shortages and increased likelihood of electoral events and serious organised crime. Should they materialise these could result in unforeseen financial and service delivery pressures, increased pressure on social care services (due to adverse effects on citizens and resettlement of UK citizens) and in turn could impact upon the delivery of the housing investment programme and our ability to sustain delivery of business as usual in the face of a prolonged response to the impacts of Brexit.	4	5	<p>Corporate approach to identifying the risks supported by and resulting in contingency planning at corporate, service area and key function levels.</p> <p>Cross-party Brexit Working Group oversees Council preparedness and considers potential impacts to the wider City, e.g. economic, employment and impacts on vulnerable people.</p> <p>Council involved in multi-agency preparation, including exercises, at national, regional and local resilience partnership level.</p> <p>Scottish Resilience Partnership monitoring readiness of all Category 1 responders (which includes local authorities).</p> <p>Plans aligning with EHSCP who report on preparedness to Integrated Joint Board.</p> <p>CAGM team and key functions working with suppliers / key agencies and contract managers on Brexit readiness.</p>	3	3	<p>Ensure continued monitoring, participation and joint working with other national and local agencies.</p> <p>Ensure arrangements are refined as the situation develops.</p> <p>Continue to review and monitor workforce implications.</p> <p>EUSS factsheet to be developed for relevant frontline staff.</p> <p>Welfare Reform Group considering food insecurity impacts.</p> <p>Activate communications plans as required.</p>	3	2	↔
10 (9)	<b>Sustainability</b> Due to the Council's agreed position on Climate Emergency and the decision to go Carbon Neutral by 2030, coupled with potential changes in legislation, increased media attention and public focus upon global issues, the Council will need to undertake significant changes and these will have significant financial and practical consequences. This could result in increased budget pressures, increased media interest, and reputational damage if the Council is perceived to be acting in a non-sustainable manner.	4	4	<p>Strategy and Communications provide continuous monitoring of legislative changes and communication to managers through regular updates.</p> <p>Well-established planning and strategy-setting processes.</p> <p>Public engagement (formal and informal).</p>	3	3	Plans put in place to implement Council decisions.	2	2	↔
11 (11)	<b>Public safety (pedestrian/vehicle collision)</b> Due to increasing footfall in key locations and number of cyclists on the road, combined with the volume of traffic on the city's roads, there is an increased possibility of a collision between a	4	5	Use of Temporary Traffic Regulation Orders as necessary	4	2	Continue to monitor and consider whether any additional actions are required	4	2	↔

	pedestrian, cyclist and/or vehicle. This could result in serious injury (mental and/or physical) or death, liability claims against the Council, and associated negative publicity for the city.			Public Safety team provide public safety advice and information internally and externally Multi-agency planning for delivery of events through an Events Planning and Operations Group Corporate Health and Safety Policy Public liability insurance policy Working with festival and event organisers on event location and planned footfall distribution Continue to incorporate lessons learned from relevant events			Work being undertaken following recent tram case judgements involving cyclists.			
12 (13)	<b>Public response to political decisions</b> As a result of the requirement to take challenging long-term decisions in line with budgets and forecasts, combined with the increased use of social media across society, there is a chance that legal and legitimate decisions end up being changed due to public opinion altering. This could result in decisions being made quickly and out with long-term strategies, plans and targets, with associated impacts upon budgets, performance, and ability to meet legislative requirements.	3	3	Robust, evidence-based decision making in line with Council procedures Proper planning and integrated impact assessments in place Public engagement through formal consultation processes Social media accounts providing a more informal means of engagement with citizens	3	2	Improve social media scanning for potential issues. Enhanced consultation, for example as part of budget setting.	3	2	↔

# Risk assessment and scoring guidance



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	1	2	3	4	5
<b>Impact</b>	Limited	Minor	Moderate	Major	Extreme
Effect on outcomes	Minimal	Minor, short term	Part failure to achieve	Significant failure to achieve	Unable to achieve
	1	2	3	4	5
<b>Likelihood</b>	Remote	Possible	Reasonable	Likely	Almost certain
Frequency	Less than once in 10 years	Once in 5-10 years	Once in 3-5 years	Once in 1-3 years	In the next year

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# Governance, Risk and Best Value Committee

10.00am, Tuesday, 3 December 2019

## Annual Assurance Schedule – Place Directorate

Executive/routine Wards Council Commitments	Executive All
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### 1. Recommendations

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- 1.1 Committee is asked to:
  - 1.1.1 note the Annual Assurance Schedule for the Place Directorate; and
  - 1.1.2 note that an action plan will be developed in response to areas where controls need to be enhanced and/or revised.

#### Paul Lawrence

Executive Director of Place

Contact: Paul Lawrence, Executive Director of Place

E-mail: [paul.lawrence@edinburgh.gov.uk](mailto:paul.lawrence@edinburgh.gov.uk) | Tel: 0131 529 7325

## Annual Assurance Schedule – Place Directorate

### 2. Executive Summary

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- 2.1 This report provides Committee with the Annual Assurance Schedule from the Executive Director of Place for scrutiny. An action plan will be developed in response to areas where controls need to be enhanced and/or where these need to be revised.

### 3. Background

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- 3.1 Each year the City of Edinburgh Council requires that the individual Executive Directors complete certificates of assurance that represent their professional view of the effectiveness and appropriateness of controls in their areas of responsibility. These certificates support the writing of the Annual Governance Statement which is a component part of the authority's Statement of Accounts.
- 3.2 An assurance schedule, to help prompt Executive Directors and relevant Heads of Service to consider various aspects of their control environment, is circulated in advance of certificates.
- 3.3 A review of the process was undertaken by Strategy and Communications in response to feedback received in relation to last year's exercise resulting in the implementation of a 'comply or explain' model. The format and design of documentation was also updated to reduce manual administration and implement auto-population of improvement actions. This is designed to help officers to use improvement actions to inform the corporate governance framework self-assessment exercise. The process will continue to be reviewed in line with feedback.
- 3.4 On [13 August 2019](#) the Chief Internal Auditor, in her annual opinion, reported significant weaknesses in regard to the Council's internal controls for the year ended 31 March 2019.

### 4. Main report

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- 4.1 The Place Directorate Schedule of Assurance (appendix 1) was completed and returned to the Democracy, Governance and Resilience Team, after which a Certificate of Assurance was issued. This informed the drafting of the Annual

Governance Statement, submitted to Council as part of the Unaudited Annual Accounts for 2018/19.

- 4.2 The Certificates of Assurance require that Heads of Service and Executive Directors confirm that:
- 4.2.1 they have considered the effectiveness of controls in their service area/directorate, including controls in place to mitigate major risks to their service area/directorate's objectives;
  - 4.2.2 to the best of their knowledge, appropriate controls are in operation upon which they can place reasonable assurance and that there are no significant matters arising that should be raised specifically in the Annual Governance Statement (or otherwise); and
  - 4.2.3 they have identified actions that will be taken to continue improvement.
- 4.3 The schedule is completed by the relevant Executive Director.
- 4.4 Before signing their Certificate of Assurance, the Executive Director should ensure that the schedule has been completed accurately.
- 4.5 An action plan will be developed to address the areas where controls require to be strengthened or revised.
- 4.6 In addition, since completing the annual assurance schedule, it has been identified that the assurance carried out to ensure that Council policies are regularly reviewed and updated needs to be reviewed and strengthened. This will be included within the Directorate's action plan.
- 4.7 For context, the Place directorate remit includes Culture, Localities, Place Development and Place Management. An overview of the directorate is included in appendix 2.

## **5. Next Steps**

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- 5.1 An action plan will be developed to address areas where controls needed to be strengthened/revised, as identified within the Schedule of Assurance. In addition, this will include an action to improve systems for reviewing and updating Council policies.

## **6. Financial impact**

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- 6.1 The annual assurance process and production of the annual governance statement is contained within relevant service area budgets.

## **7. Stakeholder/Community Impact**

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- 7.1 There are no direct stakeholder/community impacts identified within the annual Schedule of Assurance.

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

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8.1 None.

## **9. Appendices**

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9.1 Appendix 1 – Place Directorate Schedule of Assurance

9.2 Appendix 2 – Place Directorate Overview



# Executive Director's Schedule of Assurance for the Annual Governance Statement

For the year ending 31 March 2019

Directorate	Place Directorate		
Completed by	Veronica Wishart / Alison Coburn	Job title	Senior Executive Assistant / Operations Manager
Signed off by	Paul Lawrence	Job title	Executive Director of Place
Print name of signatory	Paul Lawrence	Date of signature	10/05/2019
Reviewed by		Role	Democracy, Governance and Resilience Senior Manager
Issued to Internal Auditor		Date	

## Introduction

The Statement of Accounts 2018/2019 includes the Annual Governance Statement signed by the Council Leader, the Chief Executive and the Head of Finance. The Annual Governance Statement is supported by Certificates of Assurance from each of the Executive Directors.

Before signing the Certificate of Assurance Executive Directors should ensure that this schedule has been completed accurately. The Certificates of Assurance require Executive Directors to confirm that:

1. they have considered the effectiveness of controls in their directorates, including controls in place to mitigate major risks to their directorate's objectives;
2. to the best of their knowledge, appropriate controls are in operation upon which they can place reasonable assurance and that there are no significant matters arising that should be raised specifically in the Annual Governance Statement (or otherwise); and
3. they have identified actions that will be taken to continue improvement.

Completing this schedule helps prompt Executive Directors to consider various aspects of their control environment before signing their Certificate of Assurance. Executive Directors should seek assurance through issue of a similar schedule to their Heads of Service to satisfy themselves that effective controls are in place across all service areas (suggested managers to provide information and/or responses are highlighted below).

**This schedule should be used as a prompt to think about good governance and the internal control environment and is not an exhaustive list.**

Section	Requirements	Supporting officers
Section 1	Internal Control Environment	Head of Service
Section 2	Risk and Resilience	Service Area Risk Committee Representative/Resilience Co-ordinator
Section 3	Workforce Controls	Head of Service
Section 4	Council Companies	Senior Relationship Lead / Company Observer(s)
Section 5	Policy	Head of Service
Section 6	Governance and Compliance	Head of Service
Section 7	Information Governance	Directorate Record Officers
Section 8	Health & Safety	SMT Health & Safety Lead
Section 9	Performance	Head of Service
Section 10	Commercial and Contract Management	Head of Service
Section 11	Change and Projects	Head of Service
Section 12	Financial Control	Service Area Financial Manager or Representative
Section 13	Group Accounts	RESOURCES only
Section 14	National Agency Inspection Reports	Head of Service
Section 15	Internal Audit, External Audit & Review Reports	Head of Service
Section 16	Progress	Executive Director

## Guidance on completing the Schedule

The schedule should be completed by the Executive Director or by a nominated senior manager.

The format has changed to a 'comply or explain' model this year. **The primary worksheet for completion is the 'Assurance Statements' tab. Where improvement actions are recorded these will auto-populate the first column of the 'Improvement Plan' tab.**

Your assessment should consider how your directorate's arrangements would stand up to external scrutiny. Please note that although evidence does not need to be provided as part of this exercise, **responses made in the schedule may be subject to audit at a later date.** Additional guidance notes are provided below.

