



NOTICE OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

**TUESDAY 20 JANUARY 2015, 10.00am
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Agenda of Business

Apologies

Declarations of Interest

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.

1. Minute of the Audit & Governance Committee meeting on 18 November 2014 for approval **(Pages 1 - 10)**
2. ELC Audit Strategy and Plan **(Pages 11 - 36)**
Report by KPMG
3. Infrastructure Risk Register **(Pages 37 - 58)**
Report by the Chief Executive
4. Risk Management Strategy **(Pages 59 - 74)**
Report by the Chief Executive
5. Health & Social Care Integration: East Lothian Integration Scheme – consultation draft **(Pages 75 - 86)**
Report by the Director of the Health & Social Care Partnership
6. Reshaping Care for Older People (Audit Scotland, February 2014) **(Pages 87 - 142)**
Report by the Joint Director, Health and Social Care
7. Annual Work Plan 2014/15 **(Pages 143 - 144)**
8. Public Sector Internal Audit Standards (PSIAS) **(Pages 145 - 150)**
Report by the Depute Chief Executive - Resources & People Services
9. Draft Internal Audit Charter **(Pages 151 - 158)**
Report by the Depute Chief Executive - Resources & People Services

10. Internal Audit Report – Fleet Management (**Pages 159 - 166**)
Report by the Depute Chief Executive - Resources & People Services
11. Internal Audit Report – Performance Indicators 2013/14 (**Pages 167 - 172**)
Report by the Depute Chief Executive - Resources & People Services
12. Internal Audit Report – Cash Handling and Banking (**Pages 173 - 180**)
Report by the Depute Chief Executive - Resources & People Services
13. Internal Audit Report – IT Disaster Recovery & Business Continuity (**Pages 181 - 186**)
Report by the Depute Chief Executive - Resources & People Services
14. Internal Audit Follow-up Reports (**Pages 187 - 190**)
Report by the Depute Chief Executive – Resources & People Services
15. Internal Audit Progress Report 2014/15 (**Pages 191 - 196**)
Report by the Depute Chief Executive – Resources & People Services

**Angela Leitch
Chief Executive
John Muir House
Haddington
13 January 2015**



**MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE**

**TUESDAY 18 NOVEMBER 2014
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

1

Committee Members Present:

Councillor K McLeod (Convener)
Councillor S Brown
Councillor S Currie
Councillor A Forrest
Councillor J Goodfellow
Councillor F McAllister
Councillor J Williamson

Council Officials Present:

Mr A McCrorie, Depute Chief Executive (Resources and People Services)
Mr J Lamond, Head of Council Resources
Mr D Nightingale, Head of Education
Mr T Shearer, Head of Communities & Partnerships
Mr M Leys, Head of Adult Wellbeing
Ms S Saunders, Head of Children's Wellbeing
Ms M Ferguson, Service Manager – Legal & Procurement
Ms K Maguire, Service Manager – Corporate Finance
Ms L McLean, Service Manager – Strategic Asset & Capital Plan Management
Mr P Vestri, Service Manager - Corporate Policy
Ms T Leddy, Area Manager, Adult Wellbeing
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor
Mr S Kennedy, Emergency Planning & Risk Officer

Clerk:

Miss F Currie, Committees Assistant

Apologies:

Councillor J Caldwell

Declarations of Interest:

None

1. MINUTES OF THE AUDIT & GOVERNANCE COMMITTEE MEETING ON 9 SEPTEMBER 2014 FOR APPROVAL

The minutes of the Audit & Governance Committee meeting on 9 September 2014 were presented for approval.

Councillor McAllister expressed concern about the recording of the discussion relating to the private item of business. The Head of Council Resources, Jim Lamond, indicated that it was not a verbatim minute however, if the Councillor felt that it was not reflective of the discussion, he would be happy to consider any amendments.

Decision

The Committee agreed to approve the minutes.

2. CHILDREN'S WELLBEING RISK REGISTER

A report was submitted by the Chief Executive presenting the Audit & Governance Committee with the Children's Wellbeing Risk Register for discussion, comment and noting.

The Emergency Planning & Risk Officer, Scott Kennedy, presented the report drawing Members' attention to the standard (5x5) matrix used to evaluate risk and summarised the Council's response in relation to adverse risk. He indicated that the evaluation had identified 5 high risks and 2 medium risks for the Children's Wellbeing Service and these were outlined in the Register.

Councillor Currie asked about the risk of failing to deliver key services due to budget restraints and the apparent discrepancy between the assessment in the Risk Register and the report to Cabinet earlier this month highlighting a budget overspend: the Risk Register rating the risk as 'High' and the Cabinet report rating it as 'Very High'. He said that, in his view, the budget was not sufficient to meet the needs of the Service. However, if the Council's position was that the budget was sufficient, then Members needed to understand why the Service was overspending.

The Head of Children's Wellbeing, Sharon Saunders, advised that these risks related to staffing and practice within the Service and reflected the intrinsic risks involved in working with vulnerable children and families. She stated that the budget was subject to severe scrutiny and the current overspend was being controlled as stringently as possible. However, this had to be balanced with the realities of a demand-led Service which was dealing with an increasing number of referrals.

The Depute Chief Executive, Alex McCrorie, thanked the Councillor for his comments which he said would be taken into account during forthcoming budget discussions. In the meantime, he assured Members that there would be no impediments to Ms Saunders taking whatever action was necessary to meet the essential demands of her Service.

Responding to questions on Lothian Villa, Ms Saunders indicated that the risk of delay outlined in the Register referred to hypothetical problems with the planning and building process rather than actual delays. She confirmed that her staff meet

regularly with officials to ensure such delays can be avoided and that the project was still on target to deliver in autumn/winter 2015.

Decision

The Committee noted the Children's Wellbeing Risk Register, and in doing so, noted that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk;
- the total profile of the Children's Wellbeing risk can be borne by the Council at this time in relation to the Council's appetite for risk;
- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Children's Wellbeing and are likely to be a feature of the risk register over a number of years; and
- while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Children's Wellbeing Local Risk Working Group (LRWG).

3. ADULT WELLBEING RISK REGISTER

A report was submitted by the Chief Executive presenting the Audit & Governance Committee with the Adult Wellbeing Risk Register for discussion, comment and noting.

Mr Kennedy presented a summary of the report referring Members to the Register which outlined 1 'Very High', 6 'High' and 7 'Medium' risks for Adult Wellbeing.

In response to questions from Councillor Currie, Mr Kennedy pointed out that the Risk Register was a live document which was continually being reviewed and updated and that the scorings may be expected to reduce over time.

The Head of Adult Wellbeing, Murray Leys, acknowledged that there was a significant amount of demographic pressure and that this did affect the demand on services. He pointed out that there were budget pressures across the Council and service budgets were continually being reviewed. In addition, he said his Service was continually looking at how to make the best use of scarce resources and target care more appropriately, as well as recycling care back into the system.

Decision

The Committee noted the Adult Wellbeing Risk Register, and in doing so, noted that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk;
- the total profile of the Adult Wellbeing risk can be borne by the Council at this time in relation to the Council's appetite for risk;
- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Adult Wellbeing and are likely to be a feature of the risk register over a number of years; and

- while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Adult Wellbeing Local Risk Working Group (LRWG).

4. EDUCATION RISK REGISTER

A report was submitted by the Chief Executive presenting the Audit & Governance Committee with the Education Risk Register for discussion, comment and noting.

Mr Kennedy presented a summary of the report and the Risk Register compiled by the Education Local Risk Working Group which included details of 3 'High', 8 'Medium' and 3 'Low' risks.

Members questioned the Head of Education, Darrin Nightingale, on a range of issues including SQA results, improving, measuring and comparing attainment levels, supply teachers, and PPP contracts.

Mr Nightingale confirmed that the final SQA figures would be available in late January 2015 and a report would be submitted to the Education Committee at its meeting in March. He advised Members that a new comparison tool was being introduced to replace comparator local authorities: the virtual comparator looked at individual pupils and compared them to others in similar circumstances from across Scotland. Following a successful pilot, it has been rolled out to all schools across the county.

On attainment, Mr Nightingale indicated that there was still much work to be done. Meetings had been taking place with head teachers to review the SQA results and the output from these meetings will contribute to a three year local Education Improvement Strategy/Plan. In addition the Department is supporting the work of Area Partnerships to improve attendance levels. All of these were seen as key elements to improving overall attainment. Acknowledging that teacher numbers were also a factor, he said he would be looking to manage teacher numbers as effectively as possible. He was also considering a number of initiatives, including recruiting teachers who are experienced but perhaps need an update re Curriculum for Excellence. In addition he discussed creating an Operational Reserve Team, to increase availability of supply teachers.

Mr Nightingale advised that the PPP contract term was 35 years and he worked closely with the PPP Team to monitor progress. Mr Lamond confirmed that there were no concerns about the financial or business worthiness of the contractor at present.

Decision

The Committee noted the Education Risk Register, and in doing so, noted that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk;
- the total profile of the Education risk can be borne by the Council at this time in relation to the Council's appetite for risk;
- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Education and are likely to be a feature of the risk register over a number of years; and

- while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Education Local Risk Working Group (LRWG).

5. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID YEAR REVIEW 2014/15

A report was submitted by the Depute Chief Executive (Resources & People Services) to update the Audit & Governance Committee on treasury management activity during the first half of 2014/15.

The Service Manager – Corporate Finance, Kirsten Maguire, presented the report summarising key points and referring to the specialist advice provided by Capita Asset Services and their recent training for Members. She confirmed that the Council was continuing to pursue the strategy approved in February 2014 and to take advantage of good short term and longer term borrowing rates. She drew attention to the information provided on current borrowing and repayment of loans and indicated that although no new investments had been made in the last six months, the two existing investment portfolios had shown a slight increase in value.

Responding to questions from Councillor Currie, Ms Maguire acknowledged that, dependant on the circumstances; the timing of borrowing could affect the overall cost of funding capital projects. She advised that Capita provide training and financial modelling, and decisions on how to fund the capital plan would be governed by a range of factors including prudential indicators. She pointed out that while there were many assumptions in treasury management, it was about how to manage these and use specialist advice to make the best decisions possible at any given time.

The Convenor noted that this would be Ms Maguire's last Committee meeting. He thanked her for her contribution and wished her well for the future.

Decision

The Committee noted the content of the report.

6. 2014/15 COUNCIL IMPROVEMENT PLAN MONITORING REPORT

A report was submitted by the Depute Chief Executive (Partnerships & Community Services) to present the Audit & Governance Committee with the 2014/15 Council Improvement Plan six month monitoring report.

The Service Manager - Corporate Policy, Paolo Vestri, presented the report outlining progress with implementing the 11 action points in the Improvement Plan agreed by Council on 24 June 2014 and which related to work being undertaken at a council-wide level.

Decision

The Committee noted the progress in achieving the Council Improvement Plan as detailed in the monitoring report.

7. PROCUREMENT IN COUNCILS (AUDIT SCOTLAND, APRIL 2014)

A report was submitted by the Depute Chief Executive (Resources & People Services) advising the Audit & Governance Committee of the findings of the Audit Scotland report, *'Procurement in Councils'* and to reflect the extent to which East Lothian Council is working in accordance with the recommendations of that report.

The Service Manager – Legal & Procurement, Morag Ferguson, presented the report drawing Members' attention to the key findings and recommendations of the Audit Scotland review and East Lothian Council's response. She indicated that the Council's position was mixed but positive overall with a number of the recommendations already achieved. Further work was ongoing to secure improvements in procurement strategy and practice and to bring the Council into line with the remaining recommendations.

Ms Ferguson referred to forthcoming changes to procurement legislation which would have a significant impact on the Council's procurement. She explained that the position, including any need for future increase in resources, would be kept under review.

In response to questions from Councillor Currie, Ms Ferguson said that although it was often difficult to quantify savings through procurement, efforts were being made to include details of any savings as part of a monthly contract report. In addition, a new procurement strategy was being prepared for the coming financial year with a report on its performance due at the year end.

Councillor McAllister asked about the scope for breaking down larger contracts to encourage tenders from smaller, local firms and whether it was possible to include conditions such as payment of the living wage. Ms Ferguson explained that it was often more efficient to appoint one larger contractor who could then subcontract parts of the job to smaller firms. Through the use of Hub Co. and Scotland Excel it was possible to know who such subcontractors might be. She advised that it was against EU regulations to insist that firms pay their staff the living wage.

Decision

The Committee noted the report and the actions that East Lothian Council is taking to improve effectiveness of East Lothian's procurement processes.

8. SELF DIRECTED SUPPORT (AUDIT SCOTLAND, JUNE 2014)

A report was submitted by the Director of the Health & Social Care Partnership providing the Audit & Governance Committee with a summary of the Audit Scotland report, *'Self Directed Support'*.

The Area Manager, Adult Wellbeing, Trish Leddy, presented the report. She explained that the Self Directed Support (Scotland) Act 2013 was introduced in April 2014 to give individuals greater choice and control over their support and to promote a shift towards 'outcome based' support. The Audit Scotland report highlighted the amount of work Councils still need to do to implement Self Directed Support (SDS) and made a number of recommendations. Councils were currently in year 4 of a 10 year strategy set out by the Scottish Government for the implementation of SDS. Ms Leddy advised that, in East Lothian, the next stage of implementation would involve looking at issues such as managing risk, financial sustainability and working with users and carers to further promote the use of SDS.

The Members asked a number of questions on services and delivery mechanisms, finance, capability, assessments, employment issues and the viability of existing services.

Ms Leddy indicated that SDS, as a mechanism, was underpinned by good social work practice which allowed service users greater choice between traditional options and using direct payments to access support in a new way and through non-traditional providers. She acknowledged that this would mean reviewing delivery of services in the longer term and may potentially signal a shift away from more traditional facilities and services.

Ms Leddy advised Members that there were clear guidelines relating to those individuals who did not have the capability to decide for themselves to prevent misuse of direct payments. In relation to assessments, she pointed out that while these were not location based consideration was given to facilities available in the local area. She confirmed that Personal Assistants would be classed as employees and that work was underway to help service users access advice and support on employment issues.

The Head of Adult Wellbeing, Murray Leys, stated that the implementation of SDS would result in a better use of resources within the expected financial constraints, as well as more efficient service delivery. While it was not envisaged that SDS would deliver significant savings, this would continue to be monitored over the 10 year implementation period. Mr Leys agreed to look at providing regular progress reports to Members.

Mr Leys acknowledged that the Council had a duty of due diligence when it came to reviewing the financial sustainability of service providers and he was working with CoSLA on how to do this. In the meantime, the focus would be on reshaping services based on the requirements of users and developing guidelines to promote fair and equitable access to care in all locations and with due regard to personal circumstances.

Decision

The Committee noted the report and its two supplements.

9. ANNUAL WORK PLAN 2014/15

Mr Vestri presented the Audit & Governance Committee's annual work plan 2014/15 to Members for noting. He drew attention to the four Risk Registers scheduled for presentation at the next meeting and indicated that these would now be split between the January and March meetings. Additional Audit Scotland and Accounts Commission reports would also be scheduled into future meetings.

Decision

The Committee agreed to note the work plan.

10. INTERNAL AUDIT REPORT – MODERNISATION PROGRAMME (SHQS)

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Audit & Governance Committee of the recently issued audit report on the Modernisation Programme (SHQS).

The Internal Audit Manager, Mala Garden, presented the report advising Members that the review was undertaken as part of the audit plan for 2013/14. The main objective of the audit was to review the effectiveness of the Modernisation Programme (Existing Stock) and to report on progress made by the Council towards meeting the Scottish Housing Quality Standard (SHQS) by the Scottish Government's target date of 2015. She summarised the main findings and highlighted some areas with scope for improvement.

Responding to a question from Councillor Currie, Ms Garden stated that the stock condition survey had been undertaken in four tranches and clearly identified where and when work would be required. However, the stock condition database had not been updated to reflect subsequent repairs undertaken.

The Head of Communities & Partnerships, Tom Shearer, acknowledged that there had been issues but these were being addressed by the recent restructuring of the team, the appointment of an Asset Manager and the introduction of a new database to record stock condition and repairs. Mr Shearer advised that the Council was nearing a 90% compliance rate with the SHQS and he was hopeful of achieving 100% by March 2015. In the meantime, he welcomed the report and was satisfied that the measures outlined in the action plan would mitigate the risks identified.

Decision

The Committee noted the contents of the Executive Summary and Action Plan.

11. INTERNAL AUDIT REPORT – RECORDS MANAGEMENT (PUBLIC RECORDS (SCOTLAND) ACT 2011)

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Audit & Governance Committee of the recently issued audit report on Records Management (Public Records (Scotland) Act 2011).

Ms Garden presented the report to Members. The main objective of the review was to assess the Council's progress in meeting the requirements of the Public Records (Scotland) Act 2011 which came into force on 1 January 2013. She drew attention to the Records Management Plan which was approved by Council and submitted to the Keeper of the Records of Scotland on 31 October 2014. The Plan would be implemented in stages over a 5 year period and Internal Audit would undertake a further review of progress in 2017.

Decision

The Committee noted the contents of the Executive Summary and Action Plan.

12. INTERNAL AUDIT REPORT – BATHROOM ADAPTATIONS

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Audit & Governance Committee of the recently issued audit report on Bathroom Adaptations.

Ms Garden presented the report advising Members that the audit had examined the adequacy and effectiveness of the Council's Framework Agreement for Bathroom Adaptations. She outlined areas where expected controls were met and the areas with scope for improvement.

Councillor Currie expressed concern over the number of recommendations in the action plan all of which were graded 'medium' or 'high'. However, he noted that two of those rated 'high' had already been addressed and he was satisfied that the measures put in place would allow the service to function effectively and achieve best value.

The Convenor commented that the cheapest option was not always the best.

Councillor McAllister asked whether there were circumstances in which the Council could reject tenders from companies whom they may suspect of being insolvent or using inappropriate business practices such as overpricing. Ms Garden indicated that all tenders had to go through a four stage evaluation process. Ms Ferguson confirmed that there were statutory grounds for rejecting tenders before the evaluation process but there would need to be clear evidence of wrongdoing. Any tenders that appeared to be overpriced would likely be eliminated during evaluation.

The Service Manager – Strategic Asset & Capital Plan Management, Liz McLean, explained that the objective was to develop a framework which would develop best value contractors who also understood the issues around working in the homes of vulnerable people. She acknowledged that managing this process and keeping progress on track was challenging.

Decision

The Committee noted the contents of the Executive Summary and Action Plan.

13. INTERNAL AUDIT REPORT – FINANCIAL ARRANGEMENTS AT CROOKSTON CARE HOME

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Audit & Governance Committee of the recently issued audit report on the Financial Arrangements operating at Crookston Care Home.

Ms Garden presented the report of the review undertaken as part of the audit plan for 2014/15. She outlined the main findings of the audit including the areas where expected controls were met and those with scope for improvement.

Councillor Currie commended the audit as a worthwhile exercise and noted that all of the recommendations for action were either complete or due to be completed within the coming weeks.

In response to a question from Councillor Goodfellow, Ms Garden confirmed that the reference to bank accounts related to those for the Care Home rather than individual residents.

Mr Leys welcomed the audit report which he said had been specifically requested from Internal Audit to ensure that the Care Home was compliant with financial operating procedures.

Decision

The Committee noted the contents of the Executive Summary and Action Plan.

14. INTERNAL AUDIT PROGRESS REPORT 2014/15

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Audit & Governance Committee of Internal Audit's progress against the annual audit plan for 2014/15.

Ms Garden invited Members to note the progress as outlined in the report.

Decision

The Committee noted the contents of the Internal Audit Progress Report 2014/15.

Signed

Councillor Kenny McLeod
Convener of the Audit and Governance Committee

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cutting through complexity

2

East Lothian Council

Audit strategy review and plan

Year ending 31 March 2015

9 January 2015

For audit and governance committee consideration on
20 January 2015

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	Page
Context	2
Significant risks and audit focus areas	5
Other audit areas	10
Audit planning	14
Appendices	19

About this report

This report has been prepared in accordance with the responsibilities set out within the Code of Audit Practice (“the Code”) issued by Audit Scotland.

This report is for the benefit of East Lothian Council (“the Council”) and is made available to Audit Scotland and the Accounts Commission (together “the beneficiaries”), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the audit strategy and planning section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Andy Shaw who is the engagement leader for our services to East Lothian Council, telephone 0131 527 6673 email: andrew.shaw@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Alex Sanderson, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6720 or email to alex.sanderson@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Russell Frith, Assistant Auditor General, Audit Scotland, 110 George Street, Edinburgh, EH2 4LH.

Planning for our audit takes into account the risk profile of the Council and sector-wide challenges. Our planning includes consideration of other areas of assurance, such as shared risk assessment.

Audit background

Our audit is undertaken in accordance with appointment terms made by the Accounts Commission, the Code of Audit Practice issued by Audit Scotland and International Standards on Auditing (UK & Ireland).

Our approach to the Council's audit is risk-based, focussing on our understanding of the Council and the wider environment in which it operates, also reflecting the expectations of the Accounts Commission.

Significant risks and other matters

From our initial risk assessment procedures we have identified two significant risks for the 2014-15 audit, in relation to:

- the Council's financial position, including revenue, capital, the impact on borrowing and achievement of efficiency savings; and
- the assumed risk of management override of controls as prescribed by the International Standards on Auditing (UK & Ireland).

Our planning procedures have not identified other significant risks. Other audit focus areas are in relation to the accounting for the Council's participation in the Lothian Pension Fund, fixed asset valuation and the recognition of certain provisions.

We will provide an updated list of significant risks and other matters in our annual audit report, which will be reported to the audit and governance committee in September 2015.

Shared risk assessment

The audit approach is informed through our participation in the annual shared risk assessment process, which is part of a simplified and coherent approach to delivering local government scrutiny. Scrutiny bodies that engage with local government establish a shared assessment of the risks in each council and develop a range of proportionate approaches in response to the risk assessment. The shared risk assessment process results in each council receiving a local scrutiny plan, previously the Assurance and Improvement Plan.

The shared risk assessment process for 2014-15 has been finalised, with the output of the Assurance and Improvement Plan, and we have considered this as part of the audit planning. We will take account of the outcome of the 2015-16 risk assessment process, which is due to be finalised in March 2015.

Best Value

Under the Local Government in Scotland Act 2003 ("the 2003 Act"), auditors have a duty to be satisfied that councils have made proper arrangements to secure best value. In response to these duties, the Accounts Commission introduced specific arrangements for the audit of Best Value and community planning under section 52 of the 2003 Act.

Currently, Best Value audits are carried out by central teams within Audit Scotland's performance audit and best value group in partnership with local auditors.

Reporting

In addition to reporting on matters identified during our audit, as part of our audit appointment, we are also required to consider the Council's arrangements in a number of other areas and report our findings.

These include:

- arrangements with respect to the National Fraud Initiative;
- the Council's response to specific national studies;
- review and reporting on various grant claims made by the Council;
- follow-up on the response to specific performance audits; and
- arrangements for reporting statutory performance indicators.

We will summarise our findings in each of these areas in the annual audit report.

Our audit work is undertaken in accordance with the Code of Audit Practice and guidance issued by Audit Scotland. The Code specifies a number of objectives for our audit.

The Accounts Commission has appointed KPMG LLP as auditor of the Council under the Local Government (Scotland) Act 1973 (“the Act”). The period of appointment is 2011-12 to 2015-16, inclusive.

KPMG’s planned audit work in 2014-15 will include:

- an audit of the financial statements and provision of an opinion on whether:
 - they give a true and fair view of the state of affairs of the Council;
 - the accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14, the requirements of the Local Government (Scotland) act 1973 and the Local Government Scotland Act 2003.
- a review and assessment of the Council’s governance arrangements including: a review of the adequacy of internal audit and review of the governance statement;
- a review of National Fraud Initiative arrangements; and
- a review of arrangements for preparing and publishing statutory performance information.

Auditors and audited bodies’ responsibilities are set out in Audit Scotland’s Code of Audit Practice (“the Code”). This Code states the responsibilities in relation to:

- the financial statements;
- corporate governance and systems of internal control;
- prevention and detection of fraud and irregularities;
- standards of conduct and arrangements for the prevention and detection of bribery and corruption;
- arrangements for preparing and publishing statutory performance information;
- financial position; and
- Best Value, uses of resources and performance.

The responsibilities of the auditor and management are summarised below; appendix two sets out the detailed responsibilities.

Responsibilities of the appointed auditor

We carry out our audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the wider responsibilities embodied in the Code.

We have set out opposite the key elements of our audit work for 2014-15 on the financial statements and corporate governance arrangements. While auditors are not responsible for preventing or detecting fraud or irregularity and do not substitute for audited bodies own responsibilities, we will review and report on these arrangements. We will review and report whether the Council has adequate arrangements in place to maintain and promote proper standards of financial conduct and to prevent and detect bribery and corruption. We will also report on whether management has established adequate arrangements to manage performance, regularity, use of resources and performance information.

Responsibilities of the accountable officer

The audit of the financial statements does not relieve management or the audit and governance committee of their responsibilities. The Council is responsible for financial statements which show a true and fair view of the Council’s affairs, and for making available to us all the information and explanations we require for the purposes of our audit.

The Council is responsible for establishing arrangements for ensuring the proper conduct of its affairs and developing and implementing systems of internal control, including risk management, financial, operational and compliance controls. These systems should include arrangements to prevent and detect fraud and other irregularity. Management is responsible for implementing proper arrangements to ensure that their financial position is soundly based.

Our audit approach is risk-based, and focuses on the areas most likely to lead to material misstatement in the Council's financial statements.

We have discussed current financial performance with management and reviewed the 2014-15 revenue and capital budgets for the Council.

Audit Scotland's report *An overview of local government in Scotland 2014* highlighted the challenges of reducing budgets and increasing demands on local authorities. This is coupled with further expected budget reductions, the public's expectation of service delivery and demographics becoming more biased towards older people, who typically need more public services. The Council should also meet the requirements of the Single Outcome Agreement. In response, management undertakes regular analysis of the key areas of public reform, which should support achievement of strategic priorities in a changing environment.

The Council is planning to utilise most usable un-earmarked general reserves by 31 March 2016, and in 2016-17 the Council is budgeting for a break-even position. While reserves are not planned to be required in 2016-17, the strategy gives rise to challenge and risk for the Council, requiring it to achieve budget in each of the next two financial years and to ensure that the level of required change is delivered to achieve an underlying recurring financial balance from 2016-17.

Financial position – revenue

The quarter two financial review identifies a year to date underspend of £1.6 million against the 2014-15 budget approved by Council in February 2014. The largest individual variance (£0.6 million) is in respect of underspend in the devolved school management budget.

A cost reduction programme has been established to implement change projects which reduce costs and support delivery of the Council plan. A RAG rating on progress with efficiency savings by budget group is reported within the quarterly financial reviews. Two budget groups, children's wellbeing and adult wellbeing, were given a red rating in the quarter two report; indicating less than 50% of budgeted efficiency savings are likely to be achieved by year end.

We will update our understanding of the Council's financial position,

and year end outturn position together with the longer term financial strategy and budgets for 2015-16 to 2017-18. We will assess management's progress with implementation of the transformation programme and efficiency savings. Commentary and analysis on these areas will be provided within the annual audit report.

Financial position – capital; general services

The 2014-17 capital plan was refreshed by management in light of the 2013-14 year end position and other known changes. Significant changes to 2014-15 were:

- the inclusion of £5.6 million carried forward from areas of slippage from 2013-14; and
- the modification of six projects, as approved by Council in April 2014.

Actual spend to 30 September 2014 was £7.4 million, representing 28% of the revised 2014-15 capital budget of £26.6 million. Capital budgets in 2015-16 and 2016-17 are £22 million and £22.6 million respectively.

Financial position – capital; housing revenue account

The housing revenue account capital budget for 2014-15 is £21.8 million. As reported by management in the quarter two financial review, year to date spend was £5.3 million, representing 24% of the annual total. Management has identified some slippage in 2014-15 relating to modernisation improvements, however most of the larger budgets are on course to meet targets.

We will consider and challenge management's capital monitoring reports; we will provide commentary on the achievement of the capital budget and impact on the capital limits and associated borrowing in the annual audit report.

Significant risks

International Standard on Auditing (UK and Ireland) 315 requires us to determine whether any of the risks identified through our risk assessment processes are significant.

We have identified two significant risks in our initial risk assessment for 2014-15. Our risk assessment procedures are ongoing and we provide updates on any emerging risks as they become apparent.

Audit approach

Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of the Council. We also consider the key audit risks and challenges in the local government sector generally.

Significant risks

International Standard on Auditing (UK and Ireland) 315: *Identifying and assessing risks of material misstatement through understanding the entity and its environment* requires the auditor to determine

Significant risk and implications

Pervasive risk: fraud risk from management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Pervasive risk: financial position

As highlighted earlier in this report, the Council is planning to utilise most usable un-earmarked general reserves by 31 March 2016. In 2016-17 the Council is budgeting for a break-even position. This gives rise to challenge and inherent risk for the Council as there would be no un-earmarked general reserves available if a break-even position was not achieved.

Recently the Council has underspent against budget in total. In 2013-14 the Council recorded a statutory deficit of £3.6 million, £2.6 million lower than budgeted.

whether any of the risks identified as part of risk assessment are significant risks and therefore requiring specific audit consideration. In determining whether a risk is significant, judgement is applied in respect of the whether, for example, the risk is associated with the complexity of transactions, the degree of subjectivity involved in the measurement of financial information, whether the associated transactions are outside the normal course of business, or whether there is an associated risk of fraud.

We include two significant risks below which are pervasive across the financial statements.

Our planned audit approach

We have not identified any specific additional risks of management override relating to this audit. Our audit methodology incorporates the risk of management override as a significant risk. This includes testing of journals at the year end and throughout the year, review of unusual transactions in the year, enquiries with employees outside the finance department, tests of unpredictability and controls testing, including higher level controls.

We will update our understanding of the Council's financial position and year end outturn position through review of quarterly reports and other management information. We will assess management's progress with implementation of efficiency savings. Commentary and analysis on these areas will be provided within the annual audit report.

We will consider management's capital monitoring reports and provide commentary on the achievement of the capital budget and impact on the capital limits and associated borrowing during the year.

We will perform controls testing over the budgeting process including the monitoring of budgets throughout the year. We will perform substantive procedures, including substantive analytical procedures, over income and expenditure comparing the final position to budget.

Risk classification

Significant risk

Other focus area

In addition to significant risks, we consider audit focus areas. We set this out in relation to the comprehensive income and expenditure statement and the balance sheet.

We have used our experience gained during previous years' audits to refine our understanding of the risks in the financial statements. For those balances not linked to a significant risk or other focus area, we will perform analytical reviews and specific item testing over material balances to consider material errors or disclosure errors.

Caption	2013-14 balance (£'000)	Key risk or other matter and implications	Our planned audit approach
Gross income	(75,977)	Fraud risk from income recognition Professional standards require us to make a rebuttable presumption that the fraud risk from income recognition is a significant risk.	Part of the Council's income is received from non ring-fenced government grants. As government grants are agreed in advance of the year, with adjustments requiring Government approval, we do not regard the risk of fraud from this revenue recognition as significant. The other major sources of income are from annual local taxes and rental income (council tax, non-domestic rates and housing revenues). These revenues are prescribed by law and other specific regulations, which prescribe the period in which annual local taxes and rental income is recognised as revenue. This minimises the level of judgement required in revenue recognition by management and we do not regard the risk of fraud from this revenue recognition as significant. Sales income is recognised at point of sale, with an invoice raised when the service is delivered, minimising the judgement necessary and we do not regard the risk of fraud from this revenue recognition as significant. The potential for revenue to be incorrectly recognised will be addressed through controls testing and substantive procedures. We will consider each source of income and analyse results against budgets and forecasts, performing substantive analytical procedures and tests of details.
Gross expenditure	288,003		
Other operating expenditure	(995)		
Financing and investment income and expenditure	20,136		
Taxation and non-specific grant income	(224,852)		
Other comprehensive income and expenditure	(6,436)		

Risk classification	
	Significant risk
	Other focus area

We have used our experience gained during previous years' audits to refine our understanding of the risks in the financial statements. For those balances not linked to a significant risk or other focus area, we will perform analytical reviews and specific item testing over material balances to determine if there are material errors or disclosure errors.

Caption	2013-14 balance (£'000)
Property, plant and equipment	769,772
Other long term assets	11,774
Short term debtors	18,896
Cash and cash equivalents	4,880
Other current assets	1,919
Short term borrowing	(49,788)
Short term creditors	(22,177)
Provisions	(3,793)
Long term liabilities	(350,473)
Pension asset/ liability	(128,785)
Useable reserves	(15,352)
Unusable reserves	(236,873)

Key risk or other matter and implications

Property, plant and equipment

Under the Code and IFRS, property, plant and equipment ("PPE") is required to be held on the balance sheet at fair value. In order to comply with these accounting requirements, Council assets are subject to rolling valuations, with non-operational assets being subject to valuation in 2014-15.

It is expected that the 2016-17 Code will adopt requirements of the *Code of practice on transport infrastructure assets* ("the transport code"), which requires measurement of these assets on a depreciated replacement cost basis. This will represent a change in accounting policy from 1 April 2016 and require full retrospective restatement. Local authorities are advised to develop a project plan to during 2014-15 to help achieve successful implementation.

Provisions (landfill sites and holiday pay)

Whilst the Council does not operate landfill sites, coal mines or other sites which carry significant obligations for rectification, there is one Council-owned former landfill site and one present private operation. There is sector-wide consideration such operations, including assessment of financial stability of operators, following the liquidation of a coal mine operator in another local authority area. Further analysis is required by management to identify potential exposure and ensure appropriate monitoring procedures are in place.

Following a European Court of Justice ruling in May 2014, employers are required to pay holiday pay to staff at a rate commensurate with any commission or over time that they regularly earn, instead of at their basic pay level. Following legal advice, management has implemented this process for holiday pay going forward. In common with all impacted employers, the Council will consider if there is a contingent liability that requires recognition or disclosure as at 31 March 2015.

Our planned audit approach

We will consider the valuations in detail, incorporating the use of KPMG valuation specialists to challenge the valuation assumptions.

We will review the accounting treatment of the valuations to ensure appropriate recognition and disclosure in the financial statements.

We will consider the Council's plan for the requirements of the transport code, including assessing the robustness of the plan. We will evaluate the extent to which the Council is prepared for the change in accounting policy.

Under IAS 37 a provision should be recognised when:

- an entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

We will remain alert to legislative changes and consider the Council's position in relation to the criteria.

We will challenge and assess the judgements applied as at the year end and review recognition of any provisions, or disclosures of contingent liabilities.

Risk classification

- Significant risk
- Other focus area

The Council is required to prepare financial statements in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014-15* (“the Code”).

While there are some changes in the content of the Code for 2014-15, the financial statements and underlying accounting policies are expected to remain substantially consistent with the previous year.

KPMG remains committed to working with management to enhance the clarity and impact of the financial statements, including the implications of the revisions to the Code.

Code of practice on Local Authority Accounting in the United Kingdom 2014-15 (“the Code”)

The 2014-15 financial statements will be prepared in accordance with the *Code of practice on local authority accounting in the United Kingdom 2014-15* (“the Code”) which is based on International Financial Reporting Standards (“IFRS”).

The 2014-15 Code has a number of amendments from the 2013-14 version and management should consider if these changes will impact the financial statements. The amendments include:

- adoption of the new group accounting standards IFRS 10, IFRS 11, IFRS 12 and IAS 28;
- amendments in respect of the restated opening balance sheet; and
- changes to the requirements for accounting for combinations of bodies and transfer of functions.

We consider that the adoption of the new group accounting standards may have an impact on the Council’s financial statements.

Audit Scotland has also provided enhanced guidance in respect of a number of technical topics, which will be considered during the audit.

Changes to Local Authority Accounts (Scotland) Regulations

The Local Authority Accounts (Scotland) Regulations 2014 came into force on 10 October 2014, replacing the 1985 regulations. The new regulations include a number of changes designed to help strengthen corporate governance processes. These amendments include:

- clarification of the composition of the annual accounts, requiring the inclusion of a management commentary, a statement of responsibilities, an annual governance statement and a remuneration report;
- changes to the process for approving the unaudited accounts, including a requirement for the audit and governance committee to consider the unaudited accounts by 31 August;
- changes to the process for approval of the audited annual accounts, with a deadline of 30 September; and
- changes to the requirements for the publication of the audited annual accounts.

IFRS and the Code require the Council to prepare group financial statements. The Council has a number of subsidiaries and associates to be included in the group financial statements.

ISA (UK and Ireland) 600 *Special considerations- audits of group financial statements* requires the auditor to obtain an understanding of the group, its components, and any related risks.

The Council uses a range of service delivery vehicles to facilitate the discharge of its functions which, whilst technically independent, are effectively under the Council's influence or control. The Council is required under IFRS and the Code to prepare group financial statements which include the Council's interest in subsidiaries, associates and joint ventures.

The Code requires the following statements to be prepared, together with appropriate notes:

- movement in reserves – this statement summarises all movements in reserves;
- group comprehensive income and expenditure – this statement summarises the group's income and expenditure for the year;
- group balance sheet – this statement sets out the overall financial position of the group at the year end; and
- group cash flow - the group cash flow statement includes the cash flows of the Council and the Common Good Funds and Trusts. Cash receipts and payments that flow to and from the Council and its subsidiaries only (full group members) must be included. Cash flows to and from the Council to its associates are included within the cash flow statement of the Council.

Subsidiaries

Following updates to the Code, these are entities in which the Council either has:

- power over the entity, for example voting rights or contractual arrangements;
- exposure, or rights, to variable returns from its involvement with the entity; or

the ability to use its power over the entity to affect the amount of returns

The Council considers that the following are subsidiaries:

- Trust Funds;
- Common Goods Funds;
- Musselburgh Joint Racing Committee; and
- East Lothian Land Limited.

