



MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

TUESDAY 21 JUNE 2022
VIA DIGITAL MEETINGS SYSTEM

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Committee Members Present:

Councillor L Menzies (Convener)	Councillor T Trotter (Depute Convener)
Councillor L Bruce (from item 7)	Councillor L Jardine
Councillor G McGuire (from item 2)	Councillor K McLeod
Councillor B Ritchie	Councillor T Trotter

Council Officials Present:

Ms M Patterson, Chief Executive
Ms S Fortune, Executive Director for Council Resources
Mr D Proudfoot, Executive Director for Place
Ms L Brown, Executive Director for Education and Children's Services
Mr T Reid, Head of Infrastructure
Ms S Saunders, Head of Communities
Ms N McDowell, Head of Education
Ms M Sullivan, Head of Development
Ms W McGuire, Head of Housing
Ms M Ferguson, Head of Council Support
Mr D Stainbank, Service Manager – Internal Audit
Mr P Vestri, Service Manager – Improvement, Policy & Communications
Mr R Parker, Service Manager – Education (Strategy and Operations)
Mr P Grant, Service Manager – Property Maintenance
Mr D Henderson, Interim Head of Finance
Mr D Ogilvie, Service Manager – Housing Strategy & Development
Ms A Glancy, Service Manager – Corporate Accounting
Ms L Gillingwater, Team Manager, Democratic and Licensing
Ms M Coyle, Service Manager, Procurement
Mr S Allan, Senior Auditor
Mr P Moore, Senior Auditor
Mr S Kennedy, Emergency Planning, Risk and Resilience Officer

Clerk:

Ms S Birrell

Visitors Present:

Mr J Rundell, Audit Scotland
Ms E Scoburgh, Audit Scotland

Apologies:

None

Declarations of Interest:

None

1. ELECTION OF CONVENER AND DEPUTE CONVENER

Ms Gillingwater, Team Manager, Democratic and Licensing, reported that the election of a Convener for Audit & Governance Committee had been delegated to opposition groups at the meeting of East Lothian Council held on 24 May 2022. The SNP Group had nominated Councillor Menzies, and there had been no nomination received from the Conservative Group. Accordingly, Councillor Menzies was confirmed as the Convener of the Audit & Governance Committee.

The Clerk asked for nominations for a Depute Convener. Councillor Trotter was proposed by Councillor Jardine and seconded by Councillor McLeod. As there were no other nominations, Councillor Trotter was confirmed as Depute Convener of the Audit & Governance Committee.

2. GUIDE TO SCRUTINY AND REVIEW

A report was submitted by the Executive Director for Place to provide the Committee with a guide to scrutiny and review.

Paolo Vestri, Service Manager for Improvement, Policy and Communications, presented the report, which had been designed to support the work of, and provide information on, the operation of scrutiny Committees of the Council. He drew the Committee's attention to the sections on Work Programming and how to conduct a Policy Review.

In response to a question from Councillor McLeod, Mr Vestri confirmed that the regularity of reports would depend on their nature, but that ultimately it was the responsibility of Members to decide which items they wished to discuss at Audit & Governance Committee.

Decision

The Committee agreed to note the Guide.

3. INTERNAL AUDIT REPORT: JUNE 2022

A report was submitted by the Service Manager for Internal Audit, informing the Committee of Internal Audit reports issued since the last meeting of the Committee, and providing an update on the progress made against the 2020/21 annual audit plan.

Duncan Stainbank, Service Manager for Internal Audit, spoke to internal audit reviews that had been carried out since the last meeting of the Audit & Governance Committee in detail. These were:

- i) Low Value Purchasing
- ii) Property Maintenance Stores
- iii) COVID-19 Grants
- iv) the Scottish Welfare Fund, and
- v) Risk Management.

For each internal audit, Mr Stainbank took the Committee through the executive summary, findings and recommendations, and areas where expected controls were met/good practice, pausing after these reports for Member questions.

In response to questions from Councillor McLeod, Mr Stainbank provided examples of items costing in excess of £50,000, such as new school builds and payments for rented spaces. He explained that market testing had not taken place on a contract agreed in 2007 as its value had not exceeded £50,000, adding that there had been regular conversations between the contractor and the relevant Council's employee.

Mr Stainbank continued his report, referring to East Lothian Council's Assurance Review on the Digital Learning and Teaching Strategy, which had followed on from the Scottish Government's Digital Learning and Teaching Strategy, which identified three key educational outcomes:

- i) enhancing learning and teaching;
- ii) improving educational outcomes; and
- iii) building digital skills,

Turning to the Internal Audit Progress Report, Mr Stainbank announced that 14 out of 16 planned Internal Audits for the period ending June 2022 were complete, and outlined the reasons behind delays to the remaining two Audits.

In response to a question from Councillor Ritchie, Mr Stainbank confirmed that the fieldwork for the audit of Waste Management would be completed by July 2022, and would be reported to the Audit & Governance Committee in September 2022.

Decision

The Committee agreed to note:

- i) the main findings and recommendations from the Internal Audit reports issued during the period from February to June 2022;
- ii) the main findings and recommendations from the Internal Audit Assurance review undertaken in the period from February 2022 to June 2022; and
- iii) Internal Audit's progress against the annual audit plan for 2021/22.

4. ANNUAL INTERNAL REPORT 2021/22

A report was submitted by the Service Manager for Internal Audit as the Public Sector Internal Audit Standards (PSIAS) required that Internal Audit prepared an annual internal audit opinion and report it to support the Council's Annual Governance Statement, to provide a summary of the work undertaken by East Lothian Council's Internal Audit team in 2021/22 and to support both the Council's Annual Governance Statement and Internal Audit Controls Assurance Statement.

Mr Stainbank, Service Manager for Internal Audit, presented the report, outlining that the Internal Audit Plan for 2021/22, approved in February 2021, had been revised in September 2021 as a result of the continued changing risk environment of East Lothian Council. He explained that of 14 Reviews, those completed after November 2021 had been subject to an alteration of grading as recommended by CIPFA, and emphasised

that there had been no instances where the service had been required to declare a conflict of interest.

In response to a question from Councillor Jardine, Mr Stainbank explained that the Audit for Scottish Housing Regulator Annual Assurance had not been graded as this was an assurance review rather than a full audit exercise but that this item would remain on the Audit Plan.

Decision

The Committee agreed to note the contents of the report.

5. CONTROLS ASSURANCE STATEMENT 2021/22

A report was submitted by the Service Manager for Internal Audit, on the Controls Assurance Statement 2021/22. Internal Audit were responsible for independent review of the internal control framework within East Lothian Council, and were required to make an assessment of the control environment, reporting annually on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

Mr Stainbank, Service Manager for Internal Audit, presented the report. Subject to the areas of improvement outlined in the report, and the unprecedented length of time East Lothian Council had operated under business continuity measures, there was reasonable assurance on the overall adequacy and effectiveness of its frameworks, governance, risk management and control.

In response to a question from Councillor Jardine, Mr Stainbank confirmed that follow up reports would be brought to the Audit & Governance Committee on all the areas of improvement that had been recommended within the report.

Decision

The Committee agreed to note that the Controls Assurance Statement was a formal confirmation of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

6. ANNUAL TREASURY MANAGEMENT REVIEW 2021/22

A report was submitted by the Executive Director for Council Resources to update the Committee on Treasury Management Activity during 2021/22.

Ann-Marie Glancy, Service Manager - Corporate Accounting, spoke to the report, highlighting that it was a requirement under the Local Government Scotland Act 2003 to produce this review for the year ending 31 March 2022, and that the contents of the report should be held as draft until the accounts had been fully audited. Any major changes required as a result of auditing would be reported back to the Audit & Governance Committee.

She summarised the review, attached as Appendix 1 of the report, briefing the Committee on East Lothian Council's Capital and Expenditure and Financing, their overall borrowing need, and the Treasury position as at 31 March 2022, commenting that a decision to borrow £30 million on a long-term basis was still within the agreed

limit of long-term borrowing. She cited the strategy outlined within the report, and detailed borrowing activity, maintaining that positive returns had been made through investment during the year.

In response to a question from Councillor McLeod, Ms Glancy confirmed that East Lothian Council had not borrowed from any Local Authority, in Scotland or elsewhere in the UK.

Decision

The Committee agreed to note the report.

7. EAST LoTHIAN MID-MARKET HOMES LLP

A report was submitted by the Executive Director for Place to inform the Audit and Governance Committee of the 2021/22 accounts and the progress made towards the recommendations made by Internal Audit reported to Audit and Governance Committee in June 2021.

Wendy McGuire, Head of Housing, spoke to the report, explaining that East Lothian Mid-Market Homes LLP had been set up as an opportunity to provide a different affordable housing option had presented itself in the Dunbar area, where 50 units were built as mid-market homes. After 40 years, the Council would be given the option to repurchase these homes for £1. As the LLP was a subsidiary of East Lothian Council, they were obliged to report to the Audit & Governance Committee. The houses were rented at 65% of the current Local Housing Allowance (LHA), whereas other mid-market housing association rentals in the area were priced at 70-80% of the LHA. Ms McGuire spoke in detail regarding the Governance of the LLP, highlighting that all of the recommendations provided by a recent Internal Audit review had been completed or were in progress. She concluded by advising that the LLP were keen to expand this successful project.

In response to questions from Councillors McGuire, Jardine and McLeod, Ms McGuire stated that there were currently no plans to add 1-2 bedroom homes to the LLP's properties, but other providers would be adding 1-2 bedroom units to the area in the near future. The figure of £60,000 for anticipated repairs had been based on a number of factors including the management agreement and the original financial model: it was also confirmed that this sum was only intended to cover the first 15 years of the lease, and not the full 40 year tenure. Repairs would be carried out by East Lothian Council on a contracted basis: Ms McGuire emphasised that the houses were subject to a two year guarantee and a 10 year National House Building Council (NHBC) warranty or equivalent. The housing had been delivered without the need for subsidies or government grants, as East Lothian Council had utilised their second home council tax income. It would be difficult to compare the costs of these houses with the cost to the Council of building new affordable mid-market housing without detailed financial modelling. The LLP would continue to explore further opportunities to provide more mid-market homes.

Councillors Menzies and Jardine congratulated staff on this exciting project and welcomed the rigour of reporting the work of the LLP to the Audit & Governance Committee.

Decision

The Committee agreed to note the contents of the report and the progress made in relation to the audit report present at June 2021's Audit and Governance Committee.

8. COUNCIL IMPROVEMENT PLAN 2021-2022 AND CORPORATE GOVERNANCE SELF-EVALUATION UPDATE

A report was submitted by the Executive Director for Council Resources to present an update on the Council Improvement Plan 2021-2022 and Corporate Governance Self-Evaluation.

Mr Vestri presented the report in detail, highlighting that the Audit & Governance Committee had been asked to approve the draft Annual Governance Statement included in the report, so that it could be included in East Lothian Council's 2021/22 Accounts.

In response to a question from Councillor Trotter, Sarah Fortune, Executive Director for Council Resources, explained that approval of the statement was time critical as submission of the Accounts was required by 30 June 2022.

The vote was taken by roll call and the recommendations were approved unanimously.

Decision

The Committee agreed:

- i) to note the progress in achieving the Council Improvement Plan 2021-2022 as detailed in the report; and
- ii) to note the update on Corporate Governance Self-Evaluation; and
- iii) to approve the Annual Governance Statement which would be included in the Council's 2021/22 Annual Accounts.

9. CORPORATE RISK REGISTER

A report was submitted by the Chief Executive to present to the Audit and Governance Committee the Corporate Risk Register, which had been developed in keeping with the Council's Risk Management Strategy and was a live document, reviewed and refreshed on a regular basis, led by the Corporate Risk Working Group (RWG).

Sharon Saunders, Head of Communities, provided some background on the Corporate Risk Register for new members. Risk management arrangements were overseen by the RWG which was made up of Service Managers and included staff with expertise in finance, internal audit, risk management, IT, information governance, insurance and health and safety. The Corporate Risk Register (CRR) formed a key assessment tool for the Council's overarching Risk Strategy, which was reported to East Lothian Council once every 3 years, and the CRR was reported annually to Cabinet and the Audit & Governance Committee. Accordingly, the register had been taken to the meeting of the Cabinet on 14 June 2022. The register reflected global, national and local risks. The CRR was additionally reported to Council in December 2021 and March

2022. Today's report had taken the continuing impact of COVID-19, Brexit, the war in Ukraine and rises in the cost of living into account. To supplement this Corporate Risk Register, each service also held their own Service Risk Register, each of which would be brought to Audit & Governance Committee in three sets of three, planned for September 2022, November 2022 and February 2023. A close eye was kept on risk, whether it was global, national or local, and the register was considered a 'live' document with regular updating: an example of this was the inclusion of avian flu into the Communities Risk Register, which had recently broken out amongst wild birds in the area.

Scott Kennedy, Emergency Planning Risk and Resilience Officer, presented the report, highlighting its recommendations, the matrix used by the RWG, which was included at Appendix 2; the levels of risk from very high to low; drawing the Committee's attention to a correction to the circulated report. It had been inaccurate to state that only High or Very High risks on the CRR were reported to Committee, this only applied to other Service Risk Registers. All of the risks at all levels on the CRR were reported to Audit & Governance Committee.

Councillor McLeod thanked officers for the report, and commented that future reports that were impacted by the increase in fuel costs would be useful for the Audit & Governance Committee. Councillors Jardine and Menzies praised the 'live' nature of the document, which had been updated in the past few weeks.

Decision

The Committee agreed to note the Service Risk Registers and that:

- the relevant risks had been identified and that the significance of each risk was appropriate to the current nature of the risk.
- the total profile of the Corporate risk could be borne by the Council at this time in relation to the Council's appetite for risk.
- although the risks presented were those requiring close monitoring and scrutiny over the next year, many were in fact longer term risks and were likely to be a feature of the risk register over a number of years.
- note that the Council Management Team would review all risks in the Corporate Risk Register on a regular basis.

Signed

Councillor Lee-Anne Menzies
Convener of the Audit and Governance Committee

REPORT TO: Audit and Governance Committee
MEETING DATE: 20 September 2022
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Report – September 2022

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1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee and to provide an update on progress made against the 2022/23 annual audit plan.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note:
- i. the main findings and recommendations from the Internal Audit reports issued during the period from June 2022 to September 2022 as contained in Appendix 1;
 - ii. Internal Audit's progress against the annual audit plan for 2022/23 as set out in Appendix 2.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: Waste Services Income, Finance Business Partners and Budget Monitoring, and Performance Indicators.
- 3.2 The main objective of the audits was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audits is contained in Appendix 1.
- 3.3 In addition since the last meeting of the Committee, a report was completed to review and consider the adequacy of the evidence available to support the Council's compliance with the regulatory requirements for the Scottish Housing Regulator Annual Assurance Statement, there is no grading for this report. This report is included as Appendix 2 to the Housing Assurance Statement 2022 report contained as Audit and Governance Committee agenda item 5.

- 3.4 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Waste Services Income – Limited Assurance
 - Finance Business Partners and Budget Monitoring – Reasonable Assurance
 - Performance Indicators – Reasonable Assurance

Progress Report 2022/23

- 3.5 A progress report attached as Appendix 2 is prepared to assist the Committee in their remit to evaluate Internal Audit’s work and measure progress against the annual audit plan for 2022/23.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR’S NAME	Duncan Stainbank
DESIGNATION	Service Manager – Internal Audit
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DATE	9 September 2022

Appendix 1 Executive Summary: Waste Services Income

Conclusion: Limited Assurance

Waste Services have arrangements in place for the administration of the Trade Waste service and generation of income from the sale of recycling material (commodities). The service has an appropriate approach to material capture which is intended to support the Council's ambitions of the circular economy and requirement for income. The period reviewed covered a timespan whereby the service was operating within business continuity during the pandemic whilst maintaining all statutory service provision. However the service was severely impacted by a loss of staff resource, which impacted upon capacity and led to key controls in respect of Waste Services Trade Waste administration and invoicing for the sale of material not operating effectively. Procedures and key reconciliations are required to ensure future issues are identified and rectified at an early stage. These areas are currently being addressed as a matter of urgency by the service area, with invoices being issued, improvements to systems being made and the recruitment of key staff progressing well.

Background

The audit focussed on the controls for the income elements of waste management processes, covering both income from the sale of recyclates and from the provision of a Trade Waste collection and disposal service to businesses across East Lothian. For recyclates, a new collection contract came into place in November 2021 and recycled materials are collected weekly from households. In respect of Trade Waste, the Council provides a collection and disposal service to non-domestic properties across East Lothian, with charges based on the frequency of collection (once or twice weekly) and the size of the bin.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager – Transport & Waste**:

- Documented procedures are not in place to provide guidance to staff on the sale of recycled waste. *Management have agreed to put procedures in place and make these available to staff by November 2022.*
- The administration of the Trade Waste service requires prompt follow-up of non-payment, amounting to 20% of charges in 2021/22. *Management have agreed to issue reminders and where appropriate invoices, and businesses who fail to pay will have their service stopped by April 2023.*
- In 17% of sampled customers receiving a Trade Waste service from the Council, the Waste Transfer Notes (WTNs) were not held by the Council. *Management have agreed that non-return of WTNs will lead to the collection ceasing when the existing WTN expires by April 2023.*
- A database is maintained of all material collected for recycling and subsequently sold, which was not up to date for all commodities other than scrap metal where the database provided full details for the sales made. *Management have agreed to keep the database up to date from October 2022.*
- In some cases, there was a lack of supporting documentation to confirm the rates agreed for the sale of recyclates. *Management have developed a Commodity Rebate Framework which is being sent to all merchants to improve the recording of commodity prices and this is now in place.*
- The processes for invoicing merchants for the sale of recyclates did not fully operate, approximately £53,000 of invoices had not been issued for periods at the start of 2022. *Management have agreed that checks to ensure all amounts are invoiced will be carried out on a monthly basis by September 2022.*
- There was a lack of reconciliations being undertaken between the general ledger and the Waste Services record of income received, leading to a failure to identify potential discrepancies or anomalies. *Management have agreed to undertake regular reconciliations by September 2022.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	2	13	-	15
Prior Report (Jan 2017)	2	5	-	7

Materiality

Recorded income from the sale of recyclates was approximately £370,000 in 2021/22. It is noted that the commodities volumes changed in May 2021 and again when the collection model changed in November 2021 to separate glass from the material collection stream. The value of the material went up significantly and continues to increase as the market is in high demand for high value recyclates. The expectations are that income from the sale of recyclates will be significantly higher in 2022/23, being approximately £300,000 to the end of July 2022.

Headlines

Objectives	Conclusion	Comment
1. Clear and appropriate policies, procedures and guidance documents are in place for income collection, including for the Trade Waste service and the sale of recyclates.	Limited	A list of Trade Waste collection and disposal charges for 2022/23 is available on the Council's website, charges are based on the size of the bins and the frequency of uplifts. Internal procedures are in place for the administration of the Trade Waste service, but there was a lack of detailed procedures to assist staff with responsibility for the sale and invoicing of recycled waste. A Commodity Rebate Framework has however recently been developed, together with accompanying internal guidance notes.
2. Appropriate processes are in place for the provision of the Trade Waste service, including adequate arrangements to follow-up and ultimately remove service as appropriate for non-payment of income due to the Council.	Limited	A comprehensive database is maintained of all Trade Waste customers, including business name and address, Trade Waste account number, collection details, payment methods and details of all amounts received and amounts outstanding. There was a lack of effective follow-up on the non-payment of Trade Waste charges. As at August 2022, approximately £90,000 of 2021/22 Trade Waste charges were still outstanding, representing around 20% of total 2021/22 Trade Waste charges, and businesses that had failed to pay their charges had continued to receive a Trade Waste service in both 2021/22 and 2022/23. 63% of 2021/22 holiday let charges have not been received due to late charge notifications.
3. Waste Transfer Notes are kept for all Trade Waste being received and are retained in line with legislation.	Limited	The Environmental Protection (Duty of Care) (Scotland) Regulations 2014 state that persons transferring and receiving waste must complete and sign a transfer note in respect of the waste. For a sample of Trade Waste customers reviewed, in some cases a fully completed Waste Transfer Note (WTN) for 2021/22 could not be located, while in other cases the WTN for 2022/23 had yet to be returned by the business to the Council, although we are advised these are being followed up.
4. A clear audit trail is maintained of all waste collected and sold for recycling.	Limited	The Council collects a range of recyclates, which are then sold for recycling including glass, scrap metal, cardboard, paper and co-mingled (plastics, cans and cartons). A database is maintained of all material collected for recycling and subsequently sold, however the database was not up to date. Processes in place for agreeing the rates for the sale of recyclates with buyers resulted in a number of cases of rates that had been agreed verbally, with a lack of supporting documentation. The Commodity Rebate Framework being introduced, should improve the recording of commodity price agreements.
5. Adequate arrangements are in place to issue sales invoices for the sale of recyclates.	Limited	We found that for some months, there had been a failure to issue sales invoices for the sale of scrap metal and glass, resulting in income not being received by the Council. We are advised that this is currently being addressed by the service area and that invoices have now been issued for the outstanding months. In other cases we found discrepancies between the details held by the Council and the quantities invoiced, while in some cases the sales invoices issued by the Council did not clearly set out the quantity of waste being sold and the rates being charged.
6. Invoice systems and processes are adequately reconciled to the Council's financial ledger and are monitored in line with budget expectations on a regular basis.	Limited	For the Trade Waste service, there is currently a lack of reconciliation between the income recorded on the database and the amounts recorded in the Council's general ledger. There is also a lack of reconciliation between the general ledger and the Waste Services record of income received from the sale of recyclates. 12

Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	<p>The Council introduced a new collection model in November 2021. Recyclable materials are collected from households on a weekly basis, with all materials collected on the same day. Materials collected fall into five categories – plastic, cans and cartons (co-mingled); glass bottles and jars; paper and card; cardboard; and food waste. The main aims of the new collection arrangements are to align services to the Scottish Government’s Household Waste Charter and deliver best value through the sale of high quality recyclates to the commodities market, while improving service delivery to the residents of East Lothian.</p>
2.	<p>The Council provides a Trade Waste collection and disposal service to businesses (non-domestic properties) in East Lothian, which enables businesses to manage their waste in accordance with their Duty of Care. Trade Waste charges are based on the frequency of collection (once or twice weekly) and the size of the bin. Charges for the Trade Waste service are for the full year from 1 April to 31 March and customers joining partway through the year will be charged pro-rata. Customers are provided with a range of payment options including online, via the payment line, by cheque and by direct debit instalments. Trade Waste customers are also provided with a fortnightly collection for glass, metal, plastic, paper and card, and cardboard, which allows businesses to present their recycling separately from their non-recyclable waste.</p>
3.	<p>The Council operates four recycling centres (Dunbar, Kinwegar, Macmerry and North Berwick), which enable East Lothian residents to recycle a wide range of items (24 categories in total). In addition there are around 70 recycling points across East Lothian with facilities for depositing green, clear and brown glass bottles and jars; mixed metal food and drink cans; paper and card; and textiles.</p>

Recommendation Grading/Overall opinion definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
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.