Please return your completed schedule to [governance@edinburgh.gov.uk](mailto:governance@edinburgh.gov.uk) no later than 19 April 2019.

**Step 1:** Please address each statement in the "Assurance Statements" tab. The options for the response are included as a drop down. Please note this submission covers the financial year 1 April 2018 to 31 March 2019.

**Step 2:** Where a "Partially Compliant" or "Not Compliant" response is given, a clear explanation should be completed in the free text explanation cell to the right. There is no word limit however, responses should be as concise as possible. These should include a brief description and reference to any evidence that supports the position. You should also set out the actions that you will be taking to address the non-compliance in the "Improvement Actions" cell.

**Step 3:** On the "Improvement Plan" tab please provide the details for each "Action Owner" and "Action Deadline" where "Improvement Actions" have auto-populated from the "Assurance Statement" tab.

### For further information or assistance please contact:

Gavin King	Laura Callender
Democracy, Governance and Resilience Senior Manager	Governance Manager
Strategy & Communications	Strategy & Communications
529 4239 or <a href="mailto:gavin.king@edinburgh.gov.uk">gavin.king@edinburgh.gov.uk</a>	529 3655 or <a href="mailto:laura.callender@edinburgh.gov.uk">laura.callender@edinburgh.gov.uk</a>

### Internal Control Environment

1	Explanation
1.1	Please explain why your directorate is not fully compliant.
<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis. 6.2.2 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
1.2	Please explain why your directorate is not fully compliant.
<b>Corporate Governance Framework</b>	7.3.1 Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met. 7.3.2 Ensuring that internal and external audit arrangements provide assurance on governance arrangements and risks from 3rd party service delivery and that this is reflected in the annual governance statement
1.3	1. Please explain why reviews are not undertaken or were not effective and what needs to be done to rectify this. 2. Please describe any weaknesses that were identified that could have an impact on the Annual Accounts.
<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis. 6.2.2 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. 6.2.3 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body; provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and that its recommendations are listened to and acted upon.
1.4	Please detail any problems that have been identified and could have an impact on the Annual or Group Accounts.

<b>Corporate Governance Framework</b>	<p>4.2.1 Establishing and implementing robust planning and control cycles that take into account stakeholder input, risks and are adaptable to changing circumstance.</p> <p>4.2.2 Establishing effective KPIs and capacity to generate performance information that allows for the quality of services and projects to be assessed/measured regularly.</p> <p>6.1.1 Ensuring that risk management is embedded and clearly allocated in decision making throughout the organisation.</p> <p>6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.</p> <p>6.2.2 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</p> <p>6.2.3 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body; provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and that its recommendations are listened to and acted upon.</p>
<b>Risk and Resilience</b>	
<b>2</b>	<b>Explanation</b>
2.1	<p>Please explain why your risk management arrangements do not identify all of the key risks to your directorate (and the Council) including those arising from or that could impact on:</p> <ol style="list-style-type: none"> <li>1. Change (e.g. structural, service delivery, demographic and/or management);</li> <li>2. Partnerships (external and internal);</li> <li>3. Projects;</li> <li>4. Legal or regulatory action(s);</li> <li>5. Reputational damage; and</li> <li>6. Bribery (e.g. the identification, recording and minimising of bribery risks).</li> </ol>
<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.
2.2	Please explain why current controls and procedures do not effectively record and manage the risks identified to a tolerable level and explain why suitable actions are not in place to mitigate the risk.
<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.
2.3	<ol style="list-style-type: none"> <li>1. Please explain why regular reviews are not undertaken and what needs to be done to rectify this.</li> <li>2. Please describe and evidence any weakness that were identified and the impact they could have on the Annual Accounts.</li> </ol>
<b>Corporate Governance Framework</b>	<p>6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.</p> <p>6.2.2 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</p>
2.4	Please explain why the process(es) for escalation/communication to the relevant Risk Committees are inadequate.
<b>Corporate Governance Framework</b>	<p>6.2.2 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</p> <p>6.2.3 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body; provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and that its recommendations are listened to and acted upon.</p>
2.5	Please explain where your arrangements were inadequate and the instances when they failed to support and promote the relevant policies or procedures to your staff.

<b>Corporate Governance Framework</b>	1.3.1 Demonstrating commitment to adherence to the rule of the law and regulations while ensuring individuals fulfil their responsibilities and optimise available powers to the benefit of all. 1.3.2 Dealing with breaches, corruption and misuse of power effectively.
2.6	Your resilience and business continuity arrangements should include: 1. A Service Area Resilience Group and Workplan 2. A Resilience Coordinator and deputies for each essential activity area 3. A Counterterrorism Coordinator and deputy 4. A Building Incident Manager for each staffed Council premise; and 5. All who should have received the appropriate training. Please explain why you do not have these arrangements in place.
<b>Corporate Governance Framework</b>	6.1.1 Ensuring that risk management is embedded and clearly allocated in decision making throughout the organisation. 6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis. 6.2.2 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
<b>Workforce Controls</b>	
<b>3</b>	<b>Explanation</b>
3.1	Please explain why the arrangements your directorate had in place did not ensure your directorate's workforce resources were managed properly.
<b>Corporate Governance Framework</b>	6.4.1 Ensuring that financial management is integrated at all levels of planning and control, and supports the achievement of outcomes and short-term financial and operational performance.
3.2	Please explain why your directorate's controls failed to effectively manage off-payroll workers/contractors.
<b>Corporate Governance Framework</b>	6.4.1 Ensuring that financial management is integrated at all levels of planning and control, and supports the achievement of outcomes and short-term financial and operational performance.
3.3	Please explain why your directorate's recruitment arrangements failed to meet requirements.
<b>Corporate Governance Framework</b>	1.1.2 Ensuring this is reflected in policies and processes that are regularly reviewed and monitored for compliance.
3.4	Please explain why your directorate's controls failed to effectively manage new starts, movers and leavers.
<b>Corporate Governance Framework</b>	1.1.2 Ensuring this is reflected in policies and processes that are regularly reviewed and monitored for compliance.
3.5	Please explain why your directorate's controls failed to ensure that statutory workforce requirements were met e.g. PVG/disclosure checks, statutory registration/qualification, European Working Time Directive, right to work in the UK.
<b>Corporate Governance Framework</b>	1.3.1 Demonstrating commitment to adherence to the rule of the law and regulations while ensuring individuals fulfil their responsibilities and optimise available powers to the benefit of all. 5.2.1 Ensuring clarity on roles, responsibilities and expectations for members and officers in terms of relationships and decision making.
3.6	Please explain why your directorate's arrangements have failed to effectively manage staff health and wellbeing.
<b>Corporate Governance Framework</b>	5.2.4 Ensuring arrangements are in place to support and maintain the health and wellbeing of the workforce.
3.7	Please explain why the arrangements your directorate had in place failed to ensure the effective delivery of staff training and development.

<b>Corporate Governance Framework</b>	5.2.2 Developing the capability of members and officers through the encouragement and provision of appropriate training and continued professional development tailored to their respective roles.
3.8	Please explain why your directorate's arrangements failed to support and manage staff performance.
<b>Corporate Governance Framework</b>	5.2.3 Ensuring arrangements are in place to consider leadership effectiveness and staff performance.
3.9	Please explain why your directorate's arrangements failed to ensure compliance with the Council's HR Policies and procedures including: 1. Employee Code of Conduct; 2. Disciplinary; 3. Grievance; 4. Bullying and Harassment; 5. Maintaining a register of gifts and hospitality; 6. Recording conflicts of interest; and 7. Recording and approving secondary employment where required.
<b>Corporate Governance Framework</b>	1.1.2 Ensuring this is reflected in policies and processes that are regularly reviewed and monitored for compliance.
3.10	Please explain why your directorate failed to consult and engage with recognised trade unions on a regular basis.
<b>Corporate Governance Framework</b>	2.2.1 Ensuring effective engagement with clarity of purpose, objectives and intended outcomes.
<b>Council Companies</b>	
<b>4</b>	<b>Explanation</b>
4.1	Please explain why your directorate's arrangements failed to effectively provide oversight and monitoring of Council companies.
<b>Corporate Governance Framework</b>	4.2.2 Establishing effective KPIs and capacity to generate performance information that allows for the quality of services and projects to be assessed/measured regularly. 7.3.1 Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met. 7.3.2 Ensuring that internal and external audit arrangements provide assurance on governance arrangements and risks from 3rd party service delivery and that this is reflected in the annual
4.2	Please explain why appropriate agreements were not in place with the ALEOs you are responsible for.
<b>Corporate Governance Framework</b>	7.3.1 Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met. 7.3.2 Ensuring that internal and external audit arrangements provide assurance on governance arrangements and risks from 3rd party service delivery and that this is reflected in the annual governance statement.
<b>Policy</b>	
<b>5</b>	<b>Explanation</b>
5.1	Please explain why your directorate's arrangements do not ensure staff awareness and understanding.
<b>Corporate Governance Framework</b>	1.1.3 Ensuring the organisation's ethical standards permeate all aspects of the organisation's culture and operation and are reflected in its policies and procedures
5.2	Please explain why your directorate's arrangements failed to ensure the annual review of the policies owned by your directorate.
<b>Corporate Governance Framework</b>	1.1.2 Ensuring this is reflected in policies and processes that are regularly reviewed and monitored for compliance.

Governance and Compliance	
6	Explanation
6.1	Please explain why your directorate's arrangements are not sufficient to ensure compliance with the framework, e.g. 1. Committee Terms of Reference and Delegated Functions; 2. Scheme of Delegation; 3. Contract Standing Orders; and 4. Financial Regulations.
<b>Corporate Governance Framework</b>	5.2.1 Ensuring clarity on roles, responsibilities and expectations for members and officers in terms of relationships and decision making 6.2.2 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. 7.3.1 Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.
6.2	Please explain why your directorate was not fully compliant with the relevant Scottish, UK and EU legislation and regulations and any mitigating circumstances/reasons.
<b>Corporate Governance Framework</b>	1.3.1 Demonstrating commitment to adherence to the rule of the law and regulations while ensuring individuals fulfil their responsibilities and optimise available powers to the benefit of all. 1.3.2 Dealing with breaches, corruption and misuse of power effectively. 6.2.2 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. 7.3.1 Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.
Information Governance	
7	Explanation
7.1	Please explain why your staff were not fully aware of their responsibilities and how this has impacted on compliance.
<b>Corporate Governance Framework</b>	6.3.1 Ensuring that data is properly managed, accurate and of a good quality.
7.2	Please explain why your directorate is not fully compliant.
<b>Corporate Governance Framework</b>	6.3.1 Ensuring that data is properly managed, accurate and of a good quality. 7.3.1 Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.
Health & Safety	
8	Explanation
8.1	Please explain why your directorate's arrangements failed to ensure your staff were (1) fully aware of their H&S responsibilities and (2) trained appropriately.
<b>Corporate Governance Framework</b>	1.1.1 Developing a leadership culture based on values, integrity and public interest that is communicated and understood by all and forms the basis of a framework for decision making and action. 1.1.2 Ensuring this is reflected in policies and processes that are regularly reviewed and monitored for compliance. 1.1.3 Ensuring the organisation's ethical standards permeate all aspects of the organisation's culture and operation and are reflected in its policies and procedures. 5.2.4 Ensuring arrangements are in place to support and maintain the health and wellbeing of the workforce.
8.2	Please explain how your directorate failed to have the necessary H&S controls and procedures in place.
<b>Corporate Governance Framework</b>	5.2.4 Ensuring arrangements are in place to support and maintain the health and wellbeing of the workforce.
8.3	Please explain how your arrangements failed to ensure all applicable H&S laws and regulations were complied with.
<b>Corporate Governance Framework</b>	5.2.4 Ensuring arrangements are in place to support and maintain the health and wellbeing of the workforce.