Due to the changes in the Code to determine entities which are subsidiaries, the Council's classification of subsidiaries and associates will be reconsidered in 2014-15, although no changes are anticipated. None of these entities are audited by KPMG and are not considered significant in the context of the group financial statements.

Associates

These are entities in which the Council can exercise a significant influence without support from other participants. The following are treated as associates:

- Lothian Valuation Joint Board;
- Enjoy East Lothian Limited;
- East Lothian Investments; and
- Brunton Theatre Trust.

We review governance and scrutiny arrangements in light of the shared risk assessment, Best Value, Single Outcome Agreement and the integration of health and social care.

The shared risk assessment process for 2014-15 did not identify any significant areas where the Council was not making progress.

Shared risk assessment

Local area networks (“LANs”) are established for each council. These bring together local scrutiny representatives in a systematic way with the common aims of joint scrutiny scheduling and planning, sharing risk assessment and the delivery of a single corporate assessment through the Best Value 2 audit process. As external auditor, we are a key member of the shared risk assessment process for the Council.

The role of the shared risk assessment process is to ensure that relevant data collected from councils and other sources by their organisation is analysed and brought to the LAN for discussion. All LAN members discuss and agree a shared risk assessment (“SRA”) and identify a proportionate scrutiny response.

A national scrutiny plan sets out how Scotland’s scrutiny agencies coordinate their work and focus on the key issues at each council. This plan is underpinned by a local scrutiny plan, previously an assurance and improvement plan, for individual councils.

The SRA process for 2014-15 identified:

- there are no areas of ‘scrutiny required’ identified in the assurance and improvement plan, compared to two in 2013-14;
- one area was identified where further information is required. This is in respect of the quality of housing and homelessness services.

Best Value and continuous improvement

Under the Local Government in Scotland Act 2003 (“the 2003 Act”), auditors have a duty to be satisfied that councils have made proper arrangements to secure best value. In response to these duties, the Accounts Commission introduced specific arrangements for the audit of Best Value and community planning under section 52 of the 2003 Act. Currently, Best Value audits are carried out by central teams within Audit Scotland’s best value scrutiny improvement group in partnership with local auditors.

The timing, nature and extent of these is determined as part of the SRA process. A key component of the SRA will be the extent to which implementation of the existing Best Value improvement plan has had the anticipated impact. As your external auditor, we are responsible for conducting follow-up reviews to assess the Council’s progress against its agreed improvement priorities.

The Council put in place a Council plan covering the period 2012 to 2017. This recognises the challenges facing the Council currently, and over the five year period; identifying four objectives driving the business. Annual progress against these objectives and related outcomes from the Single Outcome Agreement is monitored through the Council’s annual performance report. We will update our understanding of continuing progress and maturing arrangements during our final audit visit.

Management has strong procedures for assessing the Council’s performance. This includes use of the How Good Is Your Council? self assessment and analysis against national performance reports. Areas for improvement are identified and reported to the audit and governance committee. We will understand how management implements, monitors and reports achievement of these improvements.

Governance statement

The Council is required to prepare and disclose a governance statement to detail the purpose of the framework of internal control, along with an analysis of its effectiveness. It should describe sources of assurance for members and senior officers and identifies areas for improvements to be focussed on in the future. We are required to review the governance statement against disclosure requirements and consider its content against our knowledge and understanding of the Council. We will report on findings in the annual audit report.

Single outcome agreement

The SOA is an agreement between the East Lothian Partnership and the Scottish Government, setting out how each party will work to improve outcomes and reduce inequalities for East Lothian residents. Successful delivery of SOAs will depend on the degree to which they are supported by effective planning, budgeting and performance management arrangements at service-level, within councils and across partner agencies.

During the audit cycle, we will update our understanding on the approach the Council and its partners are taking in respect of the SOA. This will include consideration of whether the SOA is supported by robust planning arrangements, governance arrangements and performance management. We will also consider the links between SOA outcomes and more detailed service outcomes, as well as the quality and frequency of reporting progress towards outcomes.

We will include a summary of findings in the annual audit report.

Integration of health and social care

In March 2014 the Public Bodies (Joint Working) (Scotland) Act was passed by the Scottish Government. This requires all Councils and NHS Boards to formally and legally establish integration of health and social care by April 2016.

The Council has agreed that in conjunction with NHS Lothian, the body corporate model should be adopted and the scheme of integration should be based on this model. A shadow board has been formed and has been meeting regularly during the year.

Integration schemes must be submitted to Scottish Ministers for approval by 1 April 2016. The Council has completed a consultative draft of the integration scheme, in collaboration with NHS Lothian, and this was presented to Council in December 2014. The Council has consulted with other local authorities within the Lothians to ensure consistency across integration schemes.

Auditors are required to consider the Council's progress in the integration of health and social care, and report our findings in the annual audit report. Specifically, we will consider the date that the integrated joint boards will be operational, review financial plans and comment on progress towards establishing effective governance arrangements for the new partnerships.

The National Fraud Initiative is a data matching exercise used to prevent and detect fraud. We prepared a short return to Audit Scotland in December 2014.

Audit Scotland periodically undertakes national studies on topics relevant to the performance of local government bodies on behalf of the Accounts Commission.

We will review the Council's response to these and will report our findings to Audit Scotland.

National Fraud Initiative

The National Fraud Initiative ("NFI") is a data matching exercise which compares electronic data within and between participating bodies in Scotland to prevent and detect fraud. This exercise runs every two years and provides a secure website for bodies and auditors to use. NFI helps participating bodies to identify possible cases of fraud, and to detect and correct any under or overpayments. NFI also helps auditors to satisfy their duties to assess bodies' arrangements for preventing, deterring and detecting fraud.

Management is responsible for investigating data matches from the latest round and we are required by Audit Scotland to review ELC's progress and engagement with the NFI process. We prepared a short return to Audit Scotland in December 2014 and we will report management's progress to the audit and governance committee during the year.

Local response to national studies

Audit Scotland periodically undertakes national studies on topics relevant to the performance of local government bodies on behalf of the Accounts Commission. While the recommendations from some of the studies may have a national application, elements of the recommendations are also capable of implementation at individual organisation level, as appropriate.

We may be required to make returns to Audit Scotland that performance reports have been considered by the Council and that action has been planned in response.

Targeted follow up of performance audit

Audit Scotland identifies a small number of reports each year as part of its targeted approach to following-up of performance audits. This will involve looking at what action has been taken by the Council and what difference this has made. We will include commentary in the annual audit report and may provide supplementary reports, where necessary.

Statutory performance indicators and benchmarking

The statutory deadline for publication by the Council of statutory performance indicators ("SPIs") is 30 September 2015. The specified indicators have been replaced by the Scottish Local Government Benchmarking Framework, which compares performance across councils using a standard set of indicators. The results of this benchmarking are analysed in 'family groups' to ensure comparison is between authorities with similar characteristics.

Auditors must assess the adequacy of arrangements for collecting and publishing information in relation to SPIs. We will complete a pro-forma schedule to reflect the audit work on SPIs for submission to Audit Scotland, and the annual audit report for 2014-15 will include a summary of this appraisal, the duties and responsibilities of the Council and us as auditor and any recommendations for improvement.

We will liaise with your internal audit department to minimise duplication of effort.

Internal audit arrangements

International Standard on Auditing (UK and Ireland) 610: *Considering the work of internal audit* requires us to:

- consider the activities of internal audit and their effect, if any, on external audit procedures;
- obtain a sufficient understanding of internal audit activities to assist in planning the audit and developing an effective audit approach;
- perform a preliminary assessment of internal audit when it appears that internal audit is relevant to our audit of the financial statements in specific audit areas; and
- evaluate and test the work of internal audit, where use is made of that work, in order to confirm its adequacy for our purposes.

We will continue liaison with the head of internal audit and maintain an understanding of the approach to ensure duplication of effort is minimised. We will review the internal audit work proposed or completed during our interim audit visit to determine the extent of assurance that can be taken from the work performed.

The general programme of work will be reviewed for significant issues to support our general work in assessing the Council's annual governance statement.

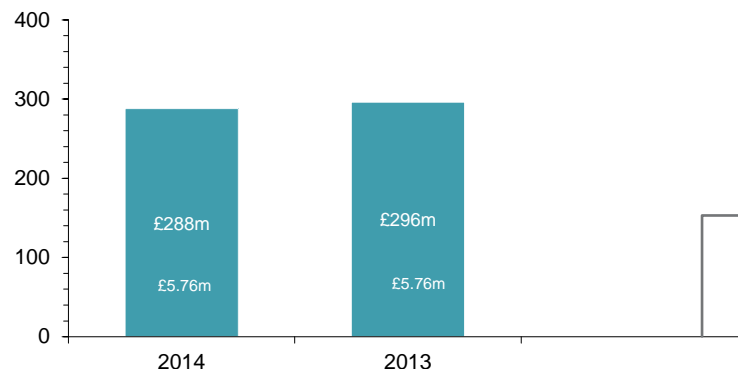
The table opposite highlights areas where we intend to place reliance and how this affects our planned audit approach (subject to a lack of significant risks being identified by internal audit).

Internal audit area	Impact on our planned audit approach
Borrowings Pensions Cash handling and banking Non-domestic rates National fraud initiative	We will evaluate internal audit findings and read work papers for these areas in detail with a view to placing reliance on the work where relevant.
Gifts and hospitality	We will evaluate internal audit findings and consider any impact on our work for the year.
Statutory performance indicators	We will evaluate internal audit findings and consider the implications for our overview of the Council's arrangements in respect of recording, monitoring and publishing statutory performance indicators.

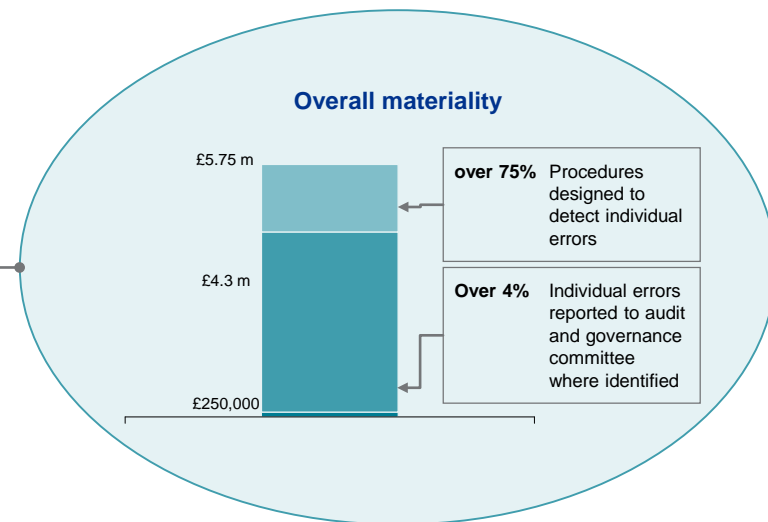
Our audit work is planned to detect errors that are material to the financial statements as a whole.

Our materiality is based on total expenditure and takes into account the low risk nature of the Council.

Total expenditure



Source: 2013-14 financial statements



Determining materiality

We consider quantitative and qualitative factors in setting materiality and in designing our audit procedures.

We have assessed our level of materiality this year based on our knowledge and understanding of the Council's risk profile and, therefore, financial statements. Materiality has been set at £5.76 million which is approximately 2% of total expenditure in 2013-14. This will be revised once draft financial statements for 2014-15 are known.

We design our procedures to detect errors at a lower level of precision, i.e. £4.3 million.

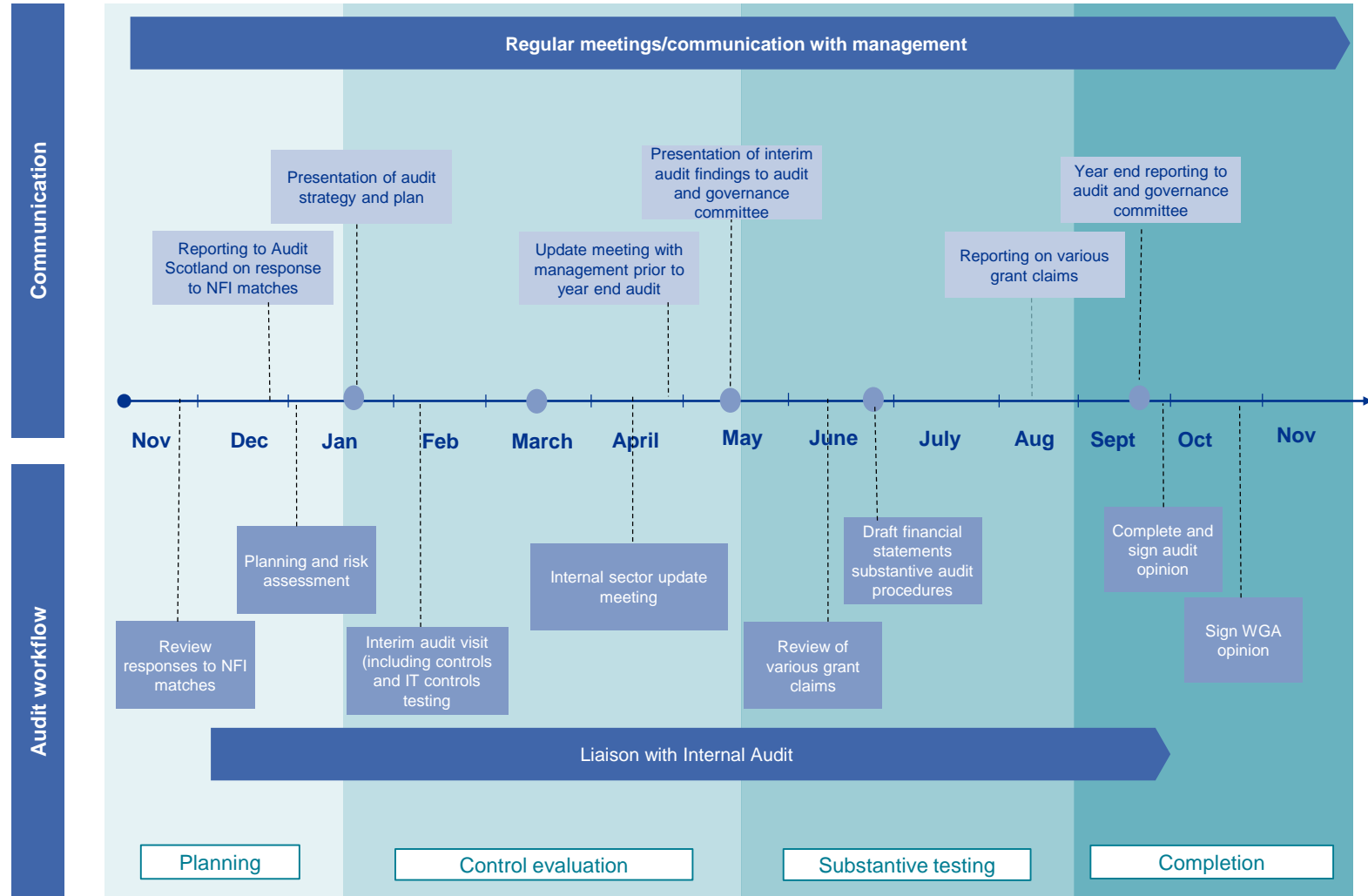
In accordance with instructions from Audit Scotland to all appointed auditors, we will report identified errors greater than £250,000 to the audit and governance committee.

Reporting to audit and governance committee

To comply with Auditing Standards, the following three types of audit differences will be reported to the audit and governance committee:

- adjusted audit differences;
- unadjusted audit differences; and
- disclosure differences (adjusted and unadjusted).

Out timetable is largely unchanged from the prior year but will be subject to refinement through discussions with management.



● Audit and governance committee meetings

The team benefits from strong continuity at senior level, building on our engagement leader's involvement in the audits of the Council in previous years.

Team member
<p>Andy Shaw; Director</p> <p>Andy has overall authority and responsibility for the audit engagements, including reporting on the financial statements, and will review key conclusions reached by the engagement team on all accounting and auditing matters.</p>
<p>Sarah Burden; Manager</p> <p>Sarah serves as the day-to-day audit liaison between management and KPMG and a first point of contact. She also provides technical accounting, regulatory and other advice in the first instance.</p>
<p>Laura Nelson; Engagement incharge</p> <p>Laura co-ordinates the onsite audit fieldwork, liaising directly with the key finance staff in respect of the preparation for, and conduct of the financial statements audit work.</p>

Fee arrangements

Audit Scotland requires that the fee for our work is set within an indicative range, depending on the assessment of risk and other factors facing the Council. The indicative fee range is calculated using a number of inputs:

- a central estimate of the number of days need to do the audit;
- the average remuneration rate for the audit team;
- the contribution to travel and expenses within the sector;
- the contribution towards performance audits, where relevant; and
- the contribution towards other central costs not met by the Scottish Consolidated Fund.

The indicative fee ranges are based on the following assumptions to ensure an efficient audit process:

- draft report, financial statements and full electronic files of supporting work papers available at the start date of our on site visit agreed with officers preferably in electronic format;
- reliance on your internal controls;
- availability of key members of staff during the audit fieldwork; and
- completion within the agreed timetable.

Audit Scotland has notified us that the fee range for 2014-15 is £216,770 to £264,940. This represents a 1% increase from 2013-14. We have proposed a fee of £240,855, which represents the mid-point. Should we be required to undertake significant additional audit work in respect of any of the areas of audit focus or other matters arise, we will discuss with management the impact of this on our proposed fee.

Charity audit

As in the prior year, we will audit Dr Bruce Fund, a charity administered by the Council. The fee for this audit is included within the Council audit fee.

Our audit process will result in reporting on a number of outputs to the Council; these are listed in the table on the right.

Output	Description	Report date
Update NFI report	<ul style="list-style-type: none"> We report on the Council's actions to investigate and follow-up NFI matches. 	<ul style="list-style-type: none"> By 31 December 2014
Audit strategy	<ul style="list-style-type: none"> Our strategy for the external audit for the year 	<ul style="list-style-type: none"> By 31 January 2015
Interim management report	<ul style="list-style-type: none"> We report our findings from our interim audit visit where we will update our planning for the year end and perform controls testing. 	<ul style="list-style-type: none"> By 31 May 2015
Statutory performance indicators	<ul style="list-style-type: none"> We will report on arrangements for preparation of the Council's statutory performance indicators; this will be included in our annual audit report. 	<ul style="list-style-type: none"> By 30 September 2015
Independent auditor's report	<ul style="list-style-type: none"> Our opinion on the Council's financial statements. 	<ul style="list-style-type: none"> By 30 September 2015
Annual audit report to the Council and the Controller of Audit	<ul style="list-style-type: none"> We summarise our findings from our work during the year. 	<ul style="list-style-type: none"> By 30 September 2015
Whole of Government Accounts	<ul style="list-style-type: none"> We report on the pack prepared for consolidation and preparation of the Whole of Government Accounts. 	<ul style="list-style-type: none"> By 31 October 2015
Audit reports on grant claims and other returns	<ul style="list-style-type: none"> We will report on the following returns: <ul style="list-style-type: none"> - Housing Benefit Count return; - Non Domestic Rate return; - Education Maintenance Allowance return; and - Criminal Justice Authority return. 	<ul style="list-style-type: none"> In line with Audit Scotland's reporting timetable

Mandatory communications with those charged with governance as required by International Auditing Standards are set out opposite.

These cover:

- fraud;
- related party transactions; and
- independence.

Area	Management responsibility/ action	KPMG response
Fraud risks	<ul style="list-style-type: none"> ■ It is the responsibility of management to implement accounting and internal control systems which are designed to prevent and detect fraud and error. Such systems reduce but do not eliminate the risk of misstatements caused by fraud or error. ■ Those charged with governance must ensure, through oversight of management, the integrity of these systems and that appropriate controls are in place, including those for monitoring risk, financial control and compliance with laws. This is in the context of preparing financial statements that give a true and fair view and that do not contain material misstatements arising from fraudulent reporting (intentional misstatements/ omissions to deceive the financial statement user) or from the misappropriation of assets. 	<ul style="list-style-type: none"> ■ Our audit procedures are designed to have a reasonable chance of detecting misstatements as a result of fraud or error. The audit team will review and discuss fraud related risks and controls with internal audit, the chief financial officer and senior management. ■ Our risk assessment procedures will include a number of interviews with senior personnel concerning processes to identify and respond to risks of fraud.
Related party transactions	<ul style="list-style-type: none"> ■ Management has processes in place to identify related party transactions and a number were disclosed in the 2013-14 financial statements. All material related party transactions must be disclosed in the financial statements. 	<ul style="list-style-type: none"> ■ We will ensure that there continues to be appropriate processes in place as part of the financial statements preparation process to identify any related party transactions.
Independence	<ul style="list-style-type: none"> ■ Auditing Standards require us to consider our independence and related matters in our dealings with the Council. 	<ul style="list-style-type: none"> ■ We have provided our formal independence communication in appendix one. In respect of non-audit services provided to the Council we have completed internal conflict checks to confirm that the services may be provided with no threat to our audit independence.



cutting through complexity

Appendices

Auditing Standards require us to communicate to the audit and governance committee in writing at least annually on any matters which may reasonably be thought to bear on our independence and set out the safeguards in place in relation to these matters and confirm that we are independent.

Professional ethical standards require us to communicate to you as part of planning all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Audit Director and the audit team. This letter is intended to comply with this requirement although we will communicate any significant judgements made about threats to objectivity and independence and the appropriateness of safeguards put in place.

We are satisfied that our general procedures support our independence and objectivity, except for those detailed below where additional safeguards are in place.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

Please inform us if you would like to discuss any of these aspects of our procedures in more detail.

Confirmation of audit independence

We confirm that as of 9 January 2015, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This letter is intended solely for the information of the audit and governance committee and should not be used for any other purposes.

Yours faithfully

KPMG LLP

Audit Scotland code of audit practice – responsibilities of auditors and management

Responsibilities of auditors	Responsibilities of management
Financial statements	
<p>Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:</p> <ul style="list-style-type: none"> ■ whether they give a true and fair view of the financial position of audited bodies and their expenditure and income; and ■ whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements. <p>Auditors should review and report on, as appropriate, other information published with the financial statements, including the directors' report, annual governance statement, statement on internal control or statement on internal financial control and the remuneration report.</p> <p>Where required, auditors should also review and report on the Whole of Government Accounts return.</p>	<p>Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources. Audited bodies are responsible for:</p> <ul style="list-style-type: none"> ■ ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; ■ maintaining proper accounting records; ■ preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the relevant financial reporting framework (eg, the Financial Reporting Manual or an Accounting Code of Practice); ■ preparing and publishing with their financial statements an annual governance statement, statement on internal control or statement on internal financial control and a remuneration report; and ■ preparing consolidation packs and, in larger bodies, preparing a Whole of Government Accounts return.
Corporate governance arrangements	
<p>Consistent with the wider scope of public audit, the Code gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:</p> <ul style="list-style-type: none"> ■ bodies' reviews of corporate governance and systems of internal control, including their reporting arrangements ■ the prevention and detection of fraud and irregularity 	<p>Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.</p>

Audit Scotland code of audit practice – responsibilities of auditors and management (continued)

Responsibilities of auditors	Responsibilities of management
Corporate governance arrangements (continued)	
<ul style="list-style-type: none"> ■ standards of conduct and arrangements for the prevention and detection of corruption; and ■ the financial position of audited bodies. 	
Systems of internal control	
<p>Auditors are required to review and report on the compliance statements given by bodies under the relevant code or framework before their publication. This is discharged by reviewing and, where appropriate, examining evidence relevant to audited bodies' arrangements in accordance with any guidance issued by Audit Scotland. Auditors are not required to consider whether the statements cover all risks and controls, or form an opinion on the effectiveness of procedures, but report where compliance statements are not consistent with their knowledge of the body.</p>	<p>Audited bodies are responsible for developing and implementing systems of internal control, including risk management, financial, operational and compliance controls. They are required to conduct annual reviews of the effectiveness of their governance, systems of internal control, or internal financial control, and report publicly that they have done so. Such reviews should take account of the work of internal audit and be carried out by those charged with governance, usually through bodies' audit committees.</p>
Prevention and detection of fraud and irregularities	
<p>Auditors should review and report on these arrangements. While auditors do not substitute for audited bodies own responsibilities, and are not responsible for preventing or detecting fraud or irregularity, they should be alert to the potential for breaches of procedures, and of fraud and irregularity. Auditors examine evidence that is relevant to these arrangements, particularly aspects of internal financial control such as segregation of duties, authorisation and approval processes and reconciliation procedures.</p>	<p>Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. This includes:</p> <ul style="list-style-type: none"> ■ developing, promoting and monitoring compliance with standing orders and financial instructions; ■ developing and implementing strategies to prevent and detect fraud and other irregularity; ■ receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity; and ■ participating, when required, in data matching exercises carried out by Audit Scotland.

Audit Scotland code of audit practice – responsibilities of auditors and management (continued)

Responsibilities of auditors	Responsibilities of management
Standards of conduct and arrangements for the prevention and detection of bribery and corruption	
<p>Auditors should consider whether bodies have adequate arrangements in place to maintain and promote proper standards of financial conduct and to prevent and detect bribery and corruption. Auditors review and, where appropriate, examine evidence that is relevant to these arrangements and reporting their findings.</p> <p>While auditors are not responsible for preventing or detecting failure to maintain an appropriate level of integrity and openness, they should be alert to the potential for corruption and breaches of standards of conduct in all aspects of their work. If weaknesses in arrangements are identified or notified, auditors should report them promptly to management or those charged with governance.</p>	<p>Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and should put proper arrangements in place for:</p> <ul style="list-style-type: none"> ■ implementing and monitoring compliance with appropriate guidance on standards of conduct and codes of conduct for members and officers; ■ promoting appropriate values and standards; and ■ developing, promoting and monitoring compliance with standing orders and financial instructions.
Financial position	
<p>Auditors should consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based, where appropriate, examining evidence that is relevant to the arrangements.</p> <p>Auditors should have regard to audited bodies’:</p> <ul style="list-style-type: none"> ■ financial performance in the period under audit ■ compliance with any statutory financial requirements and financial targets ■ ability to meet known or contingent statutory and other financial obligations ■ responses to developments which may have an impact on their financial position; and ■ financial plans for future periods. 	<p>Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> ■ such financial monitoring and reporting arrangements as may be specified; ■ compliance with any statutory financial requirements and achievement of financial targets; ■ balances and reserves, including strategies about levels and future use; and ■ the impact of planned future policies and foreseeable developments on their financial position.

Audit Scotland code of audit practice – responsibilities of auditors and management (continued)

Responsibilities of auditors	Responsibilities of management
Best Value, use of resources and performance	
<p>The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning.</p> <p>Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.</p> <p>Auditors should undertake appropriate work to satisfy themselves that bodies have put in place adequate arrangements for the collection, recording and publication of statutory performance information by reviewing and examining evidence that is relevant to these arrangements in accordance with any guidance issued by Audit Scotland.</p>	<p>Local authorities have a statutory duty to make arrangements to secure Best Value; defined as the continuous improvement in the performance of functions. In securing Best Value, local authorities must maintain a balance of quality and cost considerations and have regard, among other things, to economy, efficiency and effectiveness (or ‘value for money’) and the need to meet equal opportunity requirements and contribute to the achievement of sustainable development. Local authorities also have a duty for community planning, which is to initiate, maintain and facilitate consultation among and with public bodies, community bodies and others about the provision of services in the area of the local authority and the planning of that provision.</p> <p>Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control, accountability and evaluation of the use of resources. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p> <p>The Local Government Act 1992 requires the Accounts Commission to specify information which local authorities must publish about their performance.</p>



cutting through complexity

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REPORT TO: Audit and Governance Committee

MEETING DATE: 20 January 2015

BY: Chief Executive

SUBJECT: Infrastructure Risk Register

3

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Infrastructure Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Infrastructure Risk Register has been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Infrastructure Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Infrastructure Risk Register and in doing so, the Committee is asked to note that:
 - the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk
 - the total profile of the Infrastructure risk can be borne by the Council at this time in relation to the Council's appetite for risk
 - although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Infrastructure and are likely to be a feature of the risk register over a number of years
 - while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Infrastructure LRWG. The Head of Infrastructure has lead responsibility and will speak to it at the Committee.

3 BACKGROUND

- 3.1 In presenting the Infrastructure Risk Register to the Committee for discussion, comment and noting, I would wish to draw the Committee's attention to one specific matter. All risks have been evaluated using the standard (5x5) risk matrix which involves multiplying the likelihood of occurrence of a risk (scored 1-5) by its potential impact (scored 1-5). This produces an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).

- 3.2 The Council's response in relation to adverse risk or its risk appetite is such that:
- Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;
 - High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;
 - Medium risk is tolerable with control measures that are cost effective;
 - Low risk is broadly acceptable without any further action to prevent or mitigate risk.
- 3.3 The current Infrastructure Risk Register includes six High risks, twenty seven Medium risks and thirteen Low risks. All Very High and High Risks are reported to the Audit and Governance Committee annually while Medium and Low Risks are reported biennially.
- 3.4 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2 for information.

4 POLICY IMPLICATIONS

- 4.1 In noting this report the Council will be ensuring that risk management principles, as detailed in the Corporate Risk Management Strategy are embedded 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 – It is the consideration of the Infrastructure Local Risk Working Group that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Register for the year ahead should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Corporate Management Team.
- 6.2 Personnel – There are no immediate implications.
- 6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7 BACKGROUND PAPERS

- 7.1 Appendix 1 – Infrastructure Risk Register
- 7.2 Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy Paolo Vestri
DESIGNATION	Emergency Planning and Risk Officer Service Manager - Corporate Policy and Improvement
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DATE	8 January 2015

Infrastructure Risk Register

Date reviewed: 08 January 2015

Risk ID Number	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
INF 1	Failing to maintain the Council's burial grounds could result in a serious injury/death to the public or ELC employees from falling headstones/memorials and a resulting financial loss due to insurance claims. There is also the risk of losing part of East Lothian's cultural heritage through the loss of family history records on headstones and memorials and failure to comply with the Equalities Act if access paths aren't maintained.	Limited action has been taken to make headstones safe. Responsibility for maintenance of facilities shared with Property Maintenance. An inspection of all headstones and memorials to record their condition has commenced that is highlighting the scale of the problem, however, action to rectify unsafe memorials not in place to keep pace with known risk in most sites. North Berwick Cemetery extension has concrete foundation provided for headstones. A Community Pay Back scheme to repair headstones/memorials has been set up but will take time to make any significant impact. St Mary's Haddington has had emergency stability work undertaken on headstones. ELC staff now responsible for installation of foundations for all new memorial stones.	4	4	16	Recruitment of 17 manual staff to partially fill vacancies in the Business Unit due for completion by March 2015. Round 1 of Headstone Inspection programme to be completed by March 2015. Squad to be established from within existing staff to undertake annual winter programme of priority headstone stabilisation works.	3	4	12	Principal Amenity Officer	March 2015 March 2015 Implement October 2015 & Review March 2016	11	Risk Refreshed by Principal Amenity Officer November 2014 and by Head of Infrastructure December 2014 with Current Risk Score reduced from 20 to 16.
INF 2	There is a risk of environmental and reputational harm (in terms of corporate social responsibility) and also the potential for significant unbudgeted costs if the Council does not develop solutions and/ or implement robust arrangements for Land Management challenges. The Council currently has ownership of potentially contaminated land sites (including the former Carberry landfill site, old coal mining sites etc). Whilst there are no current indications of significant problems, possible remediation costs to the Council could be substantial.	Land Management (remediation) sites in Council ownership subject to environmental monitoring to evaluate risk. Former Carberry Landfill site is subject to SEPA waste management licence conditions. Implementation of the Contaminated Land Inspection Strategy in line with the Environmental Protection Act 1990. Potential contaminated sites across East Lothian including Council development sites will be remediated as part of development plans through planning conditions. Data Recorder for Flow installed and being monitored for Scottish Water.	4	4	16	Carberry landfill Site - Gas Pumping Trial to be carried out. Unbudgeted cost projected at £50,000. High probability now of Gas Flaring requirement. Unbudgeted cost projected at £170,000. Consultation and discussion with SEPA on gas management issues.	3	3	9	Depute Chief Executive – Partnerships and Community Services	Gas pumping trial to be implemented by December 14. Gas Flaring if required 2015.		May 2014 – Transferred from Corporate Risk Register. Risk reviewed and updated March 2014 – score increased from 8 to 16 due to Carberry Landfill issues. Planned Measures updated October 2014. October 2014 planned risk score reduced to 9 due to planned works.

Risk ID Number	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
INF 3	Inability to provide an efficient burial service and sufficient land for burial purposes would mean that the Council is unable to undertake its statutory duties, and create distress to family and mourners. An audit highlighted there is less available burial space than indicated previously.	Burial Administration now centralised in single office and revised procedures from service review now operating. Risk Assessments and SOPs are in place, regularly updated and employees are aware of them. Training programme in place to ensure employees are qualified. Draft Burial Strategy developed, but not approved yet. Communication procedure with the Registration Service has been put in place and monthly liaison meetings take place. New procedures for management of burials are now operational.	4	4	16	Burial Strategy & Action Plan to be approved and capital budget identified to create new burial grounds. Recruitment of staff programmed for March 2015 to partially restore operational levels. Identify and develop new burial provision sites	2	4	8	Principal Amenity Officer	March 2015 March 2015 Complete Phase 1 by March 2016	11	Risk Refreshed by Principal Amenity Officer November 2014 and by Head of Infrastructure December 2014 with Current Risk Score reduced from 20 to 16.
INF 4	Police Scotland has removed the Traffic Warden Service nationally since January 2014. Police Scotland is still responsible for enforcing Traffic violations. However, this reduction of resource may have impact on the enforcement of traffic regulation orders issued by ELC and the policing of other parking and traffic management issues.	The enforcement of parking infringement is a Police Scotland responsibility. ELC cannot enforce traffic or parking infringements. We will continue to work with Police Scotland making them aware of areas identified where there are parking violations. Continue to advise the public and encourage them to make Police Scotland aware of parking violations so they can take appropriate action. ELC will look at a parking strategy in the long term in the interest of public safety and economic impact on businesses.	4	3	12	The Council is considering options to deal with the removal of Police Traffic Warden and its impacts. This includes Decriminalised Parking. This is ongoing.	4	3	12	Head of Infrastructure	1-2 Years	7	Risk Refreshed October 2014 by Roads Manager
INF 5	Failure to manage and maintain the Council's tree estate including a failure to monitor for the current risk from tree diseases. This would have a negative impact on the landscape and character of East Lothian and its towns and villages, biodiversity, health & wellbeing of residents and the local economy and tourism. Failure to deliver SOA Outcome.	Some regular inspections undertaken. Monitoring for tree diseases within the tree estate. Some record kept of trees inspected. Record kept of arboricultural work undertaken. Annual programme of tree planting and record kept of trees planted. All forestry staff have appropriate qualifications, training and experience. Risk Assessments and SOPs in place for all arboricultural and forestry work. Woodland Action Plan in the Biodiversity Action Plan.	3	4	12	Survey of all Council owned trees on condition and location has been started, but without additional staff or resources it will take some time to complete. Set up a rolling inspection programme. Ensure Risk Assessments & SOPs are regularly updated & employees are aware of them. Recruitment of staff programmed for March 15 to partially restore operational levels.	2	4	8	Tree Officer	March 2015 December 14 March 15	11	Risk Refreshed by Principal Amenity Officer November 2014 and by Head of Infrastructure December 2014 with Current Risk Score reduced from 16 to 12 and residual score reduced from 10 to 8.