Levels of Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Executive Summary: Finance Business Partners and Budget Monitoring

Conclusion: Reasonable Assurance

The internal controls in place for Finance Business Partners and Budget Monitoring are generally reliable, however there are some improvements that can be made to provide a fully effective control process, including introducing formal procedures to assist staff with responsibility for budget monitoring, the arrangements in place for recording discussions held at budget monitoring meetings and for providing details of any remedial action to be taken, a review of the training provided on budget monitoring and the arrangements in place for producing monthly aggregate budget monitoring reports.

Background

The Council has responsibility for setting an annual budget and for monitoring expenditure against budget allocations. The approved Council budget for 2022/23-2024/25 incorporates the need to identify recurring annual savings totalling £15.5 million over the three-year period, and when added to the recurring requirement to deliver £2 million from enhanced staffing management this amounts to a total saving of £17.5 million. Further modelling indicates larger potential funding gaps will be likely in future years. A sound system of budget monitoring is essential to ensure effective financial control during a climate of financial constraints and the ongoing impact of the Coronavirus pandemic. The Finance Business Partners have a key role in providing advice and analysis to service areas throughout the year on the financial impact of decisions made, to help ensure the Council continues to deliver the highest quality of services in East Lothian. We were informed that the Business Finance Section have met all statutory deadlines despite continuing resource constraints, additional work from Covid-19 funding streams and the team being in business continuity for over two years.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by Management**:

- While staff in the Business Finance Section are provided with monthly email instructions to assist with budget monitoring routines, there was a lack of formal procedures in place to provide clear guidance to budget holders and the Finance Business Partners. *Management have agreed to produce procedures by July 2023.*
- There was a failure to record a summary of discussions held at budget monitoring meetings and to provide appropriate details of remedial action to be taken by the budget holder. *Management have agreed to create an email summary of discussions held at budget monitoring meetings by December 2022.*
- In a number of instances, the aggregate monthly budget monitoring reports had not been produced for financial year 2021/22, in agreement with the Council Management Team (CMT), due to a lack of resources in the Business Finance Section. *Management advised that staffing resources have now improved through recruitment and have agreed to produce monthly reports by October 2022.*
- A review of the Business Finance Section's training should be undertaken – a formal training pack had not been prepared for budget monitoring and a log was not being maintained of the training provided to budget holders. *Management have agreed to undertake new focused training by July 2023.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	8	-	8
Prior Report	N/A	N/A	N/A	N/A*

Materiality

The Council had a General Services Revenue budget of approximately £264 million for financial year 2021/22. The budgeted surplus for the Housing Revenue Account for 2021/22 was forecast at £2.2 million. The budgeted capital expenditure for 2021/22 was approximately £91.5 million for General Services and £29.7 million for the Housing Revenue Account.

* No prior report exists for Finance Business Partners and Budget Monitoring.

Headlines

Objectives	Conclusion	Comments
1. Adequate procedures are in place for all relevant staff with responsibility for budget monitoring.	Limited	Staff members in the Business Finance Section are issued with monthly email instructions to assist with budget monitoring routines, however formal procedures have not been developed to provide clear guidance to staff on the wider financial monitoring role. There is an Advice for Budget Holders section on the Council’s intranet, however no detailed guidance on budget monitoring was provided to budget holders, certain documents listed in the overview were not available to budget holders and other information was out of date.
2. Appropriate arrangements are in place for providing budget holders with monthly financial monitoring reports.	Reasonable	Appropriate arrangements were in place for providing all budget holders with monthly reports – the reports are generated automatically on Management Reporter and the daily download from Great Plains is subject to stringent quality assurance checks to ensure that the data reconciles to Management Reporter. However for periods 7, 8, 10 and 11 in 2021/22, the separate aggregate budget monitoring reports had not been produced, in agreement with the CMT, during the period of business continuity.
3. Adequate arrangements are in place for reporting projected variances and for providing details of any corrective action to be taken.	Reasonable	Appropriate arrangements were in place for reporting projected out-turns and revised variances to the budget holders on a monthly basis, and to the CMT and Council each quarter. However the Business Finance Section have not defined or documented a pre-determined level of material variance for reporting, although all variances are discussed and investigated on a regular basis and the risks are always highlighted to Council. A detailed review is undertaken of the budget areas by the Service Manager – Service Accounting, prior to the financial position being reported.
4. Regular meetings are held between the budget holders and the Finance Business Partners.	Reasonable	Adequate evidence was available to confirm that the Finance Business Partners held regular meetings with budget holders. However there was a failure to record a summary of discussions that had taken place at budget monitoring meetings and to provide appropriate details of remedial action to be taken by the budget holder.
5. Adequate arrangements are in place to ensure that budget monitoring reports are regularly presented to the CMT and Council.	Reasonable	Adequate arrangements were in place to ensure that budget monitoring reports are presented regularly to the CMT and Council. From our review of financial year 2021/22, we found that regular in-year reporting and forecasting was in place to ensure that senior management and members were updated on the operational budgets – quarterly financial updates had been presented to the CMT and the Council detailing the updated projected out-turns for the year.
6. Arrangements are in place to ensure that all staff are provided with appropriate budget monitoring training.	Limited	Appropriate arrangements are in place for providing detailed school budget guidance to Education staff, including the creation of videos to help assist staff with their budgets. We were informed that training is normally provided to new budget holders in other service areas and Finance Business Partners when starting in post. However, we found that a training pack had not been prepared for budget monitoring and a log was not being maintained of the training provided to budget holders.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	Appropriate arrangements are in place to ensure that regular budget monitoring meetings are held between budget holders and Business Finance staff.
2.	Appropriate arrangements are in place to ensure that budget monitoring reports are presented regularly to the CMT and Council – quarterly financial updates had been presented, detailing the updated projected out-turns for the year. The reports are discussed with Heads of Service prior to submission and are subject to quality reviews by the Service Manager – Service Accounting.
3.	Adequate arrangements were in place for providing all budget holders with monthly financial monitoring reports. The reports are generated automatically on Management Reporter by the Corporate Finance Systems Team – budget holders can log in to access the latest in-year reporting and forecasting for their own budget areas.
4.	Staff members in the Business Finance Section are provided with monthly email instructions to assist with budget monitoring routines, the daily download from Great Plains is subject to quality assurance checks to ensure that the data reconciles to Management Reporter and the Service Manager reviews the work of the Finance Business Partners prior to the information being reported to the CMT and Council.

Recommendation Grading/Overall Opinion Definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
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.

Levels of Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Executive Summary: Performance Indicators 2021/22

Conclusion: Reasonable Assurance

Our review of Performance Indicators found that internal controls and procedures established by Management were operating satisfactorily in most areas, with the indicators prepared by the Council being based on appropriate information. Our audit focused on a sample of indicators selected from the Quarter 4 report to the Policy and Performance Review Committee. Indicators where the indicator was reported as being significantly outwith the target level or there had been substantial changes from the previous quarter of the year were selected for review. From the sample of cases selected the reported data was correct to the base systems data examined with the exception of the CH02 homeless indicator where base data had not been retained and live systems showed a marginally different figure based on current data.

Background

As part of the Audit Plan for 2022/23, a review was undertaken of the systems in place for the preparation and reporting of performance indicators. Our review has focused on the Local Government Benchmarking Framework (LGBF) indicators for 2021/22. The Framework covers seven service areas: Children’s Services; Corporate Services; Adult Social Care; Culture and Leisure Services; Economic Development and Planning; Environmental Services and Housing Services. For 2021/22, we selected a sample of seven indicators for review, which comprised of three Revenue indicators, one Waste Services indicator, one Amenities indicator and two Homelessness indicators. Improvement recommendations have been made for one Adult Social Care indicator and three Corporate Services (HR) indicators.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager – Sports, Countryside & Leisure and the Service Manager –Community Housing & Homelessness**:

- The target of 88 incidences of fly-tipping per month has only been met in 5 quarters since 2017 and 4 of those occasions were during lockdown, consideration needs to be given to what an appropriate target should be for this indicator going forward given the population growth within the County. *Management have agreed to review this target **by December 2022**.*
- The homeless management system is an access database, as a result this system only holds current data and does not maintain an audit trail of historical data, as data is not routinely reported and saved it was impossible to recreate the reported PI data, current data provided a marginally different figure for the performance indicator CH02. *Management have agreed to retain copies of all reports taken from the system and put in place a process of maintaining reports on a regular basis **by December 2022**.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	3	-	3
Prior report	-	3	-	3

Materiality

The Local Government Benchmarking Framework (LGBF) is a high level benchmarking tool designed to support senior management teams and elected members to ask questions about key Council services. The Framework includes over 70 indicators, which are reported on annually and the data supports comparisons between similar Councils and over time.

Headlines

Objectives	Conclusion	Comment
1. A series of Performance Indicators have been established to monitor progress towards completing both the Council Plan and the East Lothian Plan.	Reasonable	Performance Indicators come from various sources, statutory indicators are set by the Accounts Commission and some of these are defined by the Council itself, 80 indicators come from the Local Government Benchmarking Framework and 50 indicators reflect the performance of the Council Plan. The key 50 Council Plan indicators are reported to every PPRC Committee meeting and other indicators are reported annually.
2. Appropriate processes are in place to ensure the accuracy of the Waste Recycling indicator reviewed.	Substantial	An appropriate system has been put in place at all of the Civic Amenity sites to record the number of vehicles entering and the reported figures for this indicator are correctly reported in accordance with the results of the system.
3. Appropriate processes are in place to ensure the accuracy of the Fly-tipping indicator reviewed.	Reasonable	Incidents of fly-tipping are reported to the Council via a number of sources, emails, calls, fix my street and logged on the CRM system all of which are appropriately collated in producing the overall figures for this indicator in accordance with guidance. A target of 88 fly-tipping incidents per month has been set but this figure has only been reached in 5 quarters and 4 of these were during the periods of lockdown. It may be appropriate to review the target for this indicator to ensure that it highlights only when there is significant concern at higher levels of fly-tipping.
4. Appropriate processes are in place to ensure the accuracy of the Homelessness indicator reviewed.	Reasonable	An access database system (AVD) is used to hold homelessness records, which only holds access to current data no reports were retained of the data provided for reporting for this PI at the time of reporting. However, the AVD systems reports provided for the audit indicated that there were 175 homelessness cases provided temporary accommodation, which was the same figure reported to the Committee.
5. Appropriate processes are in place to ensure the accuracy of the percentage of Council Tax collected figure.	Substantial	At the end of each financial year a report is produced showing a detailed breakdown of all Council Tax bills. From the totals which allows water & sewage and Council Tax Reduction to be removed before the percentage of Council Tax collected is calculated, in accordance with the detailed guidance for this indicator. The report for 2021/22 showed that 97.7% of that year's billed Council Tax had been collected.
6. Appropriate processes are in place to ensure that the time taken to re-house homeless people are accurately recorded.	Reasonable	An access database system (AVD) is used to hold homelessness records, which only holds access to current data no reports were retained of the data provided for reporting for this PI at the time of reporting. The reports produced for the audit, showing 470 days of an average stay in temporary accommodation did not agree to the committee reports showed that the average stay in temporary accommodation is 466 days. Recommendations have been made to improve the maintenance of data from this system for reporting.
7. Appropriate processes are in place to ensure the accuracy of the percentage of Non-Domestic Rates collected figure.	Substantial	At the end of each year an NDR financial statement is produced which allows the percentage collected to be calculated. Internal Audit confirmed that the reporting of this indicator was in line with guidance and the systems data and had been reported correctly. For 2021/22 99.1% of that year's NDR had been collected.
8. Appropriate processes are in place to Rent Arrears.	Substantial	A suite of rent collection and rent arrears reports have been developed and are scheduled to run automatically on fortnightly basis. The reported performance is in accordance with these reports and the guidance. Rent arrears at 31 March 2022 were £1m, showing a reduction of £0.26m from the previous year.

Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	Performance Indicators have been established to monitor progress against both the Council Plan and the East Lothian Plan.
2.	The 50 key Performance Indicators are reported to the Policy and Performance Review Committee on a quarterly basis.
3.	Appropriate systems are in place to report appropriate performance indicators in line with guidance and were operating effectively in relation to indicators for Council Tax, Non Domestic Rates, Rent arrears, and the number of vehicles entering amenity sites. However no detailed testing of the individual transactions within these systems was undertaken as part of this review.

Recommendation Grading/Overall opinion definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
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.

Levels of Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
HR/Payroll Recruitment and New Starters Process	We will review the processes for recruitment, vetting, contract completion, payment and initial training of new start employees for the Council.	February 2023	
Sundry Debtors	We will examine the processes and controls in place for raising, collection, monitoring and resolution of sundry debts.	November 2022	In Progress
Finance Business Partners and Budget Monitoring	We will review the processes and procedures in place to assist services in financial management through the provision of Finance Business Partners and monitoring of budgets against best practice.	September 2022	Completed
Construction Materials Procurement	We will review the processes around procurement of construction materials and services across the Council's services.	February 2023	
City Deal Governance and Monitoring	We will review the governance and monitoring processes in place around the progress of the Edinburgh City Deal projects and the intended monitoring of the Joint Venture with Queen Margaret University.	November 2022	In Planning
Homelessness Services	We will review the processes in place and recently reviewed to meet the new regulatory requirements of the Homelessness Service.	June 2023	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Systems and Data Backup and Recovery Testing	We will review the processes in place to ensure that the Council has adequate processes and procedures in place to ensure that core systems have data backed up and that systems and data could be recovered in the event of corrupted systems or data by testing this appropriately.	February 2023	
ICT Asset Management	We will review the processes in place in relation to the asset management of Council ICT assets across the authority.	November 2022	In Planning
COVID-19 Recovery & Renewal Plan	We will review the processes of governance and control in place to monitor progress against the East Lothian Council COVID-19 Recovery & Renewal Plan.	June 2023	
Climate Change Strategy Review and Monitoring	We will review the processes and governance in place to review and monitor the actions that are recorded against the Climate Change Strategy.	June 2023	
East Lothian Works	We will review the governance and controls in place for the operation of East Lothian Works and the links to educational outcomes.	November 2022	In Planning
Housing Management System Replacement Project	We will review the governance, risk management and control measures in place for this vital systems improvement project.	June 2023	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Education Workforce Planning	We will review the policy, processes and procedures in place to develop workforce planning for Education.	February 2023	
Risk Management	We will select a sample of High risks from both the Council's Corporate Risk Register and service area Risk Registers and will review the adequacy and effectiveness of the risk control measures in place.	June 2023	
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulator's Chapter 3 of the Regulatory Framework.	September 2022	Completed
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	September 2022	Completed

REPORT TO: Audit and Governance Committee

MEETING DATE: 20 September 2022

BY: Service Manager – Internal Audit

SUBJECT: Internal Audit Plan 2022/23

3

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit's operational plan for 2022/23, and confirm that no changes are proposed to the operational plan.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to confirm approval of the Audit Plan for 2022/23.

3 BACKGROUND

- 3.1 The Audit and Governance Committee approved the annual audit plan in February 2022, however an undertaking was given to review and resubmit the plan for approval to the new Audit & Governance Committee in September 2022 (as was the case with the 2020/21 and 2021/22 audit plans as a result of rapidly changing risk profiles). Whilst the risk profile of the Council continues to develop, the current plan is considered to provide appropriate coverage of the key corporate risks with capacity for further development within the contingencies built into the plan, and no changes to the operational plan are being proposed at this time.
- 3.2 The annual audit plan has been prepared in accordance with Public Sector Internal Audit Standards (PSIAS).
- 3.3 In preparing the annual audit plan a range of factors have been taken into account, including:
- the Council Plan 2022-27 and the key actions that the Council will pursue in order to meet its objectives;

- areas highlighted by Senior Officers;
 - revised corporate and service area risk registers;
 - the Council's performance and financial statements;
 - changes in service delivery;
 - the findings from previous years' audit work; and
 - the need to incorporate flexibility for reactive/investigatory work.
- 3.4 Internal Audit's primary role is to independently review internal control systems within the Council. Internal Audit will evaluate the adequacy and effectiveness of controls in responding to risks within the Council's governance, operations and information systems, regarding the:
- Achievement of the Council's strategic objectives.
 - Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations and programmes.
 - Safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.5 Internal Audit are required to give an opinion on the Council's control environment in the annual Controls Assurance Statement and the audit work carried out will contribute to this opinion.
- 3.6 The provision of the Internal Audit service is on an in-house basis by the Council's Internal Audit Unit. The resources available have been applied to individual audits and a detailed operational plan has been produced for 2022/23 (see Appendix A).
- 3.7 Internal Audit will adopt a risk based approach to audit assignments as the principal means of providing assurance on the adequacy, reliability and effectiveness of internal controls. Testing of controls will be carried out on a sample basis. Samples are selected according to an agreed sampling methodology.
- 3.8 For each individual audit, a detailed audit report is prepared for the relevant member(s) of the Council Management Team (CMT). Copies of the audit report are provided to the Chief Executive, External Audit and to members of the Audit and Governance Committee.
- 3.9 Follow-up audits will be carried out to review the implementation of the recommendations made.

AUDIT COVERAGE

- 3.10 Core Financial Systems, Risk Assessed Service and Corporate Audits – Internal Audit will review the Council’s systems to provide assurance on the adequacy and effectiveness of internal controls. The audit plan includes a range of risk assessed core financial systems and non-financial audits.
- 3.11 Statutory Audits – Internal Audit undertake audit work in respect of specific grant awards made to the Council by the Scottish Government, to ensure compliance with grant conditions. In addition work to provide assurances required by the Scottish Housing Regulator will also be completed.
- 3.12 Best Value Audit – Internal Audit will review the systems in place for the preparation and reporting of Performance Indicators.
- 3.13 Investigations – Time has been allocated to carry out work on the National Fraud Initiative 2022/23, and provide a reactive service to investigate fraud and irregularity when appropriate.
- 3.14 Integration Joint Board (IJB) – The Committee is asked to note that in 2022/23 internal audit services to the East Lothian IJB will be provided by East Lothian Council’s Internal Audit Unit and time has been allocated to carry out audit work for the IJB.

INTERNAL AUDIT PERFORMANCE INDICATORS

- 3.15 Internal Audit will report on the completion of the annual audit plan, the percentage of audit recommendations accepted by Management and the percentage of audit staff with CCAB accounting qualifications.

OTHER FACTORS

- 3.16 The Committee should note that reactive work may impact heavily on the Internal Audit Unit’s ability to complete the audit plan. Contingency days are built in for 2022/23 in the investigations section, but by its nature reactive work is difficult to predict, particularly as COVID-19 controls changes continue to develop.
- 3.17 The plan and its completion have added importance, given its contribution to the annual Controls Assurance Statement to be prepared at the end of 2022/23.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 None

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DATE	9 September 2022

APPENDIX A**INTERNAL AUDIT PLAN 2022/23**

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
CORE FINANCIAL SYSTEMS AUDITS			
HR/Payroll Recruitment and New Starters Process	We will review the processes for recruitment, vetting, contract completion, payment and initial training of new start employees for the Council.	High	5
Sundry Debtors	We will examine the processes and controls in place for raising, collection, monitoring and resolution of sundry debts.	Medium	5
Finance Business Partners and Budget Monitoring	We will review the processes and procedures in place to assist services in financial management through the provision of Finance Business Partners and monitoring of budgets against best practice.	Medium	5
RISK ASSESSED SERVICE AND CORPORATE AUDITS			
Construction Materials Procurement	We will review the processes around procurement of construction materials and services across the Council's services.	High	5
City Deal Governance and Monitoring	We will review the governance and monitoring processes in place around the progress of the Edinburgh City Deal projects and the intended monitoring of the Joint Venture with Queen Margaret University.	High	5
Homelessness Services	We will review the processes in place and recently reviewed to meet the new regulatory requirements of the Homelessness Service.	High	5

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Systems and Data Backup and Recovery Testing	We will review the processes in place to ensure that the Council has adequate processes and procedures in place to ensure that core systems have data backed up and that systems and data could be recovered in the event of corrupted systems or data by testing this appropriately.	Medium	5
ICT Asset Management	We will review the processes in place in relation to the asset management of Council ICT assets across the authority.	Medium	5
COVID-19 Recovery & Renewal Plan	We will review the processes of governance and control in place to monitor progress against the East Lothian Council COVID-19 Recovery & Renewal Plan.	Medium	5
Climate Change Strategy Review and Monitoring	We will review the processes and governance in place to review and monitor the actions that are recorded against the Climate Change Strategy.	Medium	5
East Lothian Works	We will review the governance and controls in place for the operation of East Lothian Works and the links to educational outcomes.	Medium	5
Housing Management System Replacement Project	We will review the governance, risk management and control measures in place for this vital systems improvement project.	Medium	5
Education Workforce Planning	We will review the policy, processes and procedures in place to develop workforce planning for Education.	Medium	5

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Special Projects	Internal Audit will review specific areas that are identified by Senior Officers.	-	5
Risk Management	We will review the processes in place to manage risks through the new risk management system being implemented.	Medium	5
STATUTORY AUDITS			
Miscellaneous Grants	For grants awarded to the Council by the Scottish Government, Internal Audit is required to provide a statement of compliance with grant conditions on an annual basis.	Medium	2
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance of the regulatory requirements set out in the Scottish Housing Regulator's Chapter 3 of the Regulatory Framework.	Medium	4
BEST VALUE AUDIT			
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	Medium	4
INVESTIGATIONS			
Fraud & Irregularity	Internal Audit will investigate all instances of suspected fraud or irregularity.	High	15
National Fraud Initiative (NFI)	Time has been allocated for coordinating and submitting data for the 2022/23 National Fraud Initiative (NFI) exercise.	Medium	5

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
OTHER AUDIT WORK			
Integration Joint Board	Time has been allocated for work that will be undertaken by Internal Audit for the East Lothian Integration Joint Board (IJB). A separate audit plan will be prepared which will be presented to the IJB Audit and Risk Committee for approval.	Medium	20
Review of Previous Year's Work	Internal Audit will review the outcome of our previous year's work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.	Medium	8
Attendance at Stocktakes	Internal Audit will attend the year-end stocktakes at Property Maintenance, Road Services and Waste Services. We will review the final stock sheets.	Medium	1
Community Councils and Management Committees	Community Councils – Internal Audit provide advice and support to Community Councils. Management Committees – Internal Audit will independently examine the annual accounts of Management Committees where applicable.	Medium	2
Advice and Consultancy	Consultation on New Systems – for new systems implemented, Internal Audit will provide advice on internal control matters. Returned Cheques – investigating and recording the reasons for returned cheques. Financial Reports – providing service areas with financial information about companies and offering advice where applicable. Consultancy – providing advice and consultancy on internal control issues.	Medium	4

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
TRAINING			
Training	An adequate allocation of budget resources and time will be given to maintaining and improving the knowledge base and quality of the staff resource. This includes time to attend the Scottish Local Authority Chief Internal Auditor Group (SLACIAG) and Computer Audit Sub Group, also for staff to undertake continuous professional development (CPD).	–	5
External Quality Assessment (EQA)	The PSIAS requires Internal Audit to be subject to an External Quality Assessment (EQA) each five years, by appropriately qualified and independent reviewers. This EQA was carried out by Argyll and Bute Council in April 2018 and the results were reported to the Audit and Governance Committee in June 2018. The schedule for the second cycle of EQAs, with other participating Scottish Councils as peer reviewers, indicates that East Lothian Council will be reviewed by in 2022 and will review South Lanarkshire Council.	–	4

REPORT TO: Audit and Governance Committee
MEETING DATE: 20 September 2022
BY: Service Manager – Internal Audit
SUBJECT: CIPFA Paper Internal Audit: untapped potential

4

1 PURPOSE

- 1.1 To review East Lothian Council's position in relation to the Chartered Institute of Public Finance and Accountancy (CIPFA) Thinks research paper '*Internal Audit: untapped potential*'.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the position of East Lothian Council in regard to the findings and conclusions of the CIPFA Thinks research paper '*Internal Audit: untapped potential*' (*the paper*).