8.4	Please explain the weaknesses you have identified in the governance and reporting structure for H&S in your directorate.
<b>Corporate Governance Framework</b>	5.2.4 Ensuring arrangements are in place to support and maintain the health and wellbeing of the workforce.
<b>Performance</b>	
<b>9</b>	<b>Explanation</b>
9.1	Please explain why the required arrangements were not in place.
<b>Corporate Governance Framework</b>	<p>1.1.3 Ensuring the organisation's ethical standards permeate all aspects of the organisation's culture and operation and are reflected in its policies and procedures.</p> <p>4.1.1 Supporting decision makers to take decisions based on objective information and rigorous analysis, whilst considering best value, risk, stakeholder views and future impacts.</p> <p>4.2.2 Establishing effective KPIs and capacity to generate performance information that allows for the quality of services and projects to be assessed/measured regularly.</p> <p>4.2.3 Ensuring that budgeting and resource planning is informed by realistic revenue and capital estimates and aims to deliver objectives, strategies and plans in a sustainable manner.</p> <p>5.1.1 Regularly reviewing and improving effectiveness through performance monitoring, benchmarking and other methods to achieve defined outcomes. 5.1.2</p> <p>Developing strategies and plans for the most appropriate model of delivery and allocation of resources to achieve the best possible outcomes.</p> <p>6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.</p> <p>6.4.1 Ensuring that financial management is integrated at all levels of planning and control, and supports the achievement of outcomes and short-term financial and operational performance.</p> <p>7.2.1 Elected member and senior management owned annual reporting on performance, best value and resource stewardship.</p>
9.2	Please explain why the required arrangements were not in place.
<b>Corporate Governance Framework</b>	2.3.2 Developing effective communication methods that encourage, collect and evaluate views and experiences while ensuring inclusivity.
<b>Commercial and Contract Management</b>	
<b>10</b>	<b>Explanation</b>
10.1	Please explain where your directorate's procurement activities failed to comply with the Council's Contract Standing Orders.
<b>Corporate Governance Framework</b>	<p>1.2.1 Ensuring the organisation's ethical standards are understood and upheld by external providers of services.</p> <p>1.3.1 Demonstrating commitment to adherence to the rule of the law and regulations while ensuring individuals fulfil their responsibilities and optimise available powers to the benefit of all.</p> <p>2.1.1 Demonstrating an open culture through decisions that have been subject to consultation and/or engagement, are public, evidenced, impact assessed and, where necessary, justification for confidentiality explained.</p>
<b>Change and Projects</b>	
<b>11</b>	<b>Explanation</b>
11.1	Please explain where your directorate failed to have the appropriate arrangements in place for any of its projects or programmes, including: 1. Clear business justifications; 2. Clear operational governance (i.e. authority to take decisions); 3. Effective controls to track delivery and take corrective action if required; and 4. A formal closure process.
<b>Corporate Governance Framework</b>	<p>4.1.1 Supporting decision makers to take decisions based on objective information and rigorous analysis, whilst considering best value, risk, stakeholder views and future impacts.</p> <p>4.2.1 Establishing and implementing robust planning and control cycles that take into account stakeholder input, risks and are adaptable to changing circumstance.</p> <p>4.2.2 Establishing effective KPIs and capacity to generate performance information that allows for the quality of services and projects to be assessed/measured regularly.</p>
<b>Financial Control</b>	
<b>12</b>	<b>Explanation</b>
12.1	Please explain where your directorate's financial controls failed to ensure compliance.



<b>Corporate Governance Framework</b>	6.3.1 Ensuring that data is properly managed, accurate and of a good quality. 6.4.1 Ensuring that financial management is integrated at all levels of planning and control, and supports the achievement of outcomes and short-term financial and operational performance.
12.2	Please explain (1) why your directorate's monitoring arrangements could not be relied upon to identify any problems or variances and, (2) if any, what these were.
<b>Corporate Governance</b>	4.2.3 Ensuring that budgeting and resource planning is informed by realistic revenue and capital estimates and aims to deliver objectives, strategies and plans in a sustainable manner.
12.3	Please explain (1) why your directorate did not have the required arrangements in place, and (2) the details of any material commitments or contingent liabilities that should have been notified to the CFO.
<b>Corporate Governance Framework</b>	4.3.1 Ensuring that the budgeting process and financial strategy are sustainable whilst considering objectives, service priorities, affordability and medium/long-term plans.
12.4	Please explain why your directorate did not have the required arrangements in place.
<b>Corporate Governance Framework</b>	6.1.1 Ensuring that risk management is embedded and clearly allocated in decision making throughout the organisation. 6.4.1 Ensuring that financial management is integrated at all levels of planning and control, and supports the achievement of outcomes and short-term financial and operational performance.
12.5	Please explain why your directorate did not have the required arrangements in place.
<b>Corporate Governance Framework</b>	6.2.2 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
12.6	Please explain why (1) your directorate did not have the required arrangements in place, and (2) if there were any issues that could have affected the Annual Accounts.
<b>Corporate Governance Framework</b>	6.2.2 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
<b>Group Accounts (Resources only)</b>	
<b>13</b>	<b>Explanation</b>
13.1	Please explain why (1) your directorate did not have the required arrangements in place, and (2) if there were any issues that could have affected the Group Accounts.
<b>Corporate Governance Framework</b>	6.4.1 Ensuring that financial management is integrated at all levels of planning and control, and supports the achievement of outcomes and short-term financial and operational performance.
13.2	Please explain why (1) your directorate did not have the required arrangements in place, and (2) if there were any issues that could have affected the Group Accounts.
<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.
<b>National Agency Inspection Reports</b>	
<b>14</b>	<b>Explanation</b>
14.1	Please explain why your directorate did not have the required arrangements in place and provide detail on any issues that could have an impact on the signing of the Annual Governance Statement, including how these have been reported.
<b>Corporate Governance Framework</b>	6.2.3 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body; provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and that its recommendations are listened to and acted upon. 7.3.3 Ensuring that recommendations from Internal Audit, External Audit, peer challenge, reviews and inspections are welcomed and acted upon.

14.2	Please explain why your directorate did not have the required arrangements in place.
<b>Corporate Governance Framework</b>	6.2.3 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and that its recommendations are listened to and acted upon. 7.3.3 Ensuring that recommendations from Internal Audit, External Audit, peer challenge, reviews and inspections are welcomed and acted upon.
<b>Internal Audit, External Audit &amp; Review Reports</b>	
<b>15</b>	<b>Explanation</b>
15.1	Please explain why your directorate did not have the required arrangements in place.
<b>Corporate Governance Framework</b>	6.2.2 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. 6.2.3 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and that its recommendations are listened to and acted upon. 7.3.2 Ensuring that internal and external audit arrangements provide assurance on governance arrangements and risks from 3rd party service delivery and that this is reflected in the annual governance statement. 7.3.3 Ensuring that recommendations from Internal Audit, External Audit, peer challenge, reviews and inspections are welcomed and acted upon.
<b>Progress</b>	
<b>16</b>	<b>Explanation</b>
16.1	Please describe and detail any outstanding issues or recommendations.
<b>Corporate Governance Framework</b>	Not Applicable

Assurance Statement				
Ref	Statement	Response	If no, please explain	Actions to be taken
<b>1</b>	<b>Internal Control Environment</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
1.1	I have internal controls and procedures in place throughout my directorate that are proportionate, robust, monitored and operate effectively.	Compliant		The Chief Internal Auditors annual opinion indicated that improvements could be made to the Council's internal control and assurance environment. An action plan has been prepared for Place services to improve controls in response to Internal Audit findings and controls are regularly reviewed as part of the delivery of services within the Place Directorate.
1.2	I have controls and procedures in place to manage the risks in delivering services through council companies, partners and third parties.	Compliant		
1.3	My internal controls and procedures and their effectiveness are regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts.	Compliant		
1.4	The monitoring process applied to funding/operating agreements has not identified any problems that could have an impact on Annual or Group Accounts.	Compliant		
<b>2</b>	<b>Risk and Resilience</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
2.1	I have risk management arrangements in place to identify the key risks to my directorate (and the Council).	Compliant		Place has a robust process for identifying, managing and escalating risk, in line with the Council's preferred approach. The Place Risk Management Committee meets regularly to review and update risks and an annual review of the risk register is underway to ensure that all risks and scoring are accurate.
2.2	I have effective controls and procedures in place to record and manage the risks identified above to a tolerable level or actions are put in place to mitigate and manage the risk.	Compliant		
2.3	The robustness and effectiveness of my risk management arrangements is regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts	Compliant		
2.4	There is appropriate escalation/communication to the directorate Risk Committee and CLT Risk Committee (as appropriate) of significant issues, risks and weaknesses in risk management.	Compliant		
2.5	I have arrangements in place to promote and support the Council's policies and procedures for staff to raise awareness of risk concerns, Council wrongdoing and officer's misconduct.	Compliant		

2.6	My directorate has appropriate resilience arrangements in place and my directorate's business continuity plans and arrangements mitigate the business continuity risks facing our essential activities.	Partially compliant	Need to establish the continuity plans should there be loss of premises i.e. depots	As per the report to GRBV, BIA are in place however, actions identified will need to be progressed in accordance with the Council's business continuity arrangements. Specific business continuity plans are in place for key service activities and these are reviewed on a regular basis. Place is also progressing with implementation of the findings of the recent Business Continuity Audit and is working closely with the corporate team on this.
<b>3</b>	<b>Workforce Control</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
3.1	I have arrangements in place to ensure workforce resources are managed properly, including compliance with payroll policies, overtime controls, absence management and performance e.g. home/remote working.	Compliant		
3.2	I have robust controls in place to manage off-payroll workers/contractors, including agency workers and consultants, ensuring approved framework contracts have been used and that those engaged are wholly compliant with the provisions of IR35 Council guidance and procedures.	Compliant		
3.3	I ensure that recruitment and selection is only undertaken by appropriately trained individuals and is fully compliant with Council policies and procedures, including vacancy approvals and controls.	Compliant		
3.4	I have robust controls in place to manage new starts, movers and leavers, including induction and mandatory training, IT systems security (access and removal) and access to buildings and service users' homes.	Partially compliant	Induction training is not consistently applied.	All new starts in Place are invited to attend the Corporate induction sessions. Induction to service areas and roles is undertaken at service level. Consideration will be given to developing a Place induction programme. Place follow the Council's procedures in respect of movers and leavers.
3.5	I have robust controls in place to ensure that statutory workforce requirements are met.	Compliant		
3.6	I have arrangements in place to manage staff health and wellbeing; ensuring that sickness absence, referral to occupational health and stress risk assessments is managed in compliance with the Council's HR policies.	Compliant		
3.7	I ensure compliance with essential training requirements and support learning and development appropriately, including professional CPD requirements.	Partially compliant	Some weaknesses were identified by Internal Audit regarding Essential learning across the Council.	Senior Managers are reminded of their duties and responsibilities as part of the annual conversation process and improvements to the processes for Essential Learning will be implemented in line with the corporate approach to this.
3.8	I have arrangements in place to support and manage staff performance e.g. regular 1:1/supervision meetings, performance/spotlight conversations.	Compliant		
3.9	I ensure compliance with the Council's HR policies and procedures across all of my service areas.	Compliant		