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			L	I	L x I		L	I	L x I				
INF 6	<p>A failure to meet the targets agreed in our Single Outcome Agreement and to meet EU landfill targets could result in reputational harm (in terms of corporate social responsibility) but more especially the potential for significant unbudgeted costs and financial penalties.</p> <p>The Waste (Scotland) Regulations 2012 has placed additional statutory obligations upon Local Authorities. A strategy review including implementation with additional services will need to be provided if the Council is to meet these obligations. This will impact upon current service provisions and has yet to be approved.</p>	<p>Waste Strategy agreed in July 2014 to be implemented by April 2015 with a view to achieving a minimum 50% recycling & composting target.</p> <p>Recycling and residual collections to all domestic and commercial properties covering mixed waste, DMR, food and garden.</p> <p>Bring site provision including 4 Community Recycling Centres.</p> <p>Monitoring of national and local indicators.</p> <p>Waste Data Flow reporting to Waste Regulatory body.</p> <p>Monitoring of kerbside collection systems and targeted intervention to offer support to residents using these services.</p> <p>Short term disposal/treatment framework Contract. Partnership working.</p> <p>Strategy Review and Implementation.</p> <p>Procurement of a long term treatment contract which will allow for additional recovery and enable compliance with bans on waste disposal given the previous procurement exercise being halted through the preferred contractor going into liquidation.</p>	3	4	12	<p>Review services in line with policy changes and maintain continual analysis outlining options for consideration for each type of Waste and Recycling Collection the Council carries out.</p> <p>Meet the Waste (Scotland) Regulations 2012 by implementing the Waste Strategy in April 2015.</p> <p>2020 – Ban on bio-degradable municipal waste to landfill and recycling rate of 60% to be achieved.</p>	2	4	8	<p>Waste Services Manager</p> <p>Head of Infrastructure</p> <p>Depute Chief Executive – Partnerships and Community Services</p>	27 th April 2015.		<p>Risk reviewed May 2014 and Residual Risk Rating reduced from 12 to 8.</p> <p>Risk refreshed October 2014 – no changes to scores.</p>
INF 7	<p>Failure to comply with the statutory requirements of the Land Reform (Scotland) Act and to meet the expectations of access users, local community and land managers.</p> <p>There may also be a negative impact on sustainable transport, health & wellbeing of residents and access users and the local economy and tourism. Failure to deliver SOA Outcome and contribute to cross cutting SOA Outcomes.</p>	<p>Approved East Lothian Core Path Plan in place and available to purchase.</p> <p>Local Access Forum established which holds quarterly meetings.</p> <p>Database maintained of access complaints and action taken to resolve.</p> <p>Annual paths/rights of way maintenance programme in place.</p> <p>Voluntary Path Warden Scheme set up.</p>	3	3	9	<p>External sources of funding to create/improve core paths to be explored to offset loss of budget in Capital Plan.</p> <p>Work in partnership with local interest/community groups to secure funding for core path works.</p> <p>Investigate constituting the Path Warden Scheme as a means of securing external funding to maintain the path network.</p>	2	3	6	Principal Countryside officer	March 2015	1,5,11,13	<p>Risk Refreshed by Principal Amenity Officer November 2014 and by Head of Infrastructure December 2014 with Current Risk Score reduced from 12 to 9 and residual score reduced from 8 to 6.</p>

Risk ID Number	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
INF 8	NICEIC audit of October 2014 identified possible failure to ensure adequate quality assurance regime for domestic electrical works in place.	ELC remain well established members of NICEIC, who undertake an annual audit of Qualifying Supervisor competency. In-house training is delivered to all front-line Operatives following any changes to Regulations and/or best practice. Administrative arrangements have been revised to allow responsive electrical supervisor to undertake greater frequency of on-site supervision.	3	3	9	Most recent audit indicated requirement for Qualifying Supervisors to undertake greater level of on-site supervision and increase frequency of 'tool box talks'. Qualifying Supervisor role has been incorporated into relevant supervisor job outlines in proposed service review.	2	3	6	Service Manager – Property Maintenance	Annual (in line with NICEIC audit)	7 & 9	Newly created risk identified 30/10/14 following NICEIC audit.
INF 9	An increase in the cost of raw materials, resources and commodities is impacting on the budget/expenditure of the service resulting in a reduction in the extent of all works carried out.	Use of Scotland Excel and local purchasing contracts when appropriate. Joint agreement in place with West Lothian Council for the purchase of bituminous materials. Whole-life costing in place. Continue to maintain an adequate Asset management regime.	3	3	9	Looking at other/innovative treatments on road surfaces. Improve asset management and intervene to produce measures on the roads that prevent further deterioration and therefore reduce the need for more intensive work in the future.	2	3	6	Road Services Manager	March 2016	7	Risk refreshed October 2014
INF 10	Current mobile working hardware is dated and does not meet PSN requirements. System failure could result in inability to meet customer appointments resulting in increased complaints and poor Social Housing Charter performance.	PSN extension agreed by ELC IT, in lieu of further roll-out of mobile working hardware and software.	3	3	9	Implementation of phase 2 mobile working, encompassing Windows 8 tablet technology.	1	3	3	Service Manager – Property Maintenance	Feb 2015		New risk identified 30/10/14 by PG.
INF 11	Extreme Weather conditions can result in the demand of rock salt exceeding supply resulting in problems with the availability and supply of rock salt.	Stockpile capacity of 9,000 tonnes as a result of new salt barn. Winter Maintenance Budget of £8-900,000. When the supply is reaching critical levels, intervention by the Government in the form of a Salt Cell which monitors stocks and generates advice to suppliers about the allocation of salt stocks.	2	4	8		2	4	8	Road Services Manager		7	Risk score reduced to 8 from 10 by Service Manager – Roads (October 2014).

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			L	I	L x I		L	I	L x I				
INF 12	Failure to manage and maintain the designated sites resulting in the Council not fulfilling its statutory duties under the Nature Conservation (Scotland) Act and Wildlife & Countryside (Scotland) Act. This would have a negative effect on the landscape character of East Lothian, biodiversity, health & wellbeing of residents and local economy and tourism as well as failing to deliver Local SOA Outcome.	East Lothian Biodiversity Action Plan. Site management plans developed for coastal & countryside sites. Risk Assessments & SOPs developed for all operations. Employees receive appropriate training. Countryside Rangers issued with mobile phones. Emergency procedures in place. Vehicle management system installed in all vans. Sustain conservation volunteer programme.	2	4	8	Maintain staffing levels and ensure sufficient resources to deliver the service.	2	4	8	Principal Countryside Officer	March 2015	11	Risk Refreshed by Principal Amenity Officer November 2014
INF 13	Inability to sustain the Conservation Volunteer Programme and Path Warden Scheme. This would have a negative impact on the landscape character of East Lothian, biodiversity, condition of designated sites, sustainable transport, health & wellbeing of residents and access users, the local economy and tourism, the partnership working with the community and ability to contribute to the delivery of SOA Outcomes.	Risk Assessment & SOP in place for each activity and each new activity and reviewed annually Each activity supervised by an ELC employee. Volunteers given clear instructions & training programme in place. Emergency procedures in place and supervisors aware of the procedures & their responsibility. Young Ranger Scheme now in operation.	2	4	8		2	4	8	Countryside Officer		5,11,14	Risk Refreshed by Principal Amenity Officer November 2014
INF 14	Failure to provide a sufficient grounds maintenance service would have a negative effect on the landscape and character of East Lothian and its towns and villages, biodiversity, health & wellbeing of residents and the local economy and tourism. Failure to deliver Local Outcome in SOA.	Risk Assessments & SOPs in place for all grounds maintenance operations are regularly reviewed & employees are aware of them. The Risk Assessments & SOPs Clarify roles & responsibilities of Amenity Officers. Employees have appropriate qualifications and training. BCP covers suppliers going out of business. Regular depot inspections are carried out. Vehicle management system installed in all vans & machines. Adequate staffing levels through filling of some of the fulltime vacancies and seasonal posts. Maintain staffing levels and ensure sufficient resources to deliver service.	2	4	8	Recruitment exercise planned for March 15	2	4	8	Principal Amenity Officer	March 2015	11	Risk Refreshed by Principal Amenity Officer November 2014

Risk ID Number	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
INF 15	Failure to provide a street sweeping service resulting in the Council not being able to fulfil its statutory duties under the Environmental Protection Act. This would have a negative effect on the landscape character of East Lothian and its towns and villages, biodiversity, health & wellbeing of residents and the local economy and tourism. Failure to deliver SOA Outcome.	Risk Assessments & SOPs developed for litter collection, bin emptying, removal of dog fouling, snow clearance and gritting and are reviewed annually. Employees have appropriate qualifications and training. BCP covers suppliers going out of business. Regular depot inspections are carried out. Vehicle Management system fitted to all vans & machines. Internal & external LEAMS audits and KSB validation audit. Maintain staffing levels and ensure sufficient resources to deliver service.	2	4	8		2	4	8	Principal Amenity Officer		11	Risk Refreshed by Principal Amenity Officer November 2014
INF 16	Failure to risk assess guided walks could result in an investigation by the HSE in the event of a serious incident occurring, financial risk to the Council through insurance claims from injured parties and also damage the reputation of the Council through negative publicity.	Risk Assessments developed for each walk. Employees have appropriate training with regular updates. Safety & Good Practice in the Outdoors Guidance adhered to and emergency procedures in place.	2	4	8		2	4	8	Principal Countryside Officer		5, 14	Risk Refreshed by Principal Amenity Officer November 2014
INF 17	Loss of Operators Licence would result in Waste Services and Road Services inability to uplift waste and carry out winter maintenance. Failing to maintain public highways free of ice and snow and uplift of household waste which is a statutory requirement and could result in Scottish Government sanctions and damage to the Councils reputation.	Regular maintenance of vehicles following VOSA best practice guides. Checks carried out on external companies work on Council fleet.	2	4	8		2	4	8	Transport Services Manager		9	Risk refreshed October 2014
INF 18	Any disruption to our fuel supply would affect our ability to undertake our day to day work. Fuel shortages can range from very minor to very severe. A very minor shortage may result in brief shortages at a few fuel stations, with minimal impacts. However, a very severe fuel shortage can result in major impacts very quickly especially on our ability to carry out our statutory requirements.	Fuel supply held at our depots. Fuel sourced externally from local fuel service stations. Shared services with other Local Authority. A Council Fuel Plan is in place.	2	4	8		2	4	8	Road Services Manager Waste Service Manager Transport Services Manager Property Maintenance Service Manager		3,9	Risk refreshed by all managers winter 2014/15.
INF 19	Employee human error could result in major injury or death to themselves or another employee carrying out their duties, consequently resulting in suspension of a number of services.	Risks are controlled through a health and safety policy. Relevant employee training and awareness is carried out regularly. At the VPMU all vehicle lifts have fail safe mechanisms. All drivers complete an initial driver assessment.	2	4	8		2	4	8	All managers.		N/A	

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			L	I	L x I		L	I	L x I				
		Continual review takes place as to how we operate our business.											
INF 20	Risks highlighted for the development of 7 target sports for sports development include injury to staff or participants, breach of Child Protection and Vulnerable Adults Act, failure to service and maintain equipment to a safe standard which could all lead to bad publicity for the Council and result in financial loss through insurance claims from the public.	Risk Assessments undertaken for venues and activities. Service Management of Coaches and Volunteer Guidelines in place. Volunteer and Coach handbook / emergency operating procedures in place and reviewed annually. Volunteers and coaches are trained in procedures. Child protection training undertaken by staff / coaches and volunteers and council guidelines followed. Council Education Excursion Guidelines and Approval procedures followed. Only fully trained and qualified coached and volunteers employed. PVG checks for all coaches and volunteers and key staff undergo first aid training which is reviewed regularly. Emergency operating procedures are followed for all venues and all equipment is maintained and checked regularly. Coach and Volunteer Handbook and emergency operating training procedures are reviewed annually.	2	4	8		2	4	8	Principal Officer Sports Development			
INF 21	Failure to maintain harbours could lead to damage to the fabric of the harbour and to boats on moorings and in dinghy parks (where appropriate). Potential risk of injury to harbour users, water pollution, vessels sinking and danger from heights should people / equipment fall. Failure to warn of the dangers of the operation of the boom crane (North Berwick only) resulting in HSE / MCA (Marine and Coastguard Agency) involvement. All could lead to bad publicity for the Council and result in financial loss through insurance claims from the public.	Risk Assessments in place, including weather assessment. Regular visual inspection of harbour area by harbour master. Training provided for boom operators and provision of personal protective clothing (N Berwick only). Lifebelts in place, regular inspection. Safety barriers erected in areas of highest risk. Regular maintenance and repair programme in place. Provision of pollution spill kit (N Berwick only). Guidelines for boom crane operation in place. Pollution spill kit in place for Fisherrow/Cockenzie.	2	4	8		2	4	8	Principal Recreation & Physical Officer			
INF 22	Failure to provide cleaning services within education premises out with core provision, due to staff shortages or health epidemic. This could result in schools not been cleaned to the required standard and a breakdown of infection control. This could result in schools not being able to remain open and putting the council at risk.	Utilise special clean team and specialist products when required. Senior cleaners complete cleaning schedule including daily checks that all areas have been cleaned to the appropriate standard.	2	4	8	Review job outlines to meet the needs of the service.	2	4	8	Service Manager - Facilities	March 2016	5 & 6	New risk created January 2015 by Service Manager – Facilities.

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			L	I	L x I		L	I	L x I				
INF 23	<p>Carberry landfill Site – The Carberry site is a gassing landfill with the following risks associated to it:</p> <p>There is a public safety risk of an explosion if landfill gas accumulates in a building or other enclosed space. There are a number of residential and commercial properties in the vicinity of the site, although several hundred metres away.</p> <p>SEPA have intimated that we may be required to install an additional gas management measurement system (flare stack/gas engine) as the simple vents that are currently in place and were originally agreed do not provide the best possible environmental solution</p> <p>Attached to this is a reputational risk should SEPA take enforcement action against the Council.</p> <p>The cost of any additional gas management systems would be significant unbudgeted expenditure.</p>	<p>Regular on-site gas monitoring has not indicated any migration of landfill gas off-site. The gassing from the landfill has not substantially changed over recent years.</p> <p>Passive venting arrangements are currently in place which SEPA have accepted up to now.</p> <p>We have carried additional monitoring in this respect and are now progressing pumping trials.</p>	2	4	8	<p>We are progressing a gas pumping trial to determine whether or not a flare system is required.</p> <p>The Council remains in discussion with SEPA about gas monitoring results and the legal requirement for Flaring should this be deemed necessary.</p> <p>We are against capping the stacks due to the increased risk of uncontrollable gas migration and the danger this poses to surrounding properties.</p> <p>Installation of a gas monitoring/ control management system is likely to cost in excess of £170,000 capital with revenue for maintenance. No budget currently exists.</p>	2	3	6	Waste Services Manager	<p>Gas Pumping Trial December 14.</p> <p>Gas Flare if required 2015.</p>	11 & 12	Risk Refreshed by Waste Services Manager October 2014 and by Head of Infrastructure December 2014 with Current Risk Score reduced from 10 to 8 and residual score reduced from 10 to 6.
INF 24	<p>Current Microsoft Access voids module is unsupported.</p> <p>Failure could result in loss of information with significant impact on voids turnaround resulting in rent loss and poor Social Housing Charter performance.</p>	ELC IT have database specialism who can invariably resolve minor system glitches, bugs etc	2	4	8	<p>Commission full review of software including architecture.</p> <p>Subsequently scope system revisions/upgrade require and possibly tender if no in-house capacity to develop /support going forward.</p>	1	4	4	Property Maintenance Service Manager	<p>October 2015</p> <p>December 2015</p>		New risk identified 30/10/14 PG
INF 25	Increasing exposure to drug related/contaminated waste materials resulting from the handling of needle sticks and/or body fluids has heightened the risk of infection from blood borne virus – HIV, Hep, B, C for all front-line employees, which could expose the council and/or individuals to criminal charges and subsequent civil actions.	Awareness training for all staff. Additional training for staff required to handle waste materials. Frontline staff issued with sharps kits to facilitate removal of small items of contaminated waste System in place to identify problem properties/tenants and issue warning to staff with regards to potential exposure.	2	4	8	Work ongoing to develop corporate guidance on drug-related contaminated waste and strengthen disposal procedures and joined-up working.	1	4	4	All Managers	April 2015	1 & 5	Risk Refreshed by Head of Infrastructure December 2014 with Current Risk Score reduced from 10 to 8 and residual score reduced from 5 to 4.
INF 26	<p>Work at Height remains the biggest cause of fatal injury in the workplace.</p> <p>A fatal injury could expose the council and/or individuals to criminal charges and subsequent civil actions. Any fatal injury could have a major impact</p>	<p>Generic risk assessment have been carried out to identify significant risk and appropriate control measures that are required to be implemented.</p> <p>Training for specific equipment. PASMA, IPAF provided to relevant</p>	2	4	8	Generic risk assessments should form the basis of a site specific risk assessment where additional hazards have been identified Dynamic risk	1	4	4	Service Manager – Property Maintenance	June 2015	1 & 5	Risk Refreshed by Property Maintenance Manager and by Head of Infrastructure December 2014 with Current Risk Score reduced from 20 to 8

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	on the victims' family and potentially damaging to the Council's reputation.	Operatives on 5 year cyclical basis. All staff are provided with Working at Heights training on induction, with refresher training provided every 4 years. Staff and workforce receive ongoing training and development to encourage a managing safety culture and the implementation of safe working practice.				assessments may also apply, to consider changing local/environment conditions (traffic/weather etc.) Proposed introduction of trade based supervisors will clearly identify supervisory responsibilities. All planned control measures are reliant on implementation of service review.							and residual score reduced from 10 to 4
INF 27	Failure to adequately plan maintenance activities on the public road network could lead to conflict with the requirements of other roads users, including public utilities, events and members of the public. Also failure to comply with the requirements of the Scottish Roads Commissioner such as keeping the gazetteer up to date and other statutory obligations under the Transport Scotland Act and the New Roads and Street Works Act. This could result in fines from the Scottish Roads Commissioner (as occurred this year) as well as a reputational impact on ELC if events have to be cancelled.	Annual road maintenance plan/schedule in place. Weekly works planning meetings where any impact on the Scottish Road Works Register is monitored. Register held of all events which is refreshed regularly.	2	4	8	Service reviews within Road Services and Road Network to combine into a single Roads Unit will produce further clarity on job roles within the future establishment.	1	4	4	Road Services Manager	March 2015	7	Risk Refreshed October 2014
INF 28	Service reviews, VERS and budget restrictions combined with a workload increase due to Major Housing Developments could result in a reduction in staffing levels such that the service is unable to continue in its present form and as a consequence unable to meet Statutory Obligations and fail to carry out regular inspections of RCC sites.	Balanced recruiting level of staff/workload ratio and re prioritising of essential tasks.	2	4	8	Seek alternative, innovative methods of service delivery to ensure legal compliance.	1	4	4	Head of Infrastructure Road Services Manager	March 2015	7, 10	Risk refreshed October 2014
INF 29	Significant Trading Operation fails to demonstrate Best Value & Workforce Equality resulting in work possibly having to be outsourced and subsequent job losses.	Structure and organisation of services (including option appraisal for Service Delivery) determined through service review. Monthly review of Trading Accounts to ensure service is on target to meet	2	4	8	Further roll-out of mobile working and targeted efficiency improvements. Increasing number of repairs by appointment.	1	3	3	Service Manager – Property Maintenance Team Leader	April 2015	1	Risk Refreshed by Property Maintenance Manager and by Head of Infrastructure December 2014 with Current Risk Score reduced from 10 to 8

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		<p>budgeted surplus.</p> <p>Ongoing implementation of mobile working in Property Maintenance Services</p> <p>Job costing aligned to nationally benchmarked Schedule of rates.</p> <p>Ongoing twice-yearly reconciliation of maintenance material stock.</p>				<p>Housing Asset Management Strategy following SHQS – March 2015 delivery to allow forward planning of Housing modernisation work.</p> <p>Improved customer feedback (ongoing and targeted improvements).</p> <p>Social Housing charter improvements. Involvement of customer representatives in designing improved services.</p> <p>Property Maintenance re-structures to be implemented.</p> <p>Revision of Craft t Workers Green Book to ensure continued relevance of performance monitoring in mobile working environment.</p>				– Housing Assets			and residual score reduced from 5 to 3.
INF 30	Waste collection arrangements are inadequate due to a failure or loss of staff, vehicles, plant, equipment or buildings to provide resource availability for waste and recycling management requirements.	<p>Business continuity plan</p> <p>Operation of depot and transfer station.</p> <p>Contracts for haulage / disposal / recycling / composting.</p> <p>Operation of four Recycling Centres.</p> <p>Provision of receptacles to customers.</p> <p>Ability to suspend non critical activities.</p> <p>Adequate levels of staff and resources.</p> <p>Storage and maintenance of vehicles & equipment.</p> <p>Risk assessments and safe operating instructions.</p> <p>Monitoring of national and local indicators.</p> <p>Customer Feedback and Consultation.</p> <p>Waste Collection Policy.</p> <p>Strategy agreed with alterations to types and frequencies of collections</p>	2	3	6		2	3	6	Waste Services Manager	December 14		Risk refreshed October 2014 – Both scores reduced to 6.
INF 31	There is the risk that staff and volunteers involved in the delivery of Sports and Activity and Promoting Increased Physical Activity sessions and those participating in said sessions could be injured due to inadequate controls or the failure to service and maintain equipment to a safe standard. This could lead to negative publicity for the Council, HSE	<p>Risk Assessments undertaken for venues and activities.</p> <p>Service Management of Coaches and Volunteer Guidelines in place.</p> <p>Volunteer and Coach handbook / emergency operating procedures in place and reviewed annually</p> <p>Volunteers and coaches are trained in procedures.</p> <p>Council Education Excursion</p>	2	3	6		2	3	6	Principal Officer Sports Development Principal Officer Active Schools			3 Former general risk entries on various risks within Sports development, physical activity opportunities and promoting increased physical activity split to show one risk on the risk of

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	involvement and financial loss through insurance claims from the public.	Guidelines and Approval procedures followed. Only fully trained and qualified coached and volunteers employed. Resource packs and in house training available for all volunteers as well as shadowing/buddying. Coach and Volunteer Handbook and emergency operating training procedures are reviewed annually. Emergency operating procedures are followed for all venues and all equipment is maintained and checked regularly by those responsible for the venue whilst all coaches/volunteers have a responsibility to carry out visual checks before each activity. Risk Assessments in place and regularly updated, including weather assessment while qualified/ trained staff / volunteers are used to lead sessions.										injury/maintaining of equipment and one on Child Protection.	
INF 31	Failure to maintain the AALS (Adventure Activities Licence) resulting in the Council being unable to provide adventure activities for under 18 year olds, which in turn would significantly reduce the range of outdoor learning opportunities available to young people , their health and wellbeing and personal development.	Safety and Good Practice in managing Off Site Visits Guidelines in place. Educational Excursion Approval needs to be gained prior to the event taking place and is gained by the visit Leader submitting a form using the internet based EVOLVE system. Employees have appropriate up to date qualifications and experience. Only appropriately qualified and experienced Associate Instructors are employed. All Outdoor Centres that provide adventure activities outside their grounds should have a valid Adventure Activity Licence and insurance cover All Outdoor Centres that provide activities within their own grounds should use appropriately qualified staff, have Risk assessments for each activity in place and have valid insurance cover. All schools and establishments using EVOLVE.	2	3	6	Joint monitoring programme of activities takes place with Health & Safety Advisers and is inspected quarterly.	1	3	3	Principal Teacher Outdoor Education	June 2015	2,5	Risk Refreshed by Principal TOE November 2014 and by Head of Infrastructure 2014 with Risk Score reduced from 10 to 6 and residual score from 5 to 3.
INF 32	Failure to comply with the statutory requirements under the Health & Safety at Work Act in relation to HAVS and Whole Body Vibration (WBV), noise exposure, lung function and suitability for employment generally would create a financial risk to the Council through staff insurance claims and open up the Council to investigation by the HSE. Enforcement notices and/or other punitive actions may also apply If	Suitable & sufficient risk assessments are in place for all tasks to identify hazards and implement appropriate control measures. Staff receive appropriate instruction & training to allow work tasks to be performed safely and managers should ensure work tasks are monitored for compliance with Safe Systems of Work Noise awareness training for all affected employees. Initial health screening of all new	2	3	6	Competency frameworks to be identified to ensure supervisors attend training courses to ensure they have a good understanding of their role with regards to the duty of care imposed on them by current H&S Regulations. Improvements through	1	3	3	Principal Amenity Officer Roads Services Manager Service Manager – Property Maintenance	June 2015	1 & 5	Risk score reduced from 16 to 6 as all Risk Measures now in place and HSE Improvement Notice lifted March 2014 per Principal Amenity Officer and Road Services Manager, November 2014

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	illness/ injury/death occurs as a direct result of non-compliance.	employees to establish a benchmark. Thereafter, annual health monitoring of all staff exposed to risk undertaken by the Council's Occupational Health Service provider and specific restrictions placed on any staff who display symptoms of HAVS or Carpel Tunnel. Approved HAV / WBV annual screening process now in place and annual testing and exposure controls as approved by HSE now in place All machinery and equipment has been tested and assessed for WBV and within Property Maintenance & Amenities traffic light coded to indicate the length of time they can be used for each Tier level of HAVS. All staff record on their timesheets exposure or over Exposure to vibration. Amenity Technician has undergone WBV training. Where noise, dust exposure or other risk pertains, a bespoke risk assessment should be carried out to determine exposure levels and appropriate control measures should be implemented.				service review to more clearly identify supervisory responsibilities within Property Maintenance. Work ongoing to renew occupational health arrangements. ELC currently procuring contract to deliver lung function monitoring.							
INF 33	IT failure preventing use of Fleetmaster software for maintenance and repair records of vehicles within the Council fleet. Impact on vehicle history electronically recorded and therefore VOSA and Scottish Government requirements.	All information backed up daily.	2	3	6	Request additional software back-up in addition to current data back-up.	2	1	2	Transport Services Manager	Reviewed annually but unlikely to be a priority as IT have confirmed existing back-up facility is currently sufficient.	13	
INF 34	By providing a range of activities to all members of the public including children and vulnerable adults there is a risk of a breach of the Child Protection and Vulnerable Adults Act, which could all lead to putting participants at risk resulting in negative publicity for the Council and possible criminal investigations.	Active Schools Management of Coaches and Volunteer Guidelines in place. Child Protection training undertaken by staff while all coaches and volunteers receive a briefing on Child Protection and council guidelines are followed. Only fully trained and qualified coaches employed. PVG checks for all coaches and volunteers while key employees undertake first aid training which is reviewed regularly.	1	4	4	A form is being developed for all coaches and volunteers to sign in relation to Child Protection and Social Media.	1	4	4	Principal Officer Sports Development Principal Officer Active Schools	March 2015		3 Former general risk entries on various risks within Sports development, physical activity opportunities and promoting increased physical activity split to show one risk on the risk of injury/maintaining of equipment and one on Child Protection.
INF 35	A pandemic resulting in a loss of workforce would impact on our ability to undertake normal duties, but more importantly, to respond to emergencies including winter maintenance.	Identify essential employees and other critical inputs required to maintain business operations by location and function during a pandemic. Use of external resources. Implementation of an exercise/drill to test readiness for emergencies and	1	4	4	Completion of Business Continuity which will identify critical activities to be completed by January 2015	1	3	3	All Managers	January 2015	7, 10	October 2014 – Risk score reduced from 10 to 4. Residual score reduced to 3 once BC updated.

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		revise periodically. Keep up-to-date with reliable pandemic information from public health. Prioritise essential business functions and for a period of time prepare to suspend other non-essential business functions.											
INF 36	Failure of the Print Unit to meet publishing deadlines for critical materials resulting in damage to the Council's reputation.	Controls include open dialogue between graphics/print unit/external supplier or client to ensure deadlines are achievable before work commences.	2	2	4		2	2	4	Facilities Service Manager		Risk refreshed November 2014	
INF 37	Failing to provide free meals during periods of adverse weather would result in legal action being taken against the Council and a loss of reputation.	During adverse weather pupils in cluster school areas would attend another school if necessary and receive their free meal there. Continuity plan in place and regularly tested. Production kitchens are equipped to increase production if required. Support from transportation using a 4x4 vehicle to transport staff and deliver meals to rural schools.	2	2	4		2	2	4	Facilities Service Manager	3 & 5	Risk refreshed November 2014	
INF 38	Failure to comply with Education Scotland requirements in relation to The Schools (Health Promotion and Nutrition) (Scotland) Act 2007 would result in a poor report from Education Scotland, loss of reputation and adverse publicity. This is a legal requirement and ELC could be faced with a fine should we not comply with the regulations.	Menu analysis carried out to determine nutritional values and they meet the legal regulations. Employee training and development to ensure all food served within schools meets the standard. Food and Health training carried out. Recipes and Menus issued to all unit Supervisors and schools. Photographs of food on offer each day. Supervisors in kitchens informed that they must comply with the menus and recipes for each day.	2	2	4		2	2	4	Facilities Service Manager	3 & 5	Risk refreshed November 2014	
INF 39	Roads infrastructure, bridge management and street lighting are major issues for the council given its responsibility for key routes. Any failure in provision/ maintenance may lead to closures, disruptions, adverse public reaction in terms of expectation. A healthy road network aids in enabling a vibrant economy and future economic development.	Appropriate inspection & assessment regimes in place. Register of road bridges, underpasses, footbridges and culverts completed. Partnering in the Scottish National Road Condition Survey. Consultation with Councillors and constituents in place on annual maintenance plan. Roads Asset Management Plan in	2	2	4		2	2	4	Head of Infrastructure	7, 10	Risk refreshed October 2014	

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		<p>place.</p> <p>Annual programme of roads maintenance works in place aimed at reducing the percentage of the roads network in amber/red condition.</p> <p>Regular monitoring of the condition of street lighting units.</p> <p>An electronic system to log all complaints and reports of road defects/lighting faults is in place in conjunction with the call centre system (LAGAN) at Macmerry. This ensures all reports are recorded, actioned and monitored under the Road Network Management ISO:9001 Quality System.</p>											
INF 40	Carberry Landfill Site – leachate from the landfill site is collected in site drainage system and discharges to the public sewer for which the Council pays a trade effluent charge. Scottish Water required the Council to install an effluent meter to provide records of the daily volume discharges into the sewer as they are no longer accepting fixed volume estimates. Since installation initial readings suggest the leachate levels are higher than predicted and could result in increased water treatment charges.	<p>Effluent Meter installed and providing accurate readings.</p> <p>Waste Services are monitoring the flow rate readings along with SC and awaiting Scottish Water's determination of the amounts.</p>	2	2	4		2	2	4	Waste Services Manager		11 & 12	Risk Refreshed October 2014
INF 41	Loss of children's outdoor play facilities due to facility being poorly maintained/not functioning which would have a negative impact on personal and social development of young people and their levels of physical activity.	<p>Dedicated play maintenance squad. Qualified play area inspector. Play Area Chargehand RPI approved. Annual play area inspection carried out by an independent play inspector. High level of investment by the Council over 20 years in a play improvement programme and this continues with partnership working and developer contributions. Maintain investment programme through working in partnership with the Housing Service and local community groups.</p>	1	3	3		1	3	3	Principal Amenity Officer		5,11	<p>Risk Refreshed by Principal Amenity Officer November 2014 and score reduced from 8 to 3.</p> <p>External Consultant's Report completed July 14.</p>
INF 42	A public transport strike would prevent the transport of pupils to and from school resulting in the Council not fulfilling its statutory requirements.	<p>Use of local bus operators. Reduce reliance on individual companies. If short term strike parents would be requested to transport pupils to and from school.</p>	1	3	3		1	3	3	Transport Services Manager		1, 2, 3, 13	

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INF 43	Any postal strike could prevent the delivery of parts to the VPMU for vehicle maintenance and repair thus resulting in vehicles not being available to user departments.	Suppliers to use courier services for delivery of parts.	1	3	3	.	1	3	3	Transport Services Manager		2, 3, 9, 13	
INF 44	Failure of security staff to make premises secure and monitor the premises could result in vandalism, fire, theft and a risk to employees.	Security staff check buildings are alarmed, gates locked where appropriate and doors are secure. Training & procedures are updated and issued to staff. All school buildings have key safes outside main doors of schools.	1	3	3	Keys for all ELC buildings within FMS to be held at Contact Centre and security team to have access to allow them to deal with emergencies.	1	2	2	Service Manager - Facilities Service Manager - Engineering Svcs & Building Stds	April 2015	4, 5 & 7	Risk refreshed November 2014
INF 45	Ineffective fleet management in relation to future purchase of Council vehicles would result in capital expenditure costs rising.	Regular discussion with user departments on their individual requirements. Continued evaluation of existing fleet. Regular contact with vehicle suppliers to demonstrate new items available.	1	2	2		1	2	2	Transport Services Manager		12, 13	
INF 46	Failure to carry out PVG checks on employees within FMS which could result in an inappropriate person working with children or adults. This could result in children/adults being put in danger and result in major reputational damage to the council, as ELC could be committing an offence if employing a barred person. The offence is up to 5 years in prison and/or fine.	Use of correct ELC procedures during recruitment and selection. Correct PVG checked for location employees are working within. We try to use as little agency staff as possible. When we do they have the correct PVG for the post they are covering. FMS keep a record of all agency staff used and record includes PVG number and photographic evidence of person where appropriate.	1	1	1		1	1	1	Facilities Service Manager		4 & 7	Risk updated October 2014 and score reduced from 2 to 1 due to planned measures now being current measures.

Original date produced (Version 1)	9 th January 2013				Risk Score	Overall Rating
File Name	Infrastructure Risk Register				20-25	Very High
Original Author(s)	Scott Kennedy, Risk Officer				10-19	High
Current Revision Author(s)	Scott Kennedy, Risk Officer				5-9	Medium
Version	Date	Author(s)	Notes on Revisions		1-4	Low
1	09/01/2013	S Kennedy	Environment Register updated to Infrastructure Risk register following Senior Management Restructure and updates to Risk Strategy and Corporate Risk Register.			
2	April-May 2013	S Kennedy	Updated by M Johnston and T Reid and risks combined following Working Group meeting. Dog Fouling/Dangerous Dogs risk split by M Johnston. Transport Services updated by I Dalgleish. Facilities Management updated by J Marlow. Property Maintenance updated by R Rafferty.			
3	September 2013	S Kennedy	Landscape & Countryside Risks updated by S Pryde.			

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4		October 2013	S Kennedy			Waste Management Risks updated and two added by T Reid and no change to Road Services Risks (A Stubbs) or Transport Services Risks (I Dalglish). Facilities Mgmt risks updated – measures added to Inf 28 and score reduced from 8 to 4 accordingly.							
5		December 2013	S Kennedy			Roads Network Risks Added							
6		January 2014	S Kennedy			Dangerous Dogs & Dog Fouling Risks transferred to Communities & Partnerships (Customer Services) Risk Register ; Healthy Living Risks added and Print Unit Risk added to Facilities to create initial Infrastructure Risk Register following realignment process.							
7		May 2014	S Kennedy			Pandemic risk score reduced from 10 to 5 and all Waste risks reviewed by Tom Reid. Land Management Risk transferred from Corporate RR at the request of CMT.							
8		November 2014	S Kennedy			Waste, Transport, Road, Facilities Services and Property Maintenance Risks all reviewed and refreshed by respective Service Managers. Amenity Risks reviewed by Principal Amenity Officer.							

Appendix 2
East Lothian Council
Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	Will undoubtedly happen, possibly frequently >90% chance
Likely	4	Will probably happen, but not a persistent issue >70%
Possible	3	May happen occasionally 30-70%
Unlikely	2	Not expected to happen but is possible <30%
Remote	1	Very unlikely this will ever happen <10%

Impact Description

Impact of Occurrence	Score	Description						
		Impact on Service Objectives	Financial Impact	Impact on People	Impact on Time	Impact on Reputation	Impact on Property	Business Continuity
Catastrophic	5	Unable to function, inability to fulfil obligations.	Severe financial loss (>5% budget)	Single or Multiple fatality within council control, fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved.	Loss of building, rebuilding required, temporary accommodation required.	Complete inability to provide service/system, prolonged downtime with no back-up in place.
Major	4	Significant impact on service provision.	Major financial loss (3-5% budget)	Number of extensive injuries (major permanent harm) to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Major adverse publicity (regional/national), major loss of confidence.	Significant part of building unusable for prolonged period of time, alternative accommodation required.	Significant impact on service provision or loss of service.
Moderate	3	Service objectives partially achievable.	Significant financial loss (2-3% budget)	Serious injury requiring medical treatment to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Some adverse local publicity, limited damage with legal implications, elected members become involved.	Loss of use of building for medium period, no alternative in place.	Security support and performance of service/system borderline.
Minor	2	Minor impact on service objectives.	Moderate financial loss (0.5-2% budget)	Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required).	Some - between 2 and 6 months to recover.	Some public embarrassment, no damage to reputation or service users.	Marginal damage covered by insurance.	Reasonable back-up arrangements, minor downtime of service/system.
None	1	Minimal impact, no service disruption.	Minimal loss (0.5% budget)	Minor injury to employee, service user or public.	Minimal - Up to 2 months to recover.	Minor impact to council reputation of no interest to the press (Internal).	Minor disruption to building, alternative arrangements in place.	No operational difficulties, back-up support in place and security level acceptable.

Risk	Impact				
	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
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REPORT TO: Audit and Governance Committee

MEETING DATE: 20 January 2015

BY: Chief Executive

SUBJECT: Risk Management Strategy

4

1 PURPOSE

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

2 RECOMMENDATIONS

- 2.1 It is recommended that Audit and Governance Committee approves the revised Risk Management Strategy January 2015 (Appendix 1) and notes that this is a live document which will be reviewed by the Corporate Risk Management Group.

3 BACKGROUND

- 3.1 Within the Best Value Improvement Plan the Council committed to “Take necessary steps to ensure that the recently established Risk Management Framework is effectively deployed throughout the Council”.
- 3.2 Responsibility for Risk Management transferred to the Chief Executive’s Office with effect from 1st April 2009. Since then the Emergency Planning and Risk Officer has been using research and benchmarking techniques to develop the Risk Management Strategy.
- 3.3 The strategy provides a comprehensive framework that will help embed effective management of risk. Key elements of the strategy are:-
- Risk Management Philosophy, Objectives and Standard Procedures
 - Structural Arrangements and Responsibilities
 - Monitoring and Reviewing Risk Management Activity
 - Implementation, Communication and Review

3.4 The Strategy was last revised in October 2012. The revised strategy was approved by Audit and Governance Committee, 13th November 2012. The Corporate Risk Management Group has revised the strategy and made some relatively minor amendments to take account of existing practice. The revised strategy is attached in full as Appendix 1.

4 POLICY IMPLICATIONS

4.1 In noting this report the Council will be ensuring that risk management principles are embedded 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 this strategy will require the support and commitment of those identified within the strategy to have specific responsibilities.

7 BACKGROUND PAPERS

7.1 Appendix 1 - Risk Management Strategy: January 2015

AUTHOR'S NAME	Scott Kennedy and Paolo Vestri	
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DATE	8 January 2015	



Risk Management Strategy

JANUARY 2015

CONTENTS

1. BACKGROUND	3
2. POLICY STATEMENT	3
3. SCOPE	3
4. RISK MANAGEMENT PHILOSOPHY AND OBJECTIVES	4
5. BENEFITS OF EFFECTIVE RISK MANAGEMENT	5
6. STANDARD PROCEDURES	5
7. STRUCTURAL ARRANGEMENTS AND RESPONSIBILITIES	6
8. TRAINING, LEARNING AND DEVELOPMENT	100
9. MONITORING AND REVIEWING RISK MANAGEMENT ACTIVITY	11
10. RISK REGISTERS	122
11. STRATEGY IMPLEMENTATION, COMMUNICATION AND REVIEW	12
12. OUTPUTS AND BENEFITS OF THE RISK MANAGEMENT STRATEGY	12
APPENDIX 1	13

<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
3.0	January 2015	Revised	EP&RO/CMT

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 Communities 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 Emergency Planning & 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 Communities 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 or its equivalent 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.