3 BACKGROUND

- 3.1 CIPFA conducted UK-wide research, sending an open survey to those in the public services, including those in the internal audit profession, management clients and audit committee members. The attached report examined how internal audit is currently making an impact, identified where it can do more and what is holding it back.

Conclusions

- 3.2 The paper concludes on page 7 that things need to change, in some organisations in 4 key areas:
- Successful organisations need to have robust and effective management and governance, including an understanding of assurance. Improving this understanding will enable the most effective use of internal audit. East Lothian Council across Members and Officers have this in place and Internal Audit continue to review this as part of our ongoing annual programme of work.
 - Internal audit is often not allowed to unleash its full potential. The importance of its contribution must be fully understood and appreciated by clients – management and audit committees. Internal audit managers must become

greater advocates in promoting the function within organisations. Within East Lothian Council I believe that the contribution of Internal Audit is understood and appreciated by most stakeholders and the Service Manager – Internal Audit will continue to advocate and promote the function whenever possible.

- Internal audit must be kept independent to achieve its maximum impact in an organisation. Auditors frequently take on additional roles, which may compromise their independence. They must have a sole focus and a direct reporting line to the leadership team as required by the Public Sector Internal Audit Standards (PSIAS). East Lothian Council's Internal Audit team only has one additional role in relation to Counter Fraud, which the report identifies on page 36 as one of the three most common additional responsibilities of heads of internal audit. Reporting lines remain direct to the leadership team.
- Discussions on public sector policy issues, be they social care, financial resilience or technological change, should acknowledge the importance of assurance and highlight internal audit's contribution. This would help raise the expectations of internal audit's clients. East Lothian Council's Annual Internal Audit Planning process includes review of the Council's Corporate Risk register and input from every member of the Council Management Team to ensure that increased risks and changes in process from key policy issues are reflected in the Internal Audit workplan on an annual basis.

Effective Internal Audit Indicators

3.3 Page 10 of the Paper identifies 5 key indicators of effective Internal Audit, all of which are in place within East Lothian Council, whilst remaining under ongoing review to ensure continuous improvement, these indicators are:

- Good engagement with senior management and the audit committee, while maintaining independence and objectivity. Demonstrated throughout the Internal Audit process and the high levels of attendance from both Officers and Members at Audit & Governance Committee meetings.
- Internal audit plans clearly aligned to the topics that are most important for the success of the organisation. Demonstrated in the clear link between Internal Audit Plans approved by the Audit & Governance Committee, and the corporate risk register, with additional areas identified by Senior Management.
- Timely and meaningful assurance, communicated in a way that is understood by stakeholders. Demonstrated through the reporting provided to the Audit & Governance Committee and the detailed reports to senior management. Reporting was also revised to allow for timely reporting during the COVID-19 pandemic.
- The ability to challenge constructively and to help management find solutions. Demonstrated in Internal Audit processes on the clearance of Internal Audit reports resulting in 100% of recommendations accepted by management in 2021/22 and 90% of the recommendations from the prior year fully or partially implemented by June 2022.
- The ability to respond to emerging risks or issues and changing priorities for the organisation. Demonstrated during the COVID-19 pandemic by the review of the Internal Audit Plan to meet the emerging risks and changes in process

and reporting format to provide the appropriate assurance response to rapidly emerging risks and issues.

Survey Results

- 3.4 The report highlights on page 13, positive results from the 2021 CIPFA survey with 92% of Internal Auditors and 87% of clients responding to the survey indicated that they agreed or strongly agreed that the contribution internal audit makes supports the management of the organisation. This is considerably improved on the 87% of Internal auditors and 60% of clients expressing the same opinion in the 2008 research survey.

Areas of Focus

- 3.5 The report highlights on page 19, the top six areas identified by the research that should be covered to achieve impactful Internal Audit in the coming three years, which are:
- Cybersecurity – a review of which was completed by Internal Audit in June 2021.
 - Digitisation and the greater use of data within the organisation – is being built into all of the internal audit work completed as well as specific reviews into areas of risk, including Records Management (February 2020), GDPR for reporting in November 2022 and Systems & Data Back-up and Recovery testing as part of the 2022/23 Internal Audit Plan.
 - Environmental sustainability/climate change – Internal Audit are reviewing the Council Climate Change Strategy as part of the 2022/23 Internal Audit Plan.
 - Financial viability – reviews of this area will be considered linked to the CIPFA FM code in the next two years.
 - Culture and ethics – appropriate areas of culture and ethics are considered for review on an annual basis by Internal Audit and reviews will be considered in the next two years.
 - Supporting improved risk maturity – Internal Audit review risk management processes on an annual basis and support the Corporate Risk Management group.

Skills & Approaches to Develop

- 3.6 Page 24 of the report identifies data analysis as one the key skills to be retained and developed within internal audit teams and training within the Internal Audit team to refresh skills in this area is being developed for this year. Page 29 also identified key approaches that will help meet the need for Internal Audit to support the organisation in the following areas:
- Provide assurance on emerging issues and areas of change or transformation, such as the review of City Deal Governance & Monitoring and the Housing Management Systems Replacement Project that are part of the 2022/23 Internal Audit Plan.
 - Be equipped to play a constructive yet independent advisory role; which the Internal Audit team are within the resources available.

- Respond to the pace of change by providing real-time assurance; further consideration of the opportunities for real-time assurance will be given following the refresh of data analysis skills and the Council Microsoft 365 upgrade.
- Understand and adopt new technologies; one of the Internal Audit team members is a champion for the Council Microsoft 365 upgrade project, which when complete will allow access to new audit processes through MS Teams and consideration of the use of Power BI.
- Maintain the ability to provide a core assurance on business-as-usual risks and operations; which is completed and reported to the Audit & Governance Committee through the completion of the annual Internal Audit Plan.

4 POLICY IMPLICATIONS

4.1 None

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 CIPFA Thinks research paper '*Internal Audit: untapped potential*'

AUTHOR'S NAME	Duncan Stainbank
DESIGNATION	Service Manager – Internal Audit
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DATE	9 September 2022

The background features several abstract geometric patterns. A large, solid magenta shape is on the right side. A grid of small black squares is in the upper left, and a series of parallel black and white diagonal stripes is in the lower left. The main title is centered over these patterns.

Internal audit: untapped potential

May 2022

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The input of all those who shared the survey link, responded to the survey or attended a focus group has been invaluable. In addition, we are grateful to the individuals we spoke to during the research.

The views expressed in this report are those of the authors unless otherwise stated and the responsibility for any errors or omissions lies with them.

Report authors

Diana Melville, CIPFA
Rachel Bowden, CIPFA

Making it count

CIPFA is committed to changing lives for the better.

As a global leader in public financial management and governance, our aim is to make a difference to the world we live in. Our work enables people to prosper, protects the vulnerable and helps sustain the environment for future generations.

As a professional institute, we support our members and students to act with integrity and deliver excellence in public financial management throughout their careers.

By setting standards and advising public bodies and governments, we help ensure the money and resources used on behalf of citizens are raised and spent fairly, transparently, efficiently and are free from fraud and corruption.

Our thought leadership puts us at the heart of the policy debate, while our education and training offerings and range of advisory services support our members, students and other public finance professionals, helping them add value to their teams and the organisations for which they work.

CIPFA is a global body, operating at local, national and international level. Wherever we find ourselves and whoever we are supporting, our goal is to always make it count.

Foreword

CIPFA advocates best practice in assurance, governance, management and financial control across the public services. As such, we think it's time to put public service organisations' internal audit capabilities in the spotlight.

We know internal audit has the potential to help organisations achieve their goals, but this potential is not currently realised. In a technologically advancing world and with tackling climate change high up on the agenda, it's time to address this. This report, and the research that has been conducted to create it, explores the changing landscape of internal audit in the public services and how vital it is for an organisation in terms of its future success.

As the pandemic has shown us, managing emerging risks and responding to ongoing geopolitical and technological change remain top priorities for organisations. This means that internal audit must respond too, and the profession must continually evolve to remain effective and efficient.

To keep pace with these changes, we have identified several aspects of internal audit that require attention, including resourcing, the need for specialisms, reporting lines within organisations, and investment in training to attract long-term expertise into the profession. The public services also need to keep pace with their expectations of internal audit, ensuring they make full use of its expertise.

Our intention with this report is to open a dialogue across public service organisations, the internal audit profession, audit committees, as well as those considering a career in internal audit. Internal audit is an important part of the solution for effective management of the public services, and we hope to facilitate change that will see greater independence of internal audit, sustainability of recruitment into the role and an increased understanding of assurance.

Allowing internal audit to achieve its full potential benefits organisations, the public services overall and the public finance professionals of the future. We hope this report gives the internal audit profession the confidence to champion the critical work it does.



Rob Whiteman CBE
CIPFA CEO



Executive summary

We need to talk about internal audit – talk about it more and talk about it in the right way.

This report is titled *Internal audit: untapped potential* because CIPFA believes that internal audit has a vital role to play in supporting public service organisations to achieve their goals.

CIPFA has conducted UK-wide research, sending an open survey to those in the public services, including those in the internal audit profession, management clients and audit committee members. The survey received a strong response with 831 submissions. The outcome of the research concludes that where internal audit is operating effectively, it is already providing this support, but there are pockets where internal audit is unable to do this. This report will examine how internal audit is currently making an impact, identify where it can do more and what is holding it back. Better internal audit means better public services.

As with all organisations, the public services must respond and adapt to global trends and areas of risks. The COVID-19 pandemic put the public services on the front line of the UK's response, requiring them to be agile and redirect resources accordingly to meet new challenges. Advances in technology present new opportunities for service redesign but also challenges around complexity and security. Many parts of the public services are people focused, and rising needs and demographic changes result in challenges across health and social care. The impact of climate change on services and carbon reduction initiatives are core parts of the public sector agenda.

At the same time, the public services have experienced a sustained period of financial pressure, resulting in reductions to core functions, loss of expertise and difficulties maintaining demand-led services within allocated budgets. Long-term financial planning is challenging, and many public bodies have explored new structures to deliver services or generate income.

Demonstrating stewardship of public funds, building and maintaining public trust and confidence in decision making and delivering a sustainable future for taxpayers and service users are fundamental expectations of all those working within the public services.

Where does this leave internal audit? What contribution can internal audit make to this complex web of expectations, obligations, ambitions and challenges?

When internal audit provides support, it does so in a unique way. It provides independent assurance. Achieving this requires a resource base of trained internal auditors supported by modern approaches and professional standards. It needs both capacity and capability. Internal audit also needs to work in conjunction with an organisation's governance, risk, control and assurance frameworks. A professional team of internal auditors will not have the desired impact in an organisation that doesn't understand its assurance requirements or have good governance arrangements. Assurance requirements are constantly evolving, and internal audit must keep up with the pace of change to stay relevant. Concerns that organisations face such as climate change and increased cyber security and financial risks are areas where internal audit can have a great impact.

Currently, the role of internal audit varies greatly between organisations. There is a need for consistency, quality and adherence to professional practice to ensure that an organisation has access to the assurance requirements it needs as opposed to just those that are available. Internal audit must also develop the capacity and ability to be sustainable. To achieve this, organisations must ensure the provision of internal audit expertise. The sections on recruitment, retention and training in this report explore this further.

Our conclusion is that things need to change.

1

Successful organisations need to have robust and effective management and governance, including an understanding of assurance.

Improving this understanding will enable the most effective use of internal audit.

3

Internal audit must be kept independent to achieve its maximum impact in an organisation. Auditors frequently take on additional roles, which may compromise their independence.

They must have a sole focus and a direct reporting line to the leadership team as required by the Public Sector Internal Audit Standards (PSIAS).

2

Internal audit is often not allowed to unleash its full potential. The importance of its contribution must be fully understood and appreciated by clients – management and audit committees.

Internal audit managers must become greater advocates in promoting the function within organisations.

4

Discussions on public sector policy issues, be they social care, financial resilience or technological change, should acknowledge the importance of assurance and highlight internal audit's contribution.

This would help raise the expectations of internal audit's clients.

Internal audit is not the only solution to supporting effective public services, but it is part of the solution.

Where do we go from here?


This report makes several recommendations. Some are directed at the internal audit teams working within and for the public services. Others are directed at the client organisations, both management and audit committees. There are areas of planned work that CIPFA will be taking forward, some in collaboration with the Chartered Institute of Internal Auditors (CIIA) and the Internal Audit Standards Advisory Board (IASAB).

Continuing support for internal audit

CIPFA and the CIIA are keen to keep supporting high-quality internal audit within the public services. The institutes are exploring ways that they can collaborate more to continue the work set out in this report. Working together and with IASAB, they will support internal auditors to meet the PSIAS.

Both institutes have identified specific areas where they can collaborate. These include raising the profile of the internal audit profession in the public services, improving internal audit's status and cultivating a greater understanding between internal audit clients and audit committees. They will also examine issues raised in the report around professional standards, such as the head of internal audit's annual opinion and the quality assurance and improvement programme, to identify where guidance or support could improve practice.

Both institutes are mindful of the challenges that internal audit teams experience in the recruitment and retention of staff. Therefore, they will undertake some research on options for career paths and routes into internal audit to encourage long-term, sustainable recruitment into the role.



Identifying the impact of internal audit

Internal audit is vital because it focuses on the areas that are important for organisations and therefore supports their success.

Internal auditors help management, boards and their audit committees understand how well risks are managed, and the effectiveness of the governance and control framework in place – key things senior stakeholders need to know to be effective in discharging their own role. Strong internal audit functions will be more prepared to support the public services of the future, and to support organisations going through change.

In this research, we have focused on making an impact: internal audit that is not only effective in what it can offer but achieves influence with key decision makers for the benefit of organisational objectives.

There is no 'formula' for assessing or quantifying the impact of internal audit, as many of the indicators of an effective internal audit service are, to some extent, subjective.

Indicators of effective internal audit

- 1 Good engagement with senior management and the audit committee, while maintaining independence and objectivity.
- 2 Internal audit plans clearly aligned to the topics that are most important for the success of the organisation.
- 3 Timely and meaningful assurance, communicated in a way that is understood by stakeholders.
- 4 The ability to challenge constructively and to help management find solutions.
- 5 The ability to respond to emerging risks or issues and changing priorities for the organisation.

Additionally, internal auditors must be able to demonstrate their conformance with internal auditing standards, including the PSIAS, which are mandated for the UK public sector, and which are based on global internal auditing standards.

However effective and impactful internal audit teams may be, our research shows they are enhanced when operating in an organisation that understands assurance and the role of internal audit and engages with internal audit to obtain the maximum benefit from the function.

Our research concludes that the impact of internal audit is determined by interlinking factors in both the internal audit team and in the organisation. We have developed a model to highlight this.

Impact

The impact of internal audit can be defined as its ability to support the organisation in achieving its strategic objectives and priorities. This will be through an appropriate mix of assurance, consulting activity and advice. The impact of internal audit will vary across organisations based on assurance needs, organisational culture and capacity for continual improvement.

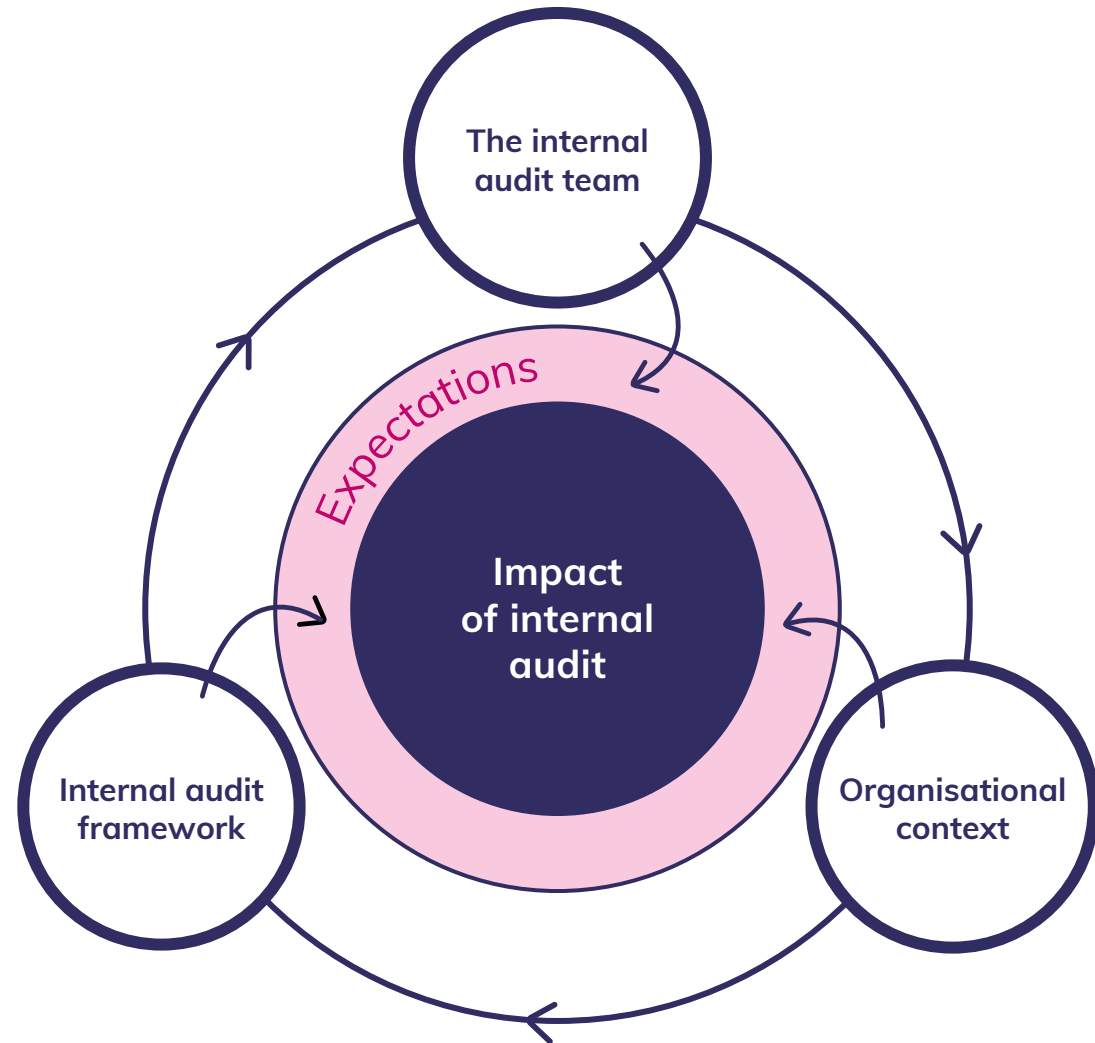
The impact of internal audit is dependent on the quality of the internal audit team, the framework and the organisation in which internal audit operates. Each of these will shape expectations of what internal audit can and should deliver. The individual components of internal audit impact are discussed in Appendix A.

Our findings and recommendations

Many of the findings from our research are interwoven. We cannot consider the impact of internal audit teams without considering, for example, the environment in which they work, the stakeholders and clients they serve, and the skills and resources needed to provide that service.

Our research included an extensive survey of internal auditors and their clients, including audit committee members, from across the public services. This was supported by focus groups and a literature review. The next section of the report will identify the evidence from our research that shows how internal audit is currently making an impact. We will then consider the future potential for internal audit. What can it do more of and where can it be more effective?

Finally, we will consider the factors that currently hold some internal audit teams back.