3.10	I regularly consult and engage with recognised trade unions.	Compliant		
<b>4</b>	<b>Council Companies</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
4.1	I have arrangements in place for the oversight and monitoring of the Council companies I am responsible for, that give me adequate assurance over their operation and delivery for the Council.	Compliant		
4.2	I have an appropriate Service Level Agreement, or other appropriate legal agreement, in place for each Arm's Length External Organisation that I am responsible for.	Compliant		Legal agreements are in place for all of the arms length companies which are aligned to Place activities. The form of these agreements is determined by the nature of the organisation and the delivery of service.
<b>5</b>	<b>Policy</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
5.1	I have arrangements in place to ensure all directorate staff are made aware of and fully understand the implications of all relevant existing and new council policies and procedures.	Compliant		
5.2	I have arrangements in place for the annual review of policies owned by my directorate, via the relevant executive committee, to ensure these comply with the Council's policy framework.	Compliant		
<b>6</b>	<b>Governance and Compliance</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
6.1	I ensure directorate staff are aware of their responsibilities in relation to the Council's governance framework and that the authority, responsibility and accountability levels within my directorate are clearly defined, with proper officer designation delegated, recorded, monitored, revoked and reviewed regularly to ensure ongoing compliance with the Scheme of Delegation.	Partially compliant		A review of delegated authority within Place is being progressed to ensure that appropriate governance and controls are in place. The Operations Manager is leading on this and liaising with Legal Services colleagues as appropriate. This will be reviewed on an annual basis and/or as changes take place (either service or personnel).
6.2	I ensure my directorate's activities are fully compliant with relevant Scottish, UK and EU legislation and regulations.	Compliant		

<b>7</b>	<b>Information Governance</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
7.1	I ensure directorate staff are made aware of their responsibilities in relation to the proper management of Council information, including the need to adhere to relevant legislation, Council policies, procedures and guidance around: information governance; records management; data quality; data breaches and privacy impact assessments; information rights; information compliance; information security; and ICT acceptable use.	Compliant		
7.2	I ensure data sharing arrangements with third parties are recorded, followed and regularly reviewed throughout all service areas in my directorate.	Compliant		
<b>8</b>	<b>Health and Safety</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
8.1	Directorate staff are made aware of their responsibilities under relevant H&S policies and procedures and I have appropriate arrangements in place for the identification and provision of H&S training necessary for all job roles, including induction training.	Partially compliant	Induction training is not consistently applied.	All new starts in Place are invited to attend the Corporate induction sessions. Induction to service areas and roles is undertaken at service level. Consideration will be given to developing a Place induction programme. Specific Health and Safety training and awareness of roles and responsibilities is undertaken at service area level, depending on duties. Close links are in place with the corporate Health and Safety team also.
8.2	I have the necessary arrangements in place to establish, implement and maintain procedures for ongoing hazard identification, risk assessment and the determination of necessary controls to ensure all H&S risks are adequately controlled.	Partially compliant		Necessary arrangements are in place to establish, implement and maintain procedures however some recent issues have been identified which mean that, as well as putting in place actions to deal with these issues, a review of procedures will be undertaken across Place services.
8.3	I have competencies, processes and controls in place to ensure that all service areas in my directorate, and other areas of responsibility, operate in compliance with all applicable H&S laws and regulations.	Compliant		
8.4	I have a robust governance and reporting structure for H&S in my directorate.	Compliant		
<b>9</b>	<b>Performance</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>

9.1	I have arrangements in place for reporting to CLT, Committee and/or Council when performance monitoring identifies inadequate service delivery or poor value for money and ensure that improvement measures to address these issues are implemented and monitored.			As per the report to GRBV in Nov 2018, a suite of Key Performance Indicators was developed for Place. This was prepared on a balanced scorecard approach, with the focus on outcomes rather than outputs. This includes data gathering on a regular basis (will be monthly, quarterly or annually depending on the KPI) and will be reported to Place Senior Management Team meetings, to CLT and to Committee/Council in line with the regular reporting schedule. This will sit alongside reporting on the Programme for the Capital reporting on a six monthly basis. Place has action plans in place in two service areas currently to address identified performance issues (Roads and Building Standards). Progress is monitored regularly and reported to the appropriate committee.
		Partially compliant		
9.2	I have appropriate arrangements in place throughout my directorate for recording, monitoring and managing customer service complaints and customer satisfaction.			As per the report to GRBV in Nov 2018, a review of Place's approach to responding to customer complaints and response times is underway to ensure consistency and compliance with the Council's processes and procedures. An action plan will be implemented if the findings indicated that Council timescales for response are not being achieved or that there are issues with compliance
		Partially compliant		
<b>10</b>	<b>Commercial and Contract Management</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
10.1	I ensure all goods, services and works are procured and managed in compliance with the Contract Standing Orders.			Managers in Place work closely with the Procurement team on this, with regular updates provided to Senior Managers. Place and procurement will work together to ensure that these arrangements are maintained and enhanced as and when any issues arise.
		Compliant		
<b>11</b>	<b>Change and Project Management</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
11.1	All projects and programmes have a clear business justification, as a minimum this should articulate outcomes and benefits; have appropriate governance in place to support delivery; effective controls in place to track delivery progress and to take corrective action if required; have a robust benefits management framework in place; and ensure that a formal closure process is undertaken.			As reported to GRBV in November, a review of projects underway in the directorate has been undertaken and the findings are currently being considered corporately before local actions will be identified.
		Partially compliant		
<b>12</b>	<b>Financial Control</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
12.1	The operation of financial controls in my directorate is effective in ensuring the valid authorisation of financial transactions and maintenance of accurate accounting records.			
		Compliant		
12.2	I am confident that the arrangements in place to monitor expenditure/budget variances would identify control problems or variances that could have an effect on the Annual Accounts.			
		Compliant		

12.3	I have arrangements in place to ensure all material commitments and contingent liabilities (i.e. undertakings, past transactions or events resulting in future financial liabilities) are notified to the Chief Financial Officer.	Compliant		
12.4	I have arrangements in place to review and protect assets against theft, loss and unauthorised use; identify any significant losses; and, ensure the adequacy of insurance provision in covering the risk of loss across my directorate.	Partially compliant		As reported to GRBV in November, a review of arrangements for all operational buildings managed by Place and Localities is required to ensure that arrangements are being applied consistently.
12.5	I have arrangements in place for identifying any weaknesses in my directorate's compliance with Council financial policies or statutory/regulatory requirements.	Compliant		
12.6	I have arrangements in place for identifying any internal control, risk management or asset valuation problems within my directorate's service areas that could affect the Annual Accounts.	Compliant		
<b>13</b>	<b>Group Accounts (Resources only)</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
13.1	I have arrangements in place for identifying and reviewing any developments during the year that should lead to additions, deletions or amendments to the companies included in the Group Accounts.			
13.2	I have arrangements in place to identify and review any internal control, risk management or asset valuation problems with Council companies that could affect the Group Accounts.			
<b>14</b>	<b>National Agency Inspection Reports</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
14.1	I have arrangements in place to identify any reports relating to my directorate and can confirm that there were no inspection reports that could impact on the signing of the Annual Governance Statement.	Compliant		
14.2	I have arrangements in place that adequately monitor and report on the implementation of recommendations.	Compliant		
<b>15</b>	<b>Internal Audit, External Audit and Review Reports</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
15.1	I have arrangements in place to ensure that all recommendations from any internal audit, external audit or review report published during the year, that have highlighted high, medium or significant control deficiencies, have been (or are being) implemented and that this is monitored effectively.	Partially compliant	There remain outstanding overdue audit actions in P	Internal Audit actions are reviewed on a regular basis and actions are progressed in line with the management actions agreed in the audit report. In some cases it is not possible to complete these actions in the timeframe or the context changes which means that the action changes. These are reviewed regularly and updates added to TeamCentral as appropriate.
<b>16</b>	<b>Progress</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>



16.1	All outstanding issues or recommendations arising from this exercise, commissioned reviews, committee reports and other initiatives in previous years have been addressed satisfactorily.	Partially compliant		As reported to GRBV, all outstanding actions from Committee are now being tracked through action logs for individual committee's and regular updates are included in the rolling action logs and /or within Committee reports. The outstanding actions are reviewed as part of the process for Committee planning and reporting and Committee work programmes are updated to bring forward reports and updates as required. IA actions are now being tracked through TeamCentral and will be monitored closely on an on-going basis
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3 December 2019

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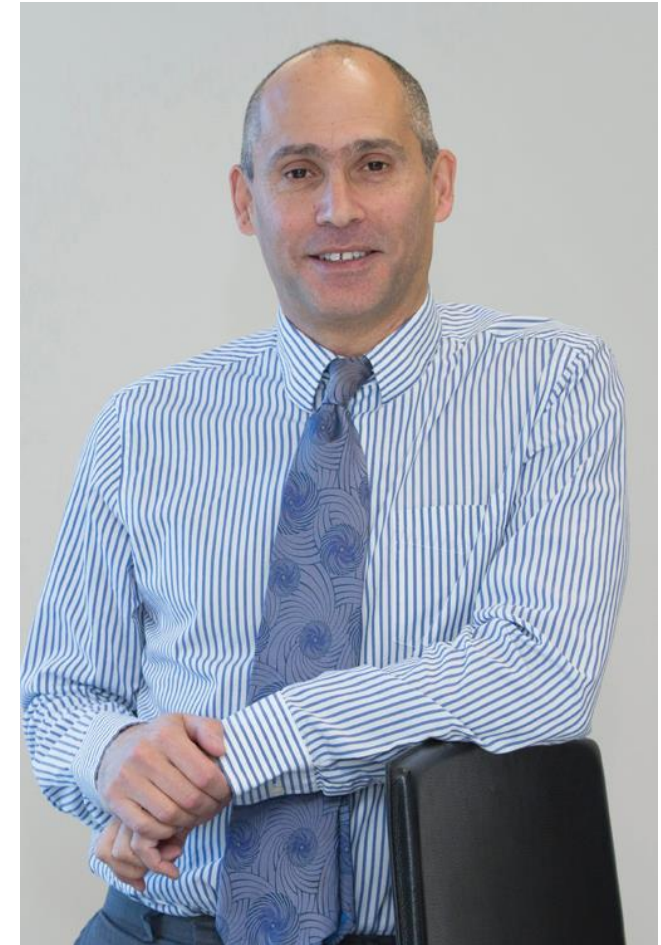
# Place Directorate Overview

# Place Directorate

The Place Directorate is responsible for a number of the Council's frontline services, including **waste and street cleansing, parks, greenspace, cemeteries and roads**, alongside the development, management and maintenance of the Council's **housing stock**.