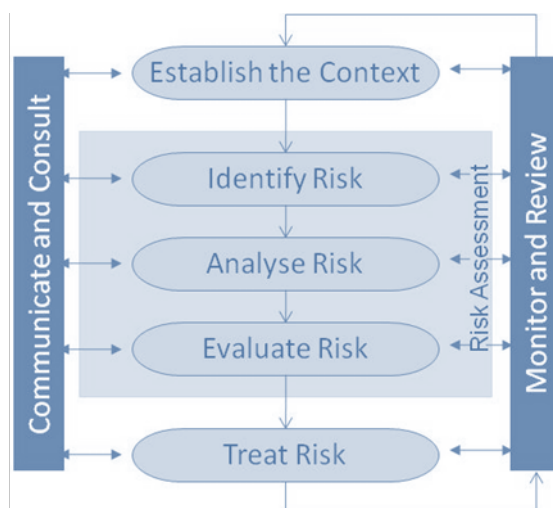
- 3.5 All risk will be analysed in terms of impact on the Council, its component services and the likelihood of occurrence. This analysis will produce an evaluation of risk as being Low, Medium, High or Very High. The council's response in relation to adverse risk, or 'risk appetite' is such that:
-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

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)

- (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 Council 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 or its equivalent 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 and medium risks fully reassessed every two years and significant [high and very high] risks annually) including routine audit of robustness of measures implemented to control risks.
- 6.1.10 Fully document the risks in the risk registers and to monitor and carry out an annual review of corporate and service risk registers to ascertain progress and to check for contextual changes affecting the risks.
- 6.1.11 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.
- 6.1.12 Supporting Risk Management Guidance will provide further direction regarding the above.
- 6.1.13 Link Service Risk Register to Service plans.

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.

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

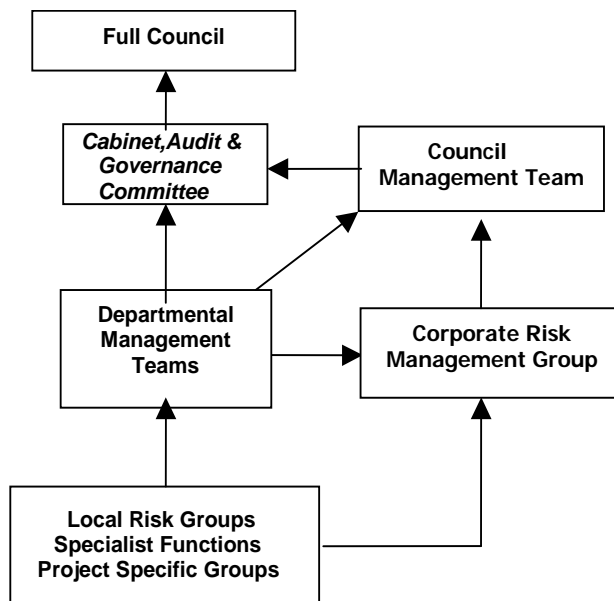
Tolerance - ensuring that adequate plans exist to respond to potentially disruptive events and monitoring current controls where the probability of harm materialising is low and/or the economic cost of further reducing the risk is disproportionately high;

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.

7.2 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.

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 all service risk registers 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 all risk registers 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, Emergency Planning and 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 Council Management Team, 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 (Service)

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 Service Management Team on a regular basis;
- on behalf of the Head of Service, contribute to the council's assurance framework through the annual submission of their service's risk register for review prior to submission to the Audit and Governance Committee;
- 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 Communities and Partnerships

The Head of Communities 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 Emergency Planning and Risk Officer.

7.4.3 Depute Chief Executives/Director of Health & Social Care Partnership

The Depute Chief Executives and Director of Health & Social Care Partnership are accountable to the Chief Executive for the management of risk within their areas of responsibility. Depute Chief Executives and Director of Health & Social Care Partnership 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 Depute Chief Executive/Director of Health & Social Care Partnership 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 the Depute Chief Executives and Director of Health & Social Care Partnership have 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 Depute Chief Executive and Director of Health & Social Care Partnership 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 Depute Chief Executive 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 made aware of 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
- 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 Emergency Planning and 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 High Risks and the actions taken to mitigate them will be reviewed every annually;
 - Medium risks and Low risks and the actions taken to mitigate them will be reviewed every two years.
- 9.1.2 There will be regular reporting to Service/Departmental Management teams on progress against the risk management plans and service risk registers;
- 9.1.3 There will be regular reporting on progress on the Risk Management Action Plan to the Corporate Risk Management Group;
- 9.1.4 There will be quality assurance checks on the risk management process conducted through meetings of the Council Risk Management Group;
- 9.1.5 There will be ad hoc tailored reports/ presentations to Cabinet on specific risk related issues/ topics arising from discussion or specific enquiry;
- 9.1.6 There will be continual review by Risk Working Groups of progress in managing individual risks listed in the service risk registers;
- 9.1.7 There will be quarterly reporting of claims data to Heads of Service by the Insurance Section and 'Stewardship reports' will be provided by the council's Broker annually;
- 9.1.8 There will be annual review of risk registers by the Audit and Governance Committee which will incorporate the reporting of progress made with individual risks.
- 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.

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

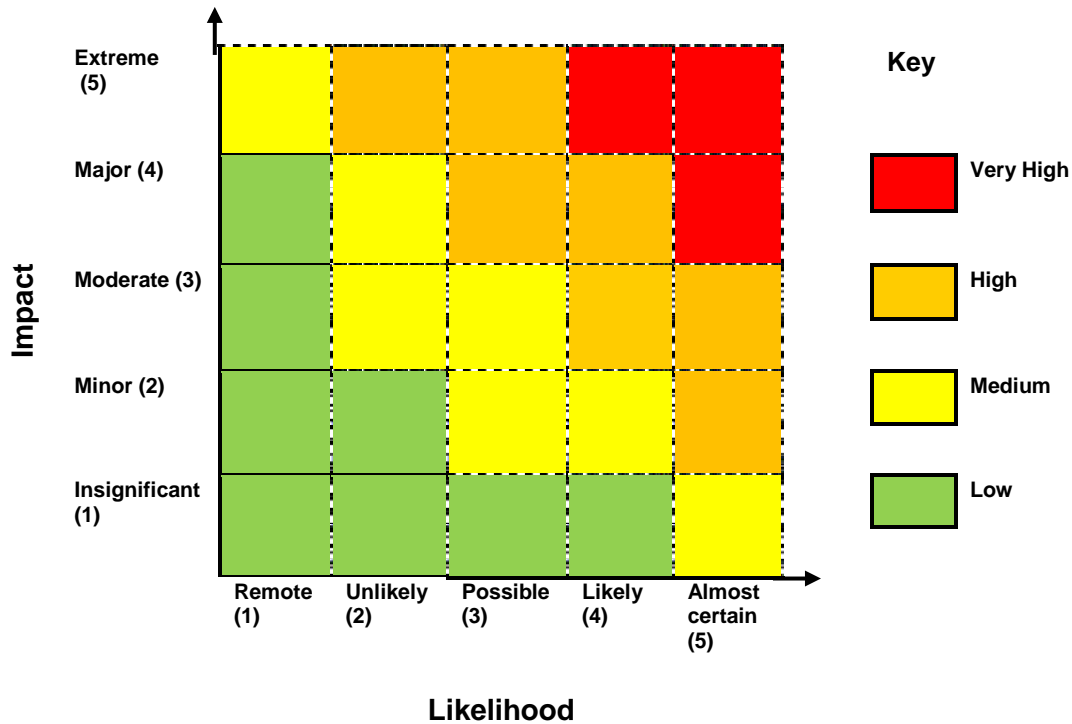
- 11.1 The Council's Risk Management Strategy was approved by Council at its meeting on 8 December 2009, subsequently revised and approved in October 2012 and further revised in December 2014. The Strategy accurately represents the arrangements for managing risk within the Council at the time of approval. 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: 20 January 2015

BY: Director of Health and Social Care Partnership

SUBJECT: Health and Social Care Integration: East Lothian Integration Scheme – consultation draft

5

1 PURPOSE

- 1.1 To invite members of the Committee to review and consider the consultation draft Integration Scheme required to establish the East Lothian Integration Joint Board.

2 RECOMMENDATIONS

Members are asked to:

- 2.1 discuss the consultation draft of the Integration Scheme and to consider whether to submit any comments as contributions to the consultation process; and
- 2.2 consider any implications of the proposed Integration Scheme for the role of the Audit and Governance Committee of East Lothian Council.

3 BACKGROUND

- 3.1 The Public Bodies (Joint Working) (Scotland) Act 2014 received Royal Assent on 1 April 2014 with a requirement for Local Authorities and Health Boards to jointly submit Integration Schemes for Ministerial approval by 31 March 2015. East Lothian Council is required to jointly prepare and submit an Integration Scheme with NHS Lothian.
- 3.2 The Integration Scheme must include all matters described in the Public Bodies (Joint Working) (Integration Scheme) (Scotland) Regulations 2014. The prescribed information is to be agreed between the Health Board and the relevant Local Authority.
- 3.3 The Consultation Draft Integration Scheme is a legal document and has been lodged in the Members' Library Service (Ref: 243/14 December 2014 bulletin and which can be accessed via this link:

3.4 It covers such matters as:

- Aims and outcomes of the IJB;
- The integration model i.e. IJB;
- The functions to be delegated to it
- The governance arrangements that it will operate under
- Clinical and care governance arrangements
- Workforce matters including the role and responsibilities of the Chief Officer
- Financial governance and operation
- Risk, claims and complaints
- Information sharing
- Participation and engagement; and
- Dispute resolution.

3.5 A summary of the Integration Scheme is attached in Appendix 1.

3.6 The consultation draft of the Integration Scheme was approved for consultation by NHS Lothian on 3 December 2014 and by the Council on 16 December 2014. The consultation is currently open for responses and will close on 17 February 2015.

4 POLICY IMPLICATIONS

4.1 The Council agreed in March 2013 and June 2014 to the integration of Adult Wellbeing services and NHS services in a body corporate model.

4.2 The Council has already agreed the position on the integration of Children's services.

5 EQUALITIES IMPACT ASSESSMENT

5.1 There has been no impact assessment to date. An Impact assessment will be completed before the Integration Scheme is presented to the Council in March 2015 after amendments to the Integration Scheme as a result of consultation and publication of final guidance from Scottish Government.

6 RESOURCE IMPLICATIONS

6.1 Financial - There are no resource implications from this report but there are substantial resource implications from the implication of the Act and the changes being proposed in terms of establishing governance and management arrangements. These require to be worked through during the course of the consultation and in establishing the Integration Joint

Board and the setting agreed budgets for the first year, which we are describing as a transitional year.

6.2 Personnel - there are no direct implications of this paper.

6.3 Other – none.

7 BACKGROUND PAPERS

7.1 East Lothian Council Cabinet paper September 2012 – Response to the Scottish Government Consultation on Integration of Health and Social Care

7.2 East Lothian Council paper February 2013 - Integration of Health and Social Care Update

7.3 East Lothian Council Paper June 2014 – Integration of Health and Social Care

7.4 [Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#)

7.5 [Regulations made under the Pubic Bodies \(Joint Working\)\(Scotland\) Act 2014](#)

7.6 NHS Lothian Board Paper – Integration of Health and Social Care October 2014

7.7 East Lothian Council Paper – December 2014 - Health and Social Care Integration: East Lothian Integration Scheme – consultation draft

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Annex 1 – Summary of the Consultation Draft of East Lothian Integration Scheme

This document summarises the content of the East Lothian Integration Scheme.

It summarises the key points in each section and the main differences from how health and social care services are organised in East Lothian.

	Sections of Scheme
1.	<p>Aims and Outcome of Integration Scheme We have described the vision for the East Lothian Integration Joint Board and the principles agreed by the East Lothian Shadow Board. In addition the Integration Scheme must following the <u>integration planning principles</u> and the <u>national health and wellbeing outcomes</u>.</p>
2.	<p>Parties and Definitions A summary of the technical terms used in the Integration Scheme.</p>
3.	<p>Type of Integration Model This section explains that we will use the ‘body corporate’ model. The ‘body corporate’ option allows responsibility for Health and Social Care services to move to an Integrated Joint Board. This board will be responsible for the planning of these services and will tell NHS Lothian and East Lothian Council how to provide services. We think the ‘body corporate’ option is the best one for East Lothian because it makes sure that both NHS Lothian and East Lothian Council are equally involved in planning Health and Social Care services. This option also allows the Integrated Joint Board to move services between NHS Lothian and East Lothian like the ‘lead agency’ model so there is lots of flexibility for the future.</p>
4.	<p>Local Governance Arrangements This section details the agreed:</p> <ul style="list-style-type: none"> • the voting membership of the IJB, numbers of representatives, length of appointment and how appointments are made • the appointment of the chairperson and vice-chairperson including procedure and length of appointment • the non-voting membership • any committees <p>The voting membership will be 4 councillors and 4 non-executive NHS Lothian board members. The non-voting membership reflects the minimum requirements set in the Regulations. The IJB can also appoint additional non-voting members once it is established.</p>

Sections of Scheme	
	<p>Minimum non-voting members are:</p> <ul style="list-style-type: none"> • The Chief Social Work Officer of the Council; • The Chief Officer of the Integration Joint Board; • The Chief Finance Officer of the Integration Joint Board; • A General Practitioner (GP) • A registered nurse • A doctor employed by NHS Lothian but not a GP • A staff representative of the constituent authorities engaged in the provision of services provided under integration functions; • A representative of third sector bodies carrying out activities related to health or social care in the area of the Council; • A service user representative residing in the area of the Council; and • A persons providing unpaid care in the area of the Council. <p>The establishment of any sub-committees will also be included within the standing orders and detailed within the Scheme</p>
5.	<p>Delegation of Functions</p> <p>This section details the health and adult social care functions delegated to the IJB</p> <p>The list of delegated functions form an annex to the Scheme and follow what must be delegated within the regulations together with additional services from the may list which have been approved by NHS Lothian and East Lothian Council</p> <p>Delegated functions are:</p> <p>East Lothian Council:</p> <ul style="list-style-type: none"> • Social work services for adults and older people • Services and support for adults with physical disabilities and learning disabilities • Mental health services • Drug and alcohol services • Adult protection and domestic abuse • Carers support services • Community care assessment teams • Support services • Care home services • Adult placement services • Health improvement services • Aspects of housing support, including aids and adaptations • Day services • Local area co-ordination • Respite provision • Occupational therapy services • Re-ablement services, equipment and telecare <p>In addition East Lothian Council has decided to delegate</p>

Sections of Scheme	
	<ul style="list-style-type: none"> • Criminal Justice Social Work services <p>NHS Lothian:</p> <ul style="list-style-type: none"> • Accident and Emergency services provided in a hospital • Inpatient hospital services relating to the following branches of medicine <ul style="list-style-type: none"> • general medicine • geriatric medicine • rehabilitation medicine • respiratory medicine • psychiatry of learning disability • Palliative care services provided in a hospital • Inpatient hospital services provided by General Medical Practitioners • Services provided in a hospital in relation to an addiction or dependence on any substance • Mental health services provided in a hospital, except secure forensic mental health services <p>Community Services</p> <ul style="list-style-type: none"> • District nursing services • Services provided outwith a hospital in relation to an addiction or dependence on any substance • Services provided by allied health professionals in an outpatient department, clinic, or outwith a hospital • The public dental service • Primary medical services provided under a general medical services contract, and arrangements for the provision of services made under section 17C of the National Health Service (Scotland) Act 1978, or an arrangement made in pursuance of section 2C(2) of the National Health Service (Scotland) Act 1978 • General dental services provided under arrangements made in pursuance of section 25 of the National Health (Scotland) Act 1978 • Ophthalmic services provided under arrangements made in pursuance of section 17AA or section 26 of the National Health Service (Scotland) Act 1978 • Pharmaceutical services and additional pharmaceutical services provided under arrangements made in pursuance of sections 27 and 27A of the National Health Service (Scotland) Act 1978 • Services providing primary medical services to patients during the out-of-hours period

	Sections of Scheme
	<ul style="list-style-type: none"> • Services provided outwith a hospital in relation to geriatric medicine. • Palliative care services provided outwith a hospital • Community learning disability services • Mental health services provided outwith a hospital • Continence services provided outwith a hospital • Kidney dialysis services provided outwith a hospital • Services provided by health professionals that aim to promote public health • In addition to the functions that must be delegated NHS Lothian has chosen to delegate the following health services as they relate to provision for people under the age of 18: <ul style="list-style-type: none"> • Primary Medical Services and General Medical Services (including GP Pharmaceutical services) • General Dental Services, Public Dental Services and the Edinburgh Dental Institute • General Ophthalmic Services • General Pharmaceutical Services • Out of Hours Primary Medical Services • Learning Disabilities
6.	<p>Local Operational Delivery Arrangements</p> <p>This section details the operational aspects of the IJB and the relationship with the Health Board and Local Authority:</p> <ul style="list-style-type: none"> • Monitoring and reporting arrangements on the delivery of the integrated services • Processes to consider East Lothian Strategic Plan and the impact on the Strategic Plans on other integration authorities • How IJB interrelates with NHS Lothian and East Lothian Council • The local outcomes, performance targets, improvement measures and reporting arrangements
7.	<p>Clinical and Care Governance</p> <p>This section details:</p> <ul style="list-style-type: none"> • How professional advice in respect of clinical and care governance is provided within all aspects of the Integrated Joint board's governance and management structures • The arrangements for the provision of professional health care and social work advice to the Integration Joint Board, the strategic planning group and localities

Sections of Scheme	
	<ul style="list-style-type: none"> • How these arrangements interrelate with the remaining arrangements for providing professional clinical governance and advice within the Health Board (including the respective responsibilities of the Health Board's medical director and nurse director) and the care governance arrangements that remain with the Local Authority • Information about the role of senior professional staff in the NHS and Local Authority in relation to these arrangements • Information about how these arrangements relate to the arrangements for the involvement of professional advisers to the Integration Joint Board
8.	<p>Chief Officer role This section details:</p> <ul style="list-style-type: none"> • The relationship between the Chief Officer and the senior management team of the Health Board and Local Authority. The Chief Officer will be a Joint Director of both NHS Lothian and East Lothian Council and shall sit on senior Management Team of each body • Information on the structures and procedures which will be used to enable the Chief Officer to work with senior management of the Parties to carry out functions in accordance with the Strategic Plan • Line management of the Chief Officer to ensure accountability to both parties. The Chief Officer will be accountable to both Chief Executives who will both have line management duties
9.	<p>Workforce This section details:</p> <ul style="list-style-type: none"> • The process for appointment to jointly appointed positions, arrangements for supervision and management of people who are jointly appointed • The arrangements for the supervision and management of staff who report to a person employed by another organisation • The process which the parties will follow to develop a joint Workforce Development and Support Plan, and an Organisational Development strategy in relation to teams delivering integrated services
10.	<p>Finance This section details:</p> <ul style="list-style-type: none"> • Amounts to be paid by the Health Board and the Local Authority

	Sections of Scheme
	<p>to the Integration Joint Board in respect of each of the functions delegated by them to the Integration Joint Board</p> <ul style="list-style-type: none"> • Amounts to be made available by the Health Board to the Integration Joint Board in respect of each of the functions delegated by the health Board which are: <ul style="list-style-type: none"> i) carried out in a hospital in the area of the Health Board, and ii) Provided for the areas of two or more local authorities • Payment in the first year to the Integration Joint board for delegated functions • Method for determining the amount set aside for hospital services • <u>In-year variations</u> In the following circumstances the Health Board and/or Local Authority may reduce the payment in-year by the Integrated Joint board to meet exceptional unplanned costs within the constituent authorities - conditions to be listed • Process for the management of the variances for the amount set aside in hospital budgets Financial management and financial reporting arrangements
11.	<p>Participation and Engagement</p> <p>This section details the persons, groups of persons, representatives of persons consulted in development of the integration scheme and the means by which consultation took place</p> <p>A communication and engagement strategy is being developed to support this together with the Strategic Plan consultation. This will come to the Shadow Board for ratification on completion</p> <p>The persons consulted will follow the requirements detailed in the Regulations</p> <p>List of consultees include:</p> <ul style="list-style-type: none"> • Health professionals • Users of health care • Carers of users of health care • Commercial providers of health care • Non-commercial providers of health care • Social care professionals • Users of social care • Carer of users of social care • Commercial providers of social care • Staff of the Health Board and local authority who are not health professionals or social care professionals • Non-commercial providers of social care

Sections of Scheme	
	<ul style="list-style-type: none"> • Non-commercial providers of social housing • Third sector bodies carrying out activities related to health or social care
12.	<p>Information Sharing and Confidentiality</p> <p>This section details:</p> <ul style="list-style-type: none"> • A process to agree the Information Sharing Protocol – Liability issues for breaches of this will also need to be set out • Information sharing principles and the processes and procedures that will apply to information sharing
13.	<p>Complaints</p> <p>This section details:</p> <ul style="list-style-type: none"> • complaint handling for the services provided by the Integration Joint Board • complaint handling for staff working within the Integration Joint Board to include responses to SPSO
14.	<p>Claim Handling, Liability and Indemnity</p> <p>This section details:</p> <ul style="list-style-type: none"> • provision to the effect that each of the Parties will indemnify the other in respect of claims made by its own employees • provision to the effect that each of the Parties will indemnify the other in respect of claims by third parties arising from acts or omission of its own employees • Procedures for discussing and resolving issues of disputed liability between the Parties and the Integration Joint Board • Assurance arrangements including any self-assurance arrangements
15.	<p>Risk Management</p> <p>Develop a shared risk management strategy that sets out:</p> <ul style="list-style-type: none"> • The key risks with the establishment and implementation of the Integration Joint Board • An agreed risk monitoring framework • Any risks that should be reported on from the date of delegation of functions and resources

Sections of Scheme	
	<ul style="list-style-type: none"> • The frequency that risks should be reported on <p>The method for agreeing changes to the above requirements with the Integration Joint Board</p>
16.	<p>Dispute Resolution</p> <p>This section details the agreed mechanism for dealing with any disputes between the Local Authority and the NHS Board</p>

REPORT TO: Audit and Governance Committee

MEETING DATE: 20 January 2015

BY: Joint Director, Health and Social Care

SUBJECT: Reshaping Care for Older People (Audit Scotland, February 2014)

6

1 PURPOSE

- 1.1 To provide Audit and Governance Committee with a summary of the Audit Scotland report "*Reshaping Care for Older People*" and the actions being taken by the Council and partners in response to the report's recommendations.

2 RECOMMENDATIONS

- 2.1 Committee notes the Audit Scotland report and the actions that East Lothian Council and partners are taking in response to this.

3 BACKGROUND

- 3.1 *Reshaping Care for Older People* (February 2014) is Audit Scotland's progress report on Scottish Government and COSLA's 10 year change programme to meet the challenges of an ageing population.
- 3.2 This covering paper provides a summary of the report's key messages on progress to date and key issues raised as the programme continues within the context of health and social care integration.
- 3.3 The report's key messages are:
- 3.3.1 Scotland's population is ageing. Between 2010 and 2035 the percentage of the population aged 65 and over is projected to increase from 17% to 25%.¹
- 3.3.2 Reshaping Care for Older People (RCOP) is a complex programme of transformational change affecting most health and social care services. Implementing the programme is challenging for the public sector in Scotland as it continues to meet people's current care needs and plan future services whilst managing pressures on existing services.

¹ Population estimates by National Records of Scotland

- 3.3.3 As well as increasing demand for health and social care, the ageing population is likely to have a broader impact on the economy and on wider society. Equally it is also likely to affect the number of people available to provide care and support.
- 3.3.4 The length of time people live in good health – known as healthy life expectancy – has not increased in line with life expectancy and this is associated with higher levels of deprivation.
- 3.3.5 Whilst demand for services is likely to rise due to these demographic changes it is likely that less money will be available to pay for services in relative terms. Scottish Government predicts that spending on health and social care for older people will need to rise from approximately £4.5 billion in 2011/12 to £8 billion by 2031 unless there are changes both to the health of the population and to the way that public, private and third sector organisations deliver services.
- 3.3.6 RCOP further highlights that current arrangements for older people's care are unsustainable both in terms of demand for services and the need to improve the quality of service provision. In particular, RCOP highlights the need for more effective joint working in order to focus on:
- Reducing how often and how long people stay in hospital
 - Providing more care in or closer to peoples' own homes
 - Delaying or minimising ill health (prevention)
 - Improving how services and professionals can provide more joined up (integrated) care and make the best available use of resources
- 3.3.7 The aim of RCOP is to keep people supported at home and to reduce use of specialist, hospital based services unless necessary. This will require all partners to review high levels of hospital care and provide more intensive homecare to ensure that this is making best use of all available resources whilst meeting people's needs.
- 3.3.8 Many of the changes envisaged through RCOP are interrelated and require coordinated action by NHS, council and third and independent sectors.
- 3.3.9 The Audit Scotland report notes that, whilst there has been a focus on improving care for older people for a number of years the RCOP programme has yet to demonstrate how significant, lasting changes will be achieved. There is no clear national monitoring to show whether the policy is being implemented successfully and the report highlights the need for strong local leadership to take this challenging agenda forward.
- 3.3.10 For the RCOP commitments to be achieved, NHS boards, councils and the third and private sectors need to have a clearer focus on initiatives that have been shown to work, what impact the changes aim to achieve, how this will be achieved in practice and progress monitored. As a

partnership we need to ensure that future planning and spend is based on robust evaluation, including a clear focus from the outset on cost effectiveness and outcome measures.

3.3.11 The Scottish Government introduced the Change Fund in 2011/12 to make money available to organisations implementing RCOP. The fund was worth £300 million nationally over four years (£5.38 million in East Lothian), with a focus on developing partnership working and small-scale initiatives.

3.3.12 Use of Change Fund spend in East Lothian has varied over the four year span of the Fund. Initial high numbers of small scale initiatives often focusing on third sector, community preventative services did not demonstrate significant impact on acute activity or delayed discharge data and resulted in a refocusing of the Fund in 2013 to address system challenges. This has included using Change Fund latterly to support intermediate care beds at Crookston, emergency care service enhancement and additional social work capacity.

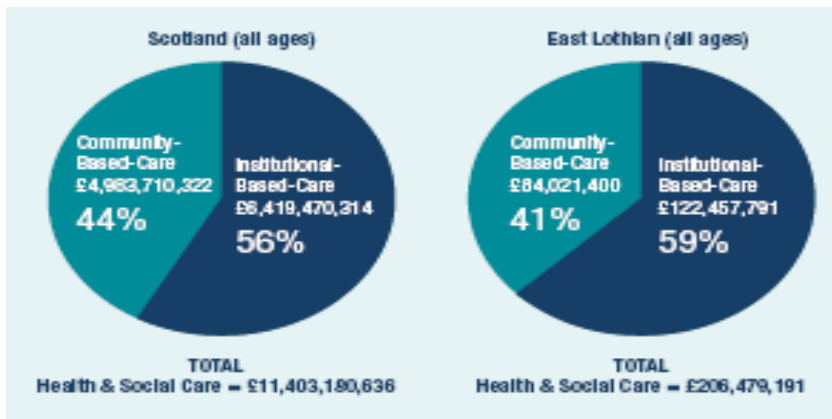
3.4 East Lothian Performance

3.4.1 The role and importance of emergent Health and Social Care Partnerships (HSCPs) in delivering both the Reshaping Care agenda and wider Shifting the Balance of Care through local improvements in health and care services has been reaffirmed by Scottish Government with the recognition that HSCPs are the key mechanism through which RCOP and Shifting the Balance of Care will happen.

3.4.2 In line with the Audit Scotland report East Lothian HSCP are investing significant time in data interrogation and analysis in order to better understand activity and outcomes across the total health and social care system. Analysis is equally targeted at understanding, and therefore addressing, variation.

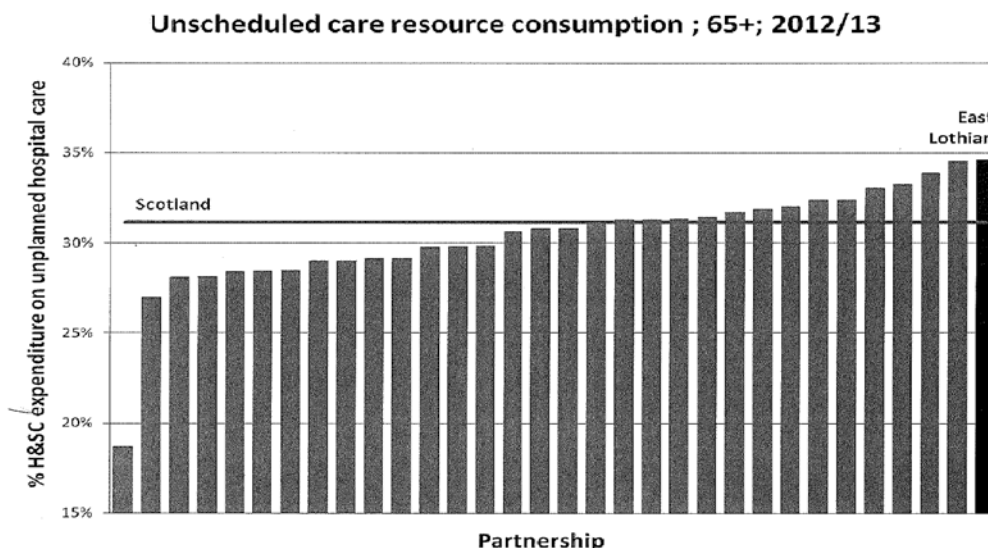
3.4.3 East Lothian HSCP has a higher percentage spend on institutional care than the Scottish average as highlighted in Figure 1 ² below. Institutional based care is defined as all hospital based care and accommodation based social care services; community based care is defined as all NHS community based services, family health services including GP prescribing and all social care services excluding accommodation based services. This data shows that 59% of combined council and NHS spending on care services for older people is on institutional care compared to 56% as the Scottish average.

Figure 1



3.4.4 Figure 2² highlights percentage health and social care expenditure on unscheduled care for every partnership in Scotland, with East Lothian showing the highest relative percentage across the country during this period (latest at time of writing). This indicates significant system pressures which need to be addressed; Figure 3² outlines the expenditure per weighted capita for acute non elective inpatients per Lothian partnership. For each of these markers East Lothian demonstrates the highest expenditure. The reasons behind this relatively poor performance are complex and multifaceted, but include the availability of effective social care and community support amongst others.

Figure 2



² <https://isdscotland.scot.nhs.uk/Products-and-Services/Health-and-Social-Care-Integration/Routine-Reporting/secure/SCOTLAND/IRF-Delayed-Discharge-Costs-2012-13.xls?2>

- 3.4.7 In fully addressing each of these challenges of unscheduled admissions and delayed discharges – key building blocks of Reshaping Care for Older People - cognisance must be given to the whole system pressure and the complex inter-relationships with rising admissions and, specifically, readmission rates, length of stay in hospitals, post discharge care and support, system capacity to provide support and total bed numbers across the health and social care system.
- 3.4.8 There will always be a need for hospitals and care homes, particularly as people get older, but the policy focus is on ensuring that these specialist services are used appropriately to meet people's needs. This data therefore highlights the need to focus on significantly realigning resources locally to provide more community based planning and activity.
- 3.4.9 Equally, wider and longer term consideration must be given to relative investment levels which better support and enhance non institutional care. This will be undertaken as a key element of the emergent East Lothian Health and Social Care Partnership Strategic Plan

3.5 Next Steps

- 3.5.1 Audit Scotland's report makes a number of key recommendations for both councils and NHS partners, including:
- Jointly improve and maintain data and information on cost, activity and outcomes for health and care services, particularly community-based services where there are key gaps. This information matters as it helps local decision-makers to decide where to spend, and not to spend, public money. It should be set out clearly as part of joint strategic plans and specifically promote preventative, community based spend
 - Make better use of available data, focusing on understanding reasons for variation in activity and spend across Scotland, and reducing unexplained variation
 - set out clear plans for how resources will shift to preventative and community services in the short and longer term.
- 3.5.2 In taking note of these key recommendations, East Lothian Health and Social Care Partnership have already invested significant time in developing information and data analysis using the Integrated Resource Framework. Initial priorities include the identification of high resource users and costs associated with the unscheduled care pathway. Whilst this is in development, aligned work will also focus on risk stratification and identification of those of our population at risk in order to embed a preventative approach to care.

3.5.3 This data analysis will support strategic needs assessment as the Health and Social Care Partnership develops its Strategic Plan, but equally inform the spend of the anticipated £1.76 million Integrated Care Fund in 2015/16. This will ensure an evidence based approach to the spend and improved outcomes and performance.

4 POLICY IMPLICATIONS

4.1 The Audit Scotland report has highlighted the need to develop a systematic approach to data analysis and performance management in order to understand the totality of the health and social care system and the care we provide for our older people. The role of elected members in promoting and furthering this agenda is recognised.

5 EQUALITIES IMPACT ASSESSMENT

5.3 This report is not applicable to the wellbeing of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.3 Financial – none.

6.4 Personnel – none.

6.5 Other – none.

7 BACKGROUND PAPERS

Reshaping Care for Older People – A Programme for Change 2011-2021, Scottish Government, COSLA and NHS Scotland, 2010.

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Reshaping care for older people



 ACCOUNTS COMMISSION

 AUDITOR GENERAL

Prepared by Audit Scotland
February 2014

The Accounts Commission

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- assessing the performance of councils in relation to Best Value and community planning
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- appoint auditors to Scotland's central government and NHS bodies
- examine how public bodies spend public money
- help them to manage their finances to the highest standards
- check whether they achieve value for money.

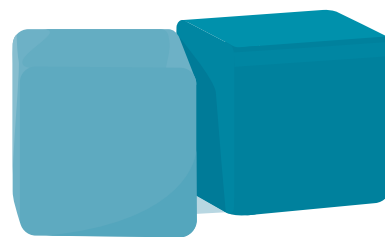
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- government agencies, eg the Scottish Prison Service, Historic Scotland
- NHS bodies
- further education colleges
- Scottish Water
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Contents



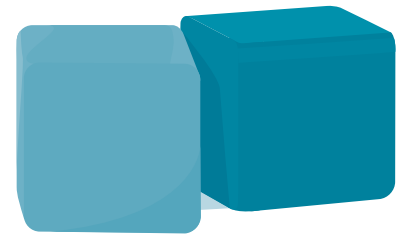
Summary	4
Key messages	7
Part 1. Setting the scene	9
Part 2. Spending	16
Part 3. Progress with Reshaping Care for Older People	26
Endnotes	44
Appendix 1. Audit methodology	46
Appendix 2. Project advisory group	47



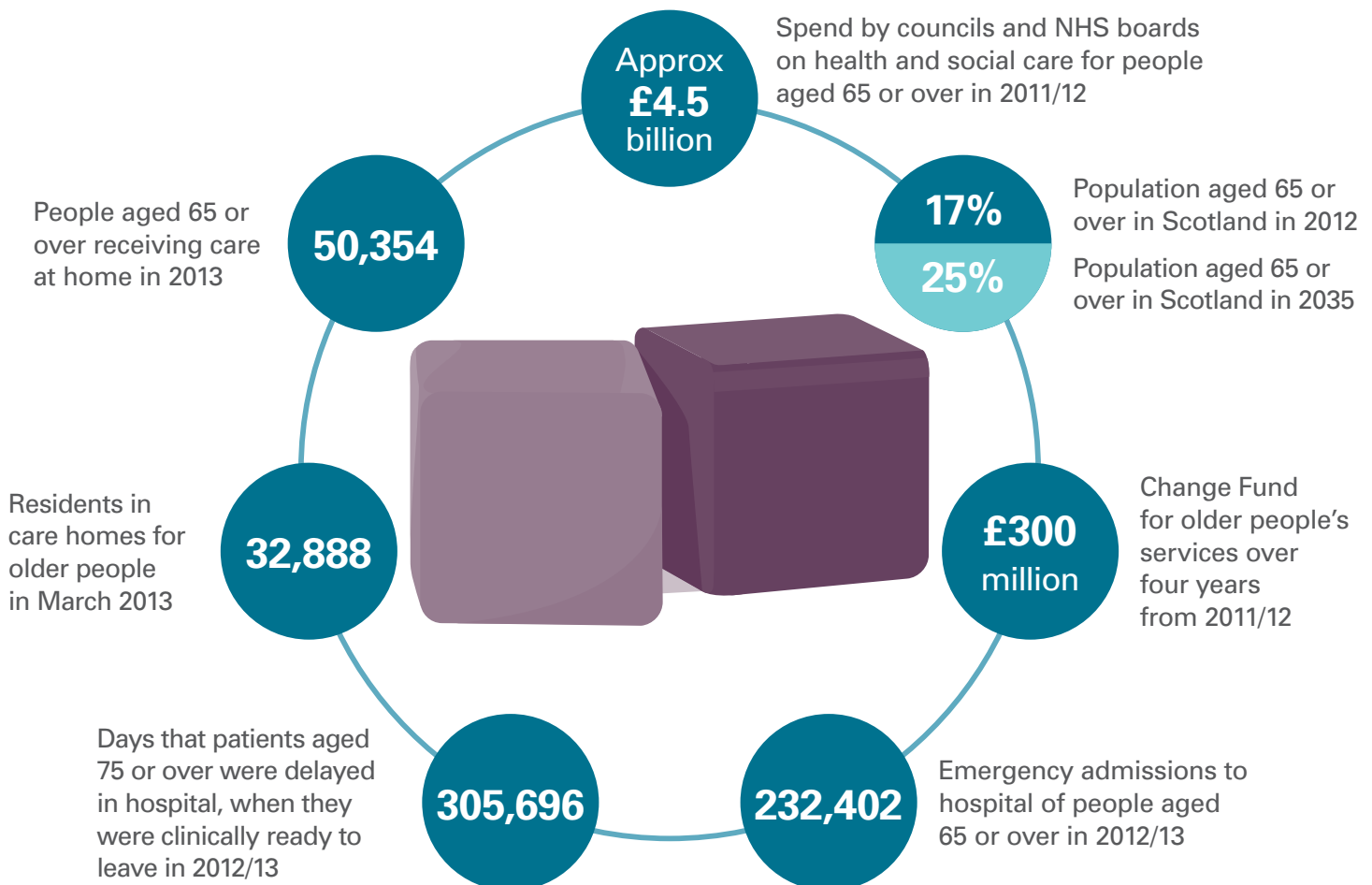
Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Summary



Key facts



Background

1. The public sector in Scotland faces significant challenges in reshaping care for older people, as it involves changing the way it provides services while continuing to meet current needs. People in Scotland, as in most European countries, are living longer. By 2035, a quarter of Scotland's population will be aged 65 or over, up from 17 per cent in 2010.¹ Many older people are in good health and do not need access to intensive or long-stay health and care services. In March 2012, nine per cent of people aged 65 or over, and just over a third of people aged 85 or over, received care at home or as a long-stay resident in a care home or hospital.² However, older people are more likely than younger people to be admitted to hospital in an emergency and to have multiple and more complex health problems. Many older people provide care and support to others; there are an estimated 657,300 unpaid carers in Scotland, of whom 20 per cent are estimated to be aged 65 or over.³

2. People are living longer with more complex care needs and this has implications for organisations that provide services for older people. In 2010, the Scottish Government and the Convention of Scottish Local Authorities (COSLA) launched a ten-year change programme, Reshaping Care for Older People (RCOP). This aims to improve the quality and outcomes of care, and to help meet the challenges of an ageing population.⁴ RCOP builds on a number of previous policies and focuses on giving people the support they need to live independently in their own home and in good health for as long as possible. It aims to improve the way that organisations work together to provide care and support for older people. In 2011/12, the Government introduced a fund, the Change Fund, specifically to help these organisations take forward this area of policy.

