

REPORT TO: Audit and Governance Committee

MEETING DATE: 13 November 2012

BY: Chief Executive

SUBJECT: Annual Work Programme

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1 PURPOSE

- 1.1 This report provides the Committee with the updated annual work programme.

2 RECOMMENDATIONS

- 2.1 Committee is requested to note the annual work programme (Appendix 1) and provide guidance on additional reports the Committee would like to be included in the work programme.

3 BACKGROUND

- 3.1 The Audit and Governance Committee, 18th September 2012 agreed an annual work programme.

- 3.2 The annual work programme (see Appendix 1) includes five categories/columns reflecting the main areas of the Committee's remit:

- Internal Audit Reports
- External Audit Reports
- Audit Scotland reports
- Governance
- Risk.

- 3.3 The work programme will be updated for each meeting of the Committee to take account of notification of forthcoming reports from Internal Audit, External Auditors and Audit Scotland and reports called for by the Committee.

4 POLICY IMPLICATIONS

- 4.1 The identification of items of business for the Committee's Work programme will assist in developing a programme of work that will meet the Committee's remit.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – none
6.2 Personnel – none
6.3 Other – none

7 BACKGROUND PAPERS

- 7.1 Review of the Use of the Guide to Scrutiny and Review by the Audit and Governance Committee: Audit and Governance Committee, 19th June 2012
7.2 Annual Work Programme: Audit and Governance Committee, 18th September 2012

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DATE	2 nd November 2012

Appendix 1: Audit and Governance Committee Annual Work Plan

Date	Internal Audit Reports	External Audit Reports	Accounts Commission/ Audit Scotland reports	Governance	Risk
13/11/12	Residential Unit for Young People Travel and Subsistence Review of Statutory Performance Indicators		How Councils Work: Improving services through managing performance	Council Plan Council Improvement Plan 2012/13 monitoring report	Revised Risk Management Strategy
22/1/13	Rent Deposit Guarantee Scheme Adult Social Care – Framework Purchase Cards		Accounts Commission: Approaches to reduce reoffending		Corporate Risk Register Service Risk Registers
19/3/13	Adult Social Care – Care at Home Housing Allocations Electronic Document and Records Management System	Presentation of Audit Strategy and Plan Interim report	Accounts Commission: Health Inequalities	Council Improvement Plan 2012/13 monitoring report	Service Risk Registers
30/4/13	Income Collection Council Tax Payroll Leavers' Access Controls		Accounts Commission: Major Investments in Councils	Annual Governance Statement Council Improvement Plan 2013/14	Service Risk Registers

11/6/13	To be confirmed on adoption of 2013/14 Audit Plan		Assurance and Improvement Plan Update		Risk Strategy Update
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REPORT TO: Audit and Governance Committee
MEETING DATE: 13 November 2012
BY: Executive Director (Support Services)
SUBJECT: Council Risk Management Strategy

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1 PURPOSE

- 1.1 The purpose of the report is to seek Audit and Governance Committee approval of the revised Risk Management Strategy.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee approves the revised Risk Management Strategy (Appendix 1).

3 BACKGROUND

- 3.1 The Council adopted the Risk Management Strategy in December 2009. The Strategy has been reviewed and updated and is submitted for approval by Audit and Governance Committee (see Appendix 1). The main changes relate to updating the responsibilities of senior officials in line with the re-organisation of the Council Management Team that took place in March 2012 and revising the Risk Rating Matrix to redefine the Very High, High, Medium and Low risk categorisation.
- 3.2 The Corporate Risk Register (CRR) was approved by Audit and Governance Committee on the 26th April 2011. Since then the Register has been reviewed by Local Risk Working Groups and the Council Risk Management Group. The revised Corporate Risk Register is to be considered and approved by the Council Management Team before being submitted to the Cabinet and Audit and Governance Committee in January 2013.

4 POLICY IMPLICATIONS

- 4.1 In approving the revised Risk Management Strategy the Audit and Governance Committee will be affirming the process of embedding risk management principles across the Council.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – There are no direct financial implications associated with approving the revised Strategy although it is anticipated that implementation may give rise to improvement measures which may themselves have financial implications.
- 6.2 Personnel – There are no immediate implications.
- 6.3 Other – Effective implementation of the Risk Management Strategy will require the support and commitment of those identified within the strategy to have specific responsibilities.

7 BACKGROUND PAPERS

- 7.1 Appendix 1 – Council Risk Management Strategy; October 2012

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Risk Management Strategy

OCTOBER 2012

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<u>Document Control</u>			
<u>Version No.</u>	<u>Effective Date</u>	<u>Reason for Update</u>	<u>Lead Reviewer</u>
1.0	December 2009	New document	CMT/EP&RM
2.0	October 2012	Revised	CMT/EP&RM

1. Background

East Lothian Council provides a diverse range of services to the community of East Lothian and visitors to the area. The strategic and operational hazards and potential risks associated with delivering these services are many and varied.

East Lothian Council regards risk as the threat that an event or action will adversely affect the Council's ability to achieve objectives and the successful execution of strategies. Risk Management is the process of identifying, analysing, treating and monitoring risks which face the organisation and forms part of East Lothian Council's internal control and corporate governance strategy.

Developing a risk management culture and integrating risk management into the way the Council delivers services is essential for achieving best value, taking up opportunities and achieving the Council's Vision of making East Lothian a good place to live, work or visit. When risk is well managed it often goes unnoticed. If it is poorly managed or not managed at all the consequences can be significant and high profile. Effective risk management is needed to prevent such failures.

2. Policy Statement

- 2.1 The Elected Members and Chief Officers of East Lothian Council are committed to creating a culture within the Council where all staff are encouraged to develop new initiatives, improve performance and achieve their goals safely, effectively and efficiently by consistent application of tried and tested methodologies for identifying and managing opportunity and risk.
- 2.2 In doing so the Council aims to make the most of opportunities to:
- achieve high standards of performance;
 - deliver high quality services for service users;
 - provide an environment that meets Health & Safety requirements for the people it employs;
 - protect assets and liabilities against potential losses, and
 - minimise uncertainty in achieving its goals and objectives.

3. Scope

- 3.1 Whilst the Chief Executive has overall accountability for risk management, the Head of Policy and Partnerships has responsibility for the implementation of a suitable and effective risk management framework, and is supported in this respect by the Emergency Planning & Risk Manager and the Risk Officer whose remit is to co-ordinate, integrate, oversee and support the risk management agenda and ensure that risk management principles are embedded across the Council.
- 3.2 The Council has agreed that the Council Risk Management Group (chaired by the Head of Policy and Partnerships) is the lead Group overseeing the development, implementation and maintenance of risk management across all services. Risks will be recorded within the corporate risk register, service risk registers or project risk registers and development of the Aspireview risk module will facilitate this electronically.
- 3.3 **Corporate risks** represent those with the potential to impact on the 'corporate body', East Lothian Council, in achieving its stated policies and corporate objectives and those that require strategic leadership (for example the Council Plan and the Single Outcome Agreement). Service risks may be included on the corporate risk register where a risk impacts on multiple services or requires significant central resources in the development of risk control measures.
- 3.4 **Service risks** represent the potential for impact on 'individual services' in relation to service delivery, or the experience of those who work within the services, i.e. staff, partners, contractors and volunteers, or the general public and clients in receipt of the services provided.

3.5 All risk will be analysed in terms of impact on the Council, its component services and the likelihood of occurrence. This analysis will produce an evaluation of risk as being Low, Medium, High or Very High. The council's response in relation to adverse risk, or 'tolerance for risk' is such that:

- 'Low' risk is broadly acceptable without any further action to prevent or mitigate risk;
- 'Medium' risk is tolerable with control measures that are cost effective;
- 'High' risk may be tolerable providing the Council is assured that adequate and effective control measures are in place; and,
- 'Very High' risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position.

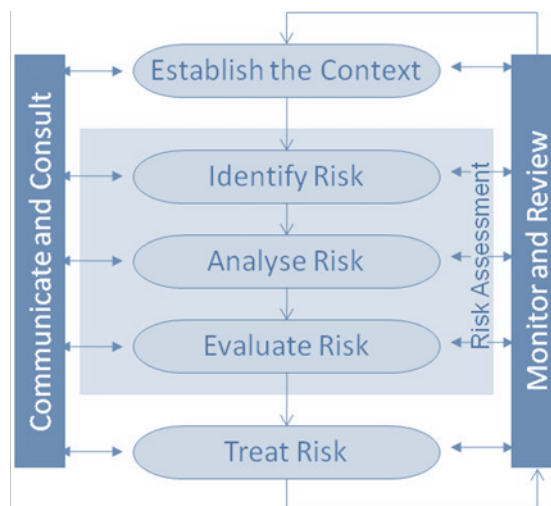
High and Very High risk will be subject to closer scrutiny by the Council Management Team and the Cabinet or Audit and Governance Committee.