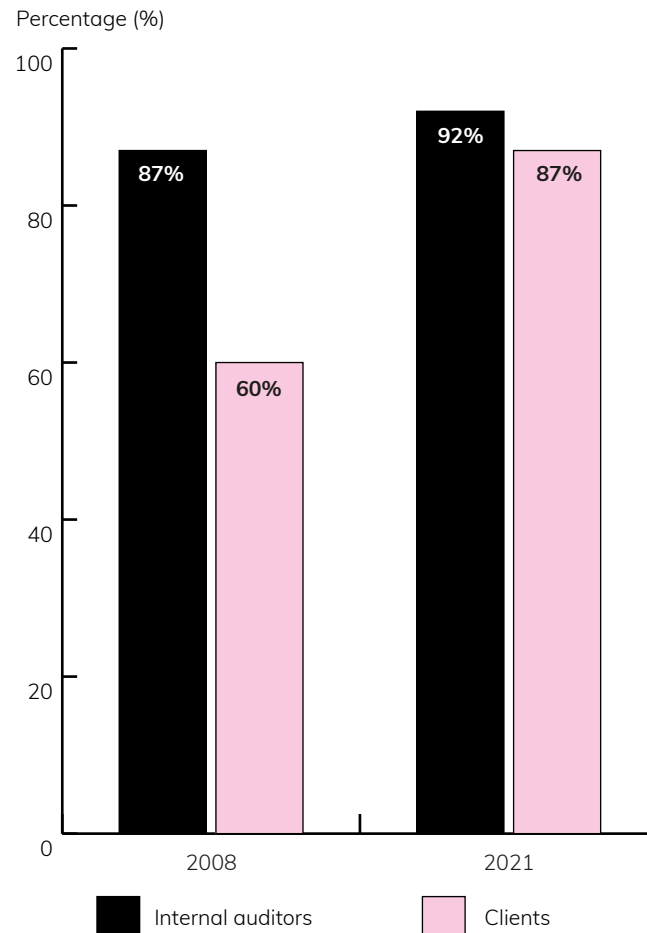
CIPFA's findings:

How internal audit is making an impact

Internal audit's contribution has improved

In 2008¹ CIPFA identified an expectation and perception gap between local government internal auditors and their clients. Our new research identifies significant progress on closing this gap. This is most notable in terms of the contribution that internal audit makes in supporting the management of the organisation. The 2021 survey feedback is more positive than CIPFA's 2008 survey; a positive view of internal audit's contribution from clients increased significantly from 60% to 87%.

In the 2021 responses concerning the contribution of internal auditing, audit committee members are more positive than management (92% agreed, compared with 84% of management). Similarly, heads of internal audit are upbeat about this, with 96% agreeing that internal audit makes a positive contribution, reducing to 89% across other members of the internal audit team.



Respondents agreeing or strongly agreeing with the statement: the contribution internal audit makes supports the management of the organisation.

Making an impact on governance arrangements

Worcestershire Children First is a wholly owned company of Worcestershire County Council. Following high-profile governance failures in other LATCs, WCF identified that it would be good practice to review its arrangements.

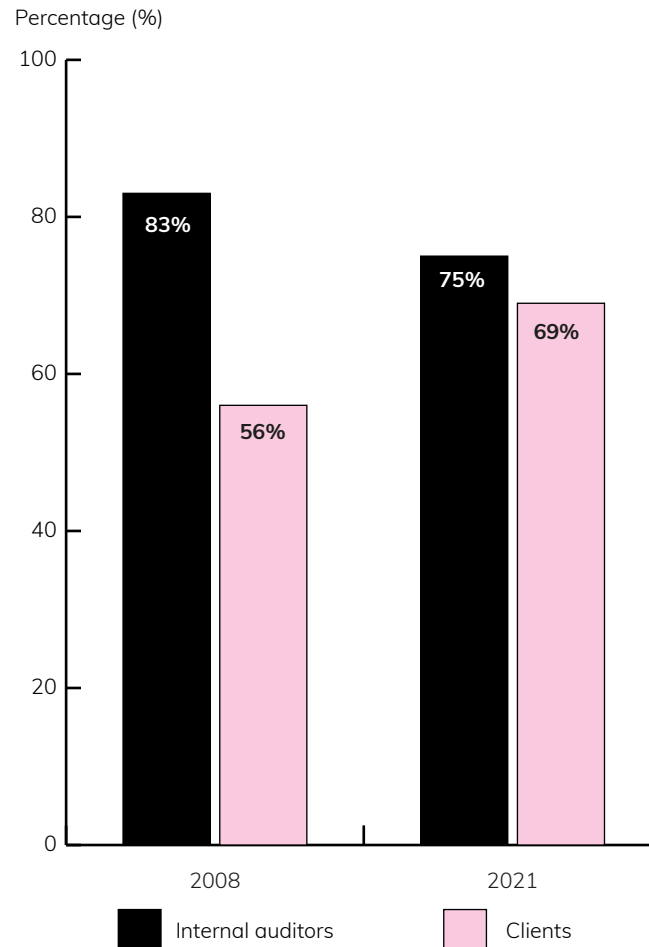
The Director of Resources undertook a review of the company's governance arrangements, as well as the council's shareholding and commissioning arrangements. Internal audit reviewed the outcome of the self-assessment, which provided independent assurance and added value to share good practice across the council. Internal audit had to challenge themselves and work differently with a self-assessment model, and in doing this, they were able to add value to the review and the outcome. They helped to embed understanding about governance and roles across both organisations. The review was used as a board refreshers training session and used with the leader and senior cabinet members.

¹ Perceptions of audit quality: a survey analysis (CIPFA, 2009).

One of the reasons for the improved contribution, and perception of the contribution, of internal audit may be better communication between internal auditors and their clients.

In 2008, just 56% of clients agreed that internal audit communicated effectively; in 2021, this has increased to 69% of clients. For internal auditors, there was a decline in their positive view of their communications, but this was primarily noted among audit team members rather than heads of internal audit. This could reflect the wider experience of communications among heads of audit.

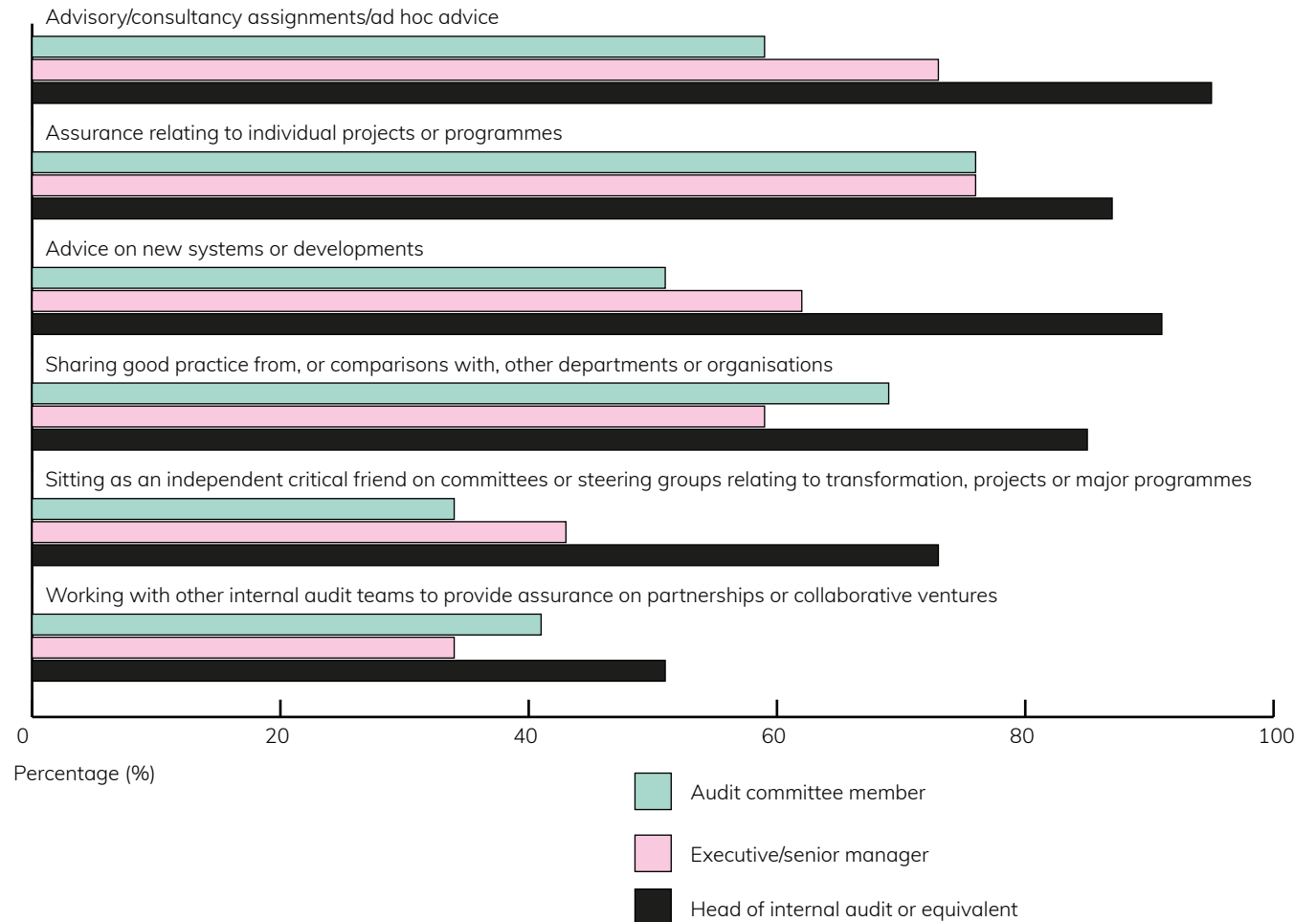
Effective communication is a core skill required at every stage of the audit process, from explaining the rationale for conducting an audit to exploring options for control improvements with clients. To have impact, internal auditors need to ensure that the communication is consistently of a high standard and meeting client expectations. The improvement in client perceptions is very welcome, but auditors will need to continue to focus on effective communications.



Respondents agreeing or strongly agreeing with the statement: internal audit builds and maintains effective communication at all levels within the organisation.

The services provided by internal audit vary

Internal auditors make an impact through a range of approaches. Our survey identified that while most internal audit teams were already offering broad coverage, their clients did not always recognise this.



The view of what internal audit currently delivers, split by role.

The disparity is most marked in relation to the role of internal audit sitting on project or steering groups and in advice provided on new systems or developments. Heads of audit will have a full understanding of their team's activities, while clients perhaps only recognise those where they have had direct interaction. There is also a difference in perception between management and audit committees, perhaps reflecting that not all advisory work is reported to the audit committee in detail.

Recommendations:

- *Part of the role of the head of internal audit should be to advocate for and explain the role of internal audit. This could usefully include explaining the nature of internal audit consultancy or advisory work and draw out the benefits of internal audit interventions. Engagement and communication with senior stakeholders are core skills for effective heads of internal audit.*
- *Internal audit should provide the audit committee with an overview of all work it undertakes to ensure that there is visibility of any advisory activity. This does not necessitate a detailed report to the committee on all advisory work.*

Showcasing internal audit: how the pandemic created opportunities

Another opportunity to have an impact is to ensure that internal audit is responsive to change and clients' needs. The pandemic provided considerable challenges for public sector bodies. Survey respondents were asked how the impact of internal audit has changed due to the COVID-19 response. Views were similar across respondent groups and sectors, with a mild positive response. Forty-two percent of respondents said that internal audit colleagues attended COVID-19 response meetings with management.

A number of participants reflected that the quick response by their internal audit function to provide agile and targeted assurance and advice had been an opportunity to showcase the ability of internal audit and had helped raise the profile of the team and how it is able to support the organisation. This may have helped individual relationships with senior managers and departments rather than bringing about an overall change in perception of impact.



The potential for
internal audit

Our research explored different ways to improve the impact of internal audit within organisations. When considering these opportunities, it is essential to consider them from both the perspective of a client as well as an internal auditor.

Expectations and understanding

There is a range of expectations of internal audit from management and audit committees, as well as a difference in the perception of what internal audit delivers for the organisation.

Examples shared through discussion groups ranged from internal audit teams that provide fundamental assurance on core financial controls but little coverage of strategic topics, through to internal audit teams that have flexible plans clearly aligned to strategic goals and that can provide advice or swift assurance in response to emerging issues. This variation was reflected not only in the discussion of internal audit plans and proposed activity, but also in the expectations of senior management and audit committees. Some clients recognised they received a basic assurance plan around core systems and did not want additional coverage. Others already received a broader plan linked to strategic priorities or encouraged the internal audit plan to move towards this.

CIPFA believes that higher expectations by management and audit committees will provide both a challenge and support for internal audit. Higher expectations would ultimately be beneficial for the profession in the public services. This means there is a need for organisations to focus on what assurance or advice is needed rather than what assurance internal audit is currently able to deliver.

CIPFA has established expectations of internal audit through the CIPFA statement on the role of the head of internal audit.

The head of internal audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

- objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control
- championing best practice in governance and commenting on responses to emerging risks and proposed developments.

While heads of internal audit might have these expectations, clients and audit committees also need to share them if internal audit is to have greater opportunity for impact.

Stable, supportive leadership has a huge role to play in getting the best out of internal audit, setting the culture of accountability and improvement.

Assistant Director, Metropolitan Council

Planned developments

CIPFA will consider how its forthcoming publication on assurance frameworks can build on its statement on the role of the head of internal audit to aid the understanding of assurance needs among leadership teams. CIPFA would like to see a culture of engaging with assurance and raised expectations for the internal audit profession in the public services.

Present and forthcoming actions:

The global IIA is currently undertaking a refresh of the International Professional Practices Framework on which the PSIAS are based. Once the new international framework is known, the IASAB, along with the relevant internal audit standard setters for the public services in the UK, will review the PSIAS and update accordingly. This may also be an opportunity, with a simplified framework, to raise the profile of internal auditing standards, and the role that management and the audit committee play in creating a culture of engaged assurance, to create an environment in which internal audit can make a greater impact.

More strategic coverage

A key factor of the impact of internal auditing is the nature of the areas in which internal audit invests its time and focus. We were interested in topics where internal audit should be focusing and also the nature of activities that internal audit should include in its work.

We asked survey respondents to identify three themes that internal audit should focus on in the coming three years that would have the greatest impact on an organisation. Cybersecurity was the top priority area identified by all groups of respondents. Second was digitisation and the use of data. Technology and the impact of digitisation is not a new priority. In 2008, internal auditors ranked information technology as their second most important priority area for future internal audit coverage; at that time, clients saw this as a lower priority.

The top six areas that should be covered to achieve impactful internal audit in the coming three years, as identified by our research, are as follows.

- Cybersecurity
- Digitisation and the greater use of data within the organisation
- Environmental sustainability/climate change
- Financial viability
- Culture and ethics
- Supporting improved risk maturity.

There were some differences in the views of internal auditors and clients. Internal auditors thought cybersecurity, culture and climate change were a higher priority compared with clients. Management thought internal audit's role in helping to improve risk maturity was more of a priority compared with audit committee members or internal auditors. Of these six topics, management were least interested in audit coverage around culture and ethics and were less interested in assurance linked to financial viability than internal auditors and audit committees.

Some internal audit teams are already providing assurance on these areas, although not necessarily in as much depth or with as much coverage that heads of internal audit or their clients would like to see in future.

Balancing the need for deep specialisms

Heads of internal audit recognised that both cybersecurity and climate change would be areas of increased focus for internal audit, but that they would not be able to develop deep specialisms.

Topics such as cybersecurity will require significant technical knowledge, and often, this will be unrealistic for in-house teams that do not have access to additional skills through a co-sourced arrangement to provide assurance on some aspects of cyber risks. Internal audit should still be able to provide assurance over the strategic approach of the organisation, however.

As public sector organisations work towards zero carbon strategies, many may have made carbon reduction commitments but have yet to finalise detailed plans to achieve this target. There is an opportunity for internal audit to play the role of critical friend in terms of how other plans, priorities and goals may impact, support or contradict climate priorities and targets.

To enable internal audit to have impact in these areas, audits should be carefully scoped and other assurances available considered. For example, in relation to cybersecurity, there will be some areas of risk and control that internal audit can consider in all audit work (such as access controls and data governance). A useful role of internal audit may be to recognise a wider range of existing assurance and specialist input, some of which may not be visible to the audit committee, and to help develop a map of assurance needs and priorities and how such assurance can be obtained.

Developing a golden thread through controls, assurance and internal audit

Across central government, the Government Internal Audit Agency (GIAA) and HM Treasury have been working with finance and risk colleagues to clarify the control framework that underpins the responsibilities of accounting officers. The team is also considering how assurance can be provided on the elements of the control framework. A third stage will shape how internal audit plans and reports its work. As well as supporting a better understanding of controls and assurance, the project should help internal auditors deliver internal audit opinions that can be compared across government.

This example shows how internal audit can have an impact in improving internal control and assurance arrangements, as well as helping internal audit opinions to be more meaningful for their clients.

Auditing financial risks

Traditionally, internal audit has provided assurance over financial systems and processes such as payments, income collection and payroll. In many organisations, such systems operate well, and the risks associated with them are well managed. Is there still a role for internal audit to provide assurance over financial risks? To what extent can internal audit provide assurance over the big financial risks associated with policy and strategy as well as the more traditional assurance over internal financial control systems? Our survey shows that financial viability is an area of priority for future internal audit coverage.

Examples of such risks are financial resilience, medium-term financial strategies and decisions around commercial strategies. Typically, the planning and decision making on such strategies will take place at a senior level within the organisation, and they can be complex and technical. This can mean they are difficult for internal audit to approach. However, their strategic importance to the organisation is such that they come with big financial risks. They are also areas the audit committee should be seeking independent assurance on.

Neither the audit committee nor internal audit will be seeking to influence the financial policies themselves, but they will want to feel confident that the strategy is sound, supported by robust data and incorporates risk management measures. They should therefore audit the arrangements and assumptions underpinning those decisions, plans and strategies.

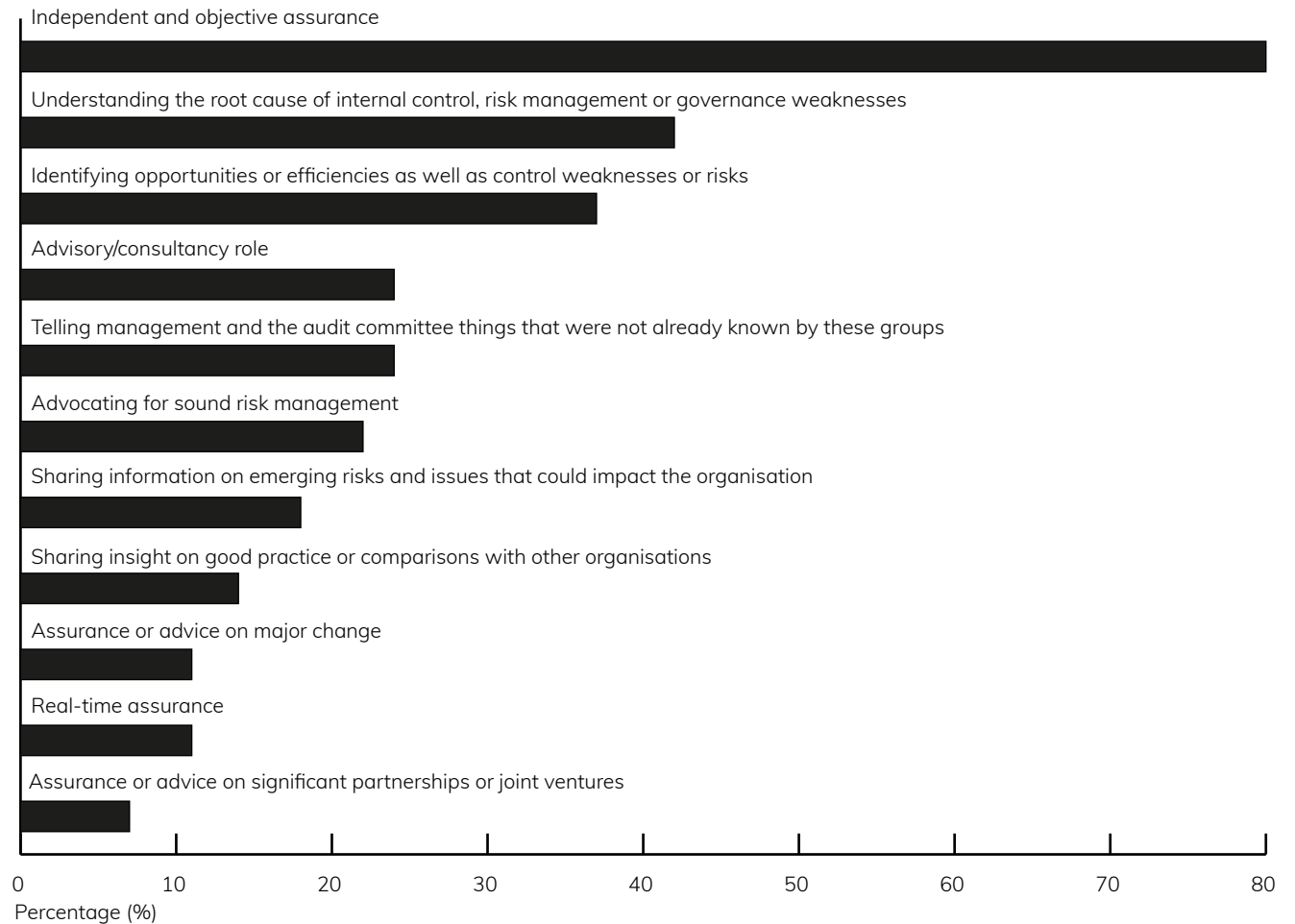
This area provides an opportunity for internal audit to have an impact in an area clearly linked to the achievement of organisational objectives. To be most effective in this area, auditors will need to have a good understanding of the financial framework in which their organisation operates. In public bodies, particularly local government, this can be complex, involving government grants, local taxation, rental income, investment income, fees and charges and its own capital management. The auditor will also need to understand how macro trends will impact on the organisation; for example, demographics, inflation, interest rates, national and local economic growth and technological innovation may all be relevant. Changes to government policy can also impact directly on public bodies' plans, so their internal auditors need to keep up to date with the wider policy agenda.

Going beyond assurance

Internal auditors provide a range of services as well as assurance

We have not asked internal auditors or their clients to provide an overview of their current internal audit plan and its priorities but did ask for feedback on the internal audit approach, engagement and particular tools or activities.