We are also responsible for development and management of **housing, licensing, regulation and Planning** in the city, alongside providing support for **business growth** and developing **inclusion** programmes which support people to find and retain employment.

The city's cultural heritage and activities attract local people and visitors alike to visit the **museums, galleries and cultural venues** and the **culture** service works closely with local, national and international partners to support and deliver a programme of festivals, events and attractions for the city



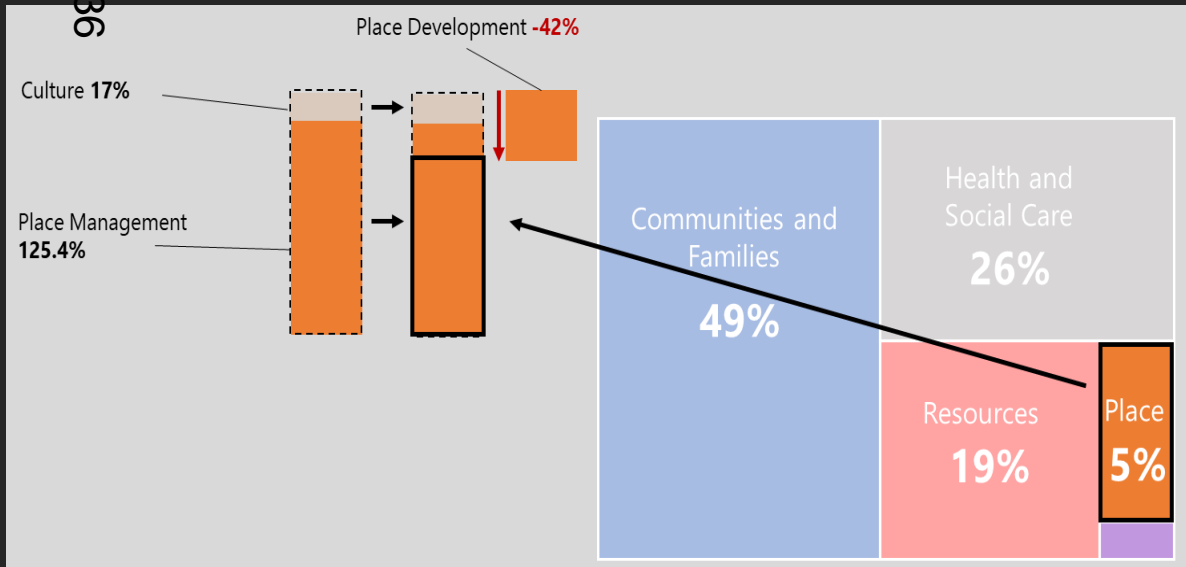
Paul Lawrence  
Executive Director of Place

# Place Directorate continued

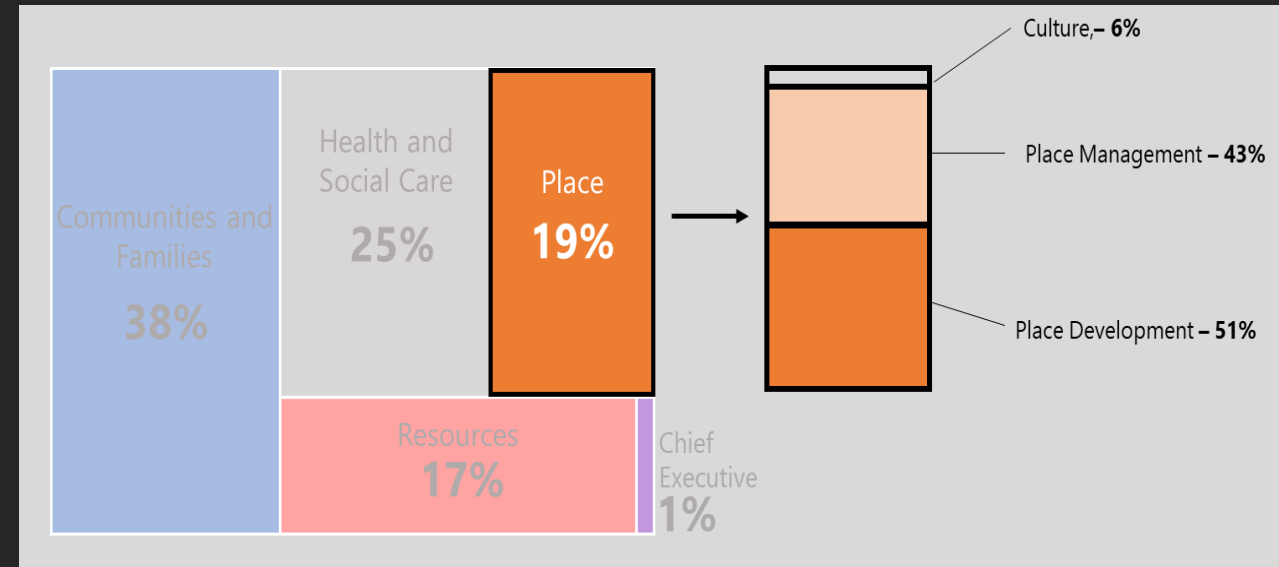
The Place Directorate employed 2,573 people on 1 April 2019 with a further 336 people employed on a casual basis (e.g. in cultural venues)

The **gross budget** for Place is roughly **£240 million**, however the **net budget** is just **£43.5 million**, reflecting the significant income and ring-fenced accounts which are managed within the Directorate

Of the £196 million of “income”, **49% comes from specific purpose grants** or grants we administer such as **affordable housing, ringfenced funds and the Housing Revenue Account**. 13% comes from service provided to other areas of the Council and 38% comes from external customers and the capitalisation of revenue costs.



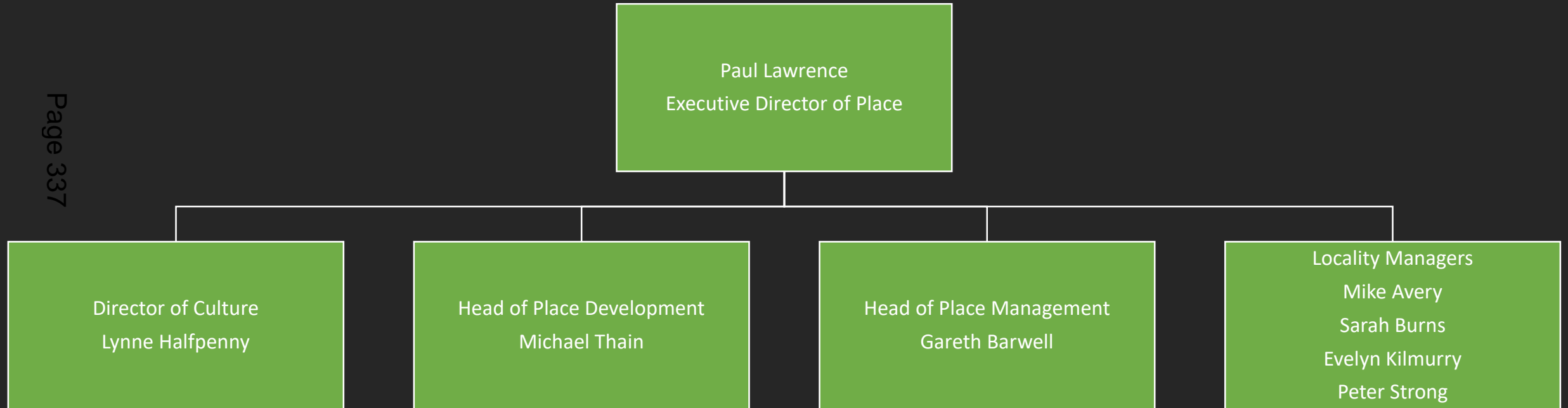
**Net Budget**  
£43.5 million



**Gross Budget**  
£240 million

# Place Senior Management Team

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# Culture Service

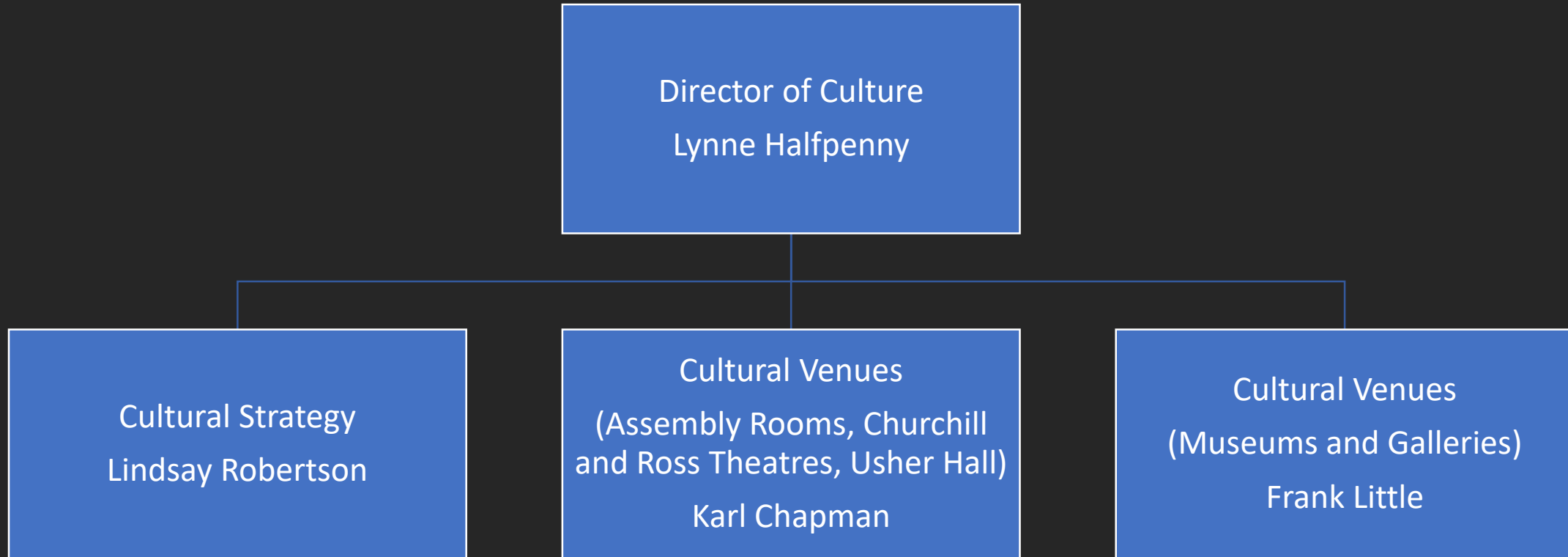
The Culture Service is responsible for the:

- Development and delivery of the city's cultural strategy, Festivals and Events
- Council's cultural venues and events spaces such as: Assembly Rooms, Churchill and Ross Theatres, Usher Hall
- City's museums and galleries service



Lynne Halfpenny  
Director of Culture

# Culture Service Senior Management Team



# Culture

Place Directorate

£7.8 m (Service area net budget)

£43.5m (Directorate net budget)

We have a rich history of supporting arts and culture. Working with partners across the city and beyond, the **culture service supports the people who deliver festivals, events and arts initiatives**. Our **public safety** team ensure the safe delivery of year round events across the city.