3.6 This document represents the risk management framework to be implemented across the Council and effectively contributes to the signing of the Statement of Internal Control, which is an annual requirement of the Head of Council Resources.

4. Risk Management Philosophy and Objectives

4.1 Risk Management is about the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects¹. It is pro-active in understanding risk and uncertainty, it learns and builds upon existing good practice and is a continually evolving process that has an important role to play in ensuring that defensible and beneficial 'risk-aware' not 'risk-averse' decisions are made. It ensures that the Council provides high quality services and staff are aware that every effort has been made to maximise their opportunities to succeed.

4.2 East Lothian Council uses the risk management process shown below².



4.3 Risk Management Objectives

The specific risk management objectives of the Council are to:

- (i) integrate governance and risk management into the day to day activities of all Council employees including project management and service planning;

¹ Australia/ New Zealand Risk Management Standard, AS/NZS 4360: 2004

² Australia/ New Zealand Risk Management Standard, AS/NZS 4360: 2004 and ISO 31000 (2009)

- (ii) create a consistent approach to risk across all services using the adopted process;
- (iii) promote practical measures to reduce the council's exposure to risk and potential loss;
- (iv) define clear lines of responsibility for the management of risk, including corporate risks, service risks and those involving specialised support functions;
- (v) provide a system for monitoring the effectiveness of the risk management framework;
- (vi) provide a system for feedback on the management of key risks to Elected Members, with clear and measurable targets set, and reports on progress made against those targets;
- (vii) comply with legislative requirements; and
- (viii) comply with the requirements of Corporate Governance

4.4 The fundamental principles of Risk Management are to:

- ensure that the Risk Management process takes account of and links to Council objectives;
- monitor the provision of, and attendance at, Risk Management training events;
- to keep the elected members and senior managers advised of any significant risk management issues;
- to promote an open and fair reporting culture;
- encourage local ownership of the Risk Management process by ensuring that decisions on risk management are taken locally rather than centrally.
- agree clear roles and definitions relating to the accountability, management, escalation and communication of key risks; and
- approach the assessment of risks and opportunities consistently.

5. Benefits of Effective Risk Management

5.1 Effective risk management will contribute to delivering significant benefits for the Council. The primary benefit is that appropriate, defensible, timeous and best value decisions are made. Such 'risk-aware' decisions should be based on a balanced appraisal of strengths, weaknesses, opportunities and threats, and should enable acceptance of a certain level of risk in order to achieve a particular goal or reward.

5.2 Defensible decision-making means that:

- all reasonable steps in the decision-making process will have been taken;
- all relevant information will have been collected and thoroughly evaluated;
- reliable assessment methods will have been used;
- decisions (and supporting rationales) will have been clearly documented, and
- processes will have been put in place to monitor the effectiveness of the decision outcomes.

5.3 Other benefits would include:

- high achievement of objectives and targets;
- high levels of staff morale and productivity;
- better use and prioritisation of the council's resources;
- high levels of user experience/ satisfaction with a consequent reduction in adverse incidents, claims and/ or litigation;
- further enhancement of the council's good reputation both as an employer and as a public service provider; and
- avoid duplication of Risk Management issues which affect more than one service and bring them together to benefit from good practice.

6. Standard Procedures

- 6.1 Standard procedures (6.1.1 – 6.1.14) should be fulfilled in order to achieve a consistent approach to effectively implementing risk management across all areas of the Council.
- 6.1.1 Full implementation of the continuous risk management process, embedding risk management within existing Council processes so that an assessment of risk as well as costs and benefits becomes routine wherever possible.
- 6.1.2 Identification of risk using standard methodologies and involving managers throughout the service with detailed knowledge of the service and the environment in which it operates.
- 6.1.3 Each Service through its Risk Working Group will identify events which may have the consequence of affecting the Council's ability to provide services and achieve its objectives.
- 6.1.5 Consistent application of a standardised 5x5 risk matrix to analyse risk in terms of impact and likelihood of occurrence, thus producing a risk score and evaluation of either 'low', 'medium', 'high' or 'very high.' The values attached to the risk for likelihood and impact are then multiplied and placed on the risk matrix, which shows the level of risk ranging from 1 to 25.
- 6.1.6 Consistency of approach for risk response/ treatment where appropriate actions are taken to bring a situation to a level where the exposure to risk is acceptable to the Council, either through termination, tolerance, transfer or treatment of the risk.³
- It will be for the Management Team or the departments Risk Working Group to decide on what action they take to deal with the identified corporate or operational risks.
- 6.1.7 Implementation and maintenance of risk registers as a means of collating risk information in a consistent format allowing comparison of risk evaluations and informed decision-making in relation to prioritisation of resources. The council will progress the development of the Aspireview 'risk' module to ensure consistency of approach and format of risk registers.
- 6.1.8 Routine reporting of risk information to the appropriate group e.g. Audit and Governance Committee, Council Management Team and Cabinet dependent on the type and significance of risk.
- 6.1.9 Periodic re-assessment of individual risks, proportionate to significance of risks (i.e. low risks fully reassessed every two years, medium risks every year and significant [high and very high] risks every 6 months) including routine audit of robustness of measures implemented to control risks.
- 6.1.10 To fully document the risks in the risk registers and to monitor and carry out an annual review of corporate and service risk registers/ risk management plans to ascertain progress and to check for contextual changes affecting the risks.
- 6.1.11 Mid-year progress review of service risk management plans by Management Teams.
- 6.1.12 Ongoing proactive identification of new and/ or potential risks as a general responsibility of all service areas specifically those where risk is inherently discussed as part of their remit.
- 6.1.13 Supporting Risk Management Guidance will provide further direction regarding the above.
- 6.1.14 Link Service Risk Register to Service plans.

³ **Termination** - avoiding the risk by not proceeding with the activity likely to generate the risk;

Tolerance - ensuring that adequate plans exist to respond to potentially disruptive events and monitoring current controls where the probability of harm materialising is low and/or the economic cost of further reducing the risk is disproportionately high;

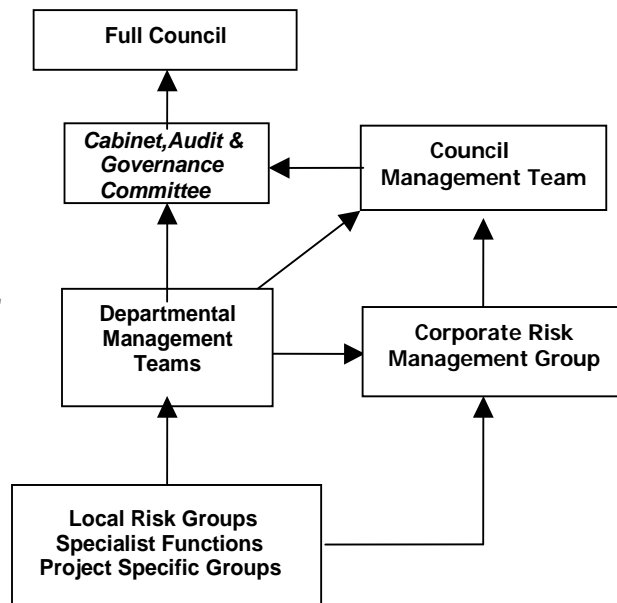
Transfer - arranging for another party to bear or share some part of the risk, through insurance, contracts, partnerships, joint ventures etc.; and

Treatment - controlling the likelihood and consequences of the occurrence through preventative measures.

7. Structural Arrangements and Responsibilities

- 7.1 All employees are responsible for managing risk to varying degrees within East Lothian Council and it is important that employees are made aware by the Council of their specific responsibilities in order to ensure risk is successfully managed throughout the Council. The Risk Framework (Figure 2.0) illustrates the relationship between different levels of employees and their accountability amongst each other. It shows the structure whereby information, instruction, training, supervision and reporting in relation to the management of risk will be effectively communicated within the Council.
- 7.2 The process must be driven from the most senior level of the Council. The framework (2.0) shows that the Council Management Team has collective responsibility for the management of risk and that the process of implementing the strategy will be through the Council Risk Management Group and thereafter cascading through the Council departments.