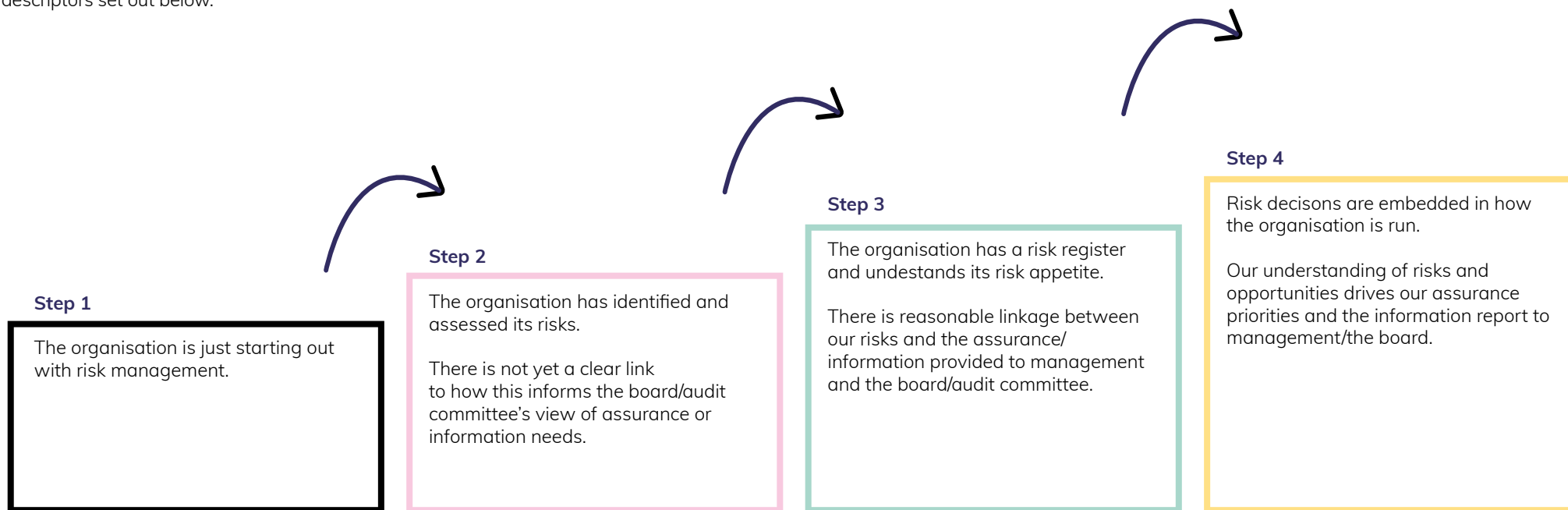
The responses to a question on how internal audit currently contributes to an organisation reflect a somewhat traditional view of internal audit activity. Unsurprisingly, independent and objective assurance is the highest-ranking response. Other activities that would perhaps be expected in a high-functioning internal audit team such as providing advice, helping to understand the root cause of weaknesses and audit coverage relating to major change receive a much lower ranking and may reflect that internal audit could have more of an impact in delivering its core role and current assurance plans.



Respondents' views on how internal audit currently contributes to the organisation.

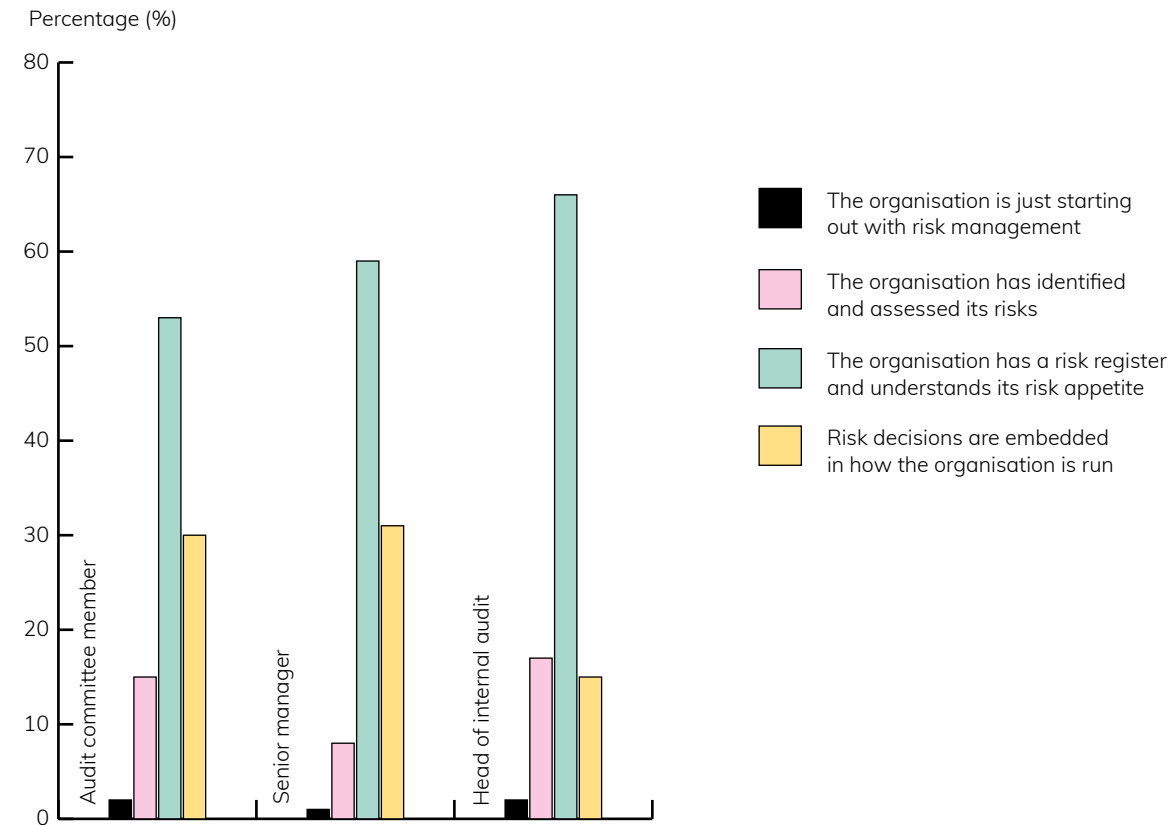
Supporting improved risk maturity

There are several different models of risk maturity available. We set out a simple, four-scale descriptive framework and asked respondents to share their view of their organisation's current risk maturity, with maturity increasing from left to right on the descriptors set out below.



We can see a difference between the views of heads of internal audit, management and audit committees. Overall, management and audit committee members considered that their risk management arrangements were more mature than the view of internal auditors.

The results from both auditors and clients indicate that there is scope to improve arrangements for managing risk in public sector bodies. Thirty-one percent of respondents believe that the impact of internal audit would be enhanced if there was greater support to help the organisation understand risk and its risk maturity – areas where there is scope for internal audit to bring its advisory role to bear.



Respondents' views on risk maturity (by role).

Recommendation:

Leadership teams and audit committees should strengthen their risk management arrangements. Internal audit's annual opinion on risk management should provide clarity over aspects for improvement and identify opportunities for support.

Sharing best practice

On the theme of value, clients' perceptions of quality were influenced by the ability of internal audit to share ideas and good practice across departments or from other organisations. Such insight was found to be useful and added value to the internal audit process.

Fourteen percent of respondents said that internal audit currently contributes to the organisation's success and delivery of strategic priorities by sharing good practice and/or comparisons with other organisations. A further 19% of respondents identified this as a future priority for internal audit.

Our internal audit service is able to provide comparisons and informal insights from other blue light organisations. This helps the audit committee gauge its response, particularly regarding systemic issues.

Jonathan Swan, Chair of the Joint Audit Committee for the Essex Police, Fire and Crime Commissioner and Essex Police

Data analysis

The impact of internal audit comes not only from the nature of topics on which it focuses, but also the tools used. Many internal audit teams are using some form of data analytics, including spreadsheets, specialist analytical tools such as ACL and IDEA, and data visualisation tools such as Power BI and Tableau.

Where data analytics are not already being used by the internal audit function, 68% of internal auditors and 40% of clients think that adding analytics to the audit toolkit would be beneficial.

Respondents were aware that internal auditors are seeking to use analytics and to upskill team members, but also reflected barriers such as multiple legacy systems and challenges to accessing the organisation's data.

During 2021, we recruited at trainee level and had a tremendous response in the number of applicants. One of the lessons learnt from the recruitment process is the number of potential recruits with significant data analytics experience.

In subsequent processes, this will be an area that we specifically highlight in the job adverts to further increase the talents required for the service moving forward.

Jonathan Idle, Head of Internal Audit, Kent County Council

The consulting role of internal audit

The definition of internal auditing recognises that internal audit has both an assurance and consulting role.

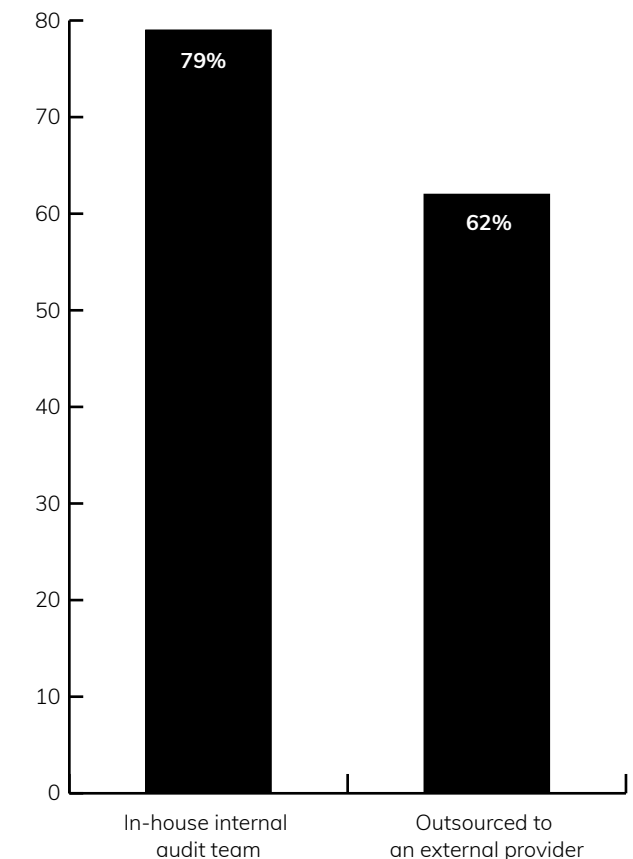
Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management,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

International Standards for the Professional Practice of Internal Auditing/PSIAS

Eighty-six percent of respondents stated that internal audit delivered advisory or consulting work or provided ad hoc advice to the organisation. Notably, stakeholders appear less aware of this, with just 59% of audit committee respondents confirming this role compared with 73% of management and 95% of heads of internal audit. However, only 24% of respondents saw the advisory role as a current priority in terms of best describing how internal audit contributes to the success of the organisation.

When responses about advisory work are compared by the internal audit resourcing model, more respondents with in-house internal audit agreed that their internal audit service provided advisory assignments or advice on new developments. The response regarding in-house teams using co-sourced arrangements reflected a similar response to in-house teams that did not use co-sourcing.

Percentage (%)



Respondents who stated that internal audit provided advisory work or advice on new systems and developments.


Our roundtable discussions with a range of internal auditors and stakeholders reflected a varied understanding of the advisory role of internal audit. Some stakeholders – audit committee members in particular – voiced their concern that internal audit undertaking consulting work can impair its independence and objectivity when it needs to later provide assurance in that same area.

Internal audit consulting input may not always be a standalone assignment; for many internal audit teams, a core element of their advisory role is to attend project or steering groups to act as a critical friend. It is key that internal auditors should not have a decision-making role at any such meeting; however, being present enables internal audit to be aware of progress and make decisions to determine how it can best respond to support the organisation (including planning, real-time assurance or being able to ask questions to check that decisions made are well thought through). Internal audit will also seek to ensure good governance, with risk management and control built into any new development, control framework or scheme.

I have found that sitting on various programme and change boards has helped the organisation better understand how internal audit can support programmes. We are now invited in by programme teams rather than having to assert our right to provide assurance or advice.

A recent example is the new case management system. The programme board asked for internal audit input during the development phase. We are able to provide challenge on how the new system meets the needs of the organisation, whether previous audit findings have been addressed, and test the proposed control framework early enough to make a difference.

Paula Mills, Head of Governance and Assurance, Basildon Borough Council

The background features a large, tilted rectangular area with black and white horizontal stripes. To the right of this striped area is a solid magenta shape that also appears to be tilted. The overall composition is abstract and modern.

What is holding
internal audit
back?

The challenges set out in the following pages are faced by many public sector organisations. That is not to say that these are faced by all, or that internal audit teams, senior management or audit committees are not seeking solutions or taking action. There are also variations across different parts of the public sector and differing views between internal auditors and their clients.

The obstacles noted will be interdependent for some organisations; it is likely that internal audit functions with a low profile will also be less likely to argue the need for more resource or enhanced training. Similarly, an organisation that is not yet risk mature may be less likely to seek assurance on strategic priorities.

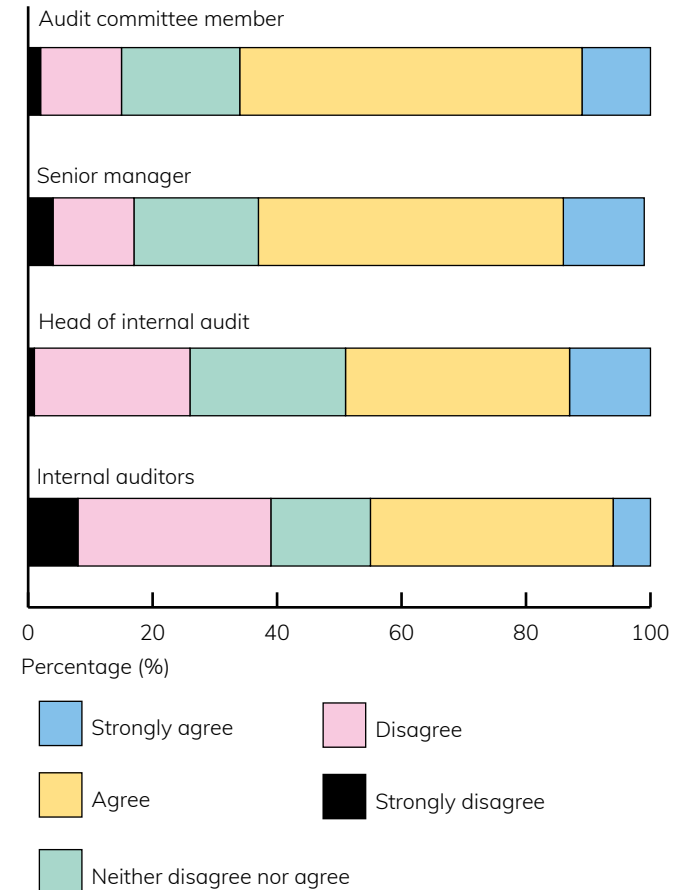
Resourcing

Capacity of internal audit

The level of internal audit resourcing is often a difficult one. How much assurance is sufficient? What other assurances exist? What skills and experience are needed to deliver the required assurance? Internal audit functions, alongside those in other departments, have seen headcount reductions over the past decade.

In our 2021 survey, CIPFA asked clients and internal auditors for their views on internal audit resourcing. When asked specifically about the resource capacity of internal audit, there is a difference in views between groups of respondents, with clients more positive than internal auditors on the current capacity of the internal audit service to provide the service the organisation requires.

Forty-three percent of internal auditors said that increasing the capacity of internal audit was a priority for improving its impact and effectiveness. Less than 30% of clients agreed this was a priority. However, a related question (see right) on whether internal audit has the resource capacity to provide the service the organisation requires indicated a higher percentage of clients recognising capacity constraints



Internal audit has the resources (capacity) to provide the service the organisation requires. View based on role of respondent.

Balancing resource

Resourcing was a topic of discussion at our roundtable events, with several heads of internal audit noting that there can be a difference between the levels of assurance an organisation requires (client appetite for assurance) and the levels of assurance an organisation needs. Many commented on the need for more resources in comments within their survey responses, together with the challenges in ensuring there are sufficiently experienced auditors to complete more complex work as well as provide coaching and support to trainees. A change in the skills and experience of the internal audit team was also seen as a route to being able to provide real-time assurance and to innovate, with some respondents welcoming trainees but noting a reduced ability to address strategic issues when a team is reliant on new entrants.

In its 2019 report on local authority governance, the National Audit Office (NAO) identified that there was a decrease of 34.2% in real-term spending on corporate support services by local authorities from 2010/11 to 2017/18. Internal audit has faced similar levels of budget reduction, and the trend has continued. Other parts of the public services have also faced resource pressures.

The capacity of internal audit functions in local government has decreased significantly at a time when the challenges and risks facing the sector have increased massively.

Local government survey respondent

Skills, experience and internal audit approaches

It may be that for many organisations, the overall budget for internal audit – and therefore the quantum of audit days – is in the gift of the leadership team, but how that budget is used and the skills available to deliver the internal audit plan are the responsibility of the head of internal audit or internal audit provider.

Views on skills and experience are notably more positive than views on resource capacity across all groups of respondents.



Internal audit has the skills and experience to provide the service the organisation requires. View based on role of respondent.

We also asked respondents if any tools or approaches were not currently used by their internal audit function that would be beneficial. Use of analytics within the internal audit approach significantly outweighed other tools and approaches. As with other skills and experience, this will require investment in the internal audit team to develop analytical skills, provide the right tools and embed analytics into the internal audit approach.

In addition to greater integration of analytics, survey respondents identified the following approaches as being of benefit to their internal audit function.

- Real-time assurance
- Sharing insight on good practice or comparisons with other organisations
- Assurance or advice on major change
- Identifying opportunities or efficiencies as well as control weaknesses or risks
- Sharing information on emerging risks and issues that could impact the organisation.

Internal auditors and their stakeholders recognise the fast pace of change, and that internal audit needs to keep ahead to best support the organisation. This results in the need for internal audit to:

- provide assurance on emerging issues and areas of change or transformation
- be equipped to play a constructive yet independent advisory role
- respond to the pace of change by providing real-time assurance
- understand and adopt new technologies
- maintain the ability to provide a core assurance on business-as-usual risks and operations.

This does not mean that internal auditors need to be experts in every topic, but that the wider team has appropriate analytical, critical thinking, communication and risk-based auditing skills to be able to approach those topics. The role of internal audit could also be to understand other assurance that's available and any potential gaps in assurance. This assists the head of internal audit in developing the internal audit plan, but also management and the audit committee when considering the quantum of assurance and any additional assurance required. For example, while cyber risk was an area that nearly two thirds of respondents identified as an area where assurance will be required, this does not mean that internal audit will have the in-depth subject matter expertise of cyber specialists.

From our research, CIPFA has concluded that internal auditors are agreeing plans for which they have the skills to deliver. Under internal auditing standards, internal auditors should not undertake work that the function does not have the skills or experience for. However, it is recognised that the assurance needs of organisations are changing and that internal audit must be able to respond to this. Internal audit needs to be ahead of the organisation to help it understand its risks and to plan focused assurance on emerging issues, transformation and strategic objectives, and therefore there is pressure on internal audit to progress, evolve and address new areas, as discussed later in this report.

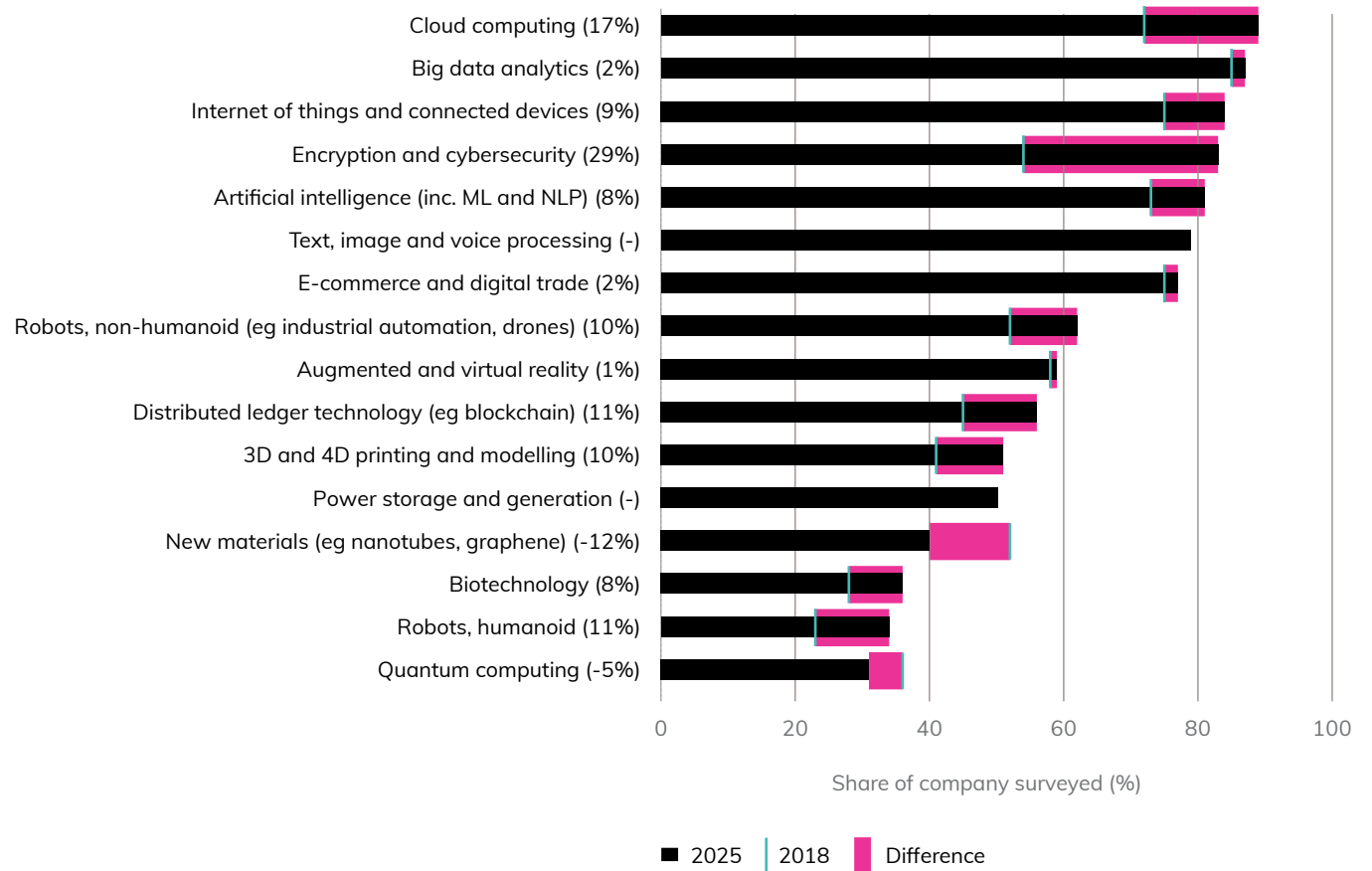
We need to be realistic about the skills we expect from internal audit. Our subject matter expertise is auditing; we cannot expect to be subject matter experts in every topic we audit. Internal audit teams need core skills that include risk-based internal auditing that can be applied to any topic, financial literacy, technological capability and data literacy.

Stan Farmer, Chief Auditor, The Open University

The wider economic view of skills and roles required

In its 2020 report on the future of jobs, the World Economic Forum (WEF) noted the technologies that companies thought were likely to be adopted by 2025, reflecting the need for internal auditors to keep pace with the use of data and digitisation in their organisations.