3. Initiatives in Scotland over several years have aimed to improve how NHS boards and councils work together to provide care services. In May 2013, the Scottish Government published the Public Bodies (Joint Working) (Scotland) Bill. The Scottish Parliament is currently considering the Bill, which will require NHS boards and councils to produce a plan for health and care services across the local area.⁵ This will lead to significant changes in how health and social care services are planned and provided across Scotland. It means a much greater focus on the way that health and social care resources are used collectively at a local level to meet needs.

4. A number of broader challenges that we do not explore in detail in this report will also influence how services for older people are delivered. Some of these issues are likely to form part of future audit work and include:

- a move to give older people more control over the services they receive through self-directed support by having more influence over the money spent on the services they need
- implications for pensions from an ageing population
- the impact of welfare reform on public sector budgets.

**older people
need access
to a wide
range of
health and
social care
services**

About the audit

5. We are assessing progress with RCOP three years into a ten-year programme, and considering the impact of the Change Fund that has been in place for two years of the four years it is available. Our report shows that overall progress to date has been slow. RCOP is at an early stage but the core principles of supporting older people to live independently and improving partnership working have been a policy focus in Scotland for a number of years. This report is timely given current plans to integrate health and social care services. Implementing our recommendations will help the Scottish Government, NHS boards and councils increase the pace of change.




6. Our audit aimed to establish how much progress NHS boards and councils have made in improving health and care services for older people, including developments through RCOP. We looked at the extent to which care for older people has shifted towards communities and away from hospitals and care homes. We reviewed whether the Change Fund is helping to improve care for older people in ways that can be sustained. We also examined the challenges facing organisations that deliver services for older people and how well they are meeting them. In this audit, we use the term 'older people' to refer to people aged 65 or over. Where data was available, we reviewed information on health and care for older people aged 75 or over, and 85 or over.

7. We based our evidence on an analysis of national and local statistics, guidance and reports. We have included case studies to highlight progress at a local level and examples of good practice. We held focus groups with older people and their carers and with third sector organisations to find out how service changes are affecting people. We did not review specific service areas or conditions, such as dementia. We acknowledge the important role of broader services such as housing and transport in supporting older people and contributing to RCOP but have not reviewed these in detail. We did not assess the overall quality of health and care services in local areas, but we have used evidence from other audit and inspection work where it applies. Our audit methodology is in [Appendix 1](#). [Appendix 2](#) lists members of our Project Advisory Group, who gave advice and feedback at important stages of the audit.

8. This report has three parts:

- [Part 1. Setting the scene](#)
- [Part 2. Spending](#)
- [Part 3. Progress with Reshaping Care for Older People.](#)

9. In addition to this report we have published accompanying documents and supporting material on our website, including:

- [Findings from our focus groups \(PDF\)](#)  with older people and their carers and the third sector.
- [Self-assessment checklist \(PDF\)](#)  highlighting specific issues to help councils and NHS boards to improve support for older people.
- [Checklist for non-executive directors of NHS boards and elected members in councils \(PDF\)](#)  to help them in their scrutiny role.

Key messages



- 1** Reshaping Care for Older People (RCOP) is a complex programme of major transformational change affecting most health and social care services. Implementing the programme is challenging as organisations must continue to meet people's current care needs and plan future services while managing pressures on existing services. Strong national and local leadership is needed to take this significant agenda forward.
 - 2** In 2011/12, the NHS and councils spent approximately £4.5 billion on care for older people. More needs to be done to target resources on preventing or delaying ill health and on supporting people to stay at home. There is little evidence of progress in moving money to community-based services and NHS boards and councils need clear plans setting out how this will happen in practice. To implement RCOP successfully, partners need to make better use of data, focus on reducing unnecessary variation and monitor and spread successful projects.
 - 3** The Change Fund represents 1.5 per cent of all spending on older people in 2011/12 and this has led to the development of a number of small-scale initiatives. Initiatives are not always evidence-based or monitored on an ongoing basis and it is not clear how successful projects will be sustained and expanded. The Change Fund has been successful in bringing together NHS boards, councils and the third and private sectors to develop and agree joint plans to improve care for older people in their local area.
 - 4** For several years, there has been a greater focus on improving quality of care for older people in Scotland and providing services in a joined-up way, but progress has been slow. National performance measures have not kept pace with policy changes and a greater focus on outcomes is needed. There is no clear national monitoring to show whether the policy is being implemented successfully and what impact this is having on older people.
-

Key recommendations

The Scottish Government should:

- set out clear measures for success when a new policy is introduced. The Government should monitor progress and publicly report on performance against these measures and use them to underpin local commissioning and scrutiny. These indicators should include measures that cover outcomes, quality, community services and services to prevent or delay ill health
- make information on the quality of care for older people across Scotland more accessible and easier to understand. In doing this, it should continue to support the development of joint inspections by Healthcare Improvement Scotland and the Care Inspectorate, particularly in light of plans to integrate health and social care services.

The Scottish Government should work with NHS boards, councils and their partners to:

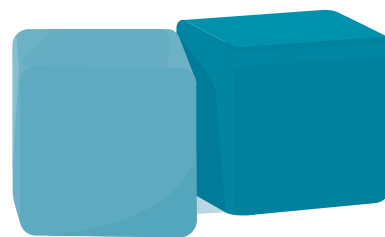
- improve and maintain data on cost, activity and outcomes for health and care services, particularly community-based services where there are key gaps. This information matters as it helps local decision-makers to decide where to spend, and not to spend, public money. It should be set out clearly as part of joint strategic commissioning plans
- do more to understand the reasons why activity and spending on services for older people vary across Scotland. They need to work with local practitioners to help:
 - use information to benchmark activity and costs
 - identify areas for improvement
 - identify good practice
- set out clear plans for how resources will shift to community services in the short and longer term.

NHS boards, councils and their partners, supported by the Joint Improvement Team and other national bodies, should:

- make better use of available data, focusing on understanding reasons for variation in activity and spend, and reducing unexplained variation
 - monitor and spread successful projects by ensuring that initiatives aimed at improving services for older people have evaluation built in from the start to show how cost effective they are and how they are performing
 - identify initiatives that have had a positive impact on older people and:
 - specify how much they cost and the impact on other services
 - be clear how they can be sustained in the longer term.
-

Part 1

Setting the scene



Key messages

- 1** Across Scotland and other European countries, people are living longer and in better health, but some older people have more health and care needs. The ageing population will affect the wider economy, and the availability of people to pay for and provide care services.
- 2** RCOP was introduced to support changes to services for older people along with a number of other national policies. It is a complex programme requiring joint action by a number of organisations if it is to be successful.

People are living longer and this has implications for health and care services

10. Scotland's population is ageing. Between 2010 and 2035:

- the percentage of the population aged 65 or over is projected to increase from 17 per cent (879,492 people) to 25 per cent (1,430,628 people)
- the percentage of the population aged 75 or over is projected to increase from eight per cent (405,635 people) to 13 per cent (737,871 people)⁶
- the number of people aged 100 years or older is projected to increase by 827 per cent, from 820 to 7,600.⁷

11. Similar population changes are happening across the rest of the UK and Europe. Across 27 European Union states, the percentage of the population aged 65 or over is predicted to increase from 17.5 per cent in 2011 to 23.6 per cent in 2030.⁸ Projections suggest that, as a percentage of Scotland's population, the number of people of pensionable age will be 2.9 percentage points higher in 2035 than in 2010. The comparable figure across the UK is 1.7 percentage points.⁹

12. In Scotland, the number of older people aged 65 or over is projected to increase in all council areas by 2035. The extent of these increases varies between council areas ([Exhibit 1, page 10](#)). For the population aged 75 or over this variation is even greater, with a projected increase of 36 per cent in Glasgow City and 146 per cent in West Lothian by 2035.¹⁰

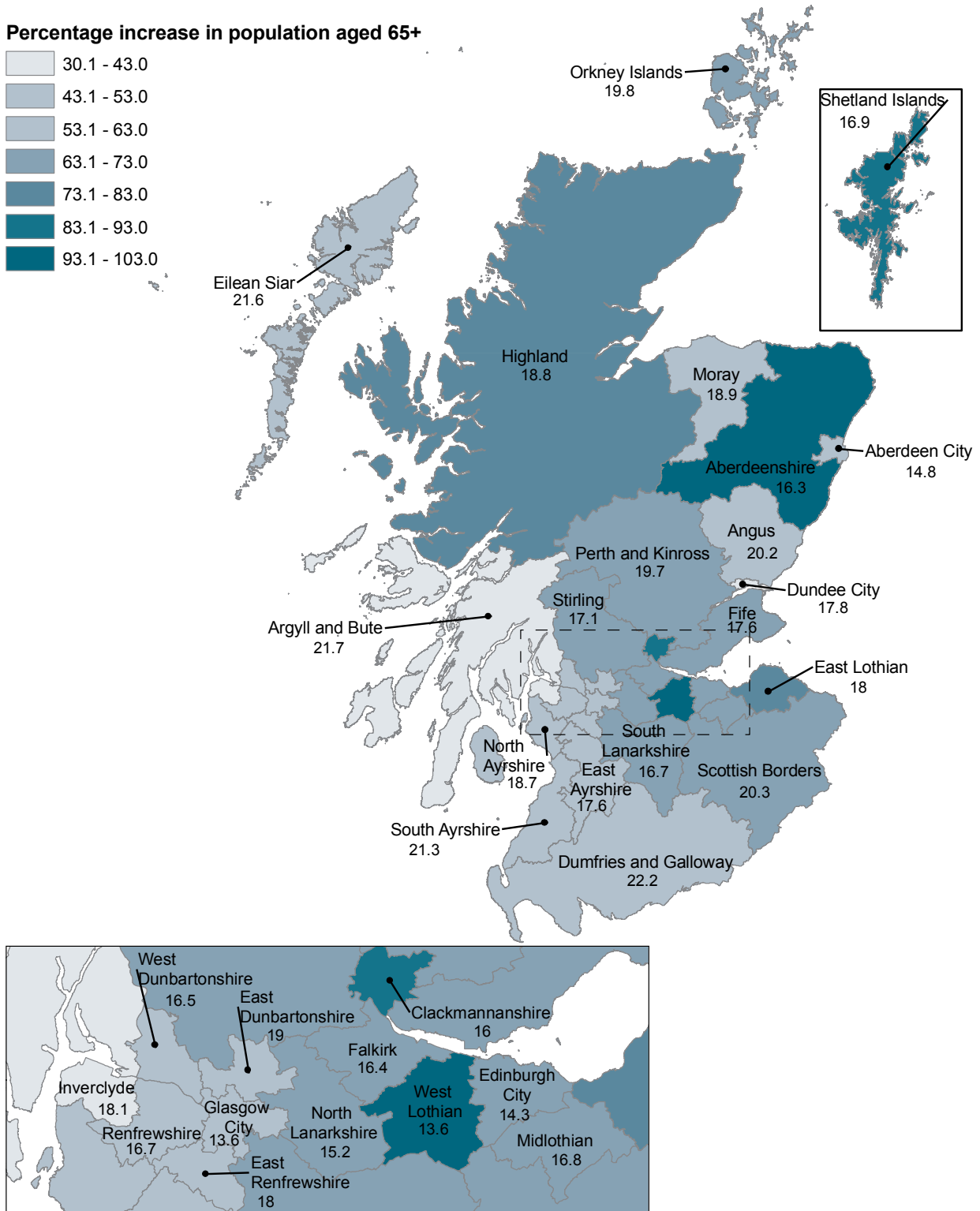
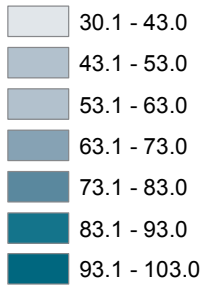
**Reshaping
Care for
Older People
aims to
change many
NHS and
care services**

Exhibit 1

How Scotland's population is expected to increase, by council area

The percentage of people aged 65 or over in the population is projected to increase across all council areas between 2010 and 2035.

Percentage increase in population aged 65+



Note: Figures on the map refer to the percentage of the population aged 65 or over in 2010.

Source: Contains Ordnance Survey data © Crown Copyright and database right 2013. National Records of Scotland, 2012

13. As well as increasing demand for health and social care, the ageing population is likely to have a broader impact on the economy and wider society. It is also likely to affect the number of people available to provide care and support. In 2010, there were 32 people of pensionable age for every 100 people of working age. This is projected to rise to 38 by 2035.¹¹

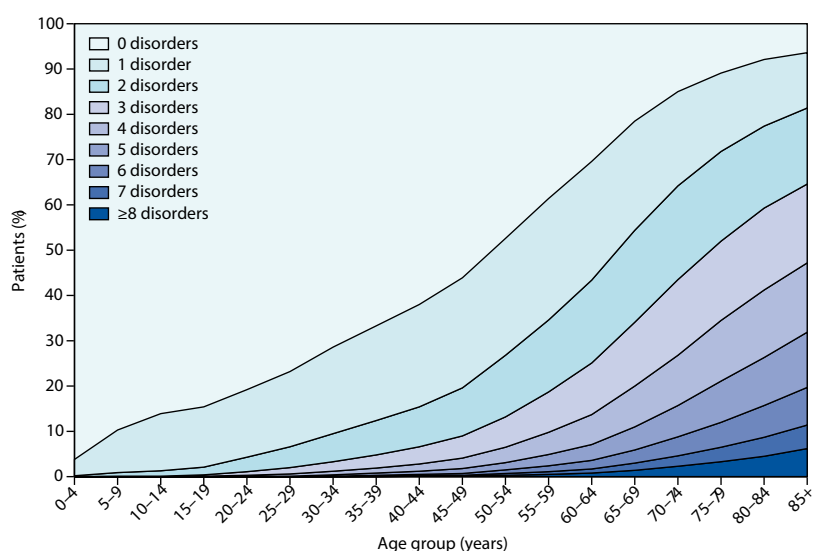
Some older people have greater health and care needs

14. The length of time people live in good health, known as healthy life expectancy, has not increased in line with life expectancy.¹² This means that some people will live longer with multiple and long-term health problems, such as diabetes. The number of long-term health problems that people have increases significantly with age ([Exhibit 2](#)). Health problems tend to increase with age, but available data mostly focus on people aged 65 or over, rather than older age groups. Higher levels of deprivation and ill health in some areas of Scotland mean that people need more access to health and care services, and need this at an earlier age. We know that these factors significantly affect health and care services. For example, the biggest factors explaining variation in the number of drugs prescribed by GP practices are patient age and deprivation.¹³

Exhibit 2

Ageing and health

The number of long-term conditions that people have increases with age.



Note: Long-term conditions, sometimes called chronic conditions or disorders, last a year or longer, limit what a person can do and may require ongoing medical care.

Source: Reprinted from *The Lancet*, Vol. 380, Barnett, Mercer, Norbury, Watt, Wyke and Guthrie, Epidemiology of multi-morbidity and implications for healthcare, research, and medical education: a cross-sectional study, 37-43., Copyright (2012), with permission from Elsevier.

Predicting demand needs to take account of various factors

15. Predicting the number and type of health and care services that older people might need is challenging and needs to take account of various factors. Increasing life expectancy due to healthier lifestyles and social conditions may mean that older people spend longer in good health. Alternatively, increases in life expectancy might result from medical treatments that prolong life, but not necessarily good health.

16. Predicting older people's health and care needs is not just about estimating future numbers of older people. The services and health problems that older people have in future will be different from today. In general, the way that hospital services are delivered has also changed over time, for example more day surgery and shorter lengths of stay for in-patients. Health and care costs tend to increase in the last year of life. On average, about a third of a person's lifetime hospital costs are spent in the final year of their life.¹⁴

National policies have aimed to improve services for older people over several years

17. RCOP highlights that current arrangements for older people's care are not sustainable because the number of older people and the demand for services are increasing and the quality of services needs to improve. RCOP states that older people need to have more say in the services they receive and sets out high-level aspirations, including:

- There needs to be a shift from measuring how many services are provided for how many people, to how many people receive the support they need to manage without NHS or care services.
- Services for older people should focus on the impact that they have on individuals' lives.
- Everyone has a role to play in supporting and caring for older people, not just health and social work services.
- There is a need to accelerate the pace of sharing good practice.
- Health and social care providers should reduce variation and provide more consistent and fair access to services.
- All partnership agencies and bodies involved in services for older people should work together to ensure they make best use of available resources.
- Additional funding is needed for care for older people.

18. The Scottish Government has been working with organisations across the public, private and third sectors for many years to improve support and care for older people ([Exhibit 3, page 13](#)). In addition to implementing RCOP, NHS boards and councils must implement other national policies that affect older people. These include plans to integrate health and social care services, policies focused on specific conditions such as dementia, and wider policy developments such as housing, lifelong learning and transport.

19. These initiatives all acknowledge that older people with complex and multiple health problems need access to services provided by different organisations and professional groups. They highlight the need for better joint working between primary, community and hospital services and focus on:

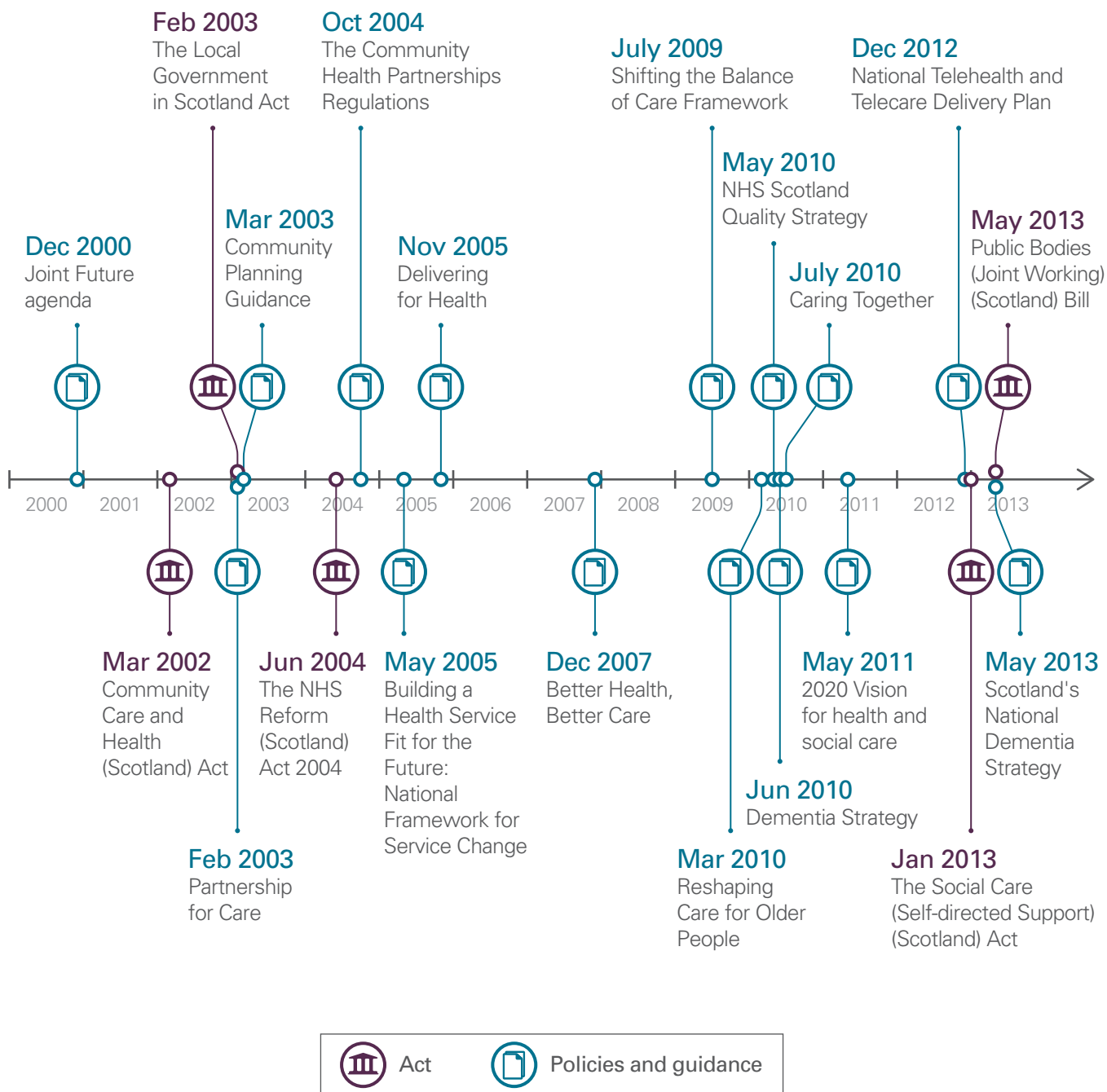
- reducing how often and how long people stay in hospital
- providing more care in or closer to people's own homes
- delaying or minimising ill health or harm

- improving how services and professional groups work together to provide more joined-up care for older people and make the best use of available resources
- providing care to best meet people's needs and improve their quality of life.

Exhibit 3

National policy context for older people's care

Various policies over recent years aim to improve services for older people.



Source: Audit Scotland

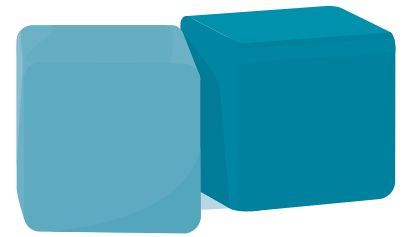
Reshaping Care for Older People is a complex change programme

20. Councils and the NHS plan and deliver health and social care services, along with their third and private sector partners. Almost all existing health and care services are available to older people ([Exhibit 4, page 15](#)). Health and social care services need to be joined-up as decisions made by one organisation can affect other organisations as well as people using services. For example, a lack of support services in the community, such as health monitoring equipment, might result in people staying in hospital longer than necessary. There are important gaps in information, particularly on preventative and community services, which need to be addressed to understand how to improve services for older people.

21. Given the scale of the changes envisaged by RCOP, strong national and local leadership is needed to implement the policy. Organisations need support to help them work differently and improve services while meeting existing needs. The Joint Improvement Team (JIT) is a partnership between the Scottish Government, NHS Scotland, COSLA, the third sector, the private sector, and the housing sector. The JIT has a broad programme of work to help local partners to improve services for older people. This includes help with planning services, running workshops and shared learning events, and developing performance and outcome measures. The JIT is convening a group to bring together all improvement organisations and national partnerships in Scotland to help promote a more joined-up and coordinated approach to supporting RCOP.

Part 2

Spending



Key messages

- 1** In 2011/12, the NHS and councils spent approximately £4.5 billion on care for older people. There is limited evidence of progress in moving money to community-based services. To strengthen how services are commissioned, more funding needs to be focused on preventing or delaying ill health and supporting people to stay at home.
- 2** National data shows significant variation in how NHS boards and councils use money to provide services for older people across Scotland. This variation can only be understood at a local level.
- 3** To implement RCOP successfully, partners need to make better use of data, focus on reducing unnecessary variation, monitor and spread successful projects and have clear plans for shifting resources to community-based services.

The NHS and councils spend about £4.5 billion on services for older people but current service models are unsustainable

22. While demand for services is likely to rise due to demographic changes, less money will be available to pay for services. The overall annual Scottish Government budget will continue to decline until 2015/16 and is not expected to return to 2009/10 levels until 2025/26.¹⁵ The Scottish Government predicts that spending on health and social care for older people will need to rise from approximately £4.5 billion in 2011/12, to nearly £8 billion by 2031. This is unless there are changes to the health of the population and to the way that public, private and third sector organisations deliver services.¹⁶ This means that the Scottish Government, NHS boards and councils need to:

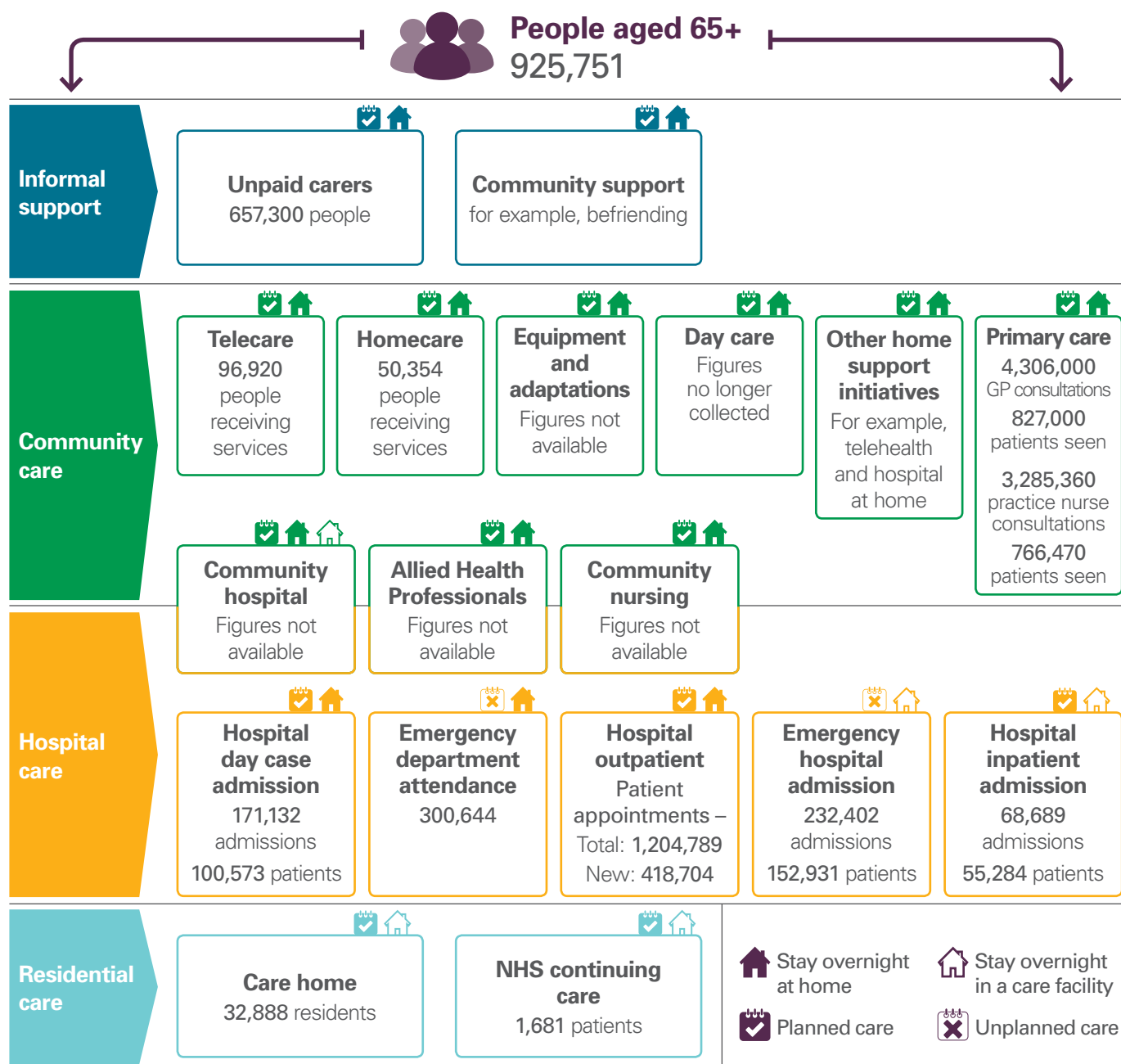
- agree priorities at national and local levels, involving the local population and the third and private sectors
- decide how to use available resources most effectively.

23. Between 2002/03 and 2009/10, council spending on social care services for older people increased by almost 40 per cent, from £0.95 billion to £1.33 billion. These figures are in real terms, that is, allowing for inflation. By 2011/12, this had reduced to £1.26 billion, 11 per cent of overall council spending in that year.¹⁷ Available information suggests that the amount the NHS spends on healthcare for people aged 65 or over increased from £3.2 billion in 2010/11 to £3.3 billion

the NHS
and councils
spend a
significant
amount of
money on
providing
care and
support for
older people

Exhibit 4**Health and social care services for older people in 2012/13**

Many health and social care services are available to older people.

**Notes:**

- Where information was available, we have included figures to highlight the number of older people using each service. From national information, it is not possible to identify separately specific services such as rapid response community teams, falls prevention initiatives and virtual wards, where specialist teams provide care in a patient's own home. There may be some overlap between the categories shown here, as the data is not always clear. For example, some NHS continuing care may take place in care homes and some homecare may take place on an unplanned basis.
- NHS activity and care home figures are for people aged 65 or over in 2012/13, data from ISD Scotland. The exception to this is NHS continuing care where the figure is for 2011/12. GP information is taken from Practice Team Information from ISD Scotland and is an estimate based on data from a sample of about 60 GP practices.
- Homecare and telecare figures are for people aged 65 or over from the Scottish Government Social Care Statistics, March 2013. The number of people receiving homecare does not include people who use direct payments to buy homecare.
- Population information is based on National Records of Scotland's mid-2012 population estimates of people aged 65 or over.
- Unpaid carers figure is estimated from the Scottish Household Survey 2007/08.
- NHS continuing care beds are for patients who need regular specialist clinical supervision due to complex or intense needs; or need frequent, but not predictable clinical interventions; or routinely need treatment or equipment that requires specialist NHS staff; or have a rapidly degenerating or unstable condition that needs specialist medical or nursing supervision.

Source: Audit Scotland

in 2011/12.¹⁸ Longer-term trend information on how much the NHS spends on services for older people is limited because the NHS reports how much it spends by specialties or services rather than by age groups or conditions.

Better use of cost and activity data is needed to fully implement RCOP

24. The Scottish Government introduced the Integrated Resource Framework (IRF) in April 2008. The IRF gives an overview of how money is spent on health and social care across health boards, councils and Community Health Partnership (CHP) areas. It was tested in four areas ([Case study 1](#)) before being implemented across Scotland in 2012. The IRF provides cost information at an individual patient level across Scotland, and is built from information on activity and costs for both the NHS and social care. Organisations are starting to use the IRF to underpin strategic commissioning plans but need to use this information to inform decisions about how to reconfigure services.¹⁹

Case study 1 Integrated Resource Framework test sites

Four IRF test sites were established in 2010 to map the health and social care activity and costs for their local area. The test sites involved four health boards and 12 councils across Ayrshire and Arran, Highland, Lothian and Tayside. Between 2010 and 2012, the Scottish Government provided each site with £400,000 to map out how they use their money.

All test sites mapped local health and social care costs for the first time using both local and national data. However, they used various approaches, making comparison between sites difficult. Lothian and Tayside calculated costs to a patient level while Ayrshire and Arran and Highland calculated the costs of services to the level of GP practice, locality and CHP area.

An evaluation of the test sites identified some lessons from mapping spend in this way. These included:

- differences in how council and NHS systems categorise overheads
- examples of data sharing between partners, such as data on people using NHS and care services
- a lack of information on community-based health services.

Test sites reported using IRF data to identify variations in spending, improve outcomes and increase efficiency. In addition to mapping expenditure, IRF test sites examined methods for transferring money between health boards and councils. They made less progress in moving money between health and social services, and between acute and community health services, than in mapping costs. This was because of the small-scale nature of projects in most test sites and uncertainty about the future of integration due to changes in national policy.

Source: *Evaluation of the integrated resource framework test sites*, Scottish Government Social Research, 2012

Two-thirds of spending is on institutional care, such as hospitals and care homes

25. National IRF data shows that 64 per cent of combined council and NHS spending on care services for older people is on institutional care: 19 per cent on planned and long-stay hospital care; 31 per cent on emergency hospital care; and 14 per cent on care homes ([Exhibit 5, page 20](#)). There will always be a need for hospitals and care homes, particularly as people get older and the policy focus is on ensuring that these specialist services are used appropriately to meet people's needs. In part, this is because older people with care needs tend to become less independent if they spend an extended period in a hospital or care home.

26. The IRF presents information about the patterns of spending on health and social care, for different population groups across a local area. Since 2010/11, NHS Information Services Division has produced the IRF information for all partnerships. A tool is now available so NHS boards and councils can access IRF data and produce reports to help them make more use of the available information. This addressed some of the limitations with the previous approach but some issues remain:

- Like other information, the IRF is only reliable when it is built on accurate data. Information on hospital services is more accurate than data on long-stay and community health services. The Scottish Government, NHS boards, councils and partners need to improve data on community services if the focus is on improving and delivering more community-based services.
- The IRF is currently only centrally available for 2010/11 and 2011/12. Prior to that, organisations used different approaches to inform the IRF. This means that there is limited scope to compare IRF information between organisations and to assess any changes over time.
- IRF information is available for three age groups: all ages, people aged 65 or over and people aged 75 or over. This level of detailed information is available for NHS services. Council spending is less detailed, as information on people aged 75 or over is not separately available for all areas.

27. It is important that the information generated by the IRF is at the heart of planning and delivering services for older people, and that it is used to help decide where best to target resources in local communities. Local partners are beginning to make use of IRF data to help inform how they plan and deliver services ([Case study 4, page 42](#)).

There is limited evidence of progress in moving money from institutional to community care

28. One of the more significant challenges in RCOP is for organisations to identify areas for disinvestment. This is difficult as resources can be committed, for example to buildings, but identifying areas for disinvestment is central to transforming how services are delivered. Since 2004, the Scottish Government has had a policy objective to 'shift the balance of care'. This means shifting from institutional services, such as hospitals and care homes, to care at home or in the community. It also means having a greater focus on services that prevent or delay ill health, such as services to help prevent older people from falling at home. However, there is a lack of evidence of progress in shifting resources into the community. Acute hospital services are expensive to deliver, and advances in modern medicine and technology mean that new treatment options become available over time. Relatively small

reductions in spending on hospital services could release money for community services. Increasing the amount spent on community-based services for older people is desirable because:

- admitting an older person to a hospital or care home can reduce their independence and lead to further deterioration in their overall health and quality of life
- people may achieve the same or better outcomes if they receive care in the community or their own home.

29. Shifting resources from hospitals to community-based services can only happen if there is:

- a good understanding of how resources are being used at a local level
- clarity about what works to deliver positive outcomes for older people
- a mechanism to move resources
- a clear plan about what resources will move and when this will happen
- routine planning and good engagement with local clinical and social care staff.

30. The Public Bodies (Joint Working) (Scotland) Bill aims to address the issues set out above. Currently, a number of mechanisms could be used to shift resources, such as pooling budgets and transferring resources, but these are not widely used and tend to focus on specific services or initiatives. Some building blocks to support the Bill are already in place, such as the IRF. Under the Bill, NHS boards and councils will have to join up their budgets for adult health and care services. They will be required to create an integration plan for the council area, which will cover adult services but other services may also be included.