Figure 2.0
Reporting Arrangements



7.3 Formal Groups

7.3.1 Elected Members, Full Council, Cabinet and Audit and Governance Committee

Elected Members will promote a culture of risk management throughout the Council and encourage effective management of risk by Officers.

As part of its corporate governance role, **Full Council** is accountable for ensuring that the organisation has a suitable risk management framework in place and that significant risks are adequately identified and controlled. At meetings of the relevant committees, Elected Members will:

- approve service risk registers and risk management plans submitted on an annual basis, and
- conduct a mid year progress review of service risk management plans.

Cabinet has delegated authority for and on behalf of Council for ensuring that corporate risks and any emerging significant (high and very high) risks within their specific remit are adequately controlled. Cabinet will approve the Corporate Risk Register.

Audit and Governance Committee will scrutinise and review the effectiveness of the implementation of the risk management processes within the Council. It will also scrutinise and review the Risk Registers.

7.3.2 Council Management Team

Council Management Team will promote the importance placed on risk management within the Council and will:

- oversee the implementation of this strategy throughout the Council;
- review the proposed corporate risk register and agree the risks for the Council in achieving its key corporate objectives;
- monitor the effective management of known risk by officers of the Council, by reviewing action taken in managing risks identified on the corporate risk register on an annual basis;
- support implementation of the strategy throughout the Council;
- timeously identify potential risks arising from the Council's external environment, and
- ensure effective systems of internal control and Risk Management are in place to support the corporate governance of the Council advise and promote the Risk Management framework, policy and strategy.

7.3.3 Council Risk Management Group

The Council Risk Management Group is fundamental to the delivery of risk management throughout East Lothian Council and will meet on a regular basis to ensure that risk management remains high on the corporate agenda. The Council Risk Management Group comprises the Emergency Planning and Risk Manager, Risk Officer and representatives from each Risk Working Group, Internal Audit, Insurance Services, Health and Safety, IT Security and other relevant members by invitation and will:

- identify and review corporate risks, in consultation with the Board of Directors and Heads of Service, through the production of a corporate risk register that will demonstrate the overall risk profile of the council and be used to focus on developing actions for effectively managing the risks;
- co-ordinate arrangements for monitoring progress of action plans designed to manage corporate risks;
- provide regular risk management reports to the Council Management Team (in respect of risk registers, risk management plans);
- assist in implementation issues across the council, share experiences and inform changes to the strategy and direction;
- adopt and monitor progress against a Risk Management Action Plan which will show the direction for medium to long term risk management objectives, and
- form a sub group(s) from within the Council Risk Management Group to take forward specific initiatives complimentary to the remit of the Group when required.

7.3.4 Risk Working Group (Departmental)

Risk Working Groups will:

- organise training and raise awareness in their area of responsibility to ensure practical prevention and control measures are put in place to minimise risk;
- contribute to the service risk register and regularly review its content to ensure it continually reflects the key risks of the service and highlights the service's top risks;
- report progress to their Departmental Management Team on a regular basis;
- on behalf of the Service Director, contribute to the council's assurance framework through the annual submission of their service's risk register and risk management plan to the

Head of Policy and Partnerships, for review prior to submission to the Audit and Governance Committee. These plans will provide a summary of progress made in managing risks identified in the previous year's plan, will set out plans for the coming year for managing identified keys risks and incorporate estimates of planned reduction in financing costs where possible;

- provide the central point for co-ordination of risk management policy within the service;
- oversee the implementation of this strategy throughout the service at an operational level, and
- provide a representative to the Council Risk Management Group.

7.3.5 Specialist Functions

Specialist functions such as Insurance and Health and Safety will:

- provide a central resource of expertise to the wider Council, and
- be responsible for the development and actioning of corporate risk management initiatives, either directly or through other Council services.

Where relevant, the Council will access external sources of expertise such as the Police or the Council's Insurers.

7.3.6 Internal Audit

Internal Audit is an independent appraisal function within the Council. Internal Audit will:

- review, appraise and report on the adequacy and effectiveness of Risk Management arrangements within the Council, and
- take into account the Council's Corporate Risk Register when identifying areas to be included in the Internal Audit plan.

7.4 Individuals

7.4.1 Chief Executive

The Chief Executive has ultimate responsibility for ensuring that there are suitable and effective arrangements in place to manage the Council's risks.

7.4.2 Head of Policy and Partnerships

The Head of Policy and Partnerships is the lead for risk management, its related strategy and supporting processes. He/She is supported in this respect by a dedicated risk management resource in the Emergency Planning and Risk Manager and the Risk Officer.

7.4.3 Executive Directors

All Executive Directors are accountable to the Chief Executive for the management of risk within their areas of responsibility. Executive Directors will ensure that risks identified as likely to impact on their delivery of the strategic objectives are managed effectively.

It is the responsibility of each Executive Director and their senior management team to implement local arrangements which accord with the principles, objectives and standard procedures set out in this strategy. Specifically, they will:

- implement the strategy within their own range of services, seeking every opportunity to embed risk management methodologies within their existing processes;

- monitor and review the effective application of the risk management process throughout their service and report on significant risks to the Council Risk Management Group, and
- encourage their Risk Working Group to promote staff learning and development in risk management and monitor operational risk management progress;

Whilst an Executive Director has overall responsibility for the management of a risk within their services, they might not 'own' the risk control mechanisms being implemented to manage the risks (e.g. implementation of policies developed by other services, such as Finance or Human Resources). In this case, the role of the Executive Director is to oversee that the control(s) is/are fit for purpose and operating effectively within their area of responsibility.

7.4.4 Heads of Service

Heads of Service are accountable to their Executive Director for the management of risk within their areas of responsibility. They will ensure that any risks identified as likely to impact on their service are documented in the Risk Register and thereafter managed effectively.

Heads of Service across East Lothian Council have a responsibility to ensure that all employees are familiar with the latest risk management strategy, guidance and controls.

7.4.5 Emergency Planning and Risk Manager

The Emergency Planning and Risk Manager, in conjunction with the Risk Officer, will:

- organise the meetings of the Council Risk Management Group;
- offer advice and support to service managers and other groups in the management of corporate and service risks;
- appraise the services' risk management plans, and
- maintain the corporate risk register and risk management systems for the Council.

7.4.6 All East Lothian Council Employees

All Council employees should be encouraged to be involved at all levels in identifying current and potential risks where they work. They should make every effort to be aware of situations which place themselves or others at risk, report identified hazards and implement risk reduction measures developed by their service. Risk assessments should encompass all facilities used to deliver services and be completed using the knowledge and experience of all relevant staff and where appropriate service users. This approach will support the formal risk review conducted annually by all services and enable staff to:

- understand the risks that relate to their roles and their activities;
- understand how the management of risk relates to their own and their client's/ the public's safety;
- understand their accountability for particular risks and how they can manage them;
- understand how they can contribute to continuous improvement of risk management;
- understand that risk management is a key part of East Lothian Council's culture;
- report systematically and promptly to senior management any perceived new risks or failures of existing control measures, and
- liaise with line managers to assess risk in their jobs and will manage risk effectively in their jobs.

8. Training, Learning and Development

- 8.1 To implement this strategy effectively, it is essential to have a workforce with the competence and capacity to identify and manage risk and handle risk judgements with confidence including learning from past experience.
- 8.2 The Council recognises that for Risk Management to be successfully embedded in the Council's day to day activities appropriate training must be undertaken by all members of staff to varying degrees. The Emergency Planning and Risk Manager, supported by the Risk Officer, will regularly review the risk management training needs of the Council and ensure the implementation of a programme of training for all staff to be undertaken both internally and also through specialist external trainers. This will ensure that all employees are equipped with the skills to act effectively in accordance with good practice.
- 8.3 Depending on the purpose, nature and extent of the training, it can provide staff with knowledge of the following:
- the risk management process;
 - risk reporting requirements;
 - risk management roles and responsibilities;
 - risk tools and techniques and how and where they are applied; and how to identify, assess and manage risks;
 - the Council's policy on risk, and
 - the Council's risk appetite, risk tolerance levels and escalation rules.