The same report notes that there is an expected demand for data analysts and data scientists, machine learning specialists and big data specialists. This reflects the suggestions for future coverage by internal audit as seen earlier in this report, indicating the ever-growing use of data and technology and the corresponding need for assurance providers to be able to work with data.



Technologies likely to be adopted by 2025 (by share of companies surveyed).

Source: [The Future of Jobs Report 2020](#) (World Economic Forum).

Attracting recruits to the profession in the public services

Another factor holding internal audit back is the challenge of recruitment and retaining the right skills within the internal audit function. While views on levels of resources and how those resources are used varied across respondents and those participating in roundtable discussions, one theme was common in discussions and interviews: the challenge of attracting and retaining quality internal auditors.

We need internal audit to be seen as a valuable career route for the benefit of the profession and the organisations in which we audit.

Glen Bissett, Senior Financial Auditor, Scottish Prison Service

Survey respondents shared insights into the challenges of recruiting to the internal audit function and the ability to match the nature of internal audit coverage with appropriate skills and resources. There was also feedback that some small internal audit teams are only able to deliver a basic assurance plan covering the bare minimum, which can impact the desirability of a role within that function, leading to challenges in recruiting or retaining the right staff.

Based on our research, CIPFA's view is that there are four key factors impairing internal audit's capacity and ability to recruit, retain or procure the required skills.

Key factors impacting internal audit's capacity and ability to procure and retain the required skills

1 Continuing development of the internal audit team

- Lack of funding to improve knowledge and skills, which can impair internal audit's ability to build skills in emerging areas such as analytics.
- Training budgets are often the first to be cut.
- Challenges in arranging secondments or guest auditors to augment the skill set of the existing internal audit team. Obstacles exist around the desirability of such opportunities or the capacity of other departments to release staff to internal audit.

2 Attracting people to the audit profession

- The need for more apprentices and school and university leavers to join the internal audit profession (and indeed the external audit profession).
- Consideration of how internal audit can be part of a wider career path, so that internal audit skills are seen as a beneficial experience for other roles and internal audit teams can benefit from specialist knowledge other than internal auditing.
- Training and qualifications for internal auditors need to reflect the skills that the auditors of tomorrow will require.
- Concerns that in some parts of the public sector, there may be a disparity between pay/grading for internal auditors compared with their peers in accountancy roles.

3 Culture

- Lack of recognition of the advisory or consulting capability of internal audit can impact the morale and retention rates in the internal audit team.
- Some internal audit teams are looking to strengthen skills in particular areas where the organisation is perceived to be weak (implying there was an expectation that upskilling internal audit teams would help compensate for lack of skills in the wider organisation).
- The need for management to address the findings from internal audit reports.
- The varied profile of internal audit within organisations. For some, this can impede internal audit's access to top management.
- Some organisations have a culture of tolerating internal audit rather than using and seeking internal audit and assurance.

4 Behaviours and soft skills

- Internal audit functions need the right behaviours and softer skills as well as technical competencies, including strategic thinking, and the ability to work proactively, flexibly and at pace.

Recent and forthcoming action:

CIPFA recently updated the syllabus for its Professional Accountancy Qualification, which contains greater content that will be relevant to internal auditors compared with previous iterations. The qualification is also available as a Level 7 apprenticeship.

Future plans:

- CIPFA and the CIIA have agreed to work together to raise the profile of the profession in the public sector.
- CIPFA and the CIIA will support the profession in the public services through encouraging different routes into the profession. The institutes will undertake research on career paths and routes into internal audit to help develop sustainable teams, including for guest auditors or professionals who join internal audit later in their career. This should also help raise the awareness of internal audit, its benefits and its purpose.

Recommendations:

- Organisations should ensure that the responsibilities of internal auditors are recognised – for example, the need to engage at a senior level and have access to commercial and sensitive information. This may warrant a review of role or pay/grading structure and should recognise the unique role of internal auditing rather than simply reflecting line management responsibilities and comparisons with accounting colleagues.
- To build sustainable career paths for internal auditors, heads of internal audit, senior management and audit committees should recognise opportunities for models such as secondments, guest auditors and rotational programmes to support internal audit's skills needs. Rotation of staff within the organisation could also help to build awareness of the benefits and the purpose of internal audit.
- Internal audit functions should develop not only a plan of the audit work they will undertake, but also a strategy for their function's development and how it will flex to meet the future needs of the organisation. This is likely to include the nature of the work, the tools and skills required to undertake it and resources. This should be agreed with top management and the audit committee and progress reported on as part of the quality and improvement programme of the function.
- Where an individual manages the internal audit team and delivers the responsibilities of the chief audit executive as set out in PSIAS, the responsibility of the head of internal audit should be recognised in terms of job title, ability to present to senior management committees and meetings, and access to the most senior personnel.

The majority of our training budget goes to support our trainees. Experienced internal auditors get very little targeted or personalised training or development.

Internal Audit Manager, the public sector

Selecting the right model of internal audit

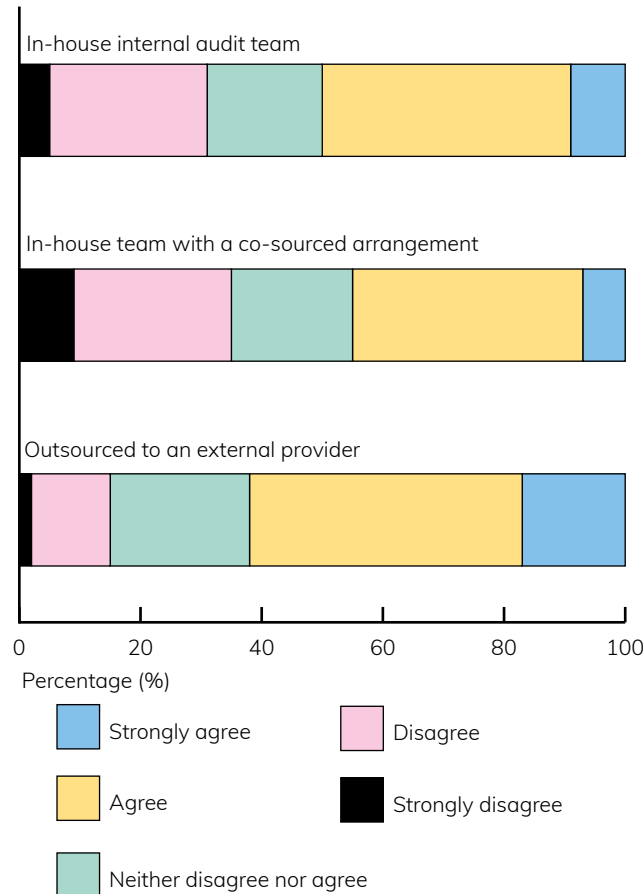
Internal auditing standards apply to any internal audit service, regardless of the model employed, but do not mandate the model that should be used. There are several different models of internal audit service.

- In-house – the internal audit service is provided by a team of people who are employees of the organisation.
- Outsourced – the internal audit service is provided by a team of people who are not employees of the organisation. This may be through a shared service, a formal commercial contract or another partnership arrangement.
- Co-sourced – an in-house internal audit service that secures some of its resource from external parties. This may be on an ad hoc basis or a formal partnering contract or arrangement. This is often a model used by in-house teams to procure particular expertise or skills to augment the existing team.

Our survey did not demonstrate that one model has clear strengths or weaknesses above the others. There were, however, some individuals with strong preferences for a particular model of delivery.

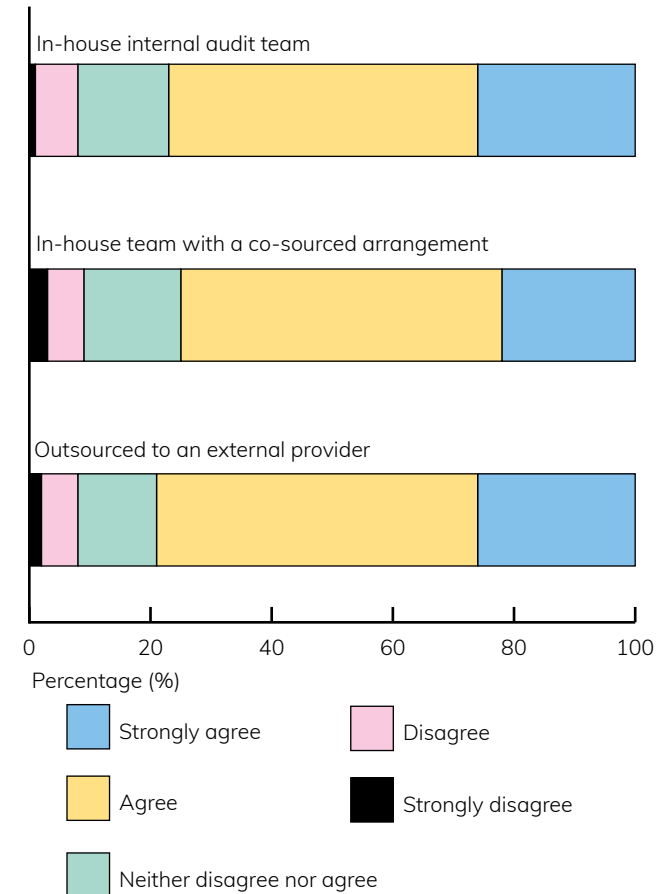
Our survey respondents reported that outsourced services have greater capacity, but there was little difference in views on the skills and capability across different models. As noted earlier, survey responses reflected a greater perception of advisory work from in-house internal audit teams compared with outsourced services.

When comparing views on the available resources based on the model of internal audit, an outsourced service has stronger capacity. Given these responses come from individuals who provide such a service or have likely been involved in procuring that service, this may not be surprising,



Internal audit has the resources (capacity) to provide the service the organisation requires. View based on internal audit resourcing model.

given most tenders are based on a view on the overall quantum of resource to be delivered, and therefore, in effect, are an agreement on the level of assurance that the organisation will receive.



Internal audit has the skills and experience to provide the service the organisation requires. View based on internal audit resourcing model.

All models can be made to work, but the organisation must be mindful of what it needs to do to make its chosen model work. When selecting a model, the focus should be on what assurance is needed to facilitate informed prioritisation of coverage and the skills and quantum of assurance, not what assurance can be afforded in the allocated budget. Organisations that have a good understanding of their assurance requirements and priorities will be better placed to make an informed decision about the nature of internal audit required and the best way to deliver that.

Although there are three broad models – in-house, co-sourced and outsourced – some shared service and audit partnership models try to operate in a similar way to in-house teams, for example by basing a permanent team within an organisation, supplemented with flexibility and support.

This table below sets out broad advantages and disadvantages of in-house and outsourced models. The exact operational arrangement may, in practice, bridge both models.

Advantages	Disadvantages
In-house internal audit	
Better knowledge of the organisation and people within it.	Many internal audit teams are facing challenges in recruiting quality candidates with the skills required.
Easier to build effective working relationships with a constant presence.	The smaller the audit team, the more challenging it will be to have all the skills required within that team.
An effective internal audit department can be used as a secondment to support management development programmes.	The risk of long-tenured team members may lead to impaired objectivity and innovation.
Regular liaison with other internal assurance functions and management.	Small internal audit teams in particular may find it difficult to provide succession and promotion opportunities.
Some heads of internal audit have a role in the management team and are therefore present for discussions on emerging issues and determining how internal audit can best support the organisation as priorities change.	Unplanned absences can delay the internal audit plan and impact service delivery.
If the internal audit budget allows for consultancy/advice, this can be provided as part of a budgeted cost rather than an additional fee.	

Advantages	Disadvantages
Outsourced internal audit	
<p>Able to share good practice and lessons learned observed in other organisations.</p> <p>Able to provide benchmarking or comparative data from similar organisations.</p> <p>More options and flexibility to provide staff or subject matter expertise.</p> <p>A shared service model could allow for staff to be based predominantly with one client and therefore to build knowledge of the organisation.</p>	<p>Lack of clarity over responsibility and accountability for internal audit and assurance.</p> <p>There may be reluctance to provide formal assurance opinions on certain topics.</p> <p>The risk that management will not perceive their responsibility for maintaining an effective internal audit function.</p> <p>The organisation may not engage as effectively with an external provider.</p> <p>Lack of organisational knowledge, including of the culture of the organisation.</p> <p>A contract manager or key contact is still required to ensure effective liaison between the organisation and the internal audit provider.</p> <p>The risk of high staff rotation leading to lack of familiarity with the organisation.</p> <p>A focus on price rather than quality when contracting for an outsourced service may prohibit extensive input from senior staff or specialists.</p>

A co-sourced internal audit service is one with an in-house team that also has an arrangement to draw on resources from an external provider. In many ways, this helps the internal audit service reap the benefits from both the in-house and outsourced models; in particular, a co-sourced arrangement provides access to additional staff and subject matter expertise. Intelligent procurers of co-sourced services will also seek to ensure skills and knowledge transfer between the external and internal teams, and to obtain to share insights and experience from the co-sourced partner's wider client base.

Managing internal audit independence

Independence and objectivity are essential to effective internal audit. Some of the barriers discussed below may be factors of perception, which can then impair stakeholders' views on the quality of internal audit.

Roles beyond internal audit

Fifty percent of the heads of internal audit who responded to the survey have other responsibilities as well as leading the internal audit function. This figure rises to 60% in local government.

Of the additional responsibilities that heads of internal audit have, the most common were:

- risk manager
- head of counter fraud
- governance.

There was also a range of additional roles for heads of internal audit who have a clear second-line function, such as business continuity, health and safety, insurance and data protection. Internal auditing standards provide guidance on how such additional roles should be managed and risks to independence and objectivity communicated.

It was surprising to find some heads of internal audit state they had responsibilities for operational areas such as procurement, council tax or debtors, meaning those heads of internal audit would have to find other approaches to providing assurance on those areas rather than providing the assurance themselves.

Chief audit executive roles beyond internal auditing

Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

Interpretation:

The chief audit executive may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities. These roles and responsibilities may impair, or appear to impair, the organisational independence of the internal audit activity or the individual objectivity of the internal auditor. Safeguards are those oversight activities, often undertaken by the board, to address these potential impairments, and may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.

Extract from the International Standards for the Professional Practice of Internal Auditing and the PSIAS

Recommendation:

Organisations should minimise or avoid passing on additional roles to the head of internal audit. Where heads do have roles beyond internal auditing, there must be adequate safeguards in place to preserve independence in accordance with the standards. For example, a budget should be provided to fund the commissioning of internal audit assurance in those areas that come under the responsibility of the head.

One concern flagged by clients was that internal auditors may impair their independence by undertaking advisory or consulting work. The consulting role of internal audit is set out within PSIAS, as are a number of safeguards. The head of internal audit must take a balanced view on priorities that can be delivered with the available skills and resource, and for some internal audit teams, this may preclude significant amounts of advisory work. Undertaking advisory work can also mean that internal audit cannot provide formal assurance around that area. Internal auditing standards state that internal audit can provide assurance where it has previously provided consulting services, provided the nature of the consulting input does not impair objectivity and steps are taken to manage individual objectivity when assigning team members to the audit – something that will be easier to manage for larger internal audit functions.

However, many internal auditors undertake advisory work below the radar, such as sitting on project or steering groups as an observer or critical friend. There is a need for internal auditors to communicate more, not only about these activities but also the benefits they bring to the organisation.

A third factor was also present in concerns about internal audit independence and objectivity: the fact that some internal auditors have been in post for many years. In its Internal Audit Code of Practice, the CIIA recommends:

“Where the tenure of the chief internal auditor exceeds seven years, the audit committee should explicitly discuss annually the chair’s assessment of the chief internal auditor’s independence and objectivity”.

This does not mean that long-serving heads of internal audit lack independence or objectivity, but that the audit committee should have greater understanding of the risk of over-familiarity and actions to mitigate that risk. This code does not apply to the public sector but will be relevant to third sector and not-for-profit organisations aligned with the public services.

Internal audit reporting lines

When commenting on organisational independence, both global internal auditing standards and PSIAS state that the head of internal audit “must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities”. The standards go on to explain the nature of internal audit’s relationship and interactions with the board² (and/or audit committee). The PSIAS go further, setting out an explicit expectation about access to the chief executive and chair of the audit committee.

The chief audit executive³ must report functionally to the board. The chief audit executive must also establish effective communication with, and have free and unfettered access to, the chief executive and the chair of the audit committee.

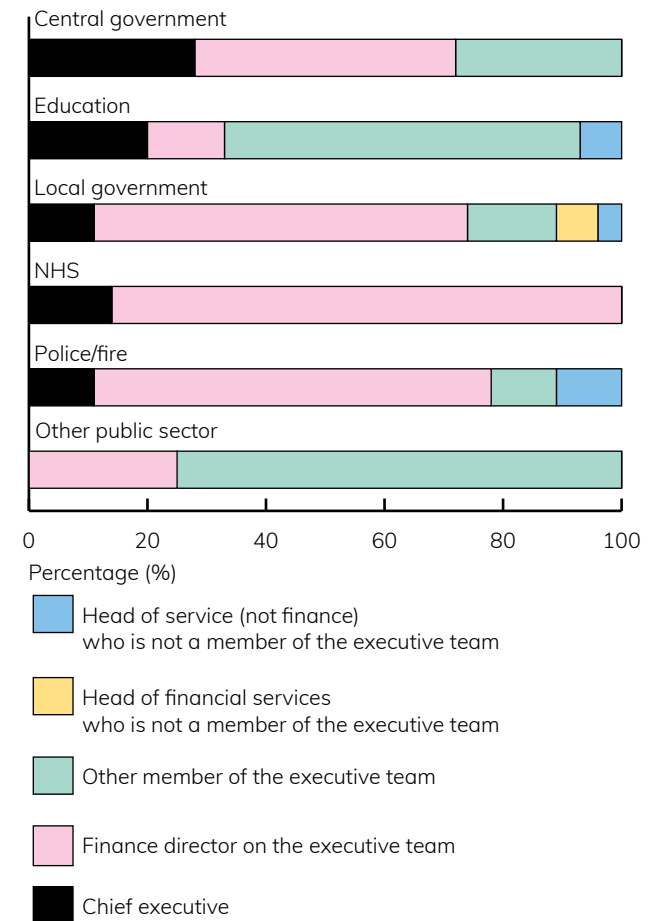
Public Sector Internal Audit Standards

We asked heads of internal audit about their functional and administrative reporting lines. It is recognised that many heads of internal audit in effect have two reporting lines: one within the management structure and one to the audit committee.

² Internal auditing standards recognise that for most organisations, this role will be discharged by the audit committee on behalf of the board.
³ Internal auditing standards use the phrase ‘chief audit executive’ for the person who leads the internal audit function. In many UK public sector organisations, this role will be known as the head of internal audit, chief internal auditor or similar.

Reporting lines within the management structure

The traditional internal audit reporting line to the chief financial officer remains a common model. As shown below, there are significant differences in typical internal audit reporting lines across sectors:



Analysis of reporting lines by sector.

We noted in roundtable discussions and survey responses that there remains a perception that internal audit in local government must report to the section 151 officer. As the NAO reiterated in its 2019 report on local authority governance, the legal responsibility for maintaining the system of internal control, including arrangements for the management of risk and an effective internal audit, lies with the elected council members, and therefore responsibility no longer rests solely with the section 151 officer. Comments were also made that for some local government and policing organisations, it was perceived that section 151 officers benefitted more from internal audit and that there should be clear emphasis on internal audit being for the wider organisation and not solely focused on financial control. This also reflects the various views we heard from management on their expectations from internal audit, ranging from an appetite for assurance on core systems only through to managers who were actively seeking greater engagement and focus on wider strategic risks and priorities.

Our analysis showed no apparent correlation between reporting lines and whether the internal audit service was provided in-house or through an outsourced provider.

... while the section 151 or similar legislative provisions require the authority to appoint a suitably qualified officer responsible for the proper administration of its affairs, responsibility for proper financial administration still rests ultimately with elected members. The local authority itself has a statutory responsibility for maintaining a system of internal control including the management of risk, an effective internal audit and preparing annual accounts.

Extract from CIPFA's Financial Management Code

CIPFA's guidance on the role of the head of internal audit says that heads of internal audit must report functionally to a member of the leadership team. In total, 9% of heads of internal audit told us that they do not have a reporting line into the chief executive or a member of the executive team. This could mean that the leadership team lacks understanding of the role of internal audit and the audit team lacks engagement with its principal client.

Reporting line to the audit committee

Eighty-six percent of heads of internal audit confirmed that they have a formal reporting line to the chair of the audit committee, meaning 14% do not have this formal reporting line. This could mean that the head of internal audit's ability to report independently to the audit committee is compromised.

Recommendation:

As a minimum, the head of internal audit should report to a member of the executive team for administration purposes and also have a reporting line to the chair of the audit committee.

Audit committees

Low expectations by audit committees are another factor in holding back internal audit from fulfilling its potential. This is in part due to the weakness of some audit committees in some public bodies.

Role and oversight

The role of the audit committee is vital in setting the expectation within the governance structure for risk-based assurance on strategic priorities. It is also key, alongside senior management, in setting the expectations for internal audit's performance.

One third of respondents to our survey were ambivalent or negative about their audit committee providing robust oversight, although 95% of heads of internal audit said they felt the audit committee listened to them.

CIPFA's own research on audit committees in local government has identified that while committees are supportive of the work of internal audit, they are less effective in providing professional oversight and providing challenge.⁴ This was mirrored by some survey respondents who commented that management needs to be better at responding to internal audit recommendations and that the audit committee has a role to ensure action is taken.

Some audit committee chairs and heads of internal audit have regular meetings, and discussions between meetings, along with private sessions between the audit committee and head of internal audit before or after committee meetings.

⁴ CIPFA survey of audit committees in local authorities and police (2016).

However, this relationship is not in place for all. Some audit committee chairs have had to push for private meetings to be included in the committee's terms of reference.

Recommendation:

There should be regular private meetings between the audit committee and the head of internal audit with no management present. If such meetings are diarised, this avoids either party having to ask for such a meeting to be arranged before/after a planned committee meeting, which can create an expectation that significant issues need to be discussed. Such meetings should not prevent there being open and regular communication between the head of internal audit and audit committee chair throughout the year and between committee meetings.

Independent audit committee members

Another factor raised at roundtable discussions was the potential for political bias at local authority audit committees and the appointment of independent members to those committees.

In 2019, the NAO emphasised the benefit of independent audit committee members, in particular as chair of the committee. The 2020 [Redmond Review](#) noted that 56% of local authorities had no independent member on the audit committee. One of the recommendations from the Redmond Review was that the governance arrangements within local authorities be reviewed by local councils to consider appointing at least one suitably qualified, independent member to the audit committee.