31. While frontline services for older people have changed over time, from the information available it is not possible to see these changes in the ways resources are used. For example, the percentage of money that the NHS and councils spent on community-based services for all age groups changed only slightly over the last nine years. Limited trend data is available on NHS spending on acute or community care for older people through the IRF. However, in 2003/04, 42 per cent of NHS spending for all age groups was on community services and this increased to 44 per cent in 2011/12.²⁰ We have reported previously on the overall lack of evidence of shifting resources from hospitals to the community.²¹

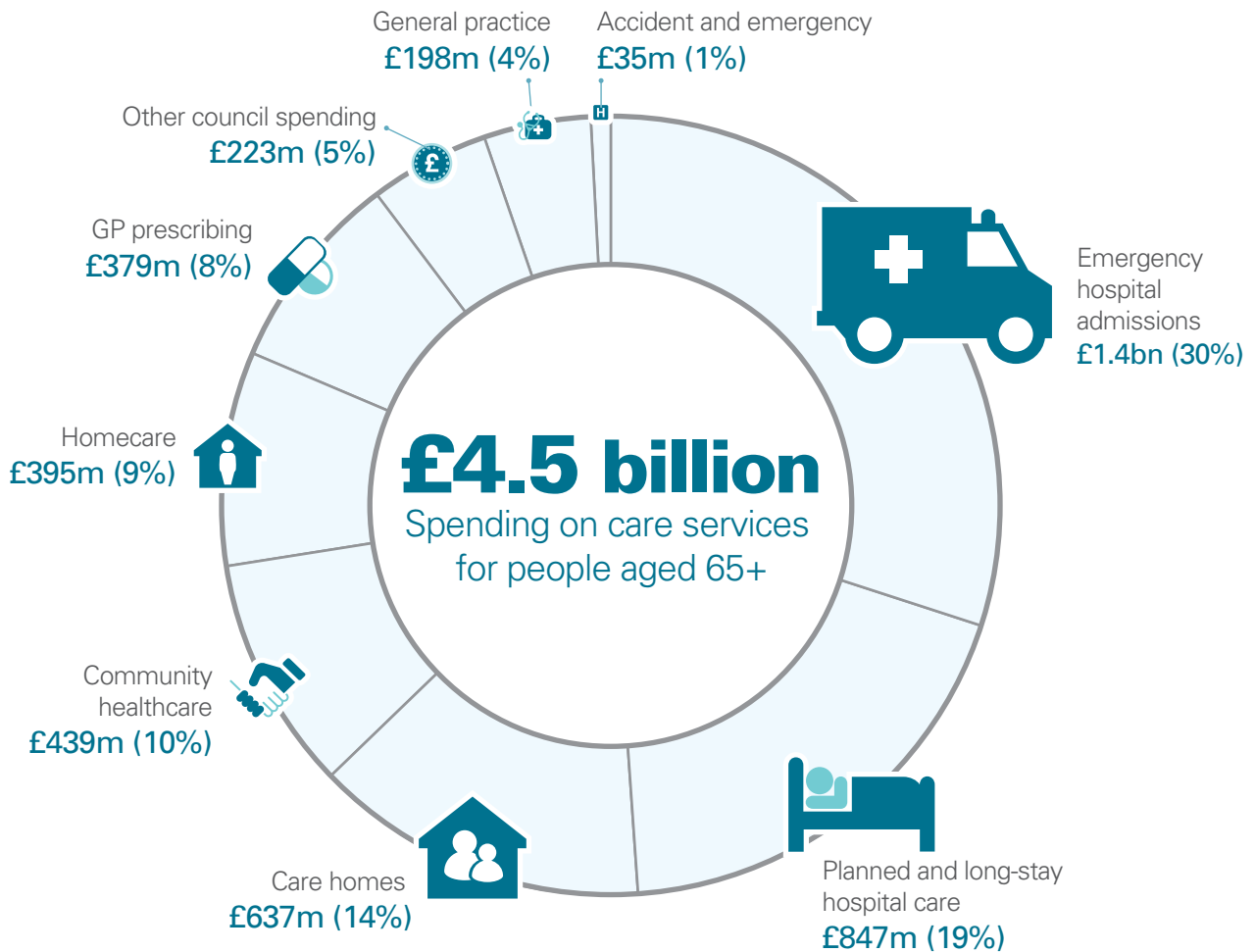
32. Council spending on homecare has increased from 26.3 per cent of older people's social care spend in 2003/04 to 31.4 per cent in 2011/12. The amount that councils spend on other social care services for older people, such as meals and equipment and adaptations, has remained largely unchanged since 2003/04 ([Exhibit 6, page 21](#)).^{22,23}

33. Much of the growth in councils' spending on homecare has resulted from increased spending on free personal and nursing care.²⁴ The cost of free personal care at home has risen in real terms from £162 million in 2003/04 to £347 million in 2011/12. This increase means that the cost of free personal care has risen as a percentage of total spending on homecare, from 59 per cent in 2003/04 to 87 per cent in 2011/12.

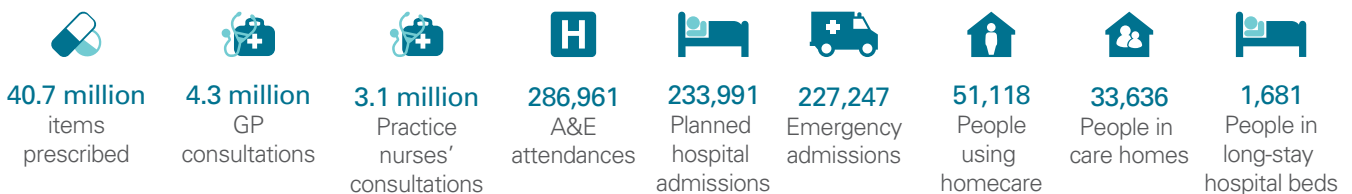
Exhibit 5

Breakdown of combined NHS and council spending on care services for people aged 65 or over across Scotland, 2011/12

Almost two-thirds of spending on older people's care is on hospitals and care homes.



Care services for people aged 65+



Notes:

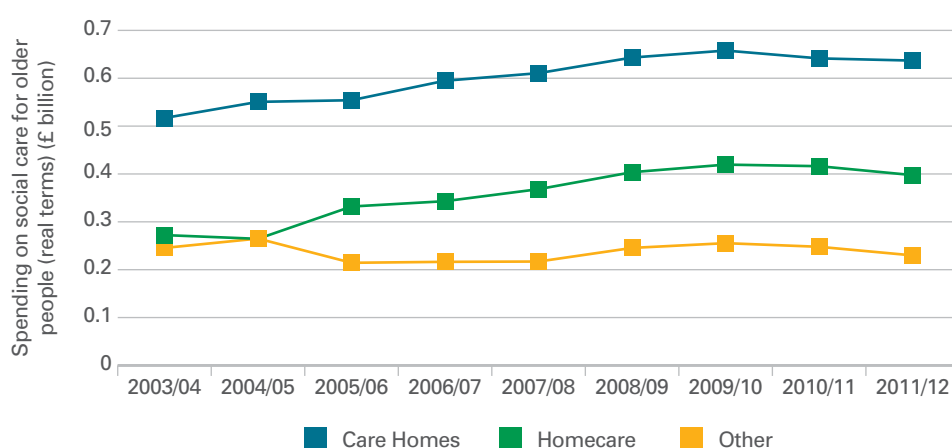
1. Chart shows total spending of £4.5 billion. 'Planned and long-stay hospital care' includes hospital care other than emergency care, including non-emergency acute inpatient, non-emergency geriatric long-stay, non-emergency outpatient and non-emergency hospital-based mental health services. 'Community healthcare' includes a wide range of community-based services including physiotherapy, occupational therapy, district nursing, out-of-hours general practice and community mental health services. The methodology used means that spending on emergency hospital admissions is likely to overestimate actual emergency activity.
2. Emergency admissions show how much is spent on admitting people to hospital in an emergency. This is different to Accident and Emergency, which shows how much is spent on people who attend an accident and emergency department and may or may not go on to be admitted to a hospital.
3. Council spending figures are net of any income such as charges for services.

Sources: Financial information from Integrated Resource Framework, 2011/12. NHS and care home activity figures for 2011/12 from ISD Scotland. Homecare figures from Scottish Government Homecare Statistics, March 2012

Exhibit 6

Council spending on social care for older people, 2003/04 – 2011/12

Care homes account for the largest element of councils' spending on care for older people.



Notes:

1. The figures are in real terms, that is, adjusted for inflation.
2. Figures are net of any income such as charges for services.

Source: Audit Scotland analysis of Free Personal and Nursing Care and Local Financial Return statistics, 2003/04 to 2011/12.

There is unexplained local variation in activity and spending on services for older people

34. The amount that NHS boards and councils spend on care for older people varies significantly across Scotland and the reasons for these differences are not always clear. Excluding the islands, the average amount spent per person aged 65 or over on health and social care in mainland council areas ranges from £4,260 in South Lanarkshire to £6,674 in Glasgow City ([Exhibit 7, page 22](#)). Orkney Islands, Shetland Islands and Eilean Siar spend more per head than all mainland areas. The higher cost of providing NHS services to remote and rural communities, for example due to extra travelling time or allowances paid to staff, is recognised in the National Resource Allocation Committee (NRAC) formula for distributing funding to the NHS. Similarly, these higher costs are reflected in a remoteness and islands allowance for councils.

35. Spending varies considerably both between and within council areas. As we highlighted in our report on health inequalities, these local differences are key to planning services but make it difficult to plan across an NHS board or council area.²⁵ For example, IRF data across the Lothian area shows that the ratio of money spent on planned hospital care ranged from about half to almost three times the amount spent on emergency hospital care ([Exhibit 8, page 22](#)). Organisations need first to understand why there are local differences and then, if there are specific local problems, such as areas of deprivation, they need to plan how they spend money to deal with these differences.

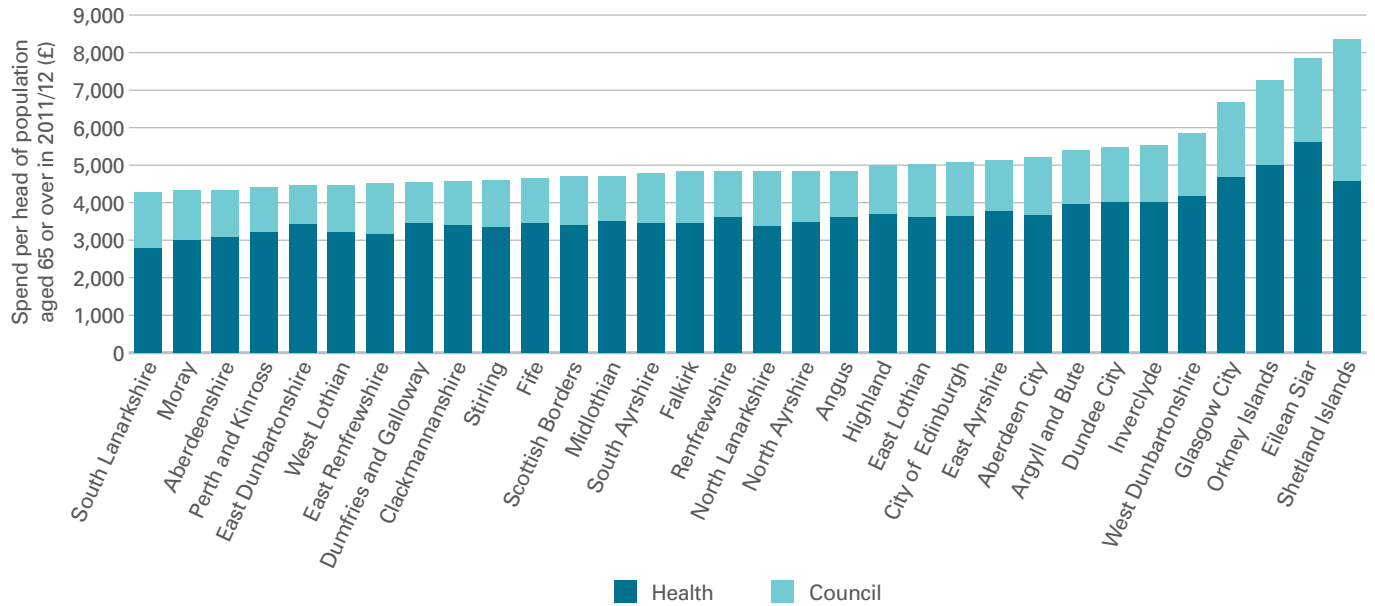
36. From the available information, real terms spending on social care for each person aged 65 or over increased in almost all council areas between 2002/03 and 2010/11.²⁶ The increase over this period in mainland council areas ranged from just over one per cent in Highland to 53.5 per cent in West Dunbartonshire.

In more recent years, spending increases are less common. Only four councils increased spending on social care for older people per head of population aged 65 or over between 2010/11 and 2011/12, in real terms.²⁷

Exhibit 7

Spending by NHS boards and councils on care for people aged 65 or over, 2011/12

The money that NHS boards and councils spend varies considerably.



Note: Council spending figures are net of any income such as charges for services.

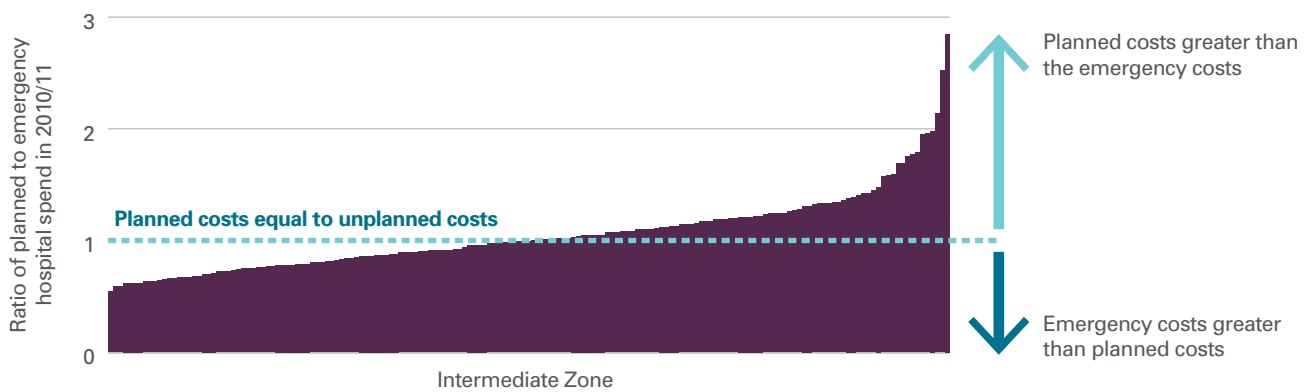
Source: Audit Scotland analysis of Integrated Resource Framework data, 2011/12 and mid-2011 population estimates from National Records Scotland, as at May 2012



Exhibit 8

Ratio of planned to emergency spend on hospital care for people aged 65 or over in Lothian, 2010/11

The ratio of money spent across local areas on planned or emergency hospital services varies considerably.



Note: An intermediate zone is a geographical area containing on average 4,000 residents. There are 177 intermediate geography zones in the Lothian area.

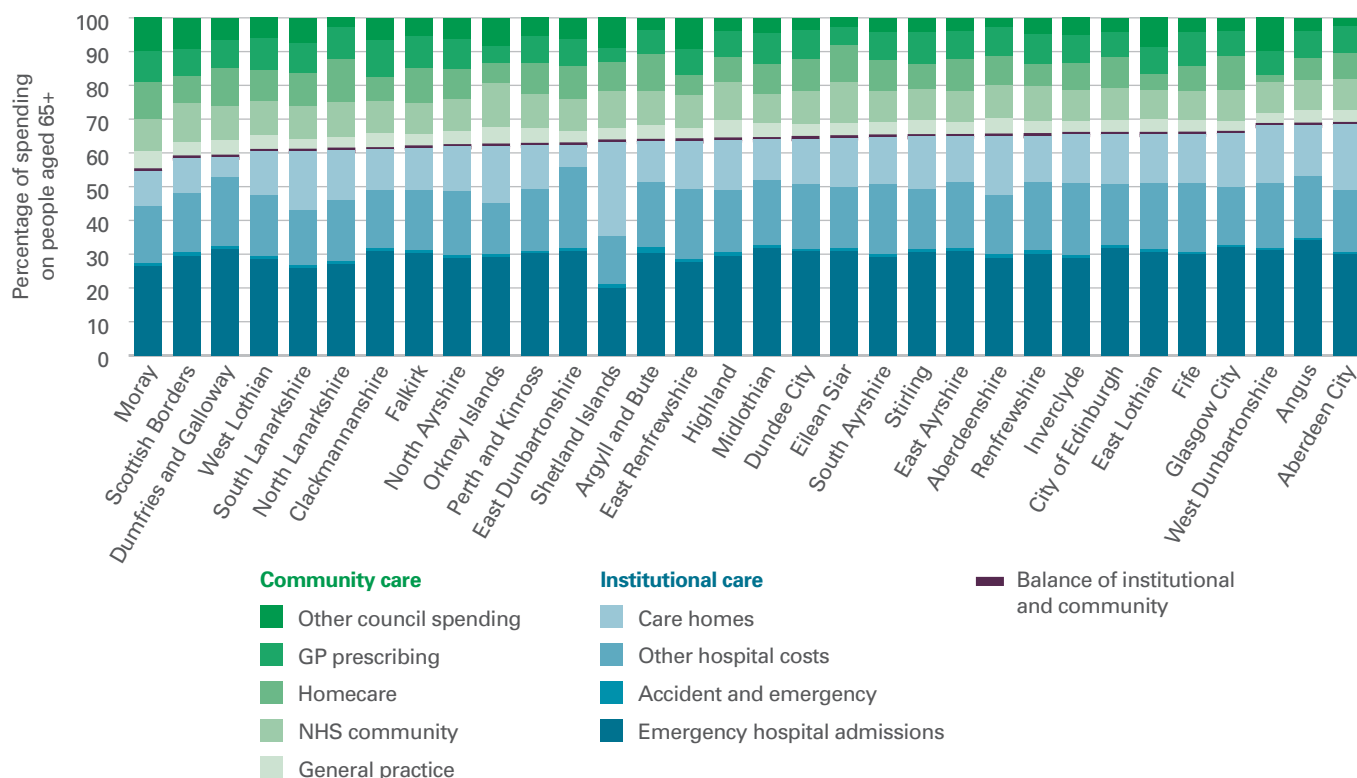
Source: Audit Scotland analysis of IRF data supplied by NHS Lothian

37. Both levels of spending and the way money is used vary significantly ([Exhibit 9](#)). While we would expect a degree of variation, it is not clear, based on available national data, that these differences are reasonable or in response to different local needs. It is important that NHS boards and councils have a better understanding of local variations in the types and costs of services provided to older people so that they can plan, change and monitor services as they implement RCOP.

Exhibit 9

NHS boards' and councils' spend on services for people aged 65 or over, 2011/12

How money is spent varies considerably.



Note: Figures are net of any income such as charges for services.

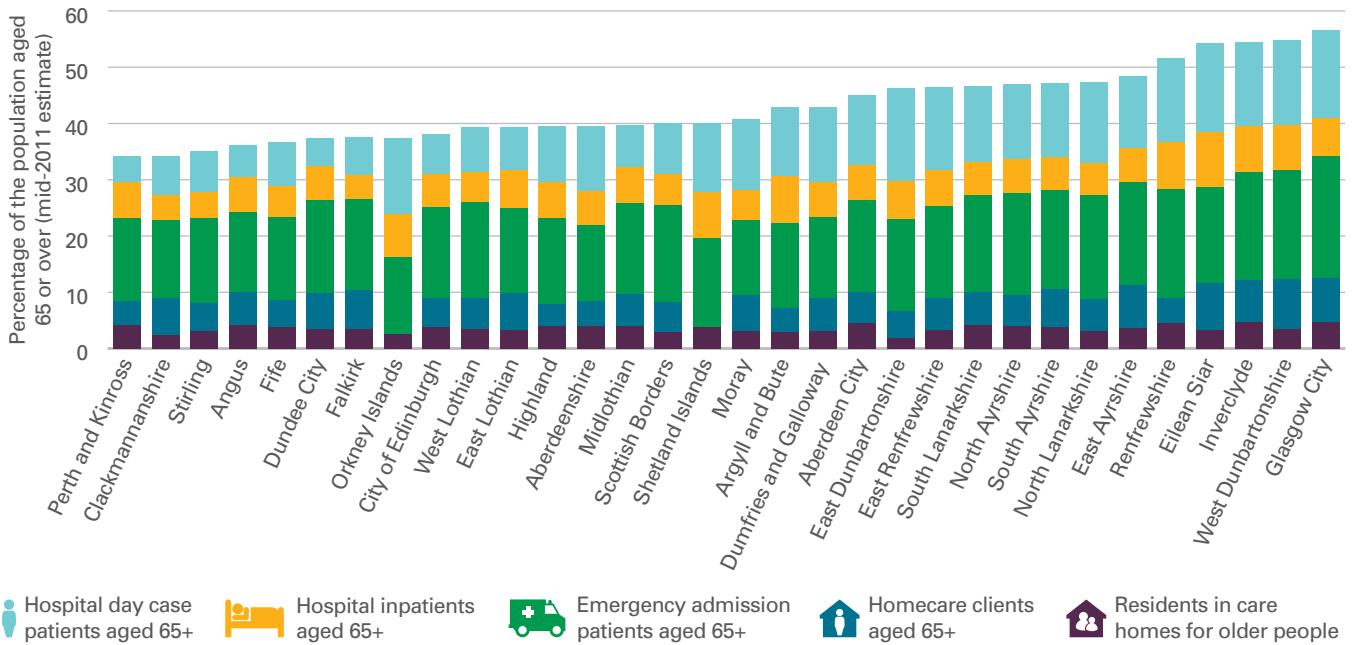
Source: Audit Scotland analysis of Integrated Resource Framework data, 2011/12

38. We used available national data to estimate the percentage of older people using a range of care services in each council area in Scotland ([Exhibit 10, page 24](#)). It is not possible to tell if a person is using more than one kind of service as NHS and social care data is not linked in most areas. It is difficult to conclude much about whether money is being spent on the right services from this information due to the way it is recorded. It is also not possible to determine the extent to which people are being supported so they do not need to access traditional health or social care services. Information on the number of hours of care people receive at home is often used as a proxy for need (with more than ten hours of homecare being considered 'intensive homecare'). Census figures indicate that the percentage of homecare clients receiving intensive homecare has increased from 24 per cent in 2005 to 32 per cent in 2013. However, the numbers of people receiving homecare have fallen over this period.

Exhibit 10

Percentage of the older population using hospital and social care services, by council area

There is wide variation between councils in the percentage of older people using different services.



Notes:

- Information on hospital patients is measured over the full year 2011/12. Homecare and care home clients are measured in an annual census in March 2012. We have used this data as an indication of activity.
- As NHS and council data is not linked, there will be an element of double counting. It is not possible to say if the same people are accessing various services.
- Information on the number of homecare clients aged 65 or over in the Orkney Islands and Shetlands Islands in March 2012 is not available, as the small numbers could threaten client confidentiality.
- Homecare clients will not include people who use direct payments to purchase homecare.

Source: Audit Scotland analysis of ISD Scotland data and Scottish Government homecare census data and mid-2011 population estimates from National Records Scotland, as at May 2012



39. The aim of RCOP is to keep people supported at home with minimal access to services. This means that all partners need to review high levels of hospital care and more intensive homecare to ensure that this is making best use of available resources and meeting people’s needs.

40. NHS boards and councils are still at an early stage of understanding potential reasons for these variations. They need to review a number of factors that may contribute to local differences when planning and managing services. These factors may include:

- Differences in people’s health needs might lead NHS boards and councils to provide a different mix of services. For example, more hospital care may be needed for older people in areas with higher levels of ill health.
- Existing facilities and historical patterns of providing health services may vary. We highlighted in a previous report that the closer people live to a hospital the more likely they are to attend.²⁸ Similarly, people living in rural areas may have less access to services.

- In England, the Audit Commission found that 80 per cent of the variation in spending on social care for older people between council areas could be explained by several main factors outside council control:
 - higher costs were associated with councils that qualified for additional funding to meet higher costs of providing a service, for example due to variations in local rates of pay
 - higher costs were also associated with councils serving areas with a larger percentage of the older population living alone, renting their homes and claiming income-related benefits
 - lower costs were associated with areas having a higher proportion of older people in the population, suggesting possible economies of scale.²⁹

Recommendations

The Scottish Government should work with NHS boards, councils and their partners to:

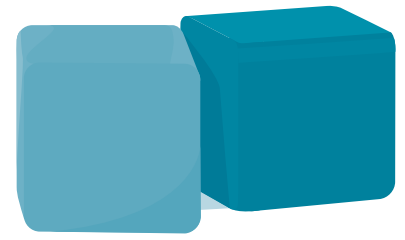
- improve and maintain data on cost, activity and outcomes for health and care services in local areas. This information matters as it helps local decision-makers to decide where to spend, and not to spend, public money. It should be set out clearly as part of joint strategic commissioning plans
- ensure that joint strategic commissioning plans clearly set out how partners will move resources to improve services for older people
- develop more consistent information on how much NHS boards and councils spend on different types of care for older people and the impact that services are having on older people. This is needed to implement RCOP and show how services are shifting from institutional to community care
- collect data to monitor costs and activity of health and care services for older people, specifically data on community-based services where there are currently key gaps
- do more to understand the reasons why activity and spending on services for older people vary across Scotland. They need to work with local practitioners to help:
 - use information to benchmark activity and costs
 - identify areas for improvement
 - identify good practice
- set out clear plans for how resources will shift to community services in the short and longer term.

NHS boards and councils should:

- use existing IRF data, along with information on needs and demand, to help them make decisions on how and where best to invest public money locally, and set this information out clearly as part of joint strategic commissioning plans.
-

Part 3

Progress with Reshaping Care for Older People



Key messages

- 1** There has been a focus on improving care for older people for a number of years, but the RCOP programme has yet to demonstrate how significant changes will be achieved. There is no clear national monitoring to show whether the policy is being implemented successfully and what impact this is having on older people. Strong national and local leadership is needed to take this challenging agenda forward.
- 2** The Scottish Government introduced the Change Fund in 2011/12 to make money available to organisations implementing RCOP. The fund is worth £300 million over four years, and the focus has been on developing partnership working and small-scale initiatives. Initiatives are not always evidence-based or monitored on an ongoing basis and it is not clear how successful projects will be sustained and expanded.
- 3** NHS boards and councils need to make changes at the same time as continuing to meet people's current care needs and provide services that help to prevent or delay ill health. Evidence shows that some services are under pressure. This will make changes harder to achieve.
- 4** NHS boards, councils and their partners must jointly plan more effectively and better understand the needs of older people and the costs associated with providing services. It is important that at a local level, health and social care staff understand and contribute to plans to improve services for older people.
- 5** Key barriers to change include a lack of data on community health and social care services and on services that focus on preventing or delaying health problems.

stronger leadership and better understanding of services for older people is needed to underpin decisions about transforming services

A clearer focus is needed on what works and how to put this into practice

41. RCOP affects most health and care services. Many of the changes envisaged through RCOP require coordinated action by NHS boards, councils and the third and private sectors. The changes envisaged are often interrelated, for example emergency admissions to hospital might rise if there are not enough social care services in the local area. The policy aims to help support people so they need less access to formal services, but planning and managing community-based services is challenging, given the range of staff, different services and various locations involved.

42. We found that organisations have made some progress against the RCOP commitments but the Scottish Government does not collect information to report on progress with all of these commitments ([Exhibit 11, page 28](#)). The Scottish Government issued a progress report on RCOP in September 2013. This gives examples of local initiatives and ongoing work to develop outcome measures. It also recognises that services still need to work better together.³⁰

43. For the RCOP commitments to be achieved, the Scottish Government, NHS boards, councils and the third and private sectors need to have a clearer focus on initiatives that have been shown to work, what impact the changes aim to achieve, how this will be achieved in practice and progress monitored. Scottish Government research shows that partnerships are working locally to develop mechanisms to monitor the impact of initiatives focused on improving services for older people. Organisations need to ensure that robust evaluation, including a clear focus from the outset on cost effectiveness and outcome measures, is an integral part of local initiatives and that staff have the skills to carry out evaluations. RCOP requires major system changes and NHS boards and councils are at the early stages of implementing RCOP ([Case study 2, page 30](#)).







44. Over previous years, the Scottish Government has set up a number of different groups and initiatives to improve services for older people. In 2013, the Scottish Government reduced the number of groups that were involved in supporting RCOP. The Older People’s Development Group, which includes representatives from public, third and private sector organisations, is the main group for taking the policy forward. The group is working with the JIT and others to monitor the progress that local partnerships are making with RCOP.

45. We have previously reported on the slow progress with commissioning social care services in Scotland.³¹ Good commissioning is essential to change how services are delivered and resources used locally. In 2013/14, NHS boards, councils and third and private sector partners were required to work together to produce Joint Strategic Commissioning Plans for the first time in Scotland. These set out the services they planned to commission. The JIT reviewed these plans and reported:

- well-analysed information about population health and wellbeing, although there was still room for improvement
- good engagement with service users, carers and members of the public
- few details about how hospital resources, such as money but also clinical staff, would move into the community through RCOP
- a lack of information on the costs of services or on the services that people need
- most plans mentioned outcomes, but these were not always well defined and it was unclear how they would be monitored in practice.



Exhibit 11**Progress against RCOP commitments**


Some progress has been made against RCOP commitments to date


Commitments	Direction of travel	Progress
1 We will double the proportion of the total health and social care budget for older people that is spent on care at home over the life of this plan.		Based on IRF figures, in 2010/11, 9.2 per cent of the total health and social care spending on people aged 65 or over was spent on homecare. In 2011/12, this reduced slightly to 8.7 per cent.
2 We will build the capacity of third sector partners to help them do more to support the experience, assets and capabilities of older people.		The Change Fund means that the third sector is now more involved in planning local services. But the Change Fund represents only a small percentage of the money available for older people's care.
3 We will introduce a £70 million Change Fund for 2011/12 and in the region of £300 million over the period 2011/12 to 2014/15 to stimulate shifts in the totality of the budget from institutional care to home and community-based care and enable subsequent decommissioning of acute sector provision.		The Change Fund has been introduced but as yet there is no evidence that it has stimulated organisations to spend more on community-based services rather than on institutions such as hospitals. The IRF is included in strategic commissioning plans but this is at an early stage and few partnerships have set out how they plan to reduce acute hospital services.
4 We will shift resources to unpaid carers, as part of a wider shift from institutional care to care at home.		<p>The Change Fund has provided about £35 million to help unpaid carers, directly and indirectly. This includes paying for respite carers or day services so carers can take a short break from their caring responsibilities.</p> <p>Overnight respite care for people aged 65 or over increased by seven per cent from 37,607 weeks in 2010/11 to 40,326 weeks in 2012/13. Daytime respite care also increased by one per cent over this period from 65,645 to 66,406 weeks.</p>
5 We will improve quality and productivity through reducing waste and unnecessary variation in practice and performance with regard to emergency admissions and bed days across Scotland.		Emergency admissions for older people have increased. See below for information on changes to the amount of time patients spend in hospitals. The Scottish Government has not defined what it means by 'waste' and 'unnecessary variation'.
6 We will aim to reduce rates of emergency bed days used by those aged 75 or over by a minimum of 20 per cent by 2021 and at least ten per cent by 2014/15.		<p>Rates of emergency admission bed days in Scotland for people aged 75 and over have decreased by 9.5 per cent from 5,396 per 1,000 population aged 75 or over in 2009/10 to 4,881 in 2012/13.</p> <p>The current HEAT target is to reduce the rate of emergency admission bed days for people aged 75 or over by at least 12 per cent between 2009/10 and 2014/15.</p>


Cont.


Exhibit 11 (continued)

Commitments	Direction of travel	Progress
<p>7 We will ensure older people are not admitted directly to long-term institutional care from an acute hospital.</p>		<p>National data is not available to measure this. However, the rate of long-stay residents in care homes has decreased over time.</p>
<p>8 All older people aged 75 or over will be offered a telecare package in accordance with their assessed needs.</p>		<p>Rates of telecare for people aged 75 and over have increased from 185.1 per 1000 population in 2011 to 186.4 in 2013.</p> <p>There is no centrally available information available on assessed needs to determine whether all people aged 75 or over with an assessed need for telecare received it.</p>

 Improving

 Not improving

 No evidence of change

 No evidence

Note: The HEAT performance management system for the NHS in Scotland covers indicators relating to Health improvement, Efficiency, Access to services and Treatment appropriate to individuals.

Sources: IRF data 2010/11 and 2011/12, ISD Scotland; Homecare statistics, Scottish Government, 2012; Social care statistics, Scottish Government, 2013; Audit Scotland analysis of 2012/13 Change Fund Plans, 2013; Respite care statistics, Scottish Government, 2012; Emergency admissions for patients aged 75 and over, ISD Scotland, 2013

46. The Scottish Government has identified that strategic commissioning is an important area for development for NHS boards and councils to address RCOP and take forward the integration of health and social care. To progress this, the JIT launched a support programme in May 2013, which includes a learning framework to support better skills in strategic commissioning and targeted support to local partnerships where specific gaps in commissioning skills have been identified.

47. The JIT has an important role to support NHS boards and councils to implement RCOP. To date, the JIT has facilitated local discussions and supported partnerships to develop their approach to improving services for older people and share examples of local practice. Given the scale of the RCOP programme, it is important that the JIT has a clear focus on supporting NHS boards, councils and their partners by identifying what works, the impact that initiatives can have on older people and other services, and on ensuring that these successful initiatives are rolled out across Scotland.

Case study 2

RCOP in Perth and Kinross

The population in Perth and Kinross is approximately 149,500 of which about 20 per cent of people are aged 65 or over. Perth and Kinross has the highest projected growth rate of older people in Scotland and the number of people aged 65 or over is expected to increase by 40 per cent between 2011 and 2027.

NHS Tayside and Perth and Kinross Council have shown clear leadership in taking this agenda forward and are working together to promote the independence and wellbeing of older people at home or in a homely setting. The NHS board and council have developed a joint commissioning strategy. Underpinning this is a focus on:

- redesigning systems to ensure people can get home from hospital as quickly as possible
- providing community-based alternatives to admission to hospital or long-term residential care to increase the options available for people including support for carers
- improved support for people with dementia and their carers
- working with communities to develop services to enable older people to remain active.

A number of services have been established in the area to support RCOP, including a rapid response service; a hospital link coordinator; and a chronic obstructive pulmonary disease (COPD) home support service. These aim to support carers and older people and help to keep people cared for at home as long as possible.

The NHS board and Perth and Kinross Council are using patient-level IRF data to work with local GPs to understand how services are being used and to try to change how older people receive care and support in Perth and Kinross. This work is at an early stage and the impact this could have is as yet unknown, but reflects a focus on changing the culture across the health and care system.

Staff from the NHS board and the council have met with a small number of GPs to talk through local IRF data for their GP practice. This information shows the costs of health and social care provided to the older people registered at the GP practice. These discussions are a useful first step in working with local practitioners to better understand the impact that clinical decisions have on resources and to help identify gaps in services and better ways of using resources at this local level. This approach needs an investment of time from the NHS board, council and the GP practice, and a shared interest in learning from the local data to consider how best to change services to improve care for patients.

Source: NHS Tayside

It is not clear what effect services are having on older people

48. In April 2011, the JIT published core measures to help partnerships track their progress in implementing RCOP; these measures were not intended to be reported nationally. It developed the core measures in consultation with national and local stakeholders and aimed to link them to existing performance measures including:

- the Quality Measurement Framework
- the Community Care Outcomes Framework (CCOF)
- the National Performance Framework (which includes the performance framework for the NHS – known as HEAT).

49. JIT's mid-year review in 2011/12 found that partnerships did not understand some of the measures set out above or use them well. In April 2012, the Scottish Community Care Benchmarking Network and the JIT produced a report on their review of the CCOF. They concluded that organisations are not reporting outcomes comprehensively or consistently. They recommended that a single set of outcomes and indicators are developed for both RCOP and the integration of health and social care. A draft single set of health and care outcomes was included in the consultation document for the Integration of Adult Health and Social Care in May 2012. The intention was to ensure that all organisations are working to the same national outcomes.

50. In December 2012, the Scottish Government published revised Single Outcome Agreement (SOA) guidance. This directed Community Planning Partnerships to focus on six national priorities when developing their local outcomes. Only half of the SOAs submitted to the Scottish Government in 2013 contain local outcomes that are specific to older people.

51. NHS Health Scotland is currently developing a series of outcomes to underpin RCOP which will be published in spring 2014. Links between these outcomes and those set out for health and social care integration need to be clearly set out. In November 2013, the Scottish Government issued a survey to a sample of older people in Scotland to inform the development of outcomes. Without good information on outcomes, it is not possible to determine how RCOP is improving the lives of older people in Scotland.

52. In 2001, the Government introduced National Care Standards. The standards explain what people can expect from any social care service, are written from the point of view of the person using the service and show how to raise concerns or complaints. The standards have not been revised since they were introduced and the Scottish Government is currently reviewing them. This review needs to take account of changes to the way services are delivered and consider how to reflect outcomes from integrated health and care services.

The Change Fund has brought partners together but has yet to demonstrate how lasting changes will be achieved

53. In 2011/12, as part of RCOP, the Scottish Government introduced a £70 million Change Fund for older people's care. The fund will operate until 2014/15, and it is worth £300 million over the four-year period. The Change

Fund represents 1.5 per cent of all spending on older people in 2011/12. The Scottish Government distributed the Change Fund to local partnerships through NHS boards.³² The annual amount allocated to individual partnerships in 2012/13 ranges from just under £370,000 in Orkney Islands to about £9 million in Glasgow City. The Scottish Government designed the Change Fund to help organisations develop new ways of delivering services. To get access to the fund, each partnership must submit a Change Fund plan each year, showing how the money will improve outcomes for older people.³³

54. Partners did not have long to prepare initial Change Fund plans and this contributed to delays in starting local projects. Twenty-four out of 31 partnerships reported that they did not spend their full Change Fund allocation for 2011/12.³⁴ The total underspend was about £22 million (30 per cent of the fund). Partnerships were allowed to carry this forward into the 2012/13 allocation of £80 million.³⁵ Partnerships report that they expect to spend 93 per cent (£140 million) of the total Change Fund that was allocated in the first two years (£150 million).