9. Monitoring and Reviewing Risk Management Activity

- 9.1 Efficient and effective risk management requires a monitoring and review structure to ensure that changes to the council and its environment are identified and addressed.
- 9.1.1 There will be reports to the Council Management Team and Cabinet on progress in managing the risks recorded in the Corporate Risk Register. This will detail the most significant risks and what actions have been taken to mitigate them. The risks will be reviewed as follows:
- Very high risks and the actions taken to mitigate them will be reviewed every 6 months;
 - High risks and the actions taken to mitigate them will be reviewed every 9 months;
 - Medium risks and the actions taken to mitigate them will be reviewed annually, and
 - Low risks and the actions taken to mitigate them will be reviewed every 2 years.
- 9.1.2 There will be annual reporting to the Audit and Governance Committee on progress against the risk management plans and service risk registers;
- 9.1.3 There will be regular reporting to Business/ Departmental Management teams on progress against the risk management plans and service risk registers;
- 9.1.4 There will be regular reporting on progress on the Risk Management Action Plan to the Corporate Risk Management Group;
- 9.1.5 There will be quality assurance checks on the risk management process conducted through meetings of the Council Risk Management Group;
- 9.1.6 There will be ad hoc tailored reports/ presentations to Cabinet on specific risk related issues/ topics arising from discussion or specific enquiry;
- 9.1.7 There will be continual review by Risk Working Groups of progress in managing individual risks listed in the service risk registers;

- 9.1.8 There will be regular reporting of claims data to Heads of Service by the Insurance Section and 'Stewardship reports' provided by the council's Insurers;
- 9.1.9 There will be annual review of risk registers by the Audit and Governance Committee.
- 9.2 A review of the above and other data sources should determine whether:
- the risk management framework and process is fit for purpose and aligned to the Council's corporate objectives;
 - staff across the Council have sufficient risk management skills, knowledge and competence in line with the activities they are required to perform on a daily basis, and
 - improved knowledge would have helped to make better judgements or reach better decisions and identify lessons for future assessments and the management of risks.
- 9.3 Such a review should shape future risk management priorities and activities and be reflected in the revision of the Risk Management Action Plan and preparation of the Council's Risk Management Annual Report that is provided to the Audit and Governance Committee, forming part of their assurance to Council.

10. Risk Registers

- 10.1 The Council Risk Management Group will establish a Corporate Risk Register, which aligns with the Council Plan and they will have responsibility for maintaining the Register.
- 10.2 Each Service will, through its Risk Working Group, establish a Risk Register which aligns to its Service Plan and which will, where appropriate, be linked to the Corporate Risk Register. The information to be contained in both the Corporate Risk Register and the respective Service Risk Registers will be:
- risk identification number;
 - risk description (linked to the achievement of business objectives);
 - likelihood/impact rating;
 - risk rating;
 - controls in place;
 - potential residual risk;
 - planned actions;
 - service or person responsible for planned actions/managing the risk;
 - timescale for completion of action, and
 - evidence of regular review.

11. Strategy Implementation, Communication and Review

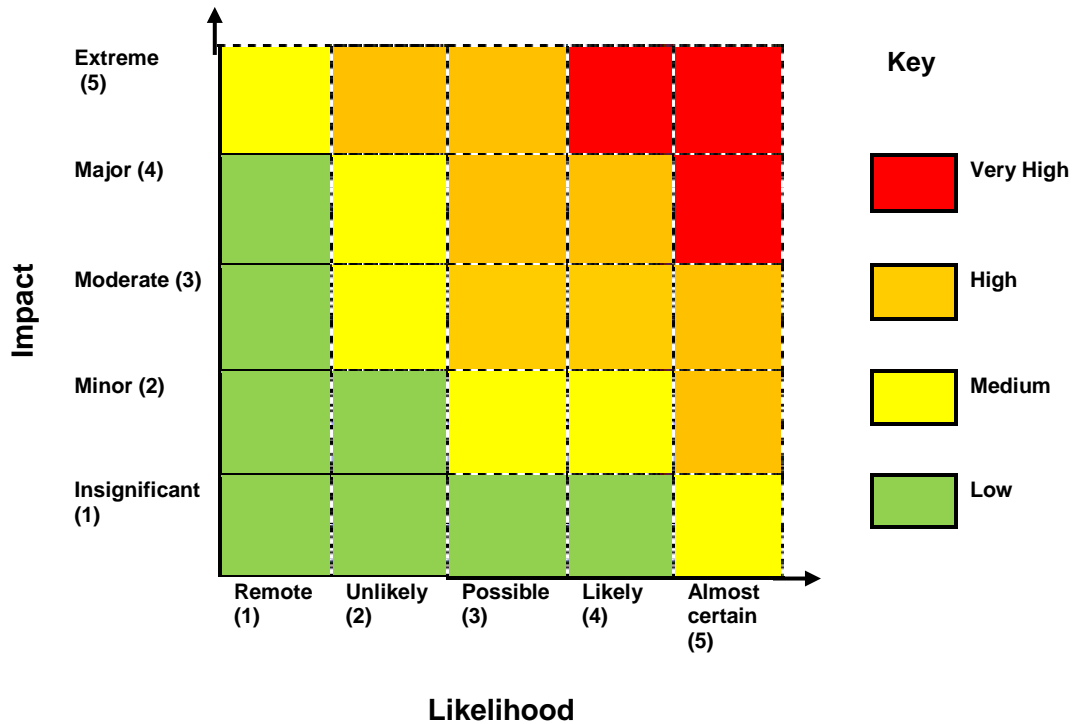
- 11.1 The Council's Risk Management Strategy was approved by Council at its meeting on 8 December 2009 and subsequently revised in October 2012. The Strategy accurately represents the arrangements for managing risk within the Council at the time of approval. Implementation of this strategy will be underpinned by Risk Management Guidance and the Risk Management Action Plan.
- 11.2 The Elected Members and Chief Officers consider that effective communication of risk management information across all services and levels of staff is essential in developing a coherent, consistent and effective approach to risk management. Copies of this strategy are available on ELnet and specific details will feature in the induction programme for all new staff.
- 11.3 This strategy will be reviewed at periodic intervals of at least every 2 years to ensure that it reflects current standards and best practice in risk management and fully reflects the rapidly changing environment in local government.

12. Outputs and Benefits of the Risk Management Strategy

- 12.1 Embedding a Risk Management culture throughout East Lothian Council is vital to the success of this strategy. The anticipated outputs and benefits of the Risk Management Strategy are:
- Improved service delivery;
 - Better value for money;
 - Improved corporate governance and compliance systems;
 - Improved insurance management;
 - Improved decision making;
 - Enhanced understanding of the Council's vulnerabilities;
 - Improved use of resources;
 - Enhanced strategic awareness;
 - Compliance with legislation/ regulation;
 - Adds value to the activities of the organisation, and
 - Increases the probability of success in achieving business objectives.
- 12.2 These outputs and benefits will protect and enhance East Lothian Council's reputation, which will in turn increase public trust.

Appendix 1 – Risk Rating Matrix

The probability (likelihood) of an event occurring being almost certain, likely, possible, unlikely or remote and the impact ranging through, catastrophic, major, moderate, minor or none, that such an event may have on the following areas; service objectives, financial, people, time and reputation. See next page for descriptions of risk ratings.



Descriptions of Risk Ratings

Very High Risk (17 – 25)	These are classed as primary or critical risks requiring immediate attention. Their potential consequences are such that they must be treated as a high priority. This may mean that strategies should be developed to reduce or eliminate the risks, and the risk monitored every 6 months. Consideration should be given to planning being specific to the risk rather than generic. Examples of impact include: national attention, Government intervention, total service disruption and fatality. Very High risks are unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position.
High Risk (10 – 16)	These risks are classed as significant. They may have a high or low likelihood of occurrence but their potential consequences are sufficiently serious to warrant appropriate consideration after those risks classed as 'very high'. Consideration should be given to the development of strategies to reduce or eliminate the risks and they should be reviewed every 6 months. Examples of impact include: national media, adverse comments (reputational risk), external audit, MSP intervention, significant service disruption and disability (or other serious injury). High risks may be tolerable providing the Council is assured that adequate and effective control measures are in place.
Medium Risk (5 – 9)	These risks are less significant but may cause upset and inconvenience in the short term. These risks should be monitored to ensure they are being appropriately managed and should be reviewed annually. Examples of impact include: local media attention, service user complaints, service disruption and lost time injuries. Medium risks are tolerable with control measures that are cost effective.
Low Risk (1 – 4)	These risks are either unlikely to occur and not significant in their impact. They should be managed using normal or generic planning arrangements and require minimal monitoring and control unless subsequent risk assessments show a substantial change. They should be reviewed every two years. Examples of impact include: isolated complaints and minor service disruption. Low risks are broadly acceptable without any further action to prevent or mitigate risk.