It is noteworthy that several local government participants in our roundtable discussions commented on the audit committee being perceived as a low-status committee role in some authorities. Local government respondents were the least positive regarding the effectiveness of audit committees. While some committees in this sector are clearly high performing, others were described in survey responses as ineffective, with members who were not engaged or interested.

While Redmond's recommendation focused on encouraging the appointment of at least one co-opted independent member, there has been considerable activity since. A working group of the Local Audit Monitoring Board (a board commissioned by the Department for Levelling Up, Housing and Communities (DLUHC)) was set up to look at this recommendation, among others.

New guidance:

[CIPFA published strengthened guidance on audit committees in April 2022.](#)

The Position Statement emphasises the role that audit committees should have in the oversight of internal audit and ensuring accounts are prepared to a high standard, alongside broader changes including the appointment of independent members.

In Wales, there has been a requirement since 2011 to have at least one lay member on council audit committees. New legislation through the Local Government and Elections Wales Act 2021 means there should be one-third lay members and a lay member as chair.

Role of the audit committee with respect to internal audit planning

Through roundtable discussions, we noted different approaches to internal audit across different organisations. There were differing views on the role of the audit committee regarding the internal audit plan. This varied from audit committee members who considered it their role to determine what the internal audit plan should be, potentially reducing the independence of the head of internal audit in determining internal audit priorities, through to committees that agreed plans they were not fully happy with.

While the audit committee should approve the internal audit plan, the plan should ultimately be the work of the head of internal audit setting out their independent view of the assurance priorities for the organisation. The plan should be developed according to the strategic priorities and risks of the organisation, and by consulting key stakeholders such as management and the audit committee. While the audit committee will be asked to approve the plan and may request additional topics or challenge why certain areas are flagged as priorities, the plan should remain a reflection of the head of internal audit's view of the organisation's assurance needs. It should also reflect how internal audit can help address those assurance requirements.

The chief audit executive must report functionally to the board. The chief audit executive must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee.

Public sector requirement from PSIAS

If we are looking for rigour and added value, we can't have peer reviews for our internal audit external quality assessment.

If organisations are not prepared to spend once every five years on this type of review, what does that say about how they view the importance of a quality internal audit service?

Vice Chair, of a London local authority audit committee

Assuring the audit committee on internal audit quality

The quality of internal audit must include conforming with relevant professional standards. Both the PSIAS and the International Standards include a requirement for an independent external assessment of internal audit to be undertaken at least once every five years.

Several roundtable participants had received a review or had been involved; others were aware of the requirement, but budgetary constraints prevented such an external assessment from being progressed. Several authorities, particularly in local government, have undertaken peer reviews as a route to an external assessment. Some participants were concerned that this does not add the value that a truly independent review would and may miss the opportunity to share new practices and ideas, as well as potentially being less rigorous.

Agreed action:

CIPFA and the CIIA will consider the operation of the quality assurance and improvement programme in the public services and consult with the Internal Audit Standards Advisory Board.

Lack of understanding of assurance – immature first and second lines

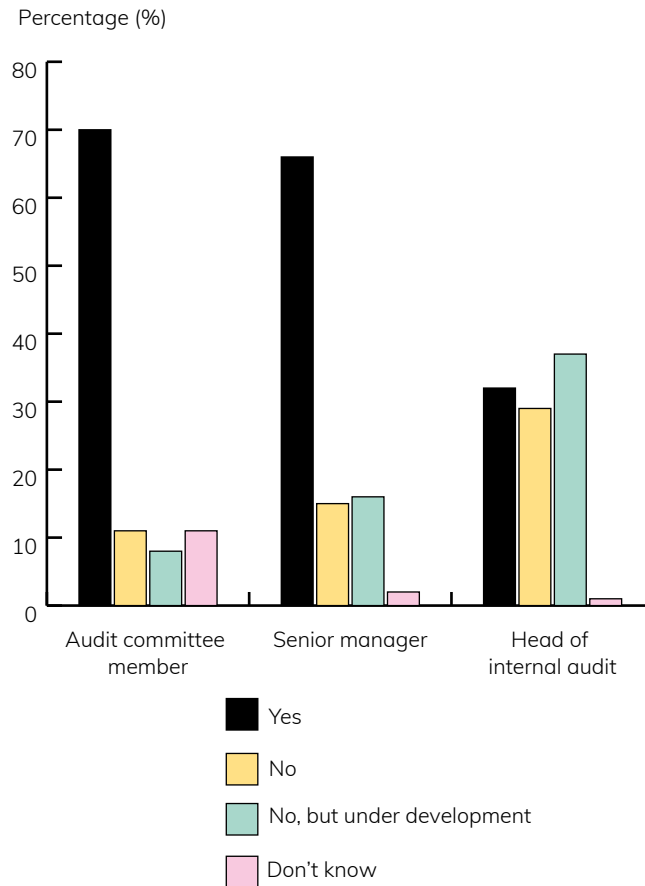
Internal audit will have the greatest impact in organisations that understand and embrace assurance. We look below at some of the organisational factors that can hold internal audit back.

A holistic view of assurance?

Assurance is a key element of the governance and risk management framework. It provides information and feedback to help management and the audit committee understand the effectiveness of the internal control framework and the robustness of risk management arrangements. The independence of assurance is also a key factor. Typically, organisations will have assurance activity within the first line (front-line activities and the role of management), the second line (functions such as risk management, compliance and health and safety), with internal audit as the most independent source of assurance referred to as the third line.

An assurance framework is a structured means of identifying and mapping the main sources of assurance in an organisation, and co-ordinating them to best effect.

Assurance frameworks, HM Treasury, 2012



Has the organisation identified how it obtains assurance across the full range of its activities (sometimes called an assurance framework or assurance map)? Responses by role.

CIPFA was keen to understand the wider culture of risk management and assurance within the public services, and therefore the context in which internal audit is provided. We asked respondents about the status of an assurance framework or similar mechanism within their organisation.

When asked if the organisation has identified how it obtains assurance across the full range of its activities, clients were significantly more positive than heads of internal audit. This may be for a number of reasons, including the understanding of what constitutes an effective assurance map, or that internal auditors may have higher expectations on the formality of such an exercise.

Of all respondents, only 48% confirmed that their organisation had identified how it obtains assurance across the full range of its activities. This is surprisingly low, given the concept of assurance maps or frameworks has been in use for over 20 years. The most positive responses came from NHS, police and fire respondents.

Sixty-four percent of respondents noted that internal auditors worked with risk colleagues to support assurance maps and identify and understand different sources of assurance.

There is a need for audit committees to have a key role in overseeing the assurance framework, with internal auditors being integral not only to delivering assurance, but in collecting information and assessing the robustness of other assurance activity to help the committee's understanding of the assurances available to the organisation. Through this approach, the audit committee acts as a sponsor alongside senior management and can help create a culture of seeking assurance, feedback and continual improvement to support risk management and decision making.

Internal auditors have a vested interest in an effective assurance framework and a robust three lines of assurance within the organisation. Twenty-five percent of respondents thought that internal audit could be more effective if other formal assurance activity in the organisation was developed (either first or second line).

Some heads of internal audit noted that where there is no second line of assurance, or where second line functions are weak, internal audit functions can end up filling that gap by providing compliance-focused assurance. This may mean less internal audit resource is available for risk-based assurance on strategic priorities.

Crucially, organisations that do not share a good understanding of their assurances across management, the audit committee and internal audit can be less confident that they have robust control arrangements in place. The lack of clarity means it is more difficult to make full and effective use of internal audit.

Working with other assurance providers

The survey considered internal audit teams' work with other assurance providers and the results showed less awareness of this area of activity among clients.

Sixty-eight percent of heads of internal audit are working with risk management colleagues to understand other assurances available to the organisation. Fifty-nine percent of clients said this was happening in their organisations.

For some organisations, there will be shared working, partnerships or joint ventures with third parties that could necessitate internal audit teams from different authorities working together. Forty-nine percent of heads of internal audit said they are working with internal audit teams from other organisations.

Recommendations:

- *Internal audit plans should set out what other assurances are available and any work internal audit has undertaken to consider the reliability/scope of those assurances. If internal audit has not undertaken any such assessment, this should also be noted. For example, the internal audit plan could include a different aspect of the second line each year to provide assurance on those functions.*
- *CIPFA will be publishing guidance on assurance frameworks in autumn 2022. While internal audit has an important part to play and significant insight to bring to the framework, the framework itself should be owned by the organisation, typically with sponsorship and oversight from the audit committee.*
- *Organisations should use CIPFA's guidance to review and improve their assurance arrangements.*

For audit committee members, an assurance map gives you a clear view of the assurance you need, and where and how that is provided. Where the second line is mature, internal audit can be freed up to focus on more strategic areas.

Clare Minchington, Chair of the Audit and Risk Assurance Committee, Government Internal Audit Agency

The impact of external audit disruption on organisations and internal audit

The assurance available to some public sector organisations has changed since the Audit Commission was abolished in 2015. The scope of input, quality and timeliness of external audit has changed. The external audit of local government and health bodies in England has experienced a period of disruption that goes beyond the impact of the COVID-19 pandemic. The problem has been most acute in local government, where audits are undertaken largely after those on health bodies are completed.

The root of the problem is the change to a market provider model, where firms compete for contracts. Although local audit clients have audit arrangements in place, firms have been unable to deliver in accordance with contract expectations. The reasons for this were examined in the [Redmond Review](#) in 2020.

Following the Redmond Review, the government is taking steps to improve the resilience of the public sector external audit market and address the report's recommendations. As of spring 2022, the local audit arrangements are still fragile and are likely to remain so for a while.

In some bodies, working relations between the external auditor and client have become strained because of these difficulties. While most bodies initially welcomed reduced audit fees, there has been frustration with delays and the reduced value that the audit process has offered. External auditors themselves report dissatisfaction with the arrangements, citing a lack of understanding of the audit process among audit committees, low fees and a lack of regard for audit findings.

Some internal auditors have reported that they have little contact with external auditors. The reduced reputation of external audit in the local government community and less interaction between the auditors also contributed to the difficulties faced by internal audit teams. Recent events, where the consequences of poor governance and poor financial management have been exposed, have created a greater understanding of the need to invest in and support internal audit alongside other aspects of corporate arrangements. The changes to the reporting on value for money introduced by the NAO from April 2020 onwards are helpful, as they create a narrative on the strength of local arrangements.

There are opportunities for internal audit to interact more with external auditors to share findings and conclusions. To make a real success of this opportunity, the local audit market needs to be more robust.

The quantum of internal audit resource and assurance

'How much assurance is enough?' is perhaps the million-dollar question, and one to which there is no simple answer. The amount of coverage varies from organisation to organisation and is informed by various factors such as the size and complexity of the organisation, appetite for assurance, and the remit of the internal audit function. This will, in turn, determine the volume and nature of internal audit work and its ability to have an impact.

Appetite for assurance

As already seen, many respondents felt that internal audit has sufficient resources to provide the service the organisation requires. Some roundtable participants challenged the perception of the quantum of assurance required and that organisations may need more assurance than they appreciate. Therefore, there may be a gap between the assurance the organisation has agreed and the level of assurance it needs to obtain sufficient feedback and comfort on key risks, priorities and systems.

The quantum of audit provided is perhaps the most challenging question for management and the head of internal audit, and it is not easy to set out a de minimis level that would work for two similar organisations, as there will be many factors that affect the risk profile and assurance needs of two organisations that, from the outside, seem similar.

Questions around this may therefore cover areas that are not always easily quantifiable.

- How much assurance do I need to provide to support the annual internal audit opinion? What areas of coverage should that include?
- Is there an imbalance between the assurance I believe is needed by the organisation and what we are able to provide?
- What change or transformation is occurring and where would assurance or advice from internal audit be useful? How do we maintain a balance between assurance on business as usual and areas of change and development?
- What other sources of assurance exist? Does the scope of these support the work of the audit committee and is that assurance robust and reliable?

One of the main factors in different levels of assurance is the wider organisation and the budget and resources available for internal audit, likely linked to attitude to assurance and previous impact of the internal audit function. From group discussions, it is possible that difficult conversations will be needed around priorities, coverage, resources and internal audit's ability to deliver a more strategic plan.

Smaller internal audit teams noted that networking and maintaining relationships with senior management is important, but more challenging when the size of the internal audit plan does not allow for internal audit to do more than a minimum assurance plan – an interdependency between resources, impact and engagement with the organisation.

Recommendation:

Internal audit plans should provide information on any areas not included within the plan and where the head of internal audit believes that assurance may be required. This should include an explanation of the rationale for non-inclusion, which can be used to inform discussions around prioritisation of the use of internal audit resources to facilitate a meaningful discussion with the audit committee.

Impact of the pandemic

The question of how much assurance is needed has been a particular focus during the pandemic. From March 2020, the amount of internal audit delivered was impacted in many organisations, with internal auditors often redeployed to support the first line elsewhere in the organisation. For some local government and NHS organisations, this meant halting the internal audit plan for April to summer 2020, with further redeployments and delays during infection surges in winter 2020/21 and 2021/22.

Thirty-six percent of respondents said that their internal audit plan had been suspended for a period of time. Fifty-four percent noted that at least some of the internal audit team was redeployed to other roles. Eighty-five percent of internal audit plans were flexed to respond to emerging risks and priorities relating to the pandemic. One of the challenges of such disruption is the impact on the ability to provide an annual internal audit opinion. Guidance was provided by the IASAB, CIPFA, GIAA and HFMA for internal auditors across different parts of the public sector. During the pandemic, many heads of internal audit had to decide what work must continue as a bare minimum to be able to give an annual internal audit opinion.

During the pandemic, internal audit team members were redeployed in both 2020/21 and 2021/22 to support the trust where additional resource was needed. While internal audit resource was reduced, we pivoted the work of remaining team members to provide quick-response advisory reviews on emerging issues such as the setup of a Nightingale Hospital. Even when the team returned to internal audit, delivery of the plan was challenging due to pressures on frontline personnel and management.

While I determined how much assurance I needed to support my annual opinion during the pandemic, these were exceptional times. As a profession, we must acknowledge that the reduced quantity of assurance is not sustainable to routinely support an opinion in the longer term.

Mike Townsend, Head of Internal Audit, Barts Assurance

It was also noted that working remotely has reduced internal audit's ability (as with many teams) to have quick, informal chats with colleagues across the organisation, which help maintain effective working relationships. Others noted that greater pressure on management in response to the pandemic meant that in some areas there was less willingness to engage with internal audit.

Challenges in delivering the annual internal audit opinion

The PSIAS require public sector internal auditors to provide an annual opinion. This should inform the organisation's annual governance statement. In some sectors such as higher education, the annual internal audit opinion will be used by the audit committee in developing its own annual report to the governing body.

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Extract from PSIAS

It is the head of internal audit's responsibility to ensure that the audit plan, when taken together with other sources of assurance, will provide sufficient assurance to support this opinion. In CIPFA's experience of quality assessments, a range of approaches exist to underpin the opinion. For this report, we undertook a review using publicly available resources of the 2020/21 annual opinion provided at 33 London boroughs. This analysis reflects the variability of the nature and volume of audit work that heads of internal audit drew on when forming their annual opinion for 2020/21.

Many of the opinions reflect the considerations of the head of internal audit regarding whether sufficient work has been completed on which to base the opinion; reference was made in reports to CIPFA's guidance for internal auditors during the pandemic.

Other variations noted across those authorities' annual internal audit reports include the following.

- **The scope of the opinion given.** While relevant coverage may have been included within internal audit plans, 36% of the opinions reviewed did not explicitly mention governance or risk management in the opinion statement, therefore appearing to omit a requirement of PSIAS.
- **The scope of the organisation on which the opinion is given.** Some annual opinions appear to be based on work both at the authority's centre as well as in schools. Others were silent on this or appear to omit schools audit from their opinions, setting out schools' audit work as a separate schedule of activity.
- **The volume of audit work supporting the opinion.** Several heads of internal audit made a clear statement confirming they were satisfied that sufficient quantity and coverage of work had been undertaken to allow a conclusion to be drawn, and there were none stating they were unable to provide an opinion. There was a significant difference in the number of audits undertaken across the boroughs to support the 2020/21 opinion, varying from seven 'systems audits' and four 'schools audits' to authorities drawing on over 40 audits to form the opinion.

- **The form of wording.** Many reports remind the reader that the assurance provided cannot be absolute, and therefore only reasonable assurance can be provided. However, the specific wording of the opinion varies, and these variations include the following: "adequate and effective", "generally satisfactory", "reasonable assurance", "moderate assurance", "limited assurance", "a reasonable level of confidence", "adequate and remains robust" and "good with improvements required in a few areas". The most common conclusion wording used was "reasonable assurance".
- **The work and assurances on which the opinion is based.** Some opinions clearly state that they are based solely on work undertaken by internal audit. Others refer to consideration of risk management arrangements and other assurances available, including the work of second line functions such as anti-fraud teams. Some annual reports reflect the nature of audit work, setting out the number of assignments in year that were assurance, consultancy, follow-up or grant claim reviews, for example. Hillingdon is a useful example of this, informing the reader that the total number of audit assignments in each year has reduced by nearly a third between 2017 and 2021, although the overall number of assurance assignments has increased within that period.

Notwithstanding CIPFA's recognition that factors such as organisational complexity and appetite for assurance will impact on the quantum of audit, the variability identified in the quantum of audits underpinning the annual opinion is concerning.

Agreed action

- CIPFA will work with the CIIA and IASAB to develop guidance on annual internal audit opinions to help heads of internal audit provide an opinion and audit committees in using that opinion.
- CIPFA will consider options on how it can facilitate a thematic review of annual internal audit opinions, which will help heads of internal audit provide context and comparators with peers.

Recommendation:

For local government with education responsibilities, consider an annual internal audit report that splits out schools' audit work from the main opinion. This would make clearer the nature and quantum of assurance on which the opinion relating to the organisation's central risk management, governance and control environment is based.

As a small internal audit team covering both the police force and office of the police and crime commissioner, I proactively seek out other independent assurances and feedback that are relevant to the framework of governance, risk management and control.

The annual opinion I give each year is based on the internal audit work my team has delivered. I use the other assurances available to support and sense-check that opinion; it is a useful triangulation and also provides the Joint Independent Audit Committee with a view of the broader assurances and feedback from external parties during the year. This may include a report by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, or assurance from another organisation's internal audit function where a service is outsourced or with whom the force collaborates.

Neil Shovell, Chief Internal Auditor, Thames Valley Police and the Office of the Police and Crime Commissioner

Organisational culture

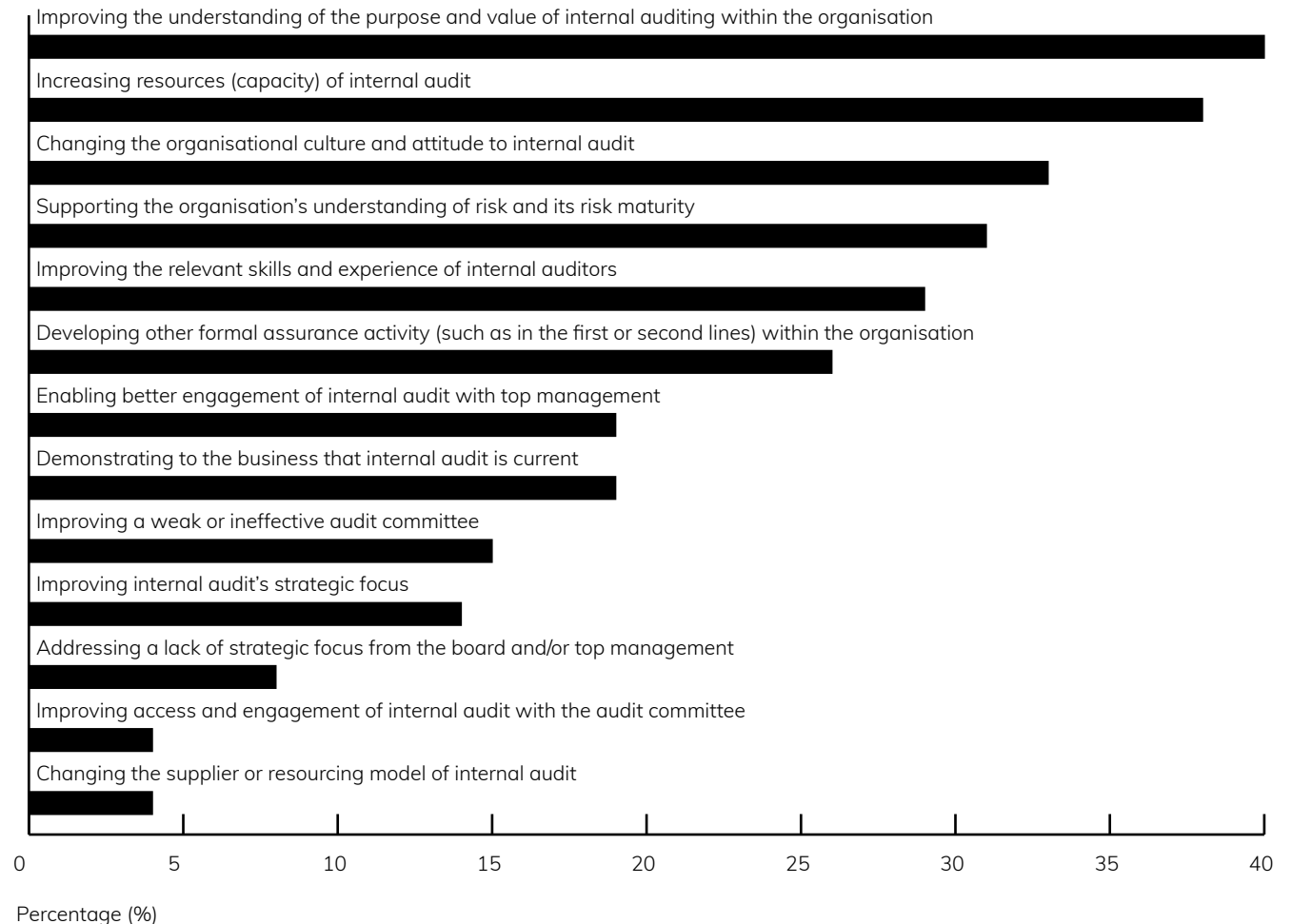
Respondents were invited to provide any additional comments at the end of the survey. Analysis of text responses highlighted that culture was commented on as much as resources available for internal audit.