55. The Scottish Government issued guidance on the information that partnerships were required to submit in their Change Fund plans, and requirements were different in each year. This made it difficult to compare how partnerships spent their money, and what they spent it on, over the two years. The JIT analysed partnerships' 2011/12 Change Fund mid-year progress reports to indicate the main areas of investment. However, due to inconsistencies in the way partnerships reported information, the analysis does not account for the full Change Fund allocation for 2011/12. The Scottish Government will publish an evaluation of the Change Fund in 2015. When issuing future Change Fund resources, it is important that the Scottish Government sets out clear criteria for success. These should focus on ensuring that the money is used to deliver measurable improvements to services that can be sustained in the longer term and then spread to become part of routine core business.

The Change Fund has brought partners together to think about how to design services for people in the local area

56. The main achievement reported by partnerships in 2012/13 mid-year progress reviews was improved partnership working. Partnerships also reported that the Change Fund had helped people who use services and their carers to be more involved in developing services to better meet their needs. While organisations have been working in partnership for some time it is clear that the extent of this has been variable across Scotland.³⁶ The Change Fund has helped improve the involvement of the third sector in planning services in many areas of Scotland. In terms of changes to services, partners highlighted initiatives to support local communities and help prevent ill health.

57. The most common challenge that partners identified in progressing Change Fund initiatives and delivering improved outcomes was how to increase the pace and scale of change required. Other challenges included:

- the length of time taken to establish partnership arrangements and new working cultures
- recruitment difficulties, for example skills shortage or being unable to recruit staff as quickly as required
- getting private sector organisations more involved in the plans and new ways of working.

58. Partnerships' mid-year progress reviews of their Change Funds demonstrate little evidence that they are moving towards the significant change called for in RCOP. We examined the mid-year progress reviews and found:

- most initiatives funded by the Change Fund have been short-term and small-scale. It is not clear how partnerships are planning to sustain these changes in the longer term
- few partnerships have demonstrated how the Change Fund will reduce institutional care, for example in a hospital or care home, or increase community-based services such as care at home
- there is little evidence that the Change Fund is significantly influencing spend on care for older people. A number of partnerships stated that it was too early to demonstrate a change in spending, or they did not have enough evidence to decide to stop spending in a particular area of institutional care. Twelve partnerships provided examples of how they had stopped spending on some services, such as reducing the amount of money they spent on care home places or by closing beds in community hospitals
- the performance information that partnerships provide in their Change Fund plans is not consistent. Some partnerships include data without referring to baselines, targets or trend data. This means that it is not possible to assess either individual partnership performance or to draw conclusions about national performance against RCOP
- a lack of detail about the impact that initiatives are having on reshaping care for older people. A number of partnerships stated that it was too early to demonstrate impact, or that they needed better performance management systems. The JIT is helping partnerships to demonstrate the impact of initiatives, but recognises how difficult it is to attribute improved performance to Change Fund initiatives alone as these are often part of a wider programme of activity.

59. In November 2013, after the fieldwork for this audit was complete, the JIT published a progress report on the Change Fund based on self-assessment from local partnerships. The report shows signs of progress in several key areas. Partners reported:

- how Change Fund allocations were spent, against a series of categories: 26 per cent on preventative and anticipatory care; 26 per cent on proactive care and support at home; 23 per cent on effective care at home at times of change; 12 per cent on hospitals and long-stay care homes; and ten per cent on enablers, for example developing joint commissioning.
- they are using information from the Change Fund projects to help inform how they commission services in the future
- few had applied options appraisal processes but all had developed structured assessment criteria for new projects
- examples of evaluating the effectiveness of initiatives supported by the Change Fund and in some cases where initiatives were found not to have worked the projects were stopped or put on hold

- challenges in recruiting staff to support Change Fund initiatives
- the extent to which they have plans to spread new approaches and initiatives where these have been assessed as demonstrating a positive impact on older people. About half of partnerships reported that they had spread a series of initiatives to all areas, including early diagnosis of dementia, respite and support for carers, timely assessment and specialist support for care homes.

The Change Fund reflects the important role of carers but better information is needed on the fund's impact

60. RCOP highlighted the important role that carers, and the wider local community, have in supporting older people. Ensuring that carers have the right kind of services when they need them may allow them to care for longer. This, in turn, reduces the need for formal care services for an older person. Carers in our focus groups were reluctant to take up services and, in some cases, were not aware that services were available. As part of the Carer's Week campaign, a partnership of national charities explored the impact that caring has on people's lives.³⁷ Based on responses from 150 carers in Scotland, the partnership found that:

- 77 per cent of carers are not prepared for all aspects of caring
- 83 per cent of carers are not aware of the support available
- 35 per cent of carers had received wrong advice about the support available.

61. In 2012/13, the Scottish Government added a requirement that partners spend at least 20 per cent of the Change Fund on supporting carers. This amounted to almost £50 million between 2012 and 2015. There was a significant focus on resources for carers, but less of a focus on whether partnerships were investing the Change Fund where it was most needed or checking that it was having the biggest impact on outcomes for older people and their carers. The JIT reviewed the 2012/13 Change Fund plans and reported that partnerships were spending more than the required 20 per cent on supporting carers. The JIT also developed guidance, helped share good practice and worked with partners on improvement plans in relation to work on carers.

Local communities have an important role in supporting older people

62. Supportive local communities can help to care for older people and allow them to live with greater independence. They can also help reduce isolation and loneliness, improve health and wellbeing and delay the need for more formal care services. Community support includes initiatives such as transport, activity groups, lunch clubs and respite care. The JIT reviewed NHS board and councils' work with communities and concluded that it is very difficult to measure any impact that these initiatives have had.

63. In order to try and address the difficulty in assessing impact, third sector organisations in Midlothian, West Lothian, East Lothian and City of Edinburgh are taking part in *A Stitch in Time*. This project aims to help the third sector evidence how they help older people to avoid future use of health and care services and how they improve older people's lives.




Making major changes to services while demand rises is challenging

64. Organisations tasked with improving services for older people need to do this while managing current demand for NHS and social care services. Our analysis of all national information on care for older people indicates rising pressure on the system, particularly on hospital services ([Exhibit 12](#)). It is unclear from available data if some of these changes are evidence of improvements or pressures on services. Achieving significant changes to the care for older people while dealing with more demand for hospital services, such as emergency and planned admissions, is challenging.

Exhibit 12

Changes in hospital activity 2002/03 to 2012/13

There is rising demand for hospital services.

Hospital services	Admissions for patients aged 65 or over	Increase/decrease 2002/03 – 2012/13
 Short emergency admissions¹	Admissions for less than one day increased by 79 per cent	↑
	One-day emergency admissions increased by 26 per cent	↑
	Emergency admissions lasting at least two days increased by 4 per cent	↑
 Emergency admissions	The rate of admissions to hospital increased by 10 per cent However, between 2011/12 and 2012/13, rates for people aged 65 or over decreased slightly	↑
	The increases in emergency admissions reflect the increasing number of patients who are admitted to hospital in an emergency on multiple occasions	↑ multiple admissions
	Emergency admissions to hospital increase with age	↑ with age
 Planned admissions	Planned day case admissions to hospital	↑
	Planned inpatient admissions	↓

Note: 1. Short emergency admission increase/decrease dates from 2003/04 to 2012/13.

Source: Audit Scotland analysis of data requested from ISD Scotland, 2013

65. Effective primary care may be able to prevent an emergency admission to hospital for a series of conditions. These are sometimes referred to as potentially preventable hospital admissions and include influenza, pneumonia, hypertension, and ear, nose and throat infection. The rate of potentially preventable hospital admissions has remained relatively stable, from 4,552 per 100,000 population aged 65 or over in 2002/03 to 4,550 in 2012/13.³⁸ NHS boards should continue to focus on reducing admissions for these conditions. We have highlighted in previous reports the important role of the GP and that they are responsible for directing significant health and care resources. Some local areas are beginning to work with GPs to better understand how resources are being used and to start to change the way services that older people receive are delivered.

66. A patient's discharge from hospital may be delayed when they are judged to be clinically ready to leave hospital but unable to leave because arrangements for care, support or accommodation have not been put in place. This can be distressing for patients and their families. Delays also reduce the number of available hospital beds for other patients.³⁹ Minimising delayed discharges involves effective working between health and social care services. Older people are more likely to experience a delay in their discharge. In each census between January 2009 and July 2013, at least 90 per cent of patients experiencing a delay of more than three days were aged 65 or over and between 40 and 50 per cent were aged 85 or over.

67. In the July 2007 census, 937 people aged 65 or over were delayed in hospital by more than three days. This had fallen to 583 in the July 2013 census.⁴⁰ For delays of more than three days, the most common reason was that the patient was waiting for an assessment to see what kind of support they need to go home, such as help at mealtimes.⁴¹ The most common reason for a delay of over six weeks was waiting for a care home place.

68. Despite progress towards successive delayed discharge targets, 305,696 bed days were occupied by patients aged 75 or over whose discharge was delayed in 2012/13.⁴² This is the equivalent of over 837 hospital beds being occupied for a year by patients aged 75 or over who are clinically ready to leave hospital.

National data has not kept pace with policy changes

69. The Scottish Government collects data on hospital and care services at a national level but the available data has limited capacity to monitor performance, progress with RCOP or to help identify good practice and areas for improvement. Data show a lot of local variation but do not help to understand whether services are good or need to be improved. For example, high levels of activity, such as people being admitted to hospitals, may show that people have access to the services that they need; or it could mean that people are using a service that they do not require. Low levels of activity could suggest that people are not receiving health or care services that they need; or this may show that older people have been helped to live independently and do not need access to NHS or care services. Tools that can assess people's care needs in the community in a standard way are not currently widely used ([Case study 3, page 37](#)).

Case study 3

Using the Index of Relative Need to measure dependency

The Index of Relative Need (IoRN) is a tool developed by the Scottish Government and ISD Scotland in 2003, to assess how independent or dependent the older person is at the time of an assessment or review. A person is assigned to one of nine dependency groups based on answers to a series of questions about themselves. A modified version of the IoRN can measure dependency in older people in a care home setting.

Professionals can use this tool to check a person's results over more than one assessment. They can also use it to measure a person's independence over time. So, for example, they can compare a person's IoRN score before an intervention such as reablement, and then compare it with a score later on, for example a month, six months or a year. There are some concerns that IoRN may not be sensitive enough to capture levels of dependency for people who need lower levels of support, the JIT are piloting a revised tool to try to address this concern.

Councils can submit IoRN scores on homecare clients to the Scottish Government so it can build up a national picture. Not all councils provide this information. In 2012, only eight per cent of older people's records that councils sent to the government contained this information, although locally many councils do collect data.

Source: Joint Improvement Team

A better understanding of data on community services and workforce is needed

70. Partners need to better understand data in several important areas to improve services and meet needs:

- Care at home: there is a lack of information on the need for care at home. NHS boards and councils need to use available data and consider if these show that services are effectively focusing on the people who need them most, or if these suggest some people are not getting access to shorter, less intensive support to help support them at home. There are other problems with homecare figures, for example they do not include people who use direct payments to buy homecare.
- Primary care: this is often the main point of contact between patients and the NHS, with GPs playing an important coordinating role in managing a person's health. However, national data on primary care services is limited. The only nationally available information on patients consulting their GP is an estimate based on data from a representative sample of 60 GP practices in Scotland. ISD Scotland stopped collecting these data in September 2013. A replacement for this information, which will improve the data gathered from GP practices by collecting more comprehensive information, is under development. This is planned to be available by the end of 2014. There is a lack of information on the work undertaken by important NHS primary and community services such as district nurses, health visitors, chiropodists and podiatrists. During 2014/15, ISD Scotland will work with local partnerships to improve the availability of national data on community services.

- Initiatives to support people at home: there is no national data on specific services that aim to support people in their own homes, such as reablement services. Reablement is a service that helps people learn, or relearn, skills they need to live at home. Many local initiatives attempt to improve care for older people. But these are often small-scale and there is not strong evidence to show their impact on people, costs and wider resources such as the NHS ([Exhibit 13, page 39](#)).
- Joint data: NHS and social care data is not linked. This makes it impossible to tell if the same people are using NHS and council services at a national level. There are examples of local systems in use to help staff to support people who access both health and care services. Two areas, Lothian and Tayside, have started to deal with this issue ([Case study 4, page 42](#)).
- Workforce: there is a lack of information on the current workforce, specifically for community services, and on the skills and staffing needed to deliver different services in the future. Integrated workforce planning across health and social care services is needed to support RCOP.

There is a greater focus on quality of care and joint inspections are being piloted

71. Significant changes to the inspection arrangements for older people's services have been made. In 2012, Healthcare Improvement Scotland (HIS) introduced inspections of the care of older people in acute hospitals. These inspections assess NHS boards against a range of standards and best practice statements. The clinical standards for older people in acute healthcare have not been updated since 2002. Twenty inspections have so far taken place in 11 NHS boards.⁴³ HIS publishes an individual report on each hospital inspection and six-monthly summaries of results.⁴⁴ Across all inspections to date, HIS identified:

- 76 areas of strength, including improved services for patients with dementia
- 242 areas for improvement
- 31 areas for continuing improvement, many of which relate to the need for more personalised care for older people.

72. The Care Inspectorate assesses how well councils develop and deliver their statutory responsibilities for social work services. It also regulates and inspects registered care services across Scotland, including over 900 care homes for older people. In 2008, a new grading system was introduced which evaluates services against four quality themes: care and support; environment; staffing; and management and leadership.⁴⁵ The Care Inspectorate publishes reports, which include quality grades, for each inspection it carries out.

73. Detailed reports are available on the quality of older people's care, but these are separate for health and social care services ([Exhibit 14, page 40](#)). There is also a lack of focus on community-based NHS services, which have a key role to play in improving care for older people. To prepare for health and social care integration, the Care Inspectorate and HIS are testing joint inspections of older people's services in Scotland, beginning with the three partnership areas of Perth and Kinross, Inverclyde and West Lothian. The new integrated health and care system needs to be underpinned by joint scrutiny, focused on consistent measures of quality and performance.

Exhibit 13**Local initiatives to improve care for older people**

There are a wide range of local initiatives aimed at supporting older people at home.

**Hospital at home**

Patients are referred to the service, often by their GP or the emergency department. Members of a multidisciplinary team visit them in their own home, with the aim of avoiding an admission to hospital. For some patients, this can have the same outcomes as inpatient care with similar or lower cost.¹ Some evidence suggests older people receiving hospital at home are more likely to be readmitted to hospital.²

There is evidence from North Lanarkshire that indicates a hospital at home model may help to avoid hospital admissions for older people.

**Reablement**

This time-limited service (usually about six weeks) helps individuals to learn or relearn skills necessary for daily living. Older people may be referred to the service from the community, or as part of the hospital discharge process. The majority of people need fewer hours of homecare following reablement.³ There is evidence that this reduction can be sustained over a year.⁴

People with fewer hours of homecare prior to reablement tend to have better results. There is evidence of improvements in wellbeing following reablement.⁵ Higher upfront costs may negate future savings through reducing homecare, meaning the costs for reablement users and regular homecare users are similar over a 12-month period.⁶

**Virtual ward**

Patients at high risk of an emergency hospital admission are targeted for this intervention which aims to reduce the chance of hospital admission. Patients receive care in their own home from multidisciplinary community teams. The teams use daily routines similar to hospitals to monitor and care for patients. There is no evidence of reduction in emergency admissions in three different evaluations.⁷

**Telecare**

This involves a range of technologies and devices, such as alarms and sensors, fitted in a home. These can be remotely monitored with the aim of detecting problems and responding in an emergency. Some research found no difference in the numbers of people being admitted to hospital in an emergency or being admitted to residential care over 12 months between people given telecare and those who were not. There were also no differences in hospital or social care costs between the two groups.⁸ An evaluation of the telecare development programme in Scotland found that 60 per cent of telecare users sampled thought their quality of life was 'a bit better' or 'much better' than before they had telecare equipment. Ninety-three per cent of respondents felt safer and almost 70 per cent felt more independent.⁹

Notes:

1. 'Avoiding hospital admission through provision of hospital care at home: a systematic review and meta-analysis of individual patient data', S Shepperd, H Doll, R M Angus, M J Clarke, S Iliffe, L Kalra, N Aimonio Ricauda, V Tibaldi, A D Wilson, *Canadian Medical Association Journal*, 2009.
2. *Hospital at home admission avoidance*, Cochrane Review, 2010.
3. *Evaluation of City of Edinburgh Council Reablement Service*, Scottish Government Social Research, 2009.
4. *Reablement: a cost-effective route to better outcomes*, Social Care Institute for Excellence, 2011.
5. *Home care re-ablement services: investigating the longer-term impact*, Social Policy Research Unit/Personal Social Services Research Unit, 2010.
6. Ibid.
7. *Evaluating integrated and community-based care: How do we know what works?* Nuffield Trust, 2013.
8. *Effect of telecare on use of health and social care services: findings from the Whole Systems Demonstrator cluster randomised trial*, Age and Ageing, 2013.
9. *Evaluation of the Telecare Development Programme*, Scottish Government, 2009.

Source: Audit Scotland

Exhibit 14

Summary of findings from HIS and Care Inspectorate reviews of services

Healthcare Improvement Scotland and the Care Inspectorate have identified a number of areas for improvement.

Healthcare Improvement Scotland (acute hospitals)	Care Inspectorate (care homes)	Care Inspectorate (homecare)
Coverage:		
<p>Between January 2012 and October 2013 there were 20 inspections, comprising 16 announced and four unannounced inspections.</p> <p>17 hospitals inspected across 11 health boards.</p>	<p>Inspects about 900 care homes for older people. A risk-based assessment is used to determine the frequency and intensity of inspections.</p>	<p>Inspects about 800 homecare services. A risk-based assessment is used to determine the frequency and intensity of inspections.</p>
Summary of positive findings		
<ul style="list-style-type: none"> In most cases, staff treat older people with compassion, dignity and respect. Patients and their visitors are generally positive about the care older people receive. Hospitals are improving services for dementia patients. This includes adopting the National Dementia Champions' Programme, appointing specialist nurse consultants and improving the hospital environment (eg, better signage) 	<ul style="list-style-type: none"> 21 per cent of care homes for older people were rated very good or excellent across all four quality themes at 31 March 2013. This is an improvement on each of the four previous years. 18 out of 905 care homes were rated unsatisfactory or weak across all four quality themes at 31 March 2013. The percentage of care homes rated as good, very good or excellent has improved since 2008/09 for each of the individual quality themes. 	<ul style="list-style-type: none"> 39 per cent of homecare services were rated very good or excellent across all four quality themes at 31 March 2013. This is an improvement on each of the four previous years. 16 out of 814 care at home services were rated unsatisfactory or weak across all four quality themes at 31 March 2013.
Summary of areas for improvement		
<ul style="list-style-type: none"> The care delivered to patients is not always person-centred, for example staff do not always consider patient confidentiality and sometimes use inappropriate language in front of patients. 	<ul style="list-style-type: none"> For each of the individual quality themes the grading profile for older people's care homes is poorer than for other adult care services, including day care and care at home. 	<ul style="list-style-type: none"> 202 complaints were upheld, or partially upheld, against homecare services in 2012/13. This figure has increased year on year for the past four years.

Cont.

Exhibit 14 (continued)

Healthcare Improvement Scotland (acute hospitals)	Care Inspectorate (care homes)	Care Inspectorate (homecare)
Summary of areas for improvement (continued)		
<ul style="list-style-type: none"> • There is a lack of personalised care plans or personalised information about patients identifying their specific needs, for example: <ul style="list-style-type: none"> – patients are not always screened for cognitive impairments – nutritional care plans are not always developed – assessments to identify patients at risk of developing pressure ulcers are not consistently carried out. • As a result, the care patients receive is not always as effective as it should be, as the most appropriate treatment to meet their needs is not known. 	<ul style="list-style-type: none"> • 557 complaints were upheld, or partially upheld, against care homes for older people in 2012/13. This is more than any of the previous four years. • 14 care homes for older people had five or more complaints upheld in 2012/13, including one with 12. • At 31 March 2013, 193 care homes for older people were regarded as high risk. This was an increase from 158 at 31 March 2012. • In 2012/13, 20 enforcement notices were issued against 14 different care homes for older people. 	<ul style="list-style-type: none"> • Nine homecare services had five or more complaints upheld, or partially upheld, in 2012/13, including one with 13.

Note: Homecare services are not exclusively services for older people.

Source: Healthcare Improvement Scotland and Care Inspectorate data

Case study 4

Sharing data in Lothian

NHS boards and councils in the Lothian area have linked their health and social care data at individual level through the Integrated Resource Framework (IRF). This data is anonymised, but allow the board and councils to track how individuals are using different services.

In Lothian, research and information managers at the City of Edinburgh Council have used this linked data to establish a series of indicators. These show the pattern of how older people, who are receiving social care services, use the health service. The linked information has also been used to track the care of individuals who move to residential care. This allowed partners in Lothian to look at where most care activities, such as care homes and other services, are located.¹ They can then identify:

- how these locations fit in with where patients live
- the varying costs of services being provided by independent service providers
- the potential for offering an appropriate alternatives to the existing services.

NHS boards and councils in Lothian are in the early stages of interpreting their data. This information will help them understand how older people living in their area move between services, and how this affects costs. It will also help the NHS boards and councils make decisions about how to change services, and evaluate the impact of any changes.

Note: 1. *Evaluation of integrated resource framework test sites*, Scottish Government, 2012.

Source: NHS Lothian

Recommendations

The Scottish Government should:

- set out clear measures for success when a new policy is introduced. The Government should monitor progress and publicly report on performance against these measures and use them to underpin local commissioning and scrutiny. These indicators should include measures that cover outcomes, quality, community services and services to prevent or delay ill health
- learn from the approach taken to the Change Fund, ensuring that, for any new initiatives, arrangements are put in place to monitor, routinely and consistently, impact and how public money is being used
- make information on the quality of care for older people across Scotland more accessible and easier to understand. In doing this, continue to support the development of joint inspections by Healthcare Improvement Scotland and the Care Inspectorate, particularly in light of plans to integrate health and social care services.

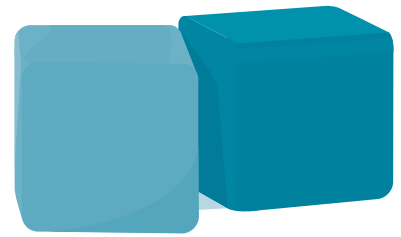
The Scottish Government should work with NHS boards, councils and their partners to:


- ensure that for the remainder of the Change Fund, it is clear how the money has been spent, the impact initiatives have had on older people and other services, how much initiatives have cost and how successful initiatives will be spread
- use a consistent tool to assess dependency in older people. This information is important to ensure that needs are met and to help inform planning future services
- produce integrated workforce plans for health and social care services, that underpin RCOP, to ensure staff with the right skills and experience are in place to deliver the care needed in each local area.










NHS boards, councils and their partners, supported by the Joint Improvement Team and other national bodies, should:

- make better use of available data, focusing on understanding reasons for variation in activity and spend, and reducing unexplained variation
 - monitor and spread successful projects by ensuring that initiatives aimed at improving services for older people have evaluation built in from the start to show how cost effective they are and how they are performing
 - identify initiatives that have had a positive impact on older people and:
 - specify how much they cost and the impact on other services
 - be clear how they can be sustained in the longer term.
-

Endnotes

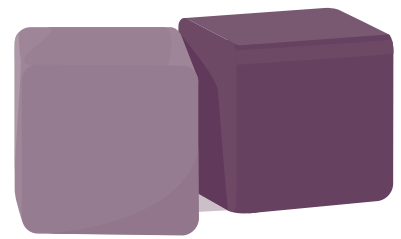


- ◀ 1 Population estimates by National Records of Scotland. People aged 65 or over account for 17 per cent of the population in 2010 and 2012. Population projections up to 2035 are based on 2010 figures, so we have used the 2010 figure here for comparability.
- ◀ 2 Audit Scotland analysis of Homecare Statistical Release 2012, Care Home Census 2012, Balance of Care/Continuing Care Census 2012, and National Records of Scotland 2012 Mid-year Population Estimates. This figure includes long-stay residents in care homes and patients in NHS continuing care beds, that is, beds for patients who need regular specialist clinical supervision due to complex or intense needs; or need frequent, but not predictable clinical interventions; or routinely need treatment or equipment that requires specialist NHS staff; or have a rapidly degenerating or unstable condition that requires specialist medical or nursing supervision.
- ◀ 3 *Caring in Scotland: Analysis of Existing Data Sources on Unpaid Carers in Scotland*, Scottish Government, 2010. The age estimate is based on figures from the 2001 census.
- ◀ 4 *Reshaping Care for Older People – A Programme for Change 2011–21*, Scottish Government, COSLA and NHS Scotland, 2010. The programme reflects the Scottish Government's *20:20 Vision* (September 2011) and *Healthcare Quality Strategy* (May 2010) policy documents. The *Healthcare Quality Strategy* aims to help 'deliver the highest quality healthcare to the people of Scotland and ensure that the NHS, local authorities and the third sector work together, with patients, carers and the public, towards a shared goal of world-leading healthcare'. The *20:20 Vision* is underpinned by the *Healthcare Quality Strategy*.
- ◀ 5 The Bill will replace Community Health Partnerships. NHS boards and councils will need to develop one of two models available. The body corporate model involves the NHS board and council delegating functions to a joint board headed by a chief officer. Through the lead agency model, the council and NHS board can delegate functions to each other under the oversight of a joint monitoring committee.
- ◀ 6 *Population Projections for Scottish Areas (2010-based)*, National Records of Scotland, 2012.
- ◀ 7 Finance Committee Demographic Change and Ageing Population Inquiry – Submission from National Records of Scotland, 2012.
- ◀ 8 *Population structure and ageing*, Eurostat, 2012 (excludes Croatia).
- ◀ 9 Finance Committee Demographic Change and Ageing Population Inquiry – Submission from National Records of Scotland, 2012.
- ◀ 10 *Population Projections for Scottish Areas (2010-based)*, National Records of Scotland, 2012.
- ◀ 11 Ibid. This projection takes into account changes, due between 2010 and 2035, to the criteria on who can claim state pensions and when.
- ◀ 12 *Health Expectancies in the United Kingdom, 2000–02 to 2008–10*, Office for National Statistics, 2010.
- ◀ 13 [Prescribing in general practice in Scotland \(PDF\)](#)  Audit Scotland, 2013.
- ◀ 14 *The London School of Economics companion to health policy*, McGuire and Costa-Font, 2012.
- ◀ 15 *Outlook for Scottish Government Expenditure: June 2010 Emergency Budget Update*, Scottish Government, July 2010.
- ◀ 16 *Reshaping Care for Older People – A Programme for Change 2011–21*, Scottish Government, COSLA and NHS Scotland, 2010.
- ◀ 17 Figures in real terms 2011/12 prices. Audit Scotland analysis of Local Financial Return statistics 2002/03 – 2011/12.
- ◀ 18 Real terms in 2011/12 prices. The Integrated Resource Framework does not include expenditure on the State Hospital or general dental, general ophthalmic and other prescribing costs in family health services.
- ◀ 19 Commissioning social care is more than councils organising and buying services. It is also how councils and NHS boards work together to plan services to meet future demands and make effective use of their combined resources. This joint strategic approach to commissioning can help provide joined-up services to people and prevent, delay or shorten a stay in hospital. Ultimately, jointly planned investment in social care can save expenditure on unnecessary, and relatively expensive, hospital or residential care. From 2013/14 NHS boards, councils and their partners have been required to produce Joint Strategic Commissioning plans.
- ◀ 20 Audit Scotland analysis of NHS Costs Book data. Spending on community, family health services and resource transfer, as stated in the costs book, has been counted as being spent in the community.

- ◀ 21 [Review of Community Health Partnerships \(PDF\)](#)  Audit Scotland, 2011; [Overview of the NHS in Scotland's performance 2008/09 \(PDF\)](#)  Audit Scotland 2009; [Financial overview of the NHS in Scotland, 2007/08 \(PDF\)](#)  Audit Scotland, 2008.
- ◀ 22 Audit Scotland analysis of Free Personal and Nursing Care and Local Financial Return statistics, 2003/04 to 2011/12, Scottish Government. Figures have been converted to real terms in 2011/12 prices.
- ◀ 23 Council spending figures are net of any income such as charges for services. Increases in spending may have been larger, but offset by increased charging. Overall levels of charging for services by councils have increased over time.
- ◀ 24 Figures in this paragraph are in real terms 2011/12 prices. [A review of free personal and nursing care \(PDF\)](#)  Audit Scotland, 2008. In July 2002, Free Personal and Nursing Care was introduced in Scotland to bring social care for older people into line with the principle of free care based on need applied to medical and nursing care in the NHS. This care can be provided to a person in their own home, or in a nursing home. When someone aged 65 or over has been assessed as having personal care needs, councils may not charge for the service. Personal care includes help with personal hygiene, eating and drinking, managing medication, and immobility problems. Nursing care is any service that requires the knowledge or skills of a trained nurse and cannot be charged for.
- ◀ 25 [Health inequalities in Scotland \(PDF\)](#)  Audit Scotland, 2012.
- ◀ 26 Real terms spending did not increase in Angus.
- ◀ 27 The four councils that increased spending, in real terms, on social care for older people per head of population aged 65 or over between 2010/11 and 2011/12 were Moray, Scottish Borders, East Renfrewshire and South Lanarkshire. Council spending figures are net of any income such as charges for services.
- ◀ 28 [Emergency departments \(PDF\)](#)  Audit Scotland, 2010.
- ◀ 29 *Social care for older people: Using data from the VFM Profiles*, Audit Commission, 2013.
- ◀ 30 *Reshaping Care For Older People – Update Paper*, Scottish Government, September 2013.
- ◀ 31 [Commissioning social care \(PDF\)](#)  Audit Scotland, March 2012. Commissioning social care is more than councils organising and buying services. It is also how councils and NHS boards work together to plan services that will meet future demands and make effective use of their combined resources.
- ◀ 32 Change Fund allocations are based on the National Resource Allocation Committee (NRAC) distributions for the Community Care Programme, based on NHS board populations for the 65 or over age group and also local authority Grant Aided Expenditure (GAE) distributions for older people's services. Local partnerships are made up of the NHS, council, private and third sector organisations.
- ◀ 33 Partnerships were required to produce a Change Fund plan for 2011/12 and again in 2012/13. To access the 2013/14 Change Fund, partnerships were required to provide specific information from their 2013/14 Joint Commissioning Strategies for Older People.
- ◀ 34 There are 31 Change Fund partnerships in Scotland, one for each council area, with the exception of Clackmannanshire and Stirling where organisations worked together to produce a joint plan.
- ◀ 35 *Change Fund 2012/13 Mid-year Progress Report*, Joint Improvement Team, November 2012.
- ◀ 36 [Review of Community Health Partnerships \(PDF\)](#)  Audit Scotland, 2011.
- ◀ 37 *Prepared to Care? Exploring the impact of caring on people's lives*, Carers UK, 2013.
- ◀ 38 Potentially preventable hospital admissions are sometimes referred to as ambulatory care sensitive conditions. There are 19 conditions in total. Audit Scotland analysis of data requested from ISD Scotland, 2013.
- ◀ 39 [Moving on? An overview of delayed discharges in Scotland \(PDF\)](#)  Audit Scotland, 2005.
- ◀ 40 Data from ISD Scotland (2013) excludes 'code 9' delays. These are delays for patients waiting for a place to become available in a high-level needs specialist facility for whom an interim move is not appropriate or is considered unreasonable. It also applies to adults who may not have the ability to make the decision, as defined under incapacity legislation. In these circumstances, discharge may take longer to arrange and the normal standard does not apply. Unless we note otherwise, we exclude 'code 9' delays.
- ◀ 41 Data from ISD Scotland, 2013.
- ◀ 42 Bed days occupied by delayed discharges, ISD Scotland, August 2012, November 2012, February 2013, May 2013.
- ◀ 43 This includes information up to October 2013. The 11 boards are NHS Ayrshire and Arran, Borders, Dumfries and Galloway, Fife, Forth Valley, Grampian, Greater Glasgow and Clyde, Lanarkshire, Lothian, Tayside and Western Isles.
- ◀ 44 *Care for Older People in Acute Hospitals Six-monthly Report (February-July 2012)*, Healthcare Improvement Scotland, 2012; *Care for Older People in Acute Hospitals Overview Report (August 2012-April 2013)*, Healthcare Improvement Scotland, 2013.
- ◀ 45 Each theme is graded using a six-point scale: 1-unsatisfactory; 2-weak; 3-adequate; 4-good; 5-very good; 6-excellent.

Appendix 1

Audit methodology



We reviewed a range of published information to inform our audit, including the following:

- Scottish Government documents on the Reshaping Care for Older People programme, partnerships' 2012/13 Change Fund plans and mid-year progress reports and the Scottish Government's reports on plans and progress
- Community Planning Partnerships' Single Outcome Agreements
- Care Inspectorate reports on councils' social work services and Healthcare Improvement Scotland's inspection reports on older people's care in acute hospitals
- Academic papers and published reports from voluntary and research bodies and from other bodies such as the King's Fund
- Evidence gathered by the Scottish Parliament's Finance Committee into the impact of demographic change and an ageing population on Scotland's public finances
- Councils' Assurance and Improvement Plans.

We analysed published and unpublished financial, performance and activity data including the following:

- NHS Information Services Division (ISD) data
- National Records of Scotland data
- Scottish Government Health and Community Care and Local Government Finance data
- Scottish Index of Multiple Deprivation
- Integrated Resource Framework financial information
- Linked health and social care finance data from NHS Lothian
- Scottish Public Health Observatory data
- Statutory Performance Indicators.

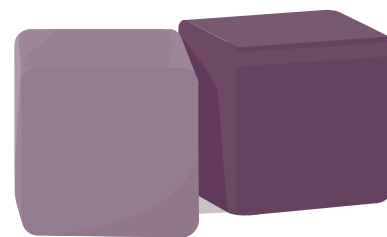
We interviewed staff from:

- the Joint Improvement Team at the Scottish Government
- the Care Inspectorate and Healthcare Improvement Scotland
- NHS Information Services Division
- organisations in Lanarkshire, including North Lanarkshire Council, South Lanarkshire Council, and the North and South Lanarkshire community health partnerships
- organisations in Ayrshire and Arran, including North Ayrshire Council, NHS Ayrshire and Arran and the North, South and East Ayrshire community health partnerships
- NHS Lothian and NHS Tayside.

We commissioned ODS Consulting to carry out focus groups with older people and their carers to gather their views on the quality of services in their areas and on the RCOP programme. ODS Consulting also carried out focus groups with representatives from the voluntary sector. We have published a report on this work on our website www.audit-scotland.gov.uk.

Appendix 2

Project advisory group



Audit Scotland would like to thank the members of the project advisory group for their input and advice throughout the audit.

Karen Anderson	Care Inspectorate
Kathleen Bessos	Scottish Government
Susanne Cameron-Nielsen	Age Scotland
Ron Culley	Convention of Scottish Local Authorities
Dr John Duncan	Royal College of General Practitioners
Dr Anne Hendry	Joint Improvement Team/NHS Lanarkshire
Peter Knight	Joint Improvement Team
Annie Gunner Logan	Coalition of Care Providers Scotland
Ranald Mair	Scottish Care
Robbie Pearson	Healthcare Improvement Scotland
Elaine Torrance	Association of Directors of Social Work and Scottish Borders Council
Dr Margaret Whoriskey	Joint Improvement Team

Note: Members of the project advisory group sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

Reshaping care for older people

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Audit and Governance Committee Annual Work Plan 2014/15

7

Date	Internal Audit Reports	External Audit Reports	Accounts Commission/ Audit Scotland reports	Governance	Risk
20/01/15	Public Sector Internal Audit Standards (PSIAS) Draft Internal Audit Charter Fleet Management Performance Indicators 2013/14 Cash Handling and Banking IT Disaster Recovery & Business Continuity Follow-up Reports Progress Report 2014/15	Audit Strategy and Plan	Re-shaping Care for Older People	Health & Social Care Scheme of Integration	Infrastructure Risk Register Risk Management Strategy
17/03/15	Self Directed Support Tyne Esk LEADER Programme Partnership Funding Schools Audit Gifts and Hospitality Members		Scotland's Public Finances Community Planning in Scotland (Nov 2014)		Development Risk Register Communities & Partnerships Risk Register Council Resources Risk Register

	<p>Contracts Audit</p> <p>Mandatory and Discretionary Financial Assistance</p> <p>Fees and Charges</p> <p>Frameworki – Payments on Schedule</p> <p>Review of Previous Year's Work</p> <p>Internal Audit Plan 2015/16</p> <p>Internal Audit Progress Report 2014/15</p>				
19/05/15	<p>Borrowings</p> <p>Pensions</p> <p>Payroll Overtime</p> <p>Non-Domestic Rates</p> <p>Internal Audit Progress Report 2014/15</p> <p>Controls Assurance Statement 2014/15</p>	Interim Management Report	<p>Overview of Scottish Local Government (Feb 2015)</p> <p>Borrowing and Treasury Management in Local Government (Jan 2015)</p>	2015 Corporate Governance Self-evaluation/ Annual Governance Statement	Corporate Risk Register
23/06/15* (*new date)				Draft 2014/15 Annual Accounts	

REPORT TO: Audit and Governance Committee

MEETING DATE: 20 January 2015

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Public Sector Internal Audit Standards (PSIAS)

8

1 PURPOSE

- 1.1 To provide the Audit and Governance Committee with an overview of the requirements of the Public Sector Internal Audit Standards (PSIAS).