The **cultural venues** include The Usher Hall, the Assembly Rooms, the Church Hill Theatre and the Ross Bandstand and attract more than 500,000 people per year to a concerts, festivals, community projects and events.

Through the **Capital Theatres Trust**, we provide backing for the Festival and King's theatres as well as supporting other cultural infrastructure across the city through cultural grants programmes.

We operate a wide variety of **museums and galleries** from the City Arts Centre and the Queen's Ferry Museum to the Scott and Nelson Monuments, attracting over 750,000 visitors per year. A number of the collections have been formally recognised as being of national significance by the Scottish Government.

There were **4.6 million tickets sold** to the **major festivals in Edinburgh** last year. Only the Olympics and the FIFA Men's World Cup sell more tickets. This is the equivalent of **every resident of Edinburgh** buying 9 tickets each



**132 Staff** (112.69 Full Time Equivalent)

£5m

**Cultural strategy**

£6.5m

**Cultural venues**

£2m

**Museums and galleries** £500 k

**What we spend**

£14 million

**Funding and income**

£6.2 million

**Cultural events and venues** £4.2m

**Museums and galleries**

£1 m

**Cultural strategy funding**

£1 m

Total Collection

Collection on Display

Size of the Louvre collection



**At 200ft** (60m) tall, the **Scott Monument** is taller than the Statue of Liberty (46m) and **is the largest monument to a novelist** anywhere **in the world**.

Our **Museums and Galleries** staff look after a collection of nearly **200,000 pieces** although we only have space to **display fewer than half** of them. For comparison, there are **38,000 pieces on display on the Louvre**.



# Place Development

**The Place Development service is responsible for:**

- Development and delivery of Business Growth and Inclusion programmes
- Supporting commercial development, regeneration and investment in the city
- Building, maintaining and supporting the development of affordable housing in the city
- Developing Planning and Transport policy, and processing of Planning and Building Standards applications
- The Council's Regulatory services which includes Licensing, Trading Standards and Environmental Health



Michael Thain  
Head of Place Development

# Place Development Senior Management Team

Michael Thain  
Head of Place  
Development



Senior Manager  
Business Growth  
and Inclusion  
Appointment to  
be confirmed

Senior Manager  
Commercial  
Development  
and Investment  
David Cooper

Senior Manager  
Housing  
Development  
and Operations  
Elaine Scott

Acting Senior  
Manager  
Housing Property  
Willie Gilhooly

Citywide  
**Planning** and  
Transport  
Manager  
David Givan  
John Inman  
David Leslie

Senior Manager  
Regulatory  
Andrew Mitchell

Citywide  
Planning and  
**Transport**  
Manager  
Ewan Kennedy

# Place Development

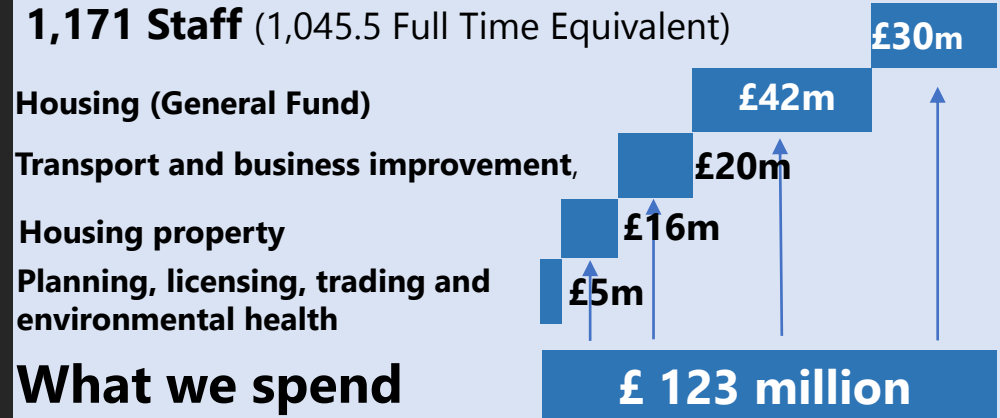


**-£19.1 m** (Service area net budget)

## Place Directorate

**£43.5m** (Directorate net budget)

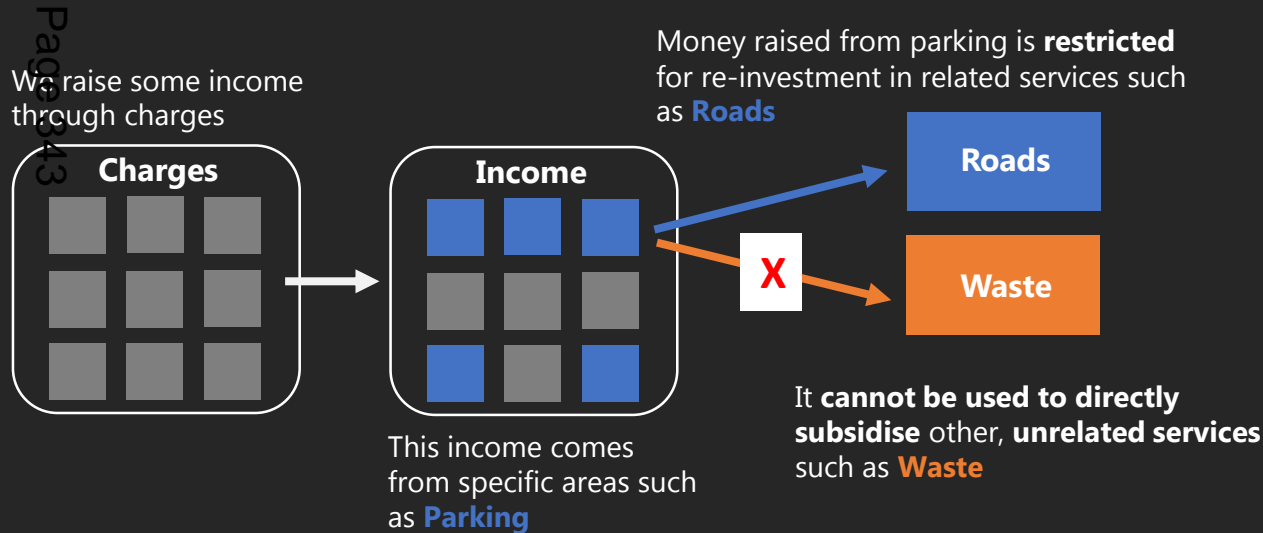
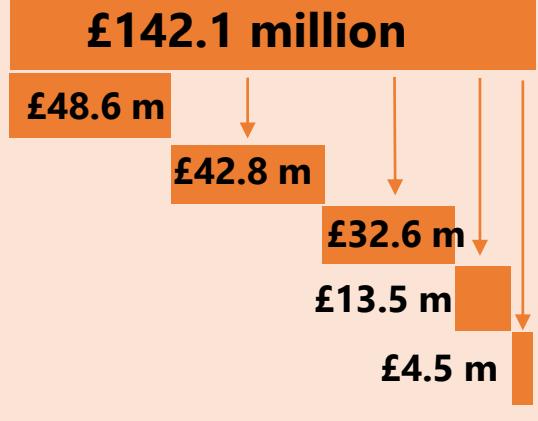
We are responsible for **building standards, housing development and operational management, planning, licensing and regulation**, strategic development of the city's **roads, business growth and inclusion**. Bringing together services that support the sustainable development of the city and through our economy strategy, we support good growth through innovation, inclusion and collaboration. This includes the management of **planning and license applications, food safety, modern apprenticeships, parking, public transport, active travel and road safety**. The division is also responsible for oversight of the Council's transport and housing companies.



### What we spend

**£ 123 million**

### Funding and income

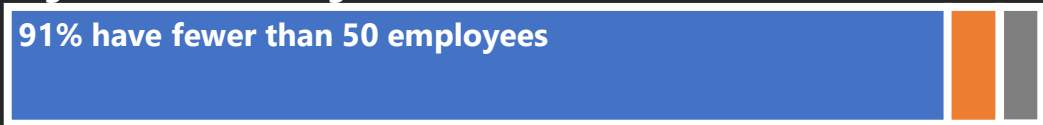


We currently have a stock of **19,853 Council Houses**

There are currently more than **19,000 businesses registered in Edinburgh**

**91% have fewer than 50 employees**

**4% have more than 250**



# Place Management

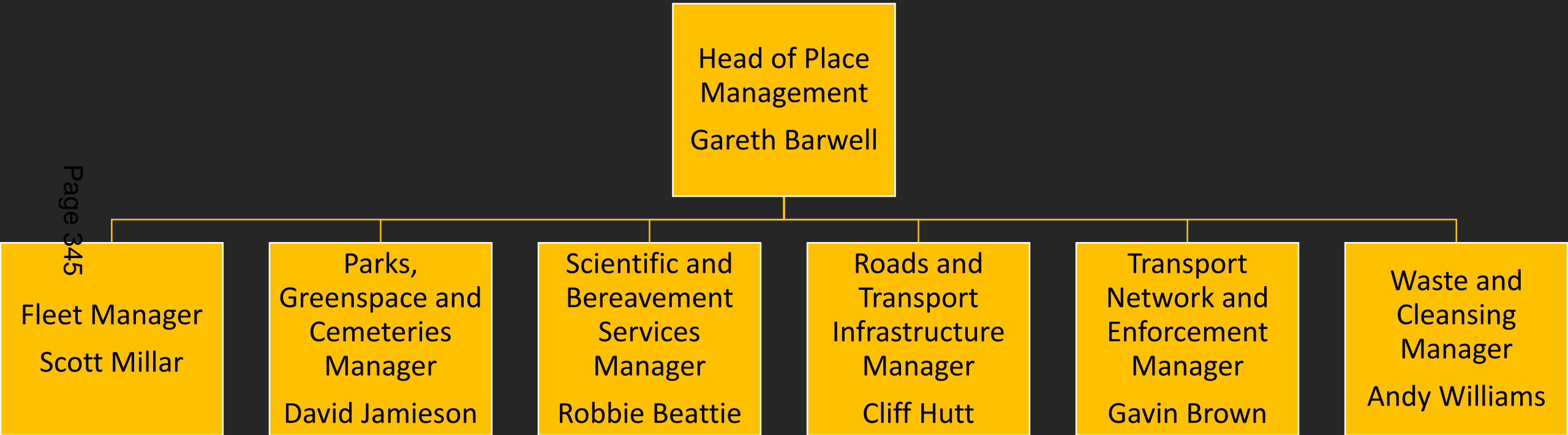
**The Place Management Service is responsible for:**

- The Council's waste collection and street cleansing services
- Procuring and maintaining the Council's vehicle fleet
- The city's parks and greenspaces
- Registration and bereavement services
- The city's roads and transport infrastructure and transport network
- Taking enforcement action e.g. parking, environmental or trade waste contraventions
- Laboratory testing and scientific advisory services within the Council and for the public and businesses



Gareth Barwell  
Head of Place Management

# Place Management Senior Management Team



# Place Management

Place Directorate

**£54.8 m** (Service area net budget)

**£43.5m** (Directorate net budget)

We deliver all of the **key environmental and infrastructure maintenance services**. This includes **collecting 220,000 tonnes of waste per year**, cleaning and repairs on **1,500km of roads**, maintaining 64,000 **street lights** and maintaining over 1,600 hectares of **parks, greenspaces and cemeteries**. 32 of our parks currently hold Green Flag awards.