REPORT TO: Audit and Governance Committee
MEETING DATE: 13 November 2012
BY: Chief Executive
SUBJECT: 2012/13 Council Improvement Plan Monitoring Report

4

1 PURPOSE

- 1.1 To present the 2012/13 Council Improvement Plan six-month monitoring report to the Audit and Governance Committee.

2 RECOMMENDATIONS

- 2.1 That Audit and Governance Committee notes the monitoring report (Appendix 1) and considers whether it wishes to seek further reports on any items in the Plan.

3 BACKGROUND

- 3.1 The latest 2012/13 Council Improvement Plan was approved by Council on 26th June 2012 and considered by the Audit and Governance Committee on 18th September 2012.
- 3.2 The action points in the Council Improvement Plan are primarily drawn from the results of the How Good is Our Council? (HGIOC) self-evaluation carried out by all services and the Corporate Governance self-evaluation (reported to Audit & Governance Committee, 19th June 2012). The results of the 2012 Employee Engagement Survey have also been taken into account. The Plan also contains relevant improvement points and actions from Audit Scotland's Overview of Local Government in Scotland, Audit Scotland's Annual Report to Members and the Shared Risk Assessment prepared by the Local Area Network.
- 3.3 The 2012/13 Council Improvement Plan outlines the actions that the Council as a whole will be undertaking at a council-wide level. Improvement points from HGIOC and other sources relating to specific Council services are not contained within the Plan as they are dealt with in Service and Business Plans.
- 3.4 One of the four objectives of the Council Plan 2012-2017 is: *Growing the capacity of our Council to deliver excellent services as effectively and*

efficiently as possible within our limited resources. All the improvement points in the 2012/13 Plan will contribute to growing the capacity of the Council to meet this outcome. Also, the Plan supports the Council's improvement programme based around the following four key elements:

- Services built around people and communities
- Effective, efficient and excellent services
- Working together to achieve outcomes
- Prioritising prevention and promoting equality

3.5 The six month monitoring report outlines progress with implementing the 20 action points in the Improvement Plan.

4 POLICY IMPLICATIONS

4.1 The 2012/13 CIP will assist the Council in demonstrating that it is achieving Best Value. It will provide the necessary focus to improve key areas of the Council at a corporate level, thus aiding delivery of the Council Plan. Moreover, it will support East Lothian Council in its constant striving for continuous improvement, to continue improving the quality and delivery of its services and to meet the Council Plan objective: *Growing the capacity of our Council to deliver excellent services as effectively and efficiently as possible within our limited resources.*'

5 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – none.

6.2 Personnel – none directly, although certain actions within the Plan are likely to require the commitment of staff resources.

6.3 Other – none.

7 BACKGROUND PAPERS

7.1 Council Improvement Plan; report to Council, 26th June 2012 and to Audit and Governance Committee, 18th September 2012

7.2 Appendix 1: 2012/13 Council Improvement Plan Monitoring Report

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DATE	29 th October 2012

Appendix 1:

2012/13 Council Improvement Plan Monitoring Report October 2012

We deliver excellent services as effectively and efficiently as possible

	Required Action	Timescale	Lead	Update
1	Complete review of Schemes of Administration and Delegation (included in the Council's Standing Orders)	Aug 2012 Revised – Dec 2012	Legal and Governance & Democracy	Revised Standing Orders, incorporating Schemes of Administration and Delegation have been drafted for consultation with members prior presentation to Dec 2012 Council Meeting.
2	Expand and make more effective use of performance information and benchmarking including benchmarking of cost information Undertaking best value reviews of two or three service areas	Oct 2012 <i>Revised – Dec 2012</i> Mar 2013	Policy & Performance Policy & Performance and relevant services	Guidance on revising performance information is being issued to services. Revised performance indicators to be presented to PPR Committee in December. Framework for more rigorous and comprehensive approach to Benchmarking is being prepared. Framework for undertaking best value reviews is being prepared and will be piloted before March 2013.

3	Review How Good Is Our Council process and guidance and integrate with Investor in People and Customer Service Excellence frameworks	Oct 2012	Policy & Performance and Human Resources	How Good is Our Council process and guidance has been revised and linked closely to Investors in People and Customer Service Excellence frameworks.
4	Increase capacity for research and analysis including: <ul style="list-style-type: none"> • sharing resources for data collection and analysis across the Council and Community Planning Partnership, including developing the use of Geographic Information System • developing shared data sharing protocols • investigate the potential to better interrogate / utilise existing datasets or information systems to provide an improved understanding of diversity in the community 	Nov 2012 <i>Revised – Mar 2013</i>	Policy & Performance	A multi-agency task group to produce a new East Lothian Profile is being established. This will be based on the Scottish Government's new East Lothian profile and other sources such as the Early Development Instrument and the 2011 census. The group will also consider data sharing protocols and sharing resources to maintain and update the profile.
5	Complete the review of Community Planning Partnership governance arrangements and structures within the context of the national review and embed system of Local Community Planning	Nov 2012 <i>Revised – Dec 2012</i>	Policy & Performance	An options paper based on the results of a stakeholder survey and workshop has been prepared and will be consulted on over November. The Community Planning Partnership Board (Dec 2012) will consider the paper and comments and agree new governance structure.
6	Review and revise the reports template	Nov 2012 <i>Revised Feb 2013</i>	Governance & Democracy	The report template will be revised following adoption of new Standing Orders (see 1 above).

7	Promote the Council Plan and the Single Outcome Agreement to all staff and East Lothian citizens	Dec 2012	Chief Executive	<p>A communication plan has been drawn up to promote the Council Plan to staff and the public.</p> <p>A communications plan to make staff and public aware of the new SOA 2013 that will be produced by March 2013 will be drawn up.</p>
8	<p>Review policies in line with new Equalities Act duties, including:</p> <ul style="list-style-type: none"> • develop improved monitoring regarding equalities and indicators to demonstrate the equality aspect of the Council's mainstream work • review and revise provision of equalities training 	Dec 2012	Policy & Performance and all Heads of Service	<p>An equalities monitoring framework is being developed and will be issued to all services before end 2012.</p> <p>Equalities training is being reviewed.</p>
9	<p>Review and revise Service Planning process and guidance, including:</p> <ul style="list-style-type: none"> • identification of risk • links between budget process, service planning and employee development 	Dec 2012	Policy & Performance	Service Planning guidance is being revised and will be issued before the end of 2012.
10	Roll out Continuous Professional Development for all elected members	Jan 2013	Governance & Democracy	The Improvement Service's Continuous Professional Development programme for elected members was launched with members on 30 th Oct 2012. An elected members' briefing session on Treasury Management (30 th Oct) was attended by 10 members. A full-day training on the role of the Audit and Governance Committee is to be held.

11	<p>Review Customer Contact Strategy including:</p> <ul style="list-style-type: none"> • expanding the services available through the Council Contact Centre and the Council's website • improving our response to complaints and ensuring feedback is used to review and improve services • joining up services • developing customer service training and setting customer care standards. 	Feb 2013	Customer Services	<p>The Customer Contact Strategy covered the three years 2010 – 2012 and the Strategy will be reviewed to cover 2013 – 2015. This will include a requirement for a 'Channel Shift' Strategy to be developed. With regard to reviewing channels, a service review on face to face services is being undertaken to be completed for September 2013.</p> <p>A new Complaints Handling Procedure has been introduced from 1st September 2012 with staff and elected member briefings to be undertaken over next six months on the new two stage procedure.</p> <p>Complaints will be reported on a six monthly basis to the Policy Performance and Review Committee and annually to the Council.</p> <p>The customer care standards are currently being reviewed.</p>
12	Develop guidance to ensure that services have a consistent approach to achieving efficiency savings (e.g. to ensure that one off savings and ongoing savings are not treated in the same way)	Feb 2013	Finance	This is being considered alongside the guidance being prepared on preparations for the 2013/14 budget.
13	Implement the Consultation and Engagement Strategy, ensuring greater co-ordination of consultation and engagement activities across the Council and Community Planning Partnership	Mar 2013	Policy & Performance	The Consultation and Engagement Strategy is being implemented. A Consultation hub on the Council website has been established and will be launched in November.