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the report.

3 BACKGROUND

- 3.1 From 1 April 2013, the new Public Sector Internal Audit Standards (PSIAS) came into effect. These were jointly developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA).
- 3.2 Prior to April 2013 Internal Audit was required to comply with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. The PSIAS replaced the CIPFA Code as the mandatory standards for Internal Audit from 1 April 2013.
- 3.3 A summary of the key points of the PSIAS is outlined below. The Standards:
- provide a revised definition of internal auditing, focusing on the role of Internal Audit in providing independent assurance over the Council's risk management, control and governance processes;
 - provide a mandatory Code of Ethics which must be adopted by all internal auditors working in the public sector;
 - require the Internal Audit Charter to clearly set out the role and purpose of Internal Audit as well as the nature of the Internal Audit

Manager's functional reporting relationship with the Audit and Governance Committee;

- affirm Internal Audit's rights of access to all records, assets, personnel and premises relevant to internal audit engagements;
- set out the requirement for a Quality Assurance and Improvement Programme (QAIP) for Internal Audit. The QAIP must include both annual internal assessments and external assessments at least once every five years. The external assessment must be conducted by a qualified, independent assessor or assessment team from outside the Council. The Internal Audit Manager is required to discuss with the Audit and Governance Committee the form of external assessment and the qualification and independence of the external assessor or assessment team;
- require the preparation of an annual risk based audit plan designed to allow an opinion to be given on the Council's arrangements for risk management, control and governance.

3.4 Internal Audit is required to undertake an assessment of compliance with the PSIAS and report on the results.

3.5 A Local Government Application Note has been developed by CIPFA for Local Government organisations within the UK public sector – the Application Note contains a checklist to assist in assessing conformance with the Standards. The checklist contains over 300 best practice questions.

3.6 The checklist was used by Internal Audit to undertake an internal self assessment review of conformance with the PSIAS. A summary of the results is attached as Appendix A. The self assessment has highlighted the following:

- Full conformance – 251
- Non-conformance – 4
- Partial conformance – 29
- Not Applicable – 49

3.7 For areas of non-conformance, a detailed action plan has been prepared and is attached as Appendix B. Areas of partial conformance relate primarily to areas where the standards are being complied with, but there was a lack of documentation to evidence compliance. This is currently being addressed. Of the 49 areas that have been assessed as Not Applicable, 27 relate to consulting engagements which are not currently undertaken by Internal Audit and the remaining relate to situations that have either not been encountered or that are not applicable to Scotland.

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	8 January 2015

EAST LoTHIAN COUNCIL – SUMMARY OF CONFORMANCE WITH PSIAS

Appendix A

SECTION	STANDARD	CONFORMANCE				TOTAL
		YES	PARTIAL	NO	N/A	
1	DEFINITION OF INTERNAL AUDITING	3	-	-	-	3
2	CODE OF ETHICS	13	-	-	-	13
3	ATTRIBUTE STANDARDS					
3.1	Purpose, Authority and Responsibility	19	-	1	1	21
3.2	Independence and Objectivity	21	-	1	7	29
3.3	Proficiency and Due Professional Care	17	1	-	3	21
3.4	Quality Assurance and Improvement Programme	22	-	2	3	27
4	PERFORMANCE STANDARDS					
4.1	Managing the Internal Audit Activity	31	9	-	7	47
4.2	Nature of Work	24	4	-	3	31
4.3	Engagement Planning	37	2	-	19	58
4.4	Performing the Engagement	22	-	-	-	22
4.5	Communicating Results	37	12	-	6	55
4.6	Monitoring Progress	3	1	-	-	4
4.7	Communicating the Acceptance of Risks	2	-	-	-	2
TOTAL		251	29	4	49	333

STANDARD	COMPLIANT	AGREED ACTION	RESPONSIBLE OFFICER	AGREED DATE OF COMPLETION
3.1 Purpose, Authority and Responsibility				
Does the Internal Audit Charter establish Internal Audit's rights of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?	No	A report will be brought to the full Council setting out the requirements of the Public Sector Internal Audit Standards, in respect of Internal Audit's rights of access.	Internal Audit Manager	June 2015
3.2 Independence and Objectivity				
Is feedback sought from the Chair of the Audit and Governance Committee for the Internal Audit Manager's performance appraisal?	No	Feedback from the Chair of the Audit and Governance Committee will be incorporated within the existing Performance Review and Development (PRD) process.	Internal Audit Manager	June 2015
3.4 Quality Assurance and Improvement Programme (QAIP)				
Has the Internal Audit Manager reported the results of the QAIP to Senior Management and the Audit and Governance Committee?	No	The results of the QAIP will form part of the Internal Audit Annual Report for 2014/15, which will be presented to the Audit and Governance Committee in May 2015.	Internal Audit Manager	May 2015
Has the Internal Audit Manager included the results of the QAIP and progress against any improvement plans in the annual report?	No	The results of the QAIP will form part of the Internal Audit Annual Report for 2014/15, which will be presented to the Audit and Governance Committee in May 2015.	Internal Audit Manager	May 2015

REPORT TO: Audit and Governance Committee

MEETING DATE: 20 January 2015

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Draft Internal Audit Charter

9

1 PURPOSE

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require an Audit Charter to be in place in each local authority. East Lothian Council's Draft Internal Audit Charter is being submitted to the Audit and Governance Committee for information. The Charter will replace Internal Audit's Terms of Reference which were approved by the Audit and Governance Committee in June 2012.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the Draft Internal Audit Charter.

3 BACKGROUND

- 3.1 The Internal Audit Charter has been drawn up in line with the PSIAS requirements and is a formal document that defines the Internal Audit activity's purpose, authority and responsibility. The draft Internal Audit Charter is attached as Appendix A.
- 3.2 The Internal Audit Charter establishes Internal Audit's position within the organisation, including the nature of the Internal Audit Manager's functional reporting relationship with the Audit and Governance Committee; authorises access to records, assets, personnel and premises relevant to the performance of engagements; and defines the scope of Internal Audit's activities.
- 3.3 At present, Internal Audit does not have formal authority to access all records, assets, personnel and premises as is considered necessary to fulfil its obligations. We are informed that this authority can only be given by the Council. The final Internal Audit Charter will be presented to the

Audit and Governance Committee following formal approval being granted.

- 3.4 The PSIAS require the Internal Audit Charter to be reviewed periodically and presented to Senior Management and to the Audit and Governance Committee for approval.

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

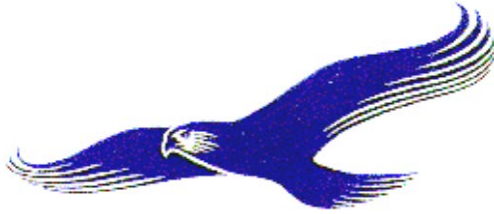
- 6.1 Financial - None
6.2 Personnel - None
6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	8 January 2015

EAST LoTHIAN COUNCIL
INTERNAL AUDIT



INTERNAL AUDIT
CHARTER

DRAFT

INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 The work of East Lothian Council's Internal Audit activity is governed by the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013.
- 1.2 The Internal Audit Charter is a formal document that defines the Internal Audit activity's purpose, authority and responsibility. The Internal Audit Charter establishes Internal Audit's position within the Council, including the nature of the Internal Audit Manager's functional reporting relationship with the Audit and Governance Committee; authorises access to records, assets, personnel and premises relevant to the performance of engagements; and defines the scope of Internal Audit's activities.

2. Definitions

- 2.1 The PSIAS comprise a revised definition of internal auditing, a Code of Ethics for internal auditors working in the public sector and the Standards themselves. The PSIAS are mandatory for all internal auditors working in the UK public sector.
- 2.2 The PSIAS require that the Internal Audit Charter defines the terms "Board" and "Senior Management" in relation to the work of Internal Audit. For the purposes of Internal Audit work in East Lothian Council, the Board refers to the Audit and Governance Committee which has responsibility for overseeing the work of Internal Audit. Senior Management is defined as the Council Management Team (Chief Executive, Depute Chief Executives and Heads of Service).
- 2.3 The PSIAS also refer to the 'Chief Audit Executive' which in East Lothian Council is the Internal Audit Manager. The Internal Audit Manager is responsible for the effective review of all aspects of risk management, control and governance processes, throughout the full range of the Council's activities.

3. Purpose

- 3.1 Internal Audit's purpose is to provide an independent, objective assurance and advisory service designed to add value and improve the Council's operations. Internal Audit helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In carrying out its activities Internal Audit aims to contribute to:
 - building strong and effective risk awareness and control consciousness within East Lothian Council;
 - continuously improving the risk management, control and governance processes so they operate at optimum effectiveness and cost efficiency and reflect best practice.

4. Scope

- Internal Audit's scope of work extends to the entire control environment of the Council. Internal Audit determines what areas within its scope should be included within the annual Internal Audit Plan by adopting an independent risk based approach, and through engagement with Senior Management.
 - Internal Audit provides assurance as to whether the Council's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:
 - Achievement of the Council's strategic objectives.
 - Compliance with policies, standards, procedures and applicable laws and regulations.
 - Reliability and integrity of financial and operational information.
 - The safeguarding, verifying and accounting for assets.
 - Economic and efficient use of resources.
- 4.3 Internal Audit is also responsible for carrying out ad-hoc investigations into potential irregularities involving cash, stores, equipment or other property of the Council, and for providing advice as and when required in relation to control and compliance issues.

5. Authority

The PSIAS require that the Internal Audit Charter establishes Internal Audit's rights of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as is considered necessary to fulfil its responsibilities.

6. Responsibility

- 6.1 Internal Audit is accountable for developing and delivering a programme of assurance aimed at validating the effective management of key business risks.
- 6.2 The annual Internal Audit Plan takes cognisance of the areas of greatest risk within the Council. The planning approach includes consideration of any risks or concerns identified by management.
- 6.3 The annual Internal Audit Plan is approved by the Audit and Governance Committee. The Audit Plan is reviewed to identify any amendments needed to reflect changing priorities and emerging risks.
- 6.4 Internal Audit is accountable for reporting its findings, conclusions and recommendations to the Audit and Governance Committee and to Senior Management. In addition, Internal Audit is responsible for ensuring timely follow-up on management actions.

- 6.5 Internal Audit assists as needed in the investigation of significant suspected fraudulent activities within the Council and notifies management and the Audit and Governance Committee of the results of any investigations.

7. Independence

- 7.1 Internal Audit must be independent from management at all times in order to be effective in executing its work freely and objectively. In this regard:

- Internal Auditors will have no responsibility or authority over any operating activities reviewed;
- Internal Audit is prohibited from performing management activities, including performing operational duties;
- Internal Audit is authorised to allocate resources, set frequencies, select areas, determine audit scopes and apply tools and techniques, and to obtain the necessary assistance and specialised services within or outside the Council to accomplish its objectives;
- Internal Audit has the right to be informed by management, on a timely basis, of any significant control failures identified by management.

8. Accountability

- 8.1 Day to day management of the Internal Audit team will be performed by the Internal Audit Manager. The Internal Audit Manager reports administratively to the Depute Chief Executive – Resources and People Services and has unrestricted access to the Chief Executive, the Monitoring Officer, Section 95 Officer and the Chair of the Audit and Governance Committee.

- 8.2 The Internal Audit Manager shall be accountable to the Audit and Governance Committee for:

- providing at least annually an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of risk management, control and governance;
- reporting significant issues relating to the processes for controlling the activities of the Council, including recommendations and status of implementation of improvements;
- periodically providing information on the status and results of the annual audit plan and the sufficiency of the Internal Audit function's resources;
- co-ordination with other significant assurance functions.

9. Management Responsibilities

- 9.1 An Internal Audit function can only be effective if it receives the full cooperation of management. By approving this Internal Audit Charter, the Audit and Governance Committee and the Depute Chief Executive – Resources and People Services are mandating management to cooperate with Internal Audit in the delivery of the service by:

- providing Internal Audit with full support and cooperation, including complete access to all records, assets, personnel and premises relevant to the performance of their responsibilities at all levels of operations,

without unreasonable delay, subject to all relevant legal obligations and restrictions;

- responding to draft Internal Audit reports including provision of management responses to recommendations;
- implementing agreed management actions in accordance with the agreed timescales and updating Internal Audit with progress made on management actions;
- informing Internal Audit of proposed changes and developments in processes and systems and of newly identified risks.

9.2 Management is responsible for the effective identification of risk and the maintenance of adequate systems of controls. Management is responsible for corrective actions on reported weaknesses.

9.3 Managing the risk of fraud and corruption is the responsibility of management; Internal Audit will assist management in the effective discharge of this responsibility.

9.4 In accordance with the Council's Strategy for the Prevention and Detection of Fraud and Corruption, Management will notify Internal Audit of all suspected or detected fraud, corruption or impropriety, to inform the annual audit opinion and the risk-based plan.

10. Advisory Work

10.1 Public Sector Internal Audit Standards (PSIAS) recognise that Internal Audit effort may sometimes be more usefully focused towards providing advice rather than assurance over core controls. Where appropriate, Internal Audit will act in a consultancy capacity by providing guidance and advice for strengthening the control environment within the Council, providing:

- the objectives of the consulting engagement address governance, risk management and control processes to the extent agreed upon with the Council;
- the request has been approved at Corporate Management level;
- Internal Audit is considered to have the right skills, experience and available resources;
- Internal Audit's involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and Internal Audit will not assume a management role in providing this advice.

10.2 When performing consulting services, Internal Audit staff must maintain objectivity and not take on management responsibility.

10.3 The Internal Audit Manager is responsible for ensuring that all requests for consulting engagements are reviewed in accordance with the above criteria and for making the final decision.

11. Quality Assurance

11.1 Public Sector Internal Audit Standards (PSIAS) require that the Audit function is subject to a Quality Assurance and Improvement Programme (QAIP) that must include both internal and external assessments.

Internal assessments

11.2 On an annual basis an internal review is undertaken to ensure that the Internal Audit function is fully compliant with the PSIAS. All Internal Audit engagements are subject to a thorough review of quality to ensure that the work meets the standards expected from all Internal Audit staff. For example the internal file quality reviews undertaken by the Internal Audit Manager cover the following:

- All work undertaken is in accordance with PSIAS.
- The work is planned and undertaken in accordance with risks associated with areas under review.
- Sampling is undertaken in accordance with a methodology agreed with External Audit.
- The conclusions are fully supported by the detailed work undertaken and appropriate audit evidence is held on file to support the conclusions reached.

External assessments

11.3 An external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Council. The Internal Audit Manager will discuss options for the external assessment with the Depute Chief Executive – Resources and People Services and with the Audit and Governance Committee.

12. Approval

12.1 Final approval of the Internal Audit Charter resides with the Audit and Governance Committee.

Updated: January 2015

REPORT TO: Audit and Governance Committee
MEETING DATE: 20 January 2015
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Fleet Management

10

1 PURPOSE

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

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 A review of Fleet Management was undertaken as part of the audit plan for 2014/15.
- 3.2 The main objective of the audit was to ensure that the Council has appropriate arrangements in place for the management of its vehicle fleet.
- 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	8 January 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT FLEET MANAGEMENT

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of Fleet Management was undertaken as part of the Audit Plan for 2014/15. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- A fleet management system (Fleetmaster) is in use by Transportation for managing and maintaining the Council's fleet of vehicles.
- Adequate insurance arrangements are in place for all Council vehicles.

1.3 Areas with Scope for Improvement

- The Council's Vehicle Replacement Strategy has recently been reviewed and updated to reflect changes to vehicle retention periods; however it has not been formally approved. *Risk – strategic objectives may not be met.*
- The tender evaluation criteria applied as part of the procurement process requires review. *Risk – failure to achieve best value.*
- No clear guidance is available covering the disposal of vehicles – in two cases, used Council vehicles were sold to connected parties, while in a third case a Council vehicle was donated to support a social enterprise that had been set up by one of the Council's contractors, however no formal partnership agreement was in place between the Council and the social enterprise. *Risk – favouritism and bias may occur.*
- In a number of cases vehicle sale proceeds had been incorrectly coded in the Council's general ledger and there was a lack of a clear audit trail. *Risk – errors and irregularities may occur and remain undetected.*
- The Council's current Fleet Management arrangements require to be rationalised to ensure that all Council vehicles are procured, managed and maintained by Transportation. *Risk – failure to ensure a consistent approach is adopted throughout the Council.*
- For vehicle additions and disposals there was a lack of reconciliation between information held on the Council's general ledger and vehicles listed on the fleet management system. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Our review of the Council's Fleet Management arrangements identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

January 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	<p>Management should ensure that the draft Vehicle Replacement Strategy is formalised.</p> <p>Management should ensure that a Fleet Asset Management Plan is developed to enable a consistent approach to the planning, procurement, maintenance and disposal of fleet assets.</p>	Medium	Service Manager – Transport	This proposal is accepted and the Strategy will be submitted in a report but this will depend on financial commitment to carry out this.		May 2015
3.2.2	Management should ensure that the fleet management system is a comprehensive record of all Council vehicles held – consideration should be given to rationalising the management of all Council vehicles under Transportation.	Medium	Head of Infrastructure	To be confirmed		
3.3.1	Management should review the evaluation criteria used to ensure that Value for Money is achieved in the procurement of all Council vehicles.	Medium	Service Manager – Transport	The evaluation requires to reflect the Scotland Excel contract and criteria should largely reflect this.		Future procurements will reflect this.

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.1	Management should ensure that the sale proceeds from all vehicle disposals are correctly coded in the Council's general ledger.	Medium	Service Manager – Transport	In future all sale proceeds will be given to Finance to process into the Council's general ledger.		January 2015
3.4.2	<p>Management should review the existing practice for disposing of used Council vehicles.</p> <p>Management should ensure that a consistent approach is adopted for disposing of used Council vehicles – vehicles should be sold at auction.</p> <p>Where used vehicles are considered to have scrap value only, the vehicles should be sold to a scrap dealer operating an authorised treatment facility.</p>	Medium	Service Manager – Transport	All future sales of vehicles will be via auction or sold to a registered scrap dealer.		January 2015
3.5.1	Regular reconciliations of all vehicle additions and disposals should be undertaken between the Council's general ledger and the fleet management system.	Medium	Service Manager – Transport	<p>Agreed</p> <p>Subject to rationalisation of all vehicles under Transportation (see 3.2.2).</p>		January 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.1	Management should ensure that the Council's Insurance Section is promptly informed of all purchases and disposals of vehicles.	Medium	Service Manager – Transport	This is currently done for vehicles held on Fleetmaster but the date will now be noted in the vehicle file within Fleetmaster.		February 2015

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

REPORT TO: Audit and Governance Committee
MEETING DATE: 20 January 2015
BY: Depute Chief Executive – Resources and People Services
SUBJECT: Internal Audit Report – Performance Indicators 2013/14

11

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Performance Indicators 2013/14.

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 As part of the Audit Plan for 2014/15, we reviewed the systems in place for the preparation and reporting of performance information. Our review has focused on the Local Government Benchmarking Framework (LGBF) indicators.
- 3.2 The main objective of the review was to ensure that adequate arrangements were in place for the preparation and reporting of performance information and that the information provided by the Council 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	8 January 2015

EAST LoTHIAN COUNCIL – INTERNAL AUDIT PERFORMANCE INDICATORS 2013/14

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2014/15, a review was undertaken of the systems in place for the preparation and reporting of performance information. In particular, our review has focused on the Local Government Benchmarking Framework (LGBF) indicators for 2013/14.

1.2 Key Findings

- 1.2.1 The Accounts Commission Statutory Performance Indicator Direction for 2012 reinforces public performance reporting and Councils' requirement to take responsibility for the performance information they report. The 2012 Direction requires Councils to use a wide range of service performance and corporate management information and to report on the SOLACE benchmarking indicators (referred to as the Local Government Benchmarking Framework). We note that work on benchmarking is undertaken by the Improvement Service on behalf of SOLACE.
- 1.2.2 The Council is required to report on the 55 LGBF indicators for 2013/14 and we note that the LGBF indicators include many of the previous statutory performance indicators. The 2013/14 LGBF indicators are expected to be published at the end of January 2015.
- 1.2.3 We note that the LGBF indicators are based on seven service groupings which cover the major services provided by the Council. The data covered represents about 60% of total local government expenditure.
- 1.2.4 We reviewed the arrangements in place for the provision of performance information. We found that the cost data used to calculate the indicators is based on the Local Financial Return (LFR) prepared by the Council, while other data sources used for the indicators include the Scottish Household Survey and the Social Care Survey.
- 1.2.5 We note that while the LFR submissions are based on the Council's audited accounts, the returns require costs to be classified under certain specific headings. For example, the Council's overall Environmental Services costs require to be split between Environmental Health, Trading Standards, Waste Collection, Waste Disposal and other Waste Management.
- 1.2.6 We reviewed the performance information in respect of the gross cost of waste collection submitted on LFR 06 (Environmental Services). We found that the cost split between waste collection and waste disposal had been incorrectly apportioned in the initial LFR submission. This resulted in the costs for waste collection being understated and waste disposal overstated. We are informed that the figures provided by the Council subsequently had to be resubmitted to include a revised split of costs between waste collection and waste disposal.

- 1.2.7 For this indicator, the information provided by the department in respect of the number of premises from which refuse was collected was also found to be inconsistent with the definition. We are informed that the Improvement Service asked for this data late in the process when they realised that it was not available from another source – as such it was not identified in the Council’s Performance Data Quality Policy as requiring verification.
- 1.2.8 From analytical review work undertaken of the performance indicators produced for 2012/13 and 2013/14 we also found significant variances in the information submitted for some of the indicators. For example for ‘home care costs per hour for people aged 65 or over’, the reported figure for 2012/13 was £9.70 per hour while for 2013/14 the figure is reported as £13.01 per hour.
- 1.2.9 For this indicator we note that the reported figure for 2012/13 was incorrect and that the figure for 2013/14 may not accurately reflect the actual costs the Council is currently incurring. The service area is aware of this anomaly and is in the process of reviewing the accuracy of the information provided. We are concerned that figures used for reporting and benchmarking purposes as part of the LGBF National Benchmarking Overview Report may not accurately reflect the Council’s actual performance.
- 1.2.10 Our review of verification checks highlighted that at present guidance issued to staff responsible for performance information does not require checks to be carried out on some LGBF indicators on the basis that indicators derived from another framework would already be subject to appropriate verification. We note however from our review that the existing arrangements in place require review.

1.3 Summary

Our review has highlighted weaknesses in the existing arrangements for the preparation of information used in the calculation of LGBF performance indicators.

We note that although the indicators are published by the Improvement Service, responsibility for ensuring the accuracy of the reported performance information lies with the Council.

1.4 Recommendation

Management should review its current processes to ensure that appropriate mechanisms are in place to verify the accuracy and completeness of the information which is used by the Improvement Service for performance indicator purposes.

Mala Garden
Internal Audit Manager

January 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
1.4	Management should review its current processes to ensure that appropriate mechanisms are in place to verify the accuracy and completeness of the information which is used by the Improvement Service for performance indicator purposes.	Medium	Service Manager – Corporate Policy & Improvement / Service Manager – Business Finance	Agreed		Ongoing

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

REPORT TO: Audit and Governance Committee
MEETING DATE: 20 January 2015
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Cash Handling and Banking

12

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Cash Handling and Banking.

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 A review of Cash Handling and Banking was undertaken as part of the audit plan for 2014/15.
- 3.2 The main objective of the audit was to ensure that adequate internal controls were in place covering Cash Handling and Banking at the Council's local area offices.
- 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	8 January 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT CASH HANDLING AND BANKING

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2014/15, a review was undertaken of the Cash Handling and Banking arrangements in place at the Council's local area offices. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate Cash Handling and Banking Procedures are in place to provide guidance to staff collecting payments.
- A cash receipting system is in operation which records all income received at the local area offices.
- A clear audit trail exists for all income received and banked.
- Adequate documentation is in place to support all bank bags uplifted by the security company for banking.
- Adequate separation of duties exists between staff responsible for income collection and staff with responsibility for reconciling income received to the bank.

1.3 Areas with Scope for Improvement

- The existing arrangements for the completion and checking of the Daily Reconciliation Sheets require review. *Risk – errors and irregularities may occur and remain undetected.*
- In some cases, there was a lack of documentation to support cancelled or void transactions. *Risk – errors and irregularities may occur and remain undetected.*
- The existing procedures for the recording of all cash held for uplift by the security company require review. *Risk – failure to adopt a consistent approach.*
- The current arrangements whereby a number of separate petty cash imprests are being held at the local area offices require review. *Risk – errors and irregularities may occur and remain undetected.*
- The security arrangements operating at the local area offices require review including key security, cash desks and security alarms. *Risk – loss or theft may occur.*
- The arrangements for checking petty cash imprests and cash floats require review. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Our review of the Cash Handling and Banking arrangements in place at the local area offices has identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

January 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.2	Consideration should be given to enhancing the existing audit trail by ensuring that receipts issued to customers include details of the cash tendered and the change given.	Medium	Service Manager – Customer Services	Agreed Contact to be made with suppliers of Capita system to enhance receipting system		June 2015
3.2.3	Management should ensure that the cash receipting system has the facility to automatically swipe customers' payment cards.	Medium	Systems Development & Business Support Team Leader	Agreed		March 2015
3.3.1	Management should ensure that a consistent approach is adopted for the receipting and recording of all amounts to be banked. The Customer Services Sheet should include details of all bank bags held in the safe for uplift by the security company.	Medium	Service Manager – Customer Services	Agreed Improved process to be agreed and staff trained		April 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.4	<p>Management should ensure that all sections of the Daily Reconciliation Sheet are fully completed.</p> <p>The Daily Reconciliation Sheet should be checked by a person independent of the preparer and signed as evidence of the checks carried out.</p> <p>Cash should only be declared onto the system once the checking process is complete.</p>	Medium	Service Manager – Customer Services	<p>Agreed</p> <p>Training to be improved and regular checks to be carried out</p>		April 2015
3.5.1	<p>Management should ensure that all till discrepancies are fully investigated by an independent employee.</p>	Medium	Service Manager – Customer Services	<p>Agreed</p> <p>Employees to be identified and new checking regime to be put in place</p>		April 2015
3.5.2	<p>Management should ensure that the Cash Handling and Banking Procedures in place are updated to provide guidance to staff on dealing with cancelled or void transactions.</p>	Medium	Service Manager – Customer Services	<p>Agreed</p> <p>Procedures to be updated and staff trained</p>		April 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.2 (cont)	All cancelled till transactions should be supported by appropriate documentation – the cancelled receipt should be signed by both the cashier and supervisor and held on file.					
3.6.1	Management should ensure that Finance are provided with details of all cash imprests and floats currently held at local area offices.	Medium	Service Manager – Customer Services	Agreed Cash imprests and floats to be reviewed with Finance		April 2015
3.6.2	Management should undertake a detailed review of the various imprests held at the local area offices – consideration should be given to operating one cash imprest by amalgamating the smaller funds.	Medium	Service Manager – Customer Services	Agreed Cash imprests and floats to be reviewed as recommended		April 2015
3.6.3	Management should ensure that all petty cash imprests and cash floats are checked on a regular basis.	Medium	Service Manager – Customer Services	Agreed New procedures to be put in place		April 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.7.1	Management should review the security arrangements operating at the local area offices – the review should cover key security, cash desks and security alarms.	Medium	Service Manager – Customer Services	<p>Agreed</p> <p>Review to be undertaken</p> <p>Cash desk at JMH programmed to be moved to Main Reception, JMH in near future so interim arrangements may need to be put in place</p>		April 2015

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

REPORT TO: Audit and Governance Committee
MEETING DATE: 20 January 2015
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – IT Disaster Recovery and Business Continuity

13

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on IT Disaster Recovery and Business Continuity.

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 A review of IT Disaster Recovery and Business Continuity was undertaken as part of the audit plan for 2014/15.
- 3.2 The main objective of the audit was to ensure that the Council has appropriate IT Disaster Recovery and Business Continuity arrangements in place.
- 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	8 January 2015

EAST LoTHIAN COUNCIL – INTERNAL AUDIT IT DISASTER RECOVERY AND BUSINESS CONTINUITY

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2014/15 a review was undertaken of the Council's IT Disaster Recovery and Business Continuity arrangements.

1.2 Areas where Expected Controls were Met

- An IT Business Continuity Plan is in place and testing/reviews of the Plan are formally recorded.
- A Corporate Server Back-up Policy is in place to ensure that all servers and databases are properly and routinely backed up – the success of overnight back-ups is checked each morning.
- A formal 'significant change' control procedure to assess and approve all changes to live systems has been implemented. This procedure aims to identify and then mitigate risks associated with changes. Contingency measures have been agreed and documented as part of the procedure.
- Key IT risks have been identified and are set out in the IT risk register, together with details of risk control measures currently in place and planned risk control measures.

1.3 Areas with Scope for Improvement

- While an IT Business Continuity Plan is in place, no separate IT Disaster Recovery Plan has been developed clearly outlining the procedures to be followed for responding to a significant disruption in IT capabilities. *Risk – inability to respond effectively and efficiently to a disaster.*
- The Business Continuity Plan prepared by IT and the Business Continuity Plans prepared by some service areas require review – at present the Plans are not aligned to clearly reflect the IT priorities within the Council. *Risk – IT recovery time objectives may not be in line with overall Council priorities.*
- For a number of key systems, no formal arrangements are in place with existing suppliers, specialist contractors or other organisations to provide emergency facilities to the Council in the event of a disaster. *Risk – inability to provide key services.*
- The existing arrangements in place for undertaking routine tests to restore back-ups require review. *Risk – back-ups may not be successfully restored.*

1.4 Summary

Our review of IT Disaster Recovery and Business Continuity has identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

January 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that an IT Disaster Recovery Plan is developed – the Plan should outline the sequence of events that should be followed in responding to a significant disruption in IT capabilities.	Medium	Service Manager – IT Infrastructure / Service Manager – IT Business Services	Agreed – to form part of the 2015/16 IT Business Continuity Plan.		September 2015
3.1.2	Appropriate consultation should be undertaken between service areas and the IT section to ensure that Business Continuity Plans are properly aligned.	Medium	Emergency Planning and Risk Manager / Business Continuity Single Points of Contact	In place – this now forms part of the Business Continuity Peer Review process.		In Place
3.1.3	Management should ensure that the IT Disaster Recovery Plan includes recovery and salvage procedures in the event of a disaster.	Medium	Service Manager – IT Infrastructure / Service Manager – IT Business Services	Agreed – to form part of the 2015/16 IT Business Continuity Plan.		September 2015
3.1.4	Consideration should be given to having arrangements in place with an external organisation for the provision of emergency IT services in the event of a disaster.	Medium	Head of Council Resources	Agree to explore reciprocal arrangements with suitable partners.		September 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	Management should ensure that the risk register in place is reviewed and updated to include all key IT risks – appropriate control measures should be put in place for all risks identified.	Medium	Service Manager – IT Infrastructure / Service Manager – IT Business Services	IT risk register has been reviewed and updated.		In Place
3.3.2	Consideration should be given to introducing a timetable or programme to test that back-ups can be successfully restored.	Medium	Service Manager – IT Infrastructure / Service Manager – IT Business Services	Consideration will be given to programme of back-up testing.		September 2015
3.4.1	Management should ensure that adequate staff training is provided to key staff with responsibility for disaster recovery.	Medium	Service Manager – IT Infrastructure / Service Manager – IT Business Services	Training requirements for key staff will be reviewed.		September 2015

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

REPORT TO: Audit and Governance Committee
MEETING DATE: 20 January 2015
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Follow-up Reports

14

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recent follow-up work undertaken by Internal Audit.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the findings of Internal Audit's follow-up work on Gifts and Hospitality Policy, Payments to Scottish Water and Trading Operations.

3 BACKGROUND

- 3.1 As part of the audit plan for 2014/15 Internal Audit has followed up the recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. Our findings are detailed below.

Gifts and Hospitality Policy

- 3.2 Internal Audit's report on Gifts and Hospitality Policy was issued in September 2013. Our follow-up review has identified that the recommendation made has been fully implemented. The Council recently reviewed its Gifts and Hospitality Policy and the revised Policy was approved by Cabinet on 11 November 2014.

Payments to Scottish Water

- 3.3 Internal Audit's report on Payments to Scottish Water was issued in September 2013. Our follow-up review has identified that the recommendation agreed by Management is currently outstanding. Details

of Management's response and the revised date of completion are attached in Appendix A.

Trading Operations

- 3.4 Internal Audit's report on Trading Operations was issued in May 2014. Our follow-up review has identified that the recommendation made is currently outstanding. Details of Management's response and the revised date of completion are attached in Appendix A.

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	8 January 2015

Appendix A

PAYMENTS TO SCOTTISH WATER

The recommendation currently outstanding is detailed below, together with Management's response.

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	MANAGEMENT RESPONSE	REVISED DATE OF COMPLETION
3.4.3	Management should ensure that appropriate documentation is held to support the adjustments being made in the payment calculations for costs raised.	Medium	Service Manager – Revenues	Service Manager – Revenues to have discussions with Scottish Water.	June 2015

TRADING OPERATIONS

The recommendation currently outstanding is detailed below, together with Management's response.

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	MANAGEMENT RESPONSE	REVISED DATE OF COMPLETION
1.4	Management should undertake a review of the Council's Significant Trading Operations and ensure compliance with the CIPFA/LASAAC Guidance.	Medium	Head of Council Resources/Service Manager – Business Finance	A review will be completed before the end of the current financial year.	March 2015

REPORT TO: Audit and Governance Committee

MEETING DATE: 20 January 2015

BY: Depute Chief Executive – Resources & People Services

15

SUBJECT: Internal Audit Progress Report 2014/15

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit's progress against the annual audit plan for 2014/15.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Internal Audit Progress Report 2014/15.

3 BACKGROUND

- 3.1 This report is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan.
- 3.2 The progress made to date is 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	8 January 2015

INTERNAL AUDIT PROGRESS REPORT 2014/15

AUDITABLE AREAS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Fostering and Kinship Care Allowances	We will review the arrangements in place for the payment of fostering and kinship care allowances and fees.	August 2014	Completed
Bathroom Adaptations	We will examine the adequacy and effectiveness of the Council's Framework Agreement for bathroom adaptations.	August 2014	Completed
National Fraud Initiative	Internal Audit participates in the National Fraud Initiative, which is coordinated for Scottish Local Authorities by Audit Scotland. This initiative seeks to identify potential frauds and overpayments by matching data held within the Council to that held by other bodies.	August 2014	Completed
Public Records (Scotland) Act 2011	We will examine the adequacy of the existing arrangements in place within the Council for meeting the requirements of the Public Records (Scotland) Act 2011 – the audit will focus on how the Council uses, stores, makes secure, shares and destroys information.	October 2014	Completed
Residential Homes for Older People	A review of the financial arrangements operating at the Council's residential homes for older people will be undertaken.	October 2014	Completed
Fleet Management	We will review the adequacy and effectiveness of the Council's fleet management.	October 2014	Completed

AUDITABLE AREAS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Review of Performance Indicators	Internal Audit will review the systems in place for the preparation and reporting of Performance Indicators.	October 2014	Completed
IT Disaster Recovery	We will review the IT disaster recovery arrangements for the Council's main data centres (John Muir House and Penston House).	October 2014	Completed
Tyne Esk LEADER Programme	We will examine the adequacy and effectiveness of the internal controls in place for the Tyne Esk LEADER Programme.	December 2014	
Standards and Policies	<p>Internal Audit will report to the Audit and Governance Committee on the following:</p> <ul style="list-style-type: none"> • The outcome of Internal Audit's assessment against Public Sector Internal Audit Standards (PSIAS) • The updated Internal Audit Charter • The Council's updated Whistleblowing Policy • The policies and procedures in place within the Council for the prevention and detection of fraud and corruption 	December 2014	Partly Completed
Cash Handling and Banking	We will examine the cash handling and banking arrangements in operation throughout the Council.	December 2014	Completed
Self Directed Support	We will report on the progress being made by the Council in implementing Self Directed Support.	December 2014	

AUDITABLE AREAS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Partnership Funding	We will examine the arrangements in place for partnership funding provided by the Council.	December 2014	
Schools Audit	We will examine the internal controls operating within one secondary school and one primary school in East Lothian.	December 2014	
Gifts and Hospitality – Members	We will review the arrangements in place for the recording and acceptance of offers of gifts and hospitality by Members.	February 2015	
Contracts Audit	We will examine payments made to suppliers in respect of specific contracts.	February 2015	
Mandatory and Discretionary Financial Assistance	We will review the adequacy and effectiveness of the arrangements in place for the processing of mandatory and discretionary housing grants.	February 2015	
Frameworki – Payments on Schedule	We will examine the adequacy and effectiveness of the internal controls in place for payments made to suppliers via Frameworki.	February 2015	
Fees and Charges	For a range of Council services we will review the arrangements in place for the setting up, reviewing and updating of fees and charges.	February 2015	

AUDITABLE AREAS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Review of Previous Years' Work	Internal Audit will review the outcome of our previous years' work to ensure recommendations have been actioned as agreed and that risks accepted by management have been properly managed.	February 2015	Partly Completed
Non-Domestic Rates	We will examine the internal controls surrounding the administration of Non-Domestic Rates.	April 2015	
Payroll Overtime	A review of the internal controls in place for the authorisation, processing and monitoring of Payroll Overtime will be carried out.	April 2015	
Borrowings	We will examine the systems and controls in place in respect of borrowings – the audit will focus on the draw down and repayment of loans and the associated authorisation and monitoring procedures in place.	April 2015	
Pensions	We will review the systems and controls in place in respect of pensions – the audit will focus on the accuracy and completeness of pension data sent to the Lothian Pension Fund.	April 2015	