The division also maintain **over 1,000 vehicles**, provides high quality **registrars and bereavement services** and our laboratory at Seafield is home to our **Scientific Services** team which undertakes sampling and analysis for our **Environmental Health and Trading Standards** services, some neighbouring Councils and external customers.

A **number of key services are provided 24/7** 365 days a year to ensure the city operates effectively. These include road maintenance and winter gritting, street lighting maintenance, tree surgery, waste collection and street cleansing.

We collect waste from **240,000 premises**. This requires just over **1.9 million bin collections per month**

240,000 premises

1.9 million bin collections per month

**1,272 Staff** (1,257.5 Full Time Equivalent)

**£46.1m**

**Waste and cleansing**

**£28.5m**

**Roads, fleet and transport,**

**£23m**

**Environment, parks, greenspace**

**£2.5m**

**Scientific services**

**£1 m**

**What we spend**

**£101.1million**

**Funding and income**

**£46.3 million**

**Fleet, transport, roads**  
re-charging of services

**£26.5 m**

**Parks, greenspace**  
income from events

**£6.7m**

**Waste and street cleaning**  
cost recovery and bulk uplifts

**£6.7m**

We have **1,511km** (938 miles) **of roads** in our network. That's enough to stretch from the **centre of Edinburgh** to the **outskirts of Stuttgart** in Southern Germany

Edinburgh Marathon – 26 miles

Edinburgh to London – 400 miles

Total length of Edinburgh Roads – 938 miles

In Edinburgh last year, **we recycled 86,000 tonnes of waste**. That's enough to fill **the Commonwealth Pool 132 times**



## Governance, Risk and Best Value Committee

10.00am, Tuesday, 3 December 2019

### Edinburgh's Christmas – Motion by Councillor Mowat – referral from the Policy and Sustainability Committee

Executive/routine  
Wards  
Council Commitments

#### 1. For Decision/Action

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- 1.1 The Policy and Sustainability Committee has referred a report on Edinburgh's Christmas to the Governance, Risk and Best Value Committee for consideration.

**Laurence Rockey**

Head of Strategy and Communications

Contact: Louise Williamson, Assistant Committee Officer

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

# Referral Report

## Edinburgh's Christmas – Motion by Councillor Mowat

### 2. Terms of Referral

---

- 2.1 The Governance, Risk and Best Value Committee on 29 October 2019 agreed to a report to the Policy and Sustainability Committee on whether decisions taken by officers on Edinburgh's Christmas and the consultation and engagement around those decisions conformed to the Scheme of Delegation.
- 2.2 This report was considered by the Policy and Sustainability Committee on 26 November 2019.

#### Motion

- 1) To note the report by the Chief Executive.
- 2) To note that the Chief Executive would report to the Policy and Sustainability Committee on 25 February 2020 outlining revised governance arrangements for event planning.

- moved by Councillor McVey, seconded by Councillor Day

#### Amendment

- 1) To note the report by the Chief Executive.
- 2) To correct recommendation 1.2 to read 25 February 2020 along with all other references within the report but otherwise agrees this recommendation.
- 3) To instruct the Chief Executive to produce a further report outlining:
  - a) What actions could be taken regarding the failure to comply with the Scheme of Delegation outlined in paragraph 4.16 and his recommendations regarding any such actions;
  - b) steps to alter the Scheme of Delegation so that politically controversial decisions are required to be taken by Committee;
  - c) any failures by the Council in regard to statutory, or other requirements of not ensuring all terms of legislation were complied with in regard to Planning and Building Control; how the timescales for decision on these matters regarding the Christmas Market vary from normal processes; why any exceptions are considered acceptable and whether any other such exceptions are made;



- d) why briefings are given to one political Group within the Council and information is retained in private, limiting the ability of other Councillors to scrutinise issues, particularly when all Councillors have equal entitlement to information and equal responsibility as part of the decision-making body corporate that is the Council

4) To refer the report to the GRBV Committee for consideration.

- moved by Councillor Whyte, seconded by Councillor Mowat

In accordance with Standing Order 21(11), the amendment was adjusted and accepted as an amendment to the motion.

### **Decision**

To approve the following adjusted motion by Councillor McVey:

- 1) To note the report by the Chief Executive.
- 2) To note that the Chief Executive would report to the Policy and Sustainability Committee on 25 February 2020 outlining revised governance arrangements for event planning.
- 3) To request that the Chief Executive's February report to also cover:
  - a) What actions could be taken regarding the failure to comply with the Scheme of Delegation outlined in paragraph 4.16 of the report by the Chief Executive and his recommendations regarding any such actions;
  - b) If any failures by the Council in regard to statutory, or other requirements of not ensuring all terms of legislation were complied with in regard to Planning and Building Control; how the timescales for decision on these matters regarding the Christmas Market varied from normal processes; why any exceptions were considered acceptable and whether any other such exceptions were made;

And request that the 2020 review of the Scheme of Delegation cover:

- a) steps to alter the Scheme of Delegation so that politically controversial decisions were required to be taken by Committee;
  - b) The process of members briefings.
- 5) To refer the report to the Governance, Risk and Best Value Committee for consideration.

### **3. Background Reading/ External References**

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Minute of the Policy and Sustainability Committee of 26 November 2019.

### **4. Appendices**

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Appendix 1 – report by the Chief Executive

# Policy and Sustainability Committee

10.00am, Tuesday, 26 November 2019

## Edinburgh's Christmas – Motion by Councillor Mowat

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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- 1.1 To note the report.
- 1.2 To note that the Chief Executive would report to the Policy and Sustainability Committee on 25 February 2019 outlining revised governance arrangements for event planning.

**Andrew Kerr**

Chief Executive

Contact: Gavin King, Democracy, Governance and Resilience Senior Manager

E-mail: [gavin.king@edinburgh.gov.uk](mailto:gavin.king@edinburgh.gov.uk) | Tel: 0131 529 4239

## Edinburgh's Christmas – Motion by Councillor Mowat

### 2. Executive Summary

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- 2.1 This report responds to a motion by Councillor Mowat into the decision making surrounding the Christmas Market in East Princes Street Gardens.

### 3. Background

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- 3.1 The Governance Risk and Best Value Committee on 29 October 2019 agreed an emergency motion by Councillor Mowat into Edinburgh's Christmas. It requested a report looking into whether the decisions taken by officers and the consultation and engagement around those decisions, conformed to the Scheme of Delegation. Although this report touches on 2018, its scope is firmly with the Christmas Market in 2019. Specifically, the motion asked:
- 3.1.1 how the decisions taken by officers and detailed in the briefing note sent to Councillors on 28th October 2019 (and attached to this motion at Appendix 1) conform to the scheme of delegation;
  - 3.1.2 when plans detailing the increase in size and scale were seen by senior Council Officers i.e. Head of Service or above;
  - 3.1.3 whether officers identified that the change in layout and increase in infrastructure was a politically sensitive decision;
  - 3.1.4 if this was identified was this communicated to National Galleries of Scotland and Underbelly;
  - 3.1.5 whether the new plans conform to the Council's aims as set out in para 3.1.1 in the report presented to Culture and Communities Committee on Edinburgh's Christmas and Hogmanay (item 8.4) on 10th September 2019;
  - 3.1.6 how and when were key decisions consulted on with Councillors.
- 3.2 The Council is a large and diverse organisation and requires a significant number of decisions to be taken every day to ensure the smooth running of the City. It is impossible for an authority to do this through committee decisions alone and it is not permitted for individual elected members to take decisions. As a result, powers

must be delegated to officers and the extent of these powers are outlined in the Council's Scheme of Delegation to Officers, "The Scheme".

- 3.3 The redevelopment of the Scottish National Gallery and the landscaping changes to East Princes Street Gardens required a new solution to deliver the Christmas Market and to protect the new landscaping. The redevelopment of the Gardens faced several delays which resulted in some areas being incomplete when the Gardens were due to be occupied by Underbelly for Christmas. In addition, the Executive Director of Place was in regular contact with the National Galleries Scotland on the work and scope in the Gardens and the need to implement Council policy regarding the market as had been previously agreed.

## 4. Main report

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- 4.1 In looking to answer the terms of the motion, this report will consider the five main areas –

- 4.1.1 the decision to extend the contract;
- 4.1.2 the decision to extend the market to south of the railway line;
- 4.1.3 planning permission;
- 4.1.4 the need for a building warrant and; and
- 4.1.5 public safety.

### **Extension of Contract**

- 4.2 The contract with Underbelly was first agreed by the Finance and Resources Committee on 23 March 2017 under a B agenda. The contract was a three-year contract with the option to extend for one to three years. The value of the contract was over £1,000,000 and thus required to be approved by the Finance and Resources Committee.
- 4.3 The extension of the contract was of a lesser value and below the £1,000,000 threshold requiring committee approval as set out in Contract Standing Orders. This was a decision that would normally be delegated to the Executive Director of Place.
- 4.4 In taking any decision under the Scheme, officers must comply with the principles of delegation and the requirements set out in the Scheme therein.
- 4.5 The principles of delegation set out that the decision must not be a reserved matter to Council or committee and should not alter or be contrary to law or policy set by the Council. This decision was not a reserved matter and the Edinburgh Parks Manifesto 2014 outlines that a winter market set in East Princes Street Gardens is Council policy and as a result any contract extension is within policy.
- 4.6 The Scheme sets out that any decision which is likely to be regarded as politically controversial or is a decision that will or is likely to have a significant effect on financial, reputational or operational risk and/or a significant impact on service delivery or performance requires the officer to consult with elected members. It then

defines the elected members as the relevant convener or vice-convener and where appropriate the Leader and/or Depute Leader.

- 4.7 The Scheme also states that where a decision relates to a particular ward or wards (but not the whole Council area) and is likely to directly affect the ward interests of a local member or members then those members should be consulted with before the decision is taken.
- 4.8 The Executive Director of Place in email correspondence clearly indicated that he felt the matter was politically controversial and was fully cognisant of the need to consult. The Executive Director of Place favoured taking the decision to committee, but Underbelly had highlighted an urgent need to take a decision ahead of committee in order for them to conclude contractual arrangements for Hogmanay and had indicated that to do otherwise would have negatively impacted the viability and deliverability of that event.
- 4.9 Early discussions were had with the Leader and Depute Leader and key conveners in May 2019 while advice was sought internally on the process required to agree a contract extension. A briefing was then held on 10 June 2019 which was attended by Councillors Wilson, McNeese-Mechan, Rankin, Osler and Mitchell. Councillors Doran, Miller and Mowat could not attend the meeting but subsequent conversations were had with these elected members.
- 4.10 Following this consultation, the Executive Director of Place took the decision to extend the contract. A motion was then considered at the Culture and Communities Committee on 18 June 2019 which, amongst other things, noted this decision. It would have been more beneficial if a report had been submitted to this committee and that the report also included the new layout of the market.
- 4.11 For clarity, the paragraph in the Scheme on politically controversial decisions, requires officers to consult with elected members but does not require for that decision to be made by a committee. The officer may choose to do this, but it is the officer's decision, guided by the elected members who have been consulted. The Council or a committee can require a proposed delegated decision to be carried out by the Council or the committee, but an individual elected member as per the Local Government (Scotland) Act 1973 is unable to take this decision.
- 4.12 Given the timescales involved and the possibility raised by Underbelly of Edinburgh's Hogmanay being put in jeopardy, the Executive Director of Place made every effort to consult timeously with the relevant elected members as per the Scheme. Therefore, although it would be preferable for all relevant elected members to have been consulted earlier, it is understandable that this could not be achieved, and the Executive Director complied with the Scheme when making this decision.