14	Further develop asset management planning, including the use of options appraisal and joint asset planning with Community Planning partners	Mar 2013	Housing & Environment	A draft Asset Management Plan has been submitted to the Member's Library. The Council Management Team has established a Strategic Asset Management group to enhance current and future asset planning. This group will continue to develop a co-ordinated approach to Asset Management and ensure effective governance. All capital programmes will be overseen by this group and it will feed in to recommendations for Council and Cabinet.
15	Identify and exploit opportunities for making savings by making more efficient use of staff resources through internal shared services and by working in partnership with Community Planning partners	Mar 2013	Council Management Team	The Council Management Team is developing a programme management approach to projects which brings staff from across the Council together in working or task groups to take forward new initiatives (e.g. Welfare Reform Task Group and four sub-groups). The Joint Liaison Group with Midlothian Council continues to explore opportunities for collaborative working (e.g. six-month trial of sharing Health and Safety Adviser post). The Community Planning Partnership supports new approaches to collaboration including the Change Fund. The Council Plan includes a firm commitment to exploring opportunities for collaboration and co-production with the enterprising third sector.
16	Develop a leadership development programme for senior managers to increase their skills and capability to manage change, to promote and encourage a culture of innovation, continuous improvement and best value across the Council	Mar 2013	Council Management Team	A Leadership Development Programme is being developed along with a series of 'Masterclasses' for managers.

17	Implement the Procurement Improvement Plan including the development of the process for monitoring of contracts	Mar 2013	Finance	The Procurement Improvement Plan is being implemented. The latest Procurement Capability Assessment which was carried out on 29 th October 2012 resulted in a significant improvement on the previous 37% score.
18	Review governance of arms length services, commissioned services and partnerships including: <ul style="list-style-type: none"> • development of a greater understanding of exposure to risk relating to arms length /outsourced / commissioned services • incorporate monitoring of commissioned / outsourced services into performance indicators 	Mar 2013	Legal / Finance / Policy & Performance	The Council's relationship with arms length services, commissioned services and partnerships is reviewed as service level agreements and partnership funding is considered. The revised guidance on service planning will include reference to the need to consider exposure to risk from arms length/ outsourced/ commissioned services. The revision of the Council's performance indicators will include consideration of performance monitoring for commissioned/ outsourced services.
19	Establish arrangements for scrutiny of and engagement with the new national Police and Fire and Rescue services	Mar 2013	Policy & Performance and Governance & Democracy	The Shadow Police and Fire Board has been established and has begun to consider permanent arrangements for scrutiny and engagement to be set up by April 2013.
20	Further develop the Council's approach to options appraisal to ensure Best Value and the highest standard of financial planning	Mar 2013	Policy & Performance	A framework for undertaking best value reviews including undertaking options appraisal is being prepared and will be piloted before March 2013.

REPORT TO: Audit and Governance Committee
MEETING DATE: 13 November 2012
BY: Executive Director (Support Services)
SUBJECT: Impact of Welfare Reform on East Lothian Council

5

1 PURPOSE

- 1.1 To update Audit and Governance Committee of the impact of the welfare reforms on East Lothian Council.

2 RECOMMENDATIONS

- 2.1 To note the report and that further updates on the impact of welfare reforms will be provided to the Council.

3 BACKGROUND

- 3.1 The Council has received several reports providing information on the UK Government's welfare reform agenda and the likely impact on East Lothian residents. The most recent update, 28th August 2012, provided details of the changes to the Housing Benefit and Council Tax Benefit schemes as a consequence of the Welfare Reform Act (2012) and outlined the measures the Council is taking to respond to the welfare reforms, in particular the establishment of cross-service Welfare Reform Task Group.
- 3.2 Since the last report was considered by Council further work has been undertaken to identify and contact Housing Benefit, (HB) claimants who could be exposed to a drop in their HB entitlement from April 2013 when the Government introduces the 'under occupancy changes' for Registered Social Landlord tenants (of working age). Whilst we are still waiting on size criteria data from some of our Housing Association partners we are now in a position to identify Council Tenants that are likely to be affected and have undertaken a mailing exercise to give advanced notice of these changes. Letters were sent on Thursday 1 November 2012 to 788 Council Tenants who are currently in receipt of

Housing Benefits and are currently understood to be under occupying their tenancy.

- 3.3 The letter explained that if a tenant has one or more bedrooms than their household needs the amount allowed for any rent and any service charges will be reduced by either 14% (for one room extra) or 25% (for having two or more rooms extra). 679 tenants have been advised of a potential 14% reduction, (resulting in an average of £7.51 less HB per week) and 109 have been advised of a 25% reduction, (resulting in an average of £13.46 less HB per week). Altogether this could result in a reduction of Housing Benefit awarded to Council Tenants totalling £6,567 per week, (£341,484 per annum) starting from April 2013.
- 3.4 Two leaflets were included with each letter. One gives information about the HB changes that are happening in April 2013 along with some advice about what people may want to consider and who to contact for further help or advice. The other leaflet gives more specific Housing advice about down-sizing and Community Housing contacts.
- 3.5 This mailing exercise follows an article about the changes being published in the Autumn 2012, (issue 51) of the Homefront newsletter and a similar article which is due to be published in the Council's 'Living' Newspaper on 8 November 2012.
- 3.6 Further work has also been undertaken to identify HB claimants who may be affected by the cap on welfare benefits – no one in receipt of welfare benefits is to receive more than average earnings, currently £350pw for a single person and £500pw for a couple. This work has identified 31 households currently in receipt of HB who may be affected by the cap. Of these, nine are Council Tenants, three others are clients of the Homelessness Service and two are Housing Association tenants. The remainder are currently renting from private landlords. All of these tenants will be informed of the possible reduction in their HB and will be provided with information about who to contact for further help or advice.
- 3.7 The cross-service Welfare Reform Task Group and its four working groups have been meeting regularly to develop the Council's response to the welfare reforms.
- 3.8 The Data Sharing working group is developing data sharing protocols which will build on guidance received from Department of Work and Pensions (DWP) on how information of welfare benefits recipients can be used by local authorities.
- 3.9 The Training working group has put in place a programme of briefings for staff from services that have contact with benefits recipients including community housing, adult wellbeing, children's wellbeing, MELDAP and customer services. The group is planning to develop an e-learning tool that can be used to keep staff informed of the impact of welfare reforms.
- 3.10 The Communications and Information working group has developed a communications strategy to inform the public of the likely impact of

welfare reforms through leaflets, articles in Living newspaper, targeted information to benefits recipients (see 3.4 and 3.5 above) and pages on the Council website. In addition, it is working with the Training working group to ensure that information is provided to Council staff through briefings, information on the Council's Intranet and the provision of scripts and FAQs for frontline staff. The group has also organised a half-day workshop to inform elected members, council staff, community and voluntary organisations of the welfare reforms. This will take place on 13th December (12.30pm – 4.30pm).

- 3.11 The Migration working group has been considering the business impact of the welfare reforms including establishing arrangements for the new Scottish Welfare Fund that will replace Community Care Grants and Crisis Loans in April 2013. The Scottish Government is currently circulating a national application form and revised draft guidance for comment and it is hoped that this will be finalised by the end of November 2012. Councils will then be in a better position to design/develop their services, processes and software in order to be ready to administer the fund. CoSLA has appointed a Lead Officer to help Councils with the implementation of the scheme. The Lead Officer chairs regular Practitioners Network meetings which are being attended by CoSLA, Scottish Government and Council Officers. These meetings along with quarterly stakeholder events are providing effective channels for sharing information regarding the development of the national scheme.
- 3.12 The Scottish Government has recently announced additional programme funding totalling £9.2m to top up the £23.8m due to be transferred from the DWP. Whilst the distribution of funding is still to be finalised the available information indicates that East Lothian Council can expect annual programme funding of £266,000 in respect of Community Care Grants and £123,000 in respect of Crisis Grants elements of the Fund. The amount of funding for set up costs is yet to be confirmed however it is understood that the Council will received £57,000 to cover the scheme's first year annual administration costs.
- 3.13 In considering options for the delivery of the new service the Council's Welfare Reform Task Group has established that in the short term the Council Benefits Unit is best placed to take on the administration of 'Scottish Welfare Fund'. However, it is recognised that close links will need to be forged between the Benefits Unit, Welfare Rights, Children's and Adult Wellbeing Services and the Community Housing if this assistance is to be correctly targeted.
- 3.14 The Migration working group is also undertaking a mapping exercise to establish the full extent of 'passported' services within the Council in order to establish the level of service change that may need to be considered in response to the welfare reforms.