Comments were shared on the scope and coverage of internal audit, and that it is important to have a culture where internal audit findings are taken as independent, objective, professional advice to be acted on and taken into consideration. The need for a risk management culture to be embedded was also shared, and the ability for internal audit to have a voice at the top table to be able to engage in new initiatives, change or transformation at an early stage. Twenty-six percent of heads of internal audit surveyed felt that their role did not have appropriate status within the organisation.

There was also recognition that greater use of data-driven tools for routine coverage should release audit resource to focus on more impactful work, including areas such as ethics and culture as well as governance.

Survey respondents shared views on what could improve the impact of internal audit in their organisation. As well as comments regarding resources and skills, the responses reflect the need for a cultural change, including one of assurance in all lines and not just by internal audit, and improving the risk maturity of the organisation.

While these areas will require buy-in from management and the audit committee, there is clearly a driver for internal audit to demonstrate its currency and that it can be strategic in its coverage and approach.

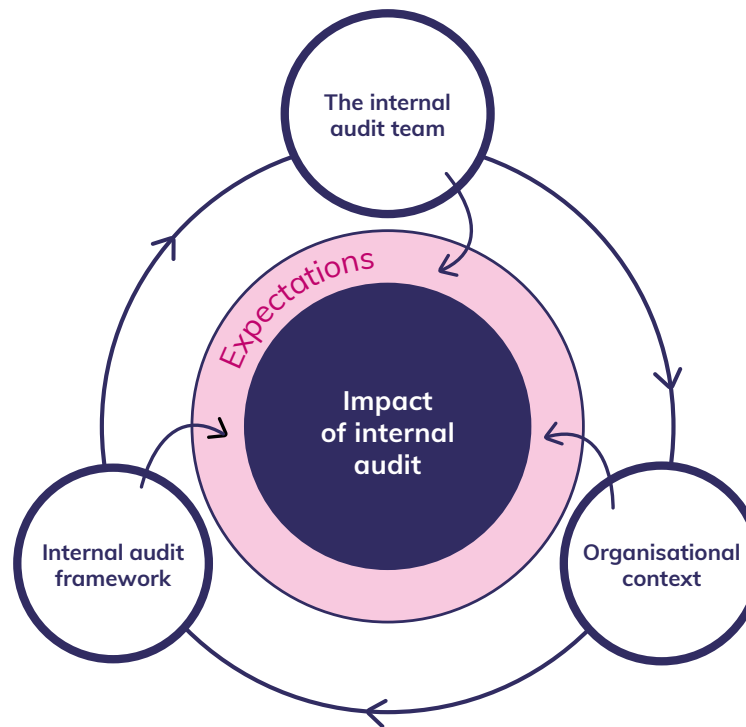


Views on what could improve the impact of internal audit in the organisation (respondents were asked to select their top three priorities).

Appendix A:

The framework for internal audit impact

The key elements of the internal audit impact model are defined below:



Impact

The ability of internal audit to support the organisation in achieving its strategic objectives and priorities. This will be through an appropriate mix of assurance, consulting activity and advice. The impact of internal audit will vary across organisations based on assurance needs, organisational culture, appetite for assurance and driving continual improvement.

Expectations

Stakeholder expectations: an impactful internal audit service will understand and manage stakeholder expectations. Where expectations of internal audit are low, the function will exceed these and raise expectations to help stakeholders understand the benefits of a modern, engaged internal audit function. Stakeholders are likely to include senior management, the audit committee and other assurance functions.

Audit expectations: internal auditors also set their own expectations in response to their professional judgement based on standards and their assessment of risks and audit needs.

Internal audit framework

Internal auditing standards: the professional framework that provides the foundation for the core quality of internal auditing. As a minimum, internal audit functions should be conforming with the requirements of these standards.

Internal audit leadership: the function must be led in such a way that it strives to make an impact, while engaging with the organisation and maintaining its independence and objectivity. The head of internal audit must be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and the audit committee.

Alignment with strategic priorities: the internal audit plan should be developed to address not only the key risks that the organisation faces but also support strategic objectives and priorities. This will also entail understanding where other assurance exists around strategic objectives and avoiding duplication or gaps in assurance.

Internal audit team

Internal audit skills and resources: there should be a clear view of the skills and resources required to deliver the assurance that is needed by the organisation to support an effective governance and risk management framework. Where there are gaps, there are discussions with top management and the audit committee to understand the impact and to agree action.

Service delivery model: the selected model of delivery should enable internal audit's professional delivery to the organisation according to its needs.

Organisational context

Governance framework: the organisation has an effective governance framework and a high-performing audit committee, with members with appropriate skills and experience. There are clear and unrestricted reporting lines for the head of internal audit to the audit committee, including private meetings between the head of internal audit and the committee.

Internal audit access to senior management: internal audit has unrestricted access to senior management, including the chief executive. There is regular dialogue, and the head of internal audit attends senior management meetings to be able to best understand the changing risks and assurance needs of the organisation.

Risk and assurance culture: the organisation, led by those charged with governance, seeks assurance as an integral part of its risk management framework and the decision-making process. Assurance is used to drive improvement and is viewed as an activity that supports decision making in all aspects of the organisation, both strategic and operational. The three lines model may be used as a structure to identify and plan assurance activity.

Appendix B:

Maximising the impact of internal audit

Ten questions to ask your internal auditors

Suggested questions that senior management and audit committees should be asking to obtain the maximum impact from internal audit. Comparing views on these questions with the head of internal audit may also lead to some useful discussions.

Engagement with the organisation

1. Does internal audit receive the right level of support and engagement from the audit committee?
2. Does internal audit get good engagement from across the organisation when it plans and conducts audits?
3. Do managers within the organisation seek advice or assurance from internal audit?
What are the drivers of or obstacles to this?
4. Has the head of internal audit indicated that resources (capability or capacity) need to increase?
What steps are being taken to address this?

Quality, impact and continual improvement

5. Does internal audit conform to PSIAS as demonstrated by an independent external quality assessment undertaken within the last five years?
For local government organisations, this should also include conformance with the Local Government Application Note.
6. What action is internal audit taking to continually improve its quality, engagement and impact for the organisation?
Is internal audit considering the skills and competencies it will need in the future as well as now?

Assurance

7. Is there a clear view of the assurance that internal audit does, and does not, provide?
What assurance is provided by other functions or parties?
Are there gaps in the assurance that management or the audit committee require?
8. How do internal audit plans map to the organisation's strategic priorities and risks?
9. How is internal audit developing its approach to providing assurance – for example, making greater use of data or undertaking audits with a more strategic focus?

Strategy

10. What factors currently determine our internal audit strategy?
Are we confident that the strategy will deliver our internal audit needs in the future?

Appendix C:

References and literature considered in our research

In addition to references cited in footnotes, a wide range of literature, websites and reports were reviewed as part of this research. The following bibliography provides details of the main sources consulted and contains links to the relevant website or document for ease of access.

CIPFA resources

[Benchmarking analysis: internal audit in local government](#) (2015)

[Facing up to COVID-19 in the public sector: the internal audit response](#) (2020)

[Financial Management Code](#) (2019)

[Financial Resilience Index](#) (2022)

[Local Government Application Note for the UK PSIAS](#) (2019 edition)

[Perceptions of audit quality: a survey analysis](#) (2009)

[Position statement on audit committees in local authorities and police](#) (2018)

[Statement on the role of the head of internal audit in public service organisations](#) (2019)

Online resources

[Assurance frameworks](#) (HM Treasury, 2012)

[Assurance, reassurance and performance](#) (Good Governance Institute, 2021)

[Audit and Inspection of Local Authorities in England: five years after the Local Audit and Accountability Act 2014 – Parliamentary Academic Fellowship report by Professor Laurence Ferry](#) (UK Parliament, 2019)

[Avoiding the blind spot: supporting financial stability and resilience](#) (Chartered Institute of Internal Auditors, 2021)

[Developing an overall opinion during the pandemic crisis – considerations for 2021/22 and reflections on 2020/21](#) (Internal Audit Standards Advisory Board)

[Government Functional Standard GovS 009: Internal Audit](#) (Government Internal Audit Agency)

[Head of internal audit annual opinion: key considerations for 2021/22](#) (HFMA, 2022)

[Independent review into the oversight of local audit and the transparency of local authority financial reporting](#) (Sir Tony Redmond, 2020)

[Internal Audit Code of Practice: guidance on effective internal audit in the private and third sectors](#) (Chartered Institute of Internal Auditors, 2020)

[Local authority governance](#) (National Audit Office, 2019)

[Models of effective internal audit: how to organise a successful internal audit function](#) (Chartered Institute of Internal Auditors, 2015)

[Public Sector Internal Audit Standards \(PSIAS\)](#) (Internal Audit Standards Advisory Board, 2017)

[The Future of Jobs Report](#) (World Economic Forum, 2020)

[Value proposition for internal audit](#) (The Institute of Internal Auditors)

Legislation

[The Accounts and Audit Regulations 2015](#)

Other academic references

Domingos M. Sequeira de Almeida (2007): *The Value of Internal Audit* (first published in *Auditoria Interna*), Lisbon: Instituto Português de Auditoria Interna (IPA)

Eulerich, M and Lenz, R (2020): *Defining, Measuring and Communicating the Value of Internal Audit*, Florida: Internal Audit Foundation

Eulerich A and Eulerich M (2020): *What is the value of internal auditing? – A literature review on qualitative and quantitative perspectives* (published in *Maandblad Voor Accountancy en Bedrijfseconomie*, Amsterdam University Press)

Appendix D:

Research methodology

This project was initiated in autumn 2021, with a survey open for one month, and roundtable discussions, wider research and interviews held during winter 2021.

Online survey – technical summary

On 6 October 2021, 5,120 individuals were invited by email to take part in the 'Internal audit in public services' online survey.

These individuals worked in central government, education, local government or housing and were in a job role described as being either audit or finance related or were a political appointment, eg a councillor.

Each person was contacted a maximum of four times: the initial email followed by up to three reminders (issued on 13 October, 20 October and 27 October). Potential respondents only received a reminder if they had not started or fully completed the survey. The number of people contacted/responded per wave is as follows.

- Wave 1 (initial): 5,120 issued/193 completed (45%)
- Wave 2 (first reminder): 4,921 issued/112 completed (26%)
- Wave 3 (second reminder): 4,179 issued/83 completed (20%)
- Wave 4 (third reminder): 4,720 issued/37 completed (9%)
- **Total completed: 425**

Links to the survey were also distributed to members of the following organisations and groups: HAIF, TIAN, CHEIA, National Housing Federation, GIAA, BUFDG, CIPFA Internal Audit Special Interest Group, IASAB, CIAA and the CIPFA Governance Audit Risk and Assurance working group. This yielded a further 328 responses. We also received 78 responses that we judged to be sufficiently complete to include in our report. This brought the total number of responses to 831.

The survey consisted of 23 questions, and if the respondent was not in an audit role, four questions were omitted. From a statistical perspective, while we're unable to provide a total response rate, we can make certain judgements about the reliability of our results.

Responses	Confidence level	Error rate
400	95%	±5.0%
700	95%	±4.0%
1,000	95%	±3.0%

Consequently, the statistical validity for this survey can be viewed as being highly credible.

Responses	Confidence level	Error rate
831	95%	±3.4%

What does this mean, or what impact does this error rate of ±3.4% have on our results? The simplest way to describe this is by example. If the result for any given question is, say, 51% 'yes' and 49% 'no', then this difference (2%) is lower than our error rate and is consequently not significant. If the result is 55% 'yes' and 45% 'no', then the difference (10%) is greater than the error and can be consequently said to be significant.

The other method by which we can assess the integrity of the survey is by undertaking an evaluation of potential bias. In other words: to what extent do the profiles of respondents match those of our population of interest? However, this assessment of bias comes with a caveat: the only profile information we have access to is that of the 5,120 we originally canvassed. Consequently, we have to assume that the profile of this cohort is similar to that of the other member organisations that raised awareness of our survey.

The profiling information being used for assessing bias relates to the person's level of seniority and their job role – see tables below.

Level of seniority	Population	Respondents	Difference
Operational	53.2%	38.1%	-15.1%
Head	16.2%	23.7%	7.5%
Director	16.1%	18.5%	2.4%
Manager	13.3%	16.8%	3.5%
Other	1.2%	2.8%	1.7%
Total	100.0%	100.0%	

The 'difference' illustrates the extent to which the respondent profile differs from that of the population of interest, ie the 5,130 people canvassed. The results would appear to suggest that we had a smaller proportion of operational staff taking part than that of our population, and consequently larger proportions of managers and senior managers. It could be argued that having a larger proportion of managers/senior managers' views is a positive thing.

Job role	Population	Respondents	Difference
Audit	69.1%	67.5%	-1.5%
Finance	12.4%	14.6%	2.2%
Councillor	11.2%	7.6%	-3.5%
Other	7.4%	10.2%	2.8%
Total	100.0%	100.0%	

An identical comparison but based on the job role shows that any bias is far less obvious. Essentially, where the 'difference' is at or around 2%, then we would claim that any bias is within acceptable bounds. From this perspective, we can claim that our results are representative.

Roundtable meetings

Of the 831 survey respondents, 143 agreed to get involved. Respondents were organised into five groups, generally corresponding to their job roles, eg heads of internal audit; clients, audit committee chairs; clients, senior managers; auditors, excluding heads of; and selected heads of internal audit together with clients. Four of these roundtables took place in November 2021 and one took place in December 2021. To help stimulate debate and to ensure that specified topics were discussed, a guide was created based on the findings from the online survey.

However, the content did vary from group to group, but it generally covered:

- assurance frameworks/risk management
- resources and skills
- IT, including digitisation, real-time assurance and analytics
- being strategic
- changing perceptions/improving understanding of internal audit
- the future.

Each roundtable was hosted on Microsoft Teams and, with the necessary approvals in place, recorded. The recordings were uploaded to Otter AI for transcription, and a Word document was created for each roundtable. The original audio/visual document was also retained. The contents of the various Word documents were imported into NVivo's text analytics software, allowing us to identify the key themes arising and the comments that best illustrated them.

Sector of respondents	%
Local government body	76
Civil Service – central government department, including NDPB/agencies	9
Police/fire	6
Education/FE/HE	4
Other public sector/social enterprise/charity/not-for-profit/housing/social care	3
NHS/health body	2
Role of respondents	%
Qualified/experienced internal auditor, including trainee internal auditor	37
Head of internal audit or equivalent	29
Executive/senior manager	18
Audit committee member	13
Other	3
Internal audit resourcing model	%
In-house internal audit team	57
Outsourced to an external provider	23
In-house team with a co-sourced arrangement	18
Contractor/outsourced head of internal audit managing an in-house team	3



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REPORT TO: Audit and Governance Committee
MEETING DATE: 20 September 2022
BY: Executive Director for Place
SUBJECT: Housing Annual Assurance Statement

5

1 PURPOSE

- 1.1 To remind the Audit and Governance Committee of the Scottish Housing Regulator's regulatory framework and in particular, the requirement for East Lothian Council to produce an Annual Assurance Statement, which requires to be signed off by the Senior Internal Auditor on behalf of the Council.
- 1.2 To obtain approval for East Lothian Council's Annual Assurance Statement as laid out in Appendix 1.

2 RECOMMENDATIONS

- 2.1 That Audit and Governance Committee notes the regulatory framework and the requirement for the Senior Internal Auditor to sign-off the Annual Assurance Statement (AAS) on behalf of the Council.
- 2.2 That Audit and Governance Committee note that the regulatory framework requires the submission of the AAS no later than the 31st October 2022. The AAS should highlight any areas of non-compliance that relate specifically to the impact of the Covid-19 pandemic.
- 2.3 That Audit and Governance Committee approves the Annual Assurance Statement as detailed in Appendix 1 noting that East Lothian Council was partially compliant with the regulatory requirements for the financial year 2021/22 and was partially compliant for the first quarter of 2022/23. Areas of partial compliance are in relation to gas safety inspections, reporting against all the protected characteristic groups, interlinked fire alarms and electrical safety inspections and meeting the requirements of The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020.

3 BACKGROUND

- 3.1 In 2019, the Scottish Housing Regulator (SHR) revised its regulatory framework following extensive consultation with social landlords, tenants and stakeholders. A summary of the framework is attached at Appendix 3.
- 3.2 This places a requirement on all social landlords to normally submit an Annual Assurance Statement to the SHR by the end of October each year. This statement must either confirm the relevant committee is assured that the landlord is complying with all regulatory requirements and standards or alternatively highlight any areas of material non-compliance and how the landlord will address these.
- 3.3 In many respects the process for gathering evidence to ensure the committee has the necessary level of assurance it needs to sign the statement is more important than the statement itself. Appendix 4 highlights key evidence of where the Council demonstrates compliance with the new regulatory framework.
- 3.4 East Lothian Council has existing scrutiny and performance structures in place to ensure the ongoing review of performance and service delivery. These processes are subject to continuous review and improvement. The Annual Assurance Statement is reviewed by Internal Audit and the findings from Internal Audit's assurance work are detailed in Appendix 2.
- 3.5 It is important to note that the Council also has various arrangements in place to support its governance, finance and controls environment, which are the subject of other regular reports to Audit and Governance.
- 3.6 It is also important to note that the Council's housing services are delivered across various teams in the Council (Community Housing, Property Maintenance, Revenues and Engineering Services being the main ones). In this regard the Community Housing Service has taken a lead and developed quarterly and annual assurance checklists, which all areas of housing service delivery will be asked to sign-off on at service manager level. These checklists once signed will be passed to the Service Manager – Community Housing to check for completeness.
- 3.7 In addition, the Scottish Social Charter and Performance Group will consider evidence gathered from these service areas. In the event of material partial or non-compliance, this group will consider action plans and monitor progress to ensure full compliance. This group comprises staff across the range of these service areas as well as members of East Lothian Tenants and Residents Panel.
- 3.8 The Service Manager – Community Housing will prepare the Annual Assurance Statement with a summary report for Audit and Governance Committee each year for approval before the deadline of 31st October.

- 3.9 Relevant managers across the Housing teams are expected to be aware of the regulatory requirements and impacts of non-compliance and immediately advise the Service Manager – Community Housing of any such instances. The SHR has not provided a prescriptive list of material non-compliance examples but it is felt these would be in the areas of Health and Safety breaches reported to the Health and Safety Executive, Data Protection breaches reported to the Information Commissioner’s Office, Care Inspectorate or Scottish Social Services Commission interventions or regulatory failures.
- 3.10 Full compliance has not been achieved in the area of gas safety checks. The legal requirement is that the landlord must conduct a gas safety check within 12 months of the previous one. Due to a combination of tenants and engineers testing positive for Covid-19, out of time cases totalled 129 in 2021/22. Covid-19 issues are reducing and as at 9 August 2022 there were only 19 properties out of time. All of these were rescheduled and inspections arranged.
- 3.11 In dealing with the pandemic, both operationally and in developing new ways of working, the Council has been unable to fully advance work around the data capture and reporting against all of the protected characteristic groups under the new regulatory framework. Final guidance on “Collecting equality information: National guidance for Scottish social landlords” was only produced in March 2022, which the service area is currently reviewing. Revisions are being made to the housing application form and the current Housing Management IT system, noting that a new IT system is also being implemented, which will have the ability to collect and hold all required data.
- 3.12 New legislation required all homes in Scotland to have interlinked fire/heat alarms by February 2022 and full electrical safety checks by March 2022. The Council has been undertaking significant work to meet these target dates, however due to the impact of Covid-19 on contractor resourcing, material supply chain issues and high inaccessibility rates, the Council is not yet fully compliant. A letter has been sent to all tenants highlighting the importance of allowing access and staff are continuing to engage with tenants to gain access to such properties, with a particular focus on those properties deemed to be at higher risk. The moratorium on forced entry has been lifted and work is ongoing to develop processes and procedures to allow forced access to be restarted.
- 3.13 The Homeless Person’s (Unsuitable Accommodation Order) came into effect on 1st October 2021 and from this date the Council was not able to meet its statutory obligations in respect of temporary accommodation provision and remains in breach of the order. The Scottish Government are fully aware of the challenges faced by the Council and there is ongoing and proactive engagement in this regard. The Council has prepared an action plan for submission to the Scottish Government and COSLA, alongside submitting quarterly/monthly RAG status data as part of the Early Warning System as required. The plan and subsequent updates

have contributed to establishing an evidence base around key challenges, steps taken towards compliance and demonstrate positive progress where appropriate. The action plan has been shared with the Scottish Housing Regulator. The Council has also taken cognisance of the Homeless Persons (Unsuitable Accommodation) (Scotland) Amendment (No. 3) Order 2021, which provides further clarity on the extended Order and takes effect from the 1st December 2021.

- 3.14 The SHR expectation is that the Annual Assurance Statement is brief confirming compliance or otherwise. In the event of material non-compliance a statement of how this will be addressed must be included.
- 3.15 The statement when signed should be made available to tenants and service users.
- 3.16 In April each year the SHR publishes an engagement plan for each landlord. This is informed by the Annual Return on the Charter (ARC), Scottish Government homeless statistics, previous engagement with the landlord and the new Annual Assurance Statement going forward. East Lothian Council's current engagement plan can be found at: [Engagement plan from 31 March 2022 to 31 March 2023 | Scottish Housing Regulator](#)

4. POLICY IMPLICATIONS

- 4.1 The new regulatory framework, and in particular the requirement to produce an Annual Assurance Statement will give tenants, service users and stakeholders greater confidence in the delivery of the Council's Housing Services.

5. INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report has been through the Integrated Impact Assessment process and no negative impacts have been identified. The Council already collects data on most of the protected characteristics of existing tenants, new tenants and housing list applicants, which in turn informs housing policy and service delivery notwithstanding the requirement to capture information on all of the protected characteristic groups in line with recently produced SHR guidance with the required development work underway. The IIA will be published on the Council's website and a link to the paper will be circulated to Members in due course.

6. RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 Appendix 1 – Annual Assurance Statement
- 7.2 Appendix 2 – Internal Audit Annual Assurance Report
- 7.3 Appendix 3 – Summary requirements for Local Authorities and RSLs
- 7.3 Appendix 4 – Evidence List

AUTHOR'S NAME	Douglas Proudfoot
DESIGNATION	Executive Director for Place
CONTACT INFO	James Coutts 07770 653162
DATE	8 September 2022

Appendix 1

Scottish Housing Regulator
Buchanan House
58 Port Dundas Road
Glasgow
G4 0HF

Date: 22rd September 2022

Dear Sir/Madam,

East Lothian Council – Annual Assurance Statement

Subject to the areas detailed below, we can confirm that the Council complies with the regulatory requirements set out in Chapter 3 of the Regulatory