#### **Use of the South Side of the Gardens**

- 4.13 The Scheme sets out that the Executive Director of Place has delegated authority to consider and determine requests from organisations to make use of parks and recreational area subject to specific consultation and an additional power to manage events and activities taking place within parks and greenspace.

- 4.14 As a result, the Executive Director of Place did have the delegated authority to agree to the change in location of part of the market to make use of the south side of the Gardens. This decision also complied with the principles of the Scheme as set out in paragraph 4.7.
- 4.15 The new plans for the market were first shared with the Executive Director of Place in late April 2019, and when replying in May 2019 he refused the request by Underbelly to open the market to the public in the south side of the Gardens. However, Underbelly wrote to the Council on 2 September 2019 asking again to use the south side due to the need to mitigate the loss of stalls in the north side in key locations due to the landscaping works. The Leader, Depute Leader and Conveners and Vice Conveners of Transport and Environment and Culture and Communities were made aware of the request by a written briefing on 4 September 2019. On 16 September 2019 the SNP group were briefed on the delay to the National Galleries' landscaping works and the impact on the Christmas market. On 17 September 2019 the Convener and Vice-Convener of Culture and Communities were provided a briefing which included the request to move to the south side of the Gardens.
- 4.16 As outlined above there was extensive consultation with a number of the groups specified in the scheme but the scheme also requires that the Executive Director consult local ward members. Not all local ward members were consulted with and, as a result, this delegated decision was not taken in accordance with the rules laid out in the Scheme.

### **Planning Permission**

- 4.17 Council officials met Underbelly on 30 August to discuss permissions required for the market and informed Underbelly that planning permission was required for this year's market. Underbelly stated that they would be making an application but would not be able to meet the timescales required for a full application to be in place before commencing their build on 18 October as there was no final layout plan. Discussions over detailed design to ensure safety of the public and protection of the gardens were protracted, and officers would not approve the design until the Council's engineers were satisfied on both fronts. This activity was concluded on 12 October.
- 4.18 It is Underbelly's responsibility to secure the necessary planning consent and, although it is permitted to be done retrospectively, this is still a breach of planning regulations. Given the importance of the event in terms of public benefit, officers did not consider it appropriate to instruct Underbelly not to proceed in the absence of planning permission. The Christmas Market has been in place for a number of years and it would have been a change in Council policy for the Council to stop the market at this late stage and a decision that would have required committee approval. The power for Planning to serve a notice would also have required committee approval.
- 4.19 However, Planning Enforcement is continuing to monitor the situation having set up an enforcement case. The enforcement team required four huts and their

supporting structures to be removed from the market. The structures for these had been installed and were removed to ensure that trees were protected. In addition, additional protective fencing has been required around two of the trees.

- 4.20 A Proposal of Application Notice (PAN) has now been submitted by Underbelly. This sets out the intention of the applicant to submit a planning application. The PAN process takes 12 weeks and allows the public to be engaged. A public consultation event is set for 26 November at the Scotsman Hotel. After the PAN period, it will be possible for a planning application to be submitted. This planning application will be progressed in the usual way and reported to the Development Management Sub-Committee for its decision.

### **Building Warrant**

- 4.21 A building warrant is required to show compliance with the Building Regulations. On 30 August 2019 the Council met Underbelly and discussed and agreed the need for a building warrant.
- 4.22 A building warrant application was submitted for structures within the market. It includes what is known as a SER certificate which is a certificate of structural design. This certificate shows compliance with the Building Regulations in relation to structure. Building Standards have inspected the site and building warrants for the market have been granted and completion certificates accepted.

### **Public Safety**

- 4.23 The event was discussed by a multi-agency, safety advisory group called the Event Planning and Operations Group (EPOG) as well as sub groups to discuss specific topics, such as crowd management and counter terrorism/security measures. These meetings are chaired by the Public Safety Team and involve organisations across the public sector including the emergency services.
- 4.24 As part of this process, Section 89 applications from Underbelly were requested in relation to temporary structures for all sites. Section 89 applications were received for all sites in use which showed the structures were designed and built in accordance with the relevant British standards. An independent engineer provided a sign off certificate for each structure before Section 89 permits were issued. The event sites were also inspected to ensure that they were safe, following industry standards such as the Purple Guide and relevant Building Regulations. The public safety team also reviewed the safety documentation, such as wind management plans, crowd management plans, medical and stewarding cover, contingency and emergency plans and ADIPS certificates. This team also act as an advisory team on site during the events and helped to put measures in place last year to ensure the safety of people at the market.

### **Council Aims**

- 4.25 The new plans deliver an event that provides a diverse, dynamic and contemporary Christmas market. Edinburgh's Christmas provides extensive community benefit whilst attracting an increasing number of international visitors. The Council budget is £400,000 less per annum than in previous years. However, Edinburgh's

Christmas is not spread across the city centre as in previous years with George Street and St Andrew Square not being utilised. When looking beyond the City Centre, the Community Christmas Programme visits 12 different areas throughout Edinburgh. This programme aims to bring a building to life in each locality for one night with winter projections and local choirs.

### **Summary of Findings**

- 4.26 All decisions and processes were followed correctly, with the exception of the decision to move the market to the south side of East Princes Street Gardens. This was not done in accordance with the Scheme and although there was consultation with elected members, there should have been consultation with all local ward members.
- 4.27 It is clear that the impact of the landscaping changes and the delay to work was a major contributing factor in the issues that the Council faced and created an environment that was often challenging and resulted in time critical decisions having to be made. In addition, Underbelly had clear duties to manage and run this event and it was their responsibility to apply for planning permission.
- 4.28 Public safety is paramount to the Council and there is no question of public safety being compromised at the market. This event and all previous Christmas markets have been safe.
- 4.29 This event has been supported by a number of Council services and this work has been extensive and integral to the event taking place. There have been mistakes identified with this event but that does not point to any systematic failure to manage events. The Council delivers successful major events throughout the year and there is a strong foundation to build on the work in this area.
- 4.30 Nevertheless, there appears to be weaknesses in the Council's co-ordination of this event. There was no planning permission for the Christmas Market in 2018 and this was the first year that a building warrant has been in place.
- 4.31 The Chief Executive called an initial meeting on 14 November 2019 to look at how the governance and strategic and operational management of significant events including this event could be strengthened. The Chief Executive intends to report to the Policy and Sustainability Committee on 25 February 2019 outlining the governance structures to ensure that these issues do not arise in future.

## **5. Next Steps**

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- 5.1 As outlined above the Chief Executive will report to the Policy and Sustainability Committee on 25 February 2019 outlining strengthened governance arrangements for event planning.

## **6. Financial impact**

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- 6.1 There is no financial impact as a direct result of this report.



## **7. Stakeholder/Community Impact**

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- 7.1 This report does not examine the community impact of the market, it looks at the decision making around the market and thus its focus is on process, statutory regulations and the Council's Scheme of Delegation.

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

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- 8.1 [Scheme of Delegation to Officers](#)

## **9. Appendices**

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None

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# Governance, Risk and Best Value Committee

10am, Tuesday 3 December 2019

## Whistleblowing update

Item number  
Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

---

- 1.1 To note whistleblowing activity for the period 1 July – 30 September 2019.

**Andrew Kerr**

Chief Executive

Contact: Nick Smith, Council Monitoring Officer/Head of Legal and Risk

E-mail: [nick.smith@edinburgh.gov.uk](mailto:nick.smith@edinburgh.gov.uk) | Tel: 0131 529 4377

## Whistleblowing update

### 2. Executive Summary

---

- 2.1 This report provides a high-level overview of the operation of the Council's whistleblowing service for the period 1 July – 30 September 2019.

### 3. Background

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- 3.1 The Council's whistleblowing service (including a confidential reporting line) is contracted to an independent external organisation, currently Safecall Limited.
- 3.2 The Council's Whistleblowing policy (section 4.3.2) requires that quarterly summary reports on whistleblowing activity are presented to the Governance, Risk and Best Value Committee.

### 4. Main report

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#### 4.1 Disclosures

During the reporting period Safecall received two new disclosures as follows:

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

- 4.2 The current contract with Safecall Limited for the provision of whistleblowing services will end on 11 May 2020. Governance and Procurement are progressing

review of the current contract, costs and requirements to procure a new contract for whistleblowing services starting on 12 May 2020.

- 4.3 A number of the members of the Governance, Risk and Best Value committee participated in a joint member/officer workshop to review current contractual and operational arrangements on 23 October 2019.
- 4.4 A number of improvements were proposed, including:
- 4.4.1 the introduction of final closure reports to Committee on all major investigations, outlining the actions taken to address the recommendations in reports (to take immediate effect);
  - 4.4.2 the introduction of additional process steps to clarify responsibilities and decision making;
  - 4.4.3 additional guidance for whistleblowers up front on the level of feedback that can be expected on the outcome of investigations; and
  - 4.4.4 amendments to the Whistleblowing policy in March 2020 (next scheduled review) to reflect the above.

## **5. Next Steps**

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- 5.1 The improvements outlined at 4.4.2 and 4.4.3 will be implemented at the appropriate point in the process to prepare for the new contract in May 2020.

## **6. Financial impact**

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- 6.1 The cost of the whistleblowing service for the three-month period 1 July to 30 September 2019 was £4,725 (excluding VAT).

## **7. Stakeholder/Community Impact**

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- 7.1 The whistleblowing policy was developed and agreed to complement management reporting arrangements and to ensure all matters at the Council are fully transparent and officers are accountable.
- 7.2 The aim of the policy and the appointment of an independent service provider is to empower employees to report suspected wrongdoing as early as possible in the knowledge that their concerns will be taken seriously and investigated appropriately; that they will be protected from victimisation and other forms of detriment; and that their confidentiality will be maintained.
- 7.3 The whistleblowing policy, and subsequent reviews, have been consulted on with the trades unions to secure a local agreement.

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

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- 8.1 [Finance and Resources Committee 23 May 2019: item 7.20 Whistleblowing Policy](#)

## **9. Appendices**

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- 9.1 None.

by virtue of paragraph(s) 1, 12, 15 of Part 1 of Schedule 7A  
of the Local Government(Scotland) Act 1973.

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by virtue of paragraph(s) 1, 12, 15 of Part 1 of Schedule 7A  
of the Local Government(Scotland) Act 1973.

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