- 3.15 The potential impact of welfare reforms is a corporate risks included in the Council's Corporate Risk Register which is to be considered by Cabinet and Audit and Governance Committee in January.

4 POLICY IMPLICATIONS

- 4.1 The impact of welfare reform in East Lothian presents a number of challenges for the Council. These include an increase in demand for some services including adult and children's wellbeing services, housing and homelessness services, free school meals and others. The Council could also be impacted by reduced levels of grant funding and a reduction of revenue income through increasing rent and rate arrears and other more broad impacts arising from the loss of income into the local economy.
- 4.2 It is important to ensure that work to minimise the impact of the welfare reform agenda and the current economic climate informs the work of the Council over the coming years. Ensuring that decisions take account of the impact they have in relation to our more deprived communities and those vulnerable to falling into poverty will be an important aspect of the Council's work as the impact of the reforms begins to affect people locally.
- 4.3 The Council may have to consider its arrangements for investigation of potential for fraud within its Council Tax Relief scheme in preparation for the DWP taking back responsibility for investigating Benefit Fraud.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This Report is not applicable to the wellbeing of equalities groups and an Equalities Impact Assessment is not required. However, it is anticipated that welfare reforms will have a major impact on equalities groups and this impact will be monitored and taken into account when developing measures to respond to welfare reform.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – Benefit claimants in East Lothian will lose an amount of direct personal benefits through welfare reform changes which will have a significant impact upon the local economy. Though it is difficult to estimate the direct impact of this on Council income and increasing demand for services, it is likely to impact significantly over coming years.
- 6.2 The report does not propose any additional expenditure. Any financial implications in relation to reduced income to the Council from loss of subsidy for administering Housing Benefits, or increased costs relating to contributions to new benefits schemes or additional staffing requirements will be reported in future update reports or relevant reports.

- 6.3 Personnel – The welfare reform agenda and the increasing complexity of administering both the current and new schemes will have implications on the deployment of Council staff.
- 6.4 Other – None

7 BACKGROUND PAPERS

- 7.1 The Scottish Government Reports: ‘Housing Benefit Changes’
<http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/Benefitchanges>
- 7.2 The Scottish Government web pages on ‘The Social Fund Successor Arrangements’
<http://www.scotland.gov.uk/Topics/People/welfare/welfare-reform/socialfund>
- 7.3 The DWP web pages: ‘Universal Credit – information for local authorities’
<http://www.dwp.gov.uk/local-authority-staff/universal-credit-information/>
- 7.4 The Scottish Local Government Forum against Poverty publication: ‘Housing in Scotland, a crisis coming?’
<http://www.scottishpovertyforum.org.uk/HousingReportv1.pdf>
- 7.5 Welfare Reform Update; East Lothian Council, 28th August 2012

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DATE	5 th November 2012	

REPORT TO: Audit and Governance Committee
MEETING DATE: 13 November 2012
BY: Executive Director (Support Services)
SUBJECT: Internal Audit Report – Lothian Villa Residential Unit for Young People

7

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Lothian Villa Residential Unit for Young People.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Lothian Villa Residential Unit for Young People.

3 BACKGROUND

- 3.1 A review of Lothian Villa Residential Unit for Young People was undertaken as part of the audit plan for 2012/13.
- 3.2 The objective of the audit was to ensure that the internal controls in place at Lothian Villa Residential Unit for Young People were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
6.2 Personnel - None
6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

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**EAST LoTHIAN COUNCIL – INTERNAL AUDIT
LoTHIAN VILLA RESIDENTIAL UNIT FOR YOUNG PEOPLE**

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the financial arrangements in place at Lothian Villa Residential Unit for Young People was undertaken as part of the Audit Plan for 2012/13. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- An up to date record of all petty cash transactions is maintained.

1.3 Areas with Scope for Improvement

- There was a lack of adequate monitoring arrangements in place to ensure that all purchase card transactions were valid. *Risk – inappropriate expenditure may occur.*
- Purchase cards were being used to purchase goods from other suppliers, although the Council had contracted suppliers in place. *Risk – failure to comply with purchase card procedures.*
- In a number of cases, breaches in purchase card security were found – passwords and pin numbers had not been held securely. *Risk – irregularities and misuse may occur.*
- There was a lack of an audit trail to support purchase card and petty cash transactions – in some instances no receipts had been provided for the purchases made. *Risk – errors or irregularities may occur.*
- There was a lack of adequate segregation of duties – the member of staff responsible for operating the petty cash imprest account was also a cheque signatory. *Risk – errors or irregularities may occur.*
- There was a failure to ensure that petty cash reconciliations were checked and signed by an independent member of staff. *Risk – errors and anomalies may occur and remain undetected.*
- An up to date asset register was not maintained – details of additions and disposals of assets were not being recorded. *Risk – assets may be misappropriated.*

1.4 Summary

Our review of Lothian Villa Residential Unit for Young People identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

**Mala Garden
Internal Audit Manager**

November 2012

ACTION PLAN

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that staff members are aware of the up to date purchase card procedures which can be found on the Council's intranet.	Residential Services Manager	Agreed		March 2013
3.1.2	Management should ensure that all cardholders receive appropriate training to enable them to properly fulfil their responsibilities as cardholders.	Residential Services Manager	Agreed		March 2013
3.1.3	Cardholders should ensure that purchase card procedures are followed and that effective card security is maintained – passwords, security codes and pin numbers should be held securely at all times.	Residential Services Manager	Agreed		November 2012

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.4	<p>Management should undertake regular reviews of purchase card holders to ensure that purchase cards are only held by appropriate members of staff.</p> <p>Management should ensure that the Council's Procurement team are informed immediately an employee has left the Unit, to enable their purchase card to be cancelled.</p>	Residential Services Manager	Agreed		<p>March 2013</p> <p>In Place</p>
3.1.5	<p>Cardholders should view and update their own monthly transactions to confirm the purchases made are legitimate.</p> <p>The Cardplus Supervisor should check all cardholders' transactions on the Cardplus system on a monthly basis to ensure that they are valid.</p> <p>The Residential Services Manager's purchase card transactions should be checked monthly by the Area Resources Manager.</p>	<p>Residential Services Manager</p> <p>Area Resources Manager</p>	<p>Agreed</p> <p>Agreed</p>		<p>March 2013</p> <p>March 2013</p>

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.6	<p>Management should ensure that all purchase card transactions are supported by a valid VAT receipt.</p> <p>Management should ensure that purchase cards are not used to pay supplier invoices or for large items of expenditure which should be purchased via the Council's normal procurement processes.</p> <p>The existing practice whereby sections of till receipts are being deliberately cut off should cease with immediate effect.</p> <p>Management should ensure that only loyalty cards registered to Lothian Villa are used for purchases. All loyalty vouchers received by the Unit should be used for the Unit and not for staff members' personal benefit.</p> <p>The existing practice of making online purchases using staff members' personal computers should cease with immediate effect.</p>	Residential Services Manager	Agreed		November 2012

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.7	<p>Under no circumstances should Council purchase cards be used for personal purchases.</p> <p>Appropriate action should be taken to ensure that any costs incurred for personal purchases are reimbursed to the Council with immediate effect.</p>	Residential Services Manager	Agreed		November 2012
3.1.8	<p>Where an existing contract is in place the Council's contracted suppliers should be used – purchase cards should only be used for one off or emergency purchases.</p> <p>A clear audit trail should be in place for all purchases made by the Unit – there should be evidence of orders being completed and authorised and of all goods being properly receipted on delivery.</p> <p>Management should consider whether the Council's Facilities Management Services should be used for the supply of food and catering services for the Unit.</p> <p>Management should review the current arrangements in place for the purchase, recording, monitoring and issuing of bus passes.</p>	Residential Services Manager	<p>Agreed – if available and cost effective.</p> <p>Agreed</p> <p>Not agreed – this has been reviewed and considered in the past.</p> <p>Agreed</p>	Yes	<p>November 2012</p> <p>November 2012</p> <p>November 2012</p>

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	<p>Management should ensure that effective budget monitoring procedures are in place and that reasons for any overspends are clearly documented.</p> <p>Management should ensure that all expenditure is coded to the correct ledger codes.</p>	Residential Services Manager	Agreed		March 2013
3.3.1	All petty cash should be held securely in the safe.	Residential Services Manager	Agreed		November 2012
3.3.2	<p>For all petty cash purchases, appropriate receipts should be retained on file.</p> <p>The individual personal allowances sheet recording residents' pocket money should be retained by the Unit.</p> <p>Adequate arrangements should be in place to replenish the petty cash float timeously to avoid the need to borrow petty cash from other Units.</p>	Residential Services Manager	Agreed		November 2012
3.3.3	All petty cash reconciliations should be checked and signed by an independent member of staff.	Residential Services Manager	Agreed		November 2012

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.4	<p>Cheque signatories should be independent of the day to day operation of the petty cash imprest.</p> <p>All petty cash reimbursement claims should be authorised by an independent senior member of staff.</p> <p>Management should carry out a review of bank signatories to ensure that only current employees are authorised signatories.</p>	Residential Services Manager	Agreed		<p>November 2012</p> <p>March 2013</p>
3.5.1	A clear audit trail should be maintained for all assets purchased – all items damaged, obsolete, stolen or disposed of should be clearly recorded in the asset inventory.	Residential Services Manager	Agreed		March 2013
3.6.1	<p>An up to date inventory of assets held in the Unit should be maintained.</p> <p>The inventory should be updated to record details of all new assets purchased including the date of purchase, cost, description, make or model, serial number and location.</p>	Residential Services Manager	Agreed		March 2013

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.1 (cont)	For items disposed of, the inventory should clearly record the date of disposal, the reasons for items being disposed of and evidence of authorisation by the Residential Services Manager.		Agreed		March 2013
3.6.2	<p>Regular asset verification checks should be carried out between the physical items held in the Unit and the inventory.</p> <p>Any differences identified during the verification checks should be highlighted to Management and the reasons for the discrepancies investigated.</p> <p>The inventory should be signed and dated as evidence of the check being carried out.</p>	Residential Services Manager	Agreed		March 2013

REPORT TO: Audit and Governance Committee
MEETING DATE: 13 November 2012
BY: Executive Director (Support Services)
SUBJECT: Internal Audit Report – Travel and Subsistence

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1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Travel and Subsistence.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Travel and Subsistence.

3 BACKGROUND

- 3.1 A review of travel and subsistence claims was undertaken as part of the audit plan for 2012/13.
- 3.2 The main objective of the audit was to ensure that all payments made in respect of travel and subsistence claims were valid.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	2 November 2012

EAST LoTHIAN COUNCIL – INTERNAL AUDIT TRAVEL AND SUBSISTENCE

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2012/13, a review was undertaken of the management and administration of travel and subsistence claims.

1.2 Areas where Expected Controls were Met

- All claims for travel and subsistence examined had been signed by the employee to confirm that expenses incurred were for legitimate business purposes.
- Details of travel and subsistence payments made to employees had been properly recorded on the CHRIS payroll system and on the employee's payslip.
- For the sample of cases examined, excess mileage claims (due to change of work location) were correctly paid at the public transport rate.

1.3 Areas with Scope for Improvement

- The Payroll Section does not maintain an up to date list of authorised signatories and specimen signatures – in a number of cases, we were unable to verify the validity of the authorised signatories on travel and subsistence claims. *Risk – fraud and irregularity may occur and remain undetected.*
- There is a lack of appropriate guidance in place in respect of subsistence claims. *Risk – errors or inconsistencies may occur.*
- The standard templates used for claiming travel and subsistence require review – formulae were missing from some of the cells in three of the four templates available on the Council's intranet. *Risk – errors and inaccuracies may occur.*
- The existing guidance in respect of travel allowances requires to be updated, although we note a review is scheduled to take place. *Risk – failure to achieve desired outcomes.*
- The existing procedures in place for checking travel and subsistence claims require review – in four cases there were addition errors on the claim forms submitted to the Payroll Section resulting in the total mileage being incorrectly calculated. *Risk – over or under payments may occur.*
- In a number of cases, employees had incorrectly used the essential/casual user claim form for journeys that should have been paid at the public transport rate. *Risk – overpayments may occur.*

1.4 Summary

Our review of travel and subsistence claims identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

November 2012

ACTION PLAN

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should undertake a review of the existing arrangements in place for the payment of travel allowances.	Executive Director (Support Services)	Agreed		March 2013
3.2.1	Management should review the travel and subsistence claim forms held on the Council's intranet – all errors contained in the templates should be corrected.	Payroll Manager	Agreed		December 2012
3.2.3	An authorised signatory list should be established and distributed to all members of the Payroll Section who have responsibility for checking payroll documents.	Payroll Manager	Agreed		April 2013
3.2.4	Departments should ensure that all appropriate checks are carried out on travel and subsistence claims, prior to being authorised and submitted to the Payroll Section for processing.	Executive Director (Support Services)	Agreed		November 2012
3.2.6	Management should ensure that appropriate guidance is in place to allow a consistent approach to be applied to subsistence payments.	Executive Director (Support Services)	Agreed		March 2013

REPORT TO: Audit and Governance Committee

MEETING DATE: 13 November 2012

BY: Executive Director (Support Services)

SUBJECT: Internal Audit Report – Statutory Performance Indicators
2011/12

9

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Statutory Performance Indicators 2011/12.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Statutory Performance Indicators 2011/12.

3 BACKGROUND

- 3.1 In 2011/12 the Council reported on 25 Statutory Performance Indicators and as part of the audit plan we reviewed a sample of five indicators.
- 3.2 The main objective of the review was to ensure that adequate arrangements were in place for the preparation and reporting of Statutory Performance Indicators and that the information produced was accurate and complete.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
6.2 Personnel - None
6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	2 November 2012

**EAST LoTHIAN COUNCIL – INTERNAL AUDIT
STATUTORY PERFORMANCE INDICATORS – 2011/12**

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2012/13, a review was undertaken of a sample of Statutory Performance Indicators reported by the Council for 2011/12.

1.2 Areas where Expected Controls were Met

- The Council has adequate arrangements in place to ensure that it complies with its obligations in respect of Statutory Performance Indicators.
- Departments were issued with detailed guidance on the preparation and submission of performance information.

1.3 Areas with Scope for Improvement

- There was a failure to follow verification procedures to ensure the accuracy and completeness of the performance information submitted – in some cases no verification had been undertaken, while in other cases the verification was not sufficiently robust to identify errors and anomalies prior to the submission of the performance information. *Risk – errors and anomalies may occur and remain undetected.*
- Equal Opportunities Policy – minor errors were identified in the calculation of this indicator resulting in the number and percentage of women in the top 2% and 5% of earners being slightly understated. *Risk – reported figures may be inaccurate.*
- Payment of Invoices – the payment date used to calculate the percentage of invoices paid within 30 days requires review. *Risk – reported figures may be inaccurate.*
- Domestic Noise Complaints – the arrangements in place for the recording of information and the calculation of response times require review. The spreadsheet used to calculate the average response times had not been correctly set up. *Risk – reported figures may be inaccurate.*
- Response Repairs – in a number of cases the performance information failed to accurately calculate response times. *Risk – reported figures may be inaccurate.*

1.4 Summary

Our review of Statutory Performance Indicators identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

**Mala Garden
Internal Audit Manager**

November 2012

ACTION PLAN

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.1	<p><u>Equal Opportunities Policy</u></p> <p>Management should ensure that the information produced meets the performance indicator definition and that effective verification is carried out to ensure the accuracy and completeness of the data. Evidence of checks carried out should be retained on file.</p>	Performance and Business Support Manager	Agreed		November 2012
3.4.1	<p><u>Payment of Invoices</u></p> <p>Management should review the payment date used to calculate the percentage of invoices paid within 30 days to ensure that it is consistent with the performance indicator definition.</p> <p>Management should ensure that the performance information produced is verified for accuracy and completeness. Evidence of checks carried out should be retained on file.</p>	Corporate Procurement Manager	Agreed		January 2013
3.5.1	<p><u>Processing Time – Planning Applications</u></p> <p>Management should ensure that the performance information produced is verified for accuracy and completeness by a person independent of the preparer. Evidence of checks carried out should be retained on file.</p>	Management System and Admin Officer	Agreed		June 2013

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.1	<p><u>Domestic Noise Complaints</u></p> <p>Management should review the arrangements in place for recording, classifying and calculating the performance information in respect of domestic noise complaints.</p> <p>The verifier should carry out detailed checks to ensure that all data produced in respect of the performance indicator is accurate and complete.</p>	Environmental Protection Manager	Agreed		January 2013
3.7.1	<p><u>Response Repairs</u></p> <p>Management should review the systems in place for calculating response times and ensure that the performance information produced is verified for accuracy and completeness.</p>	System Support Officer	Agreed		November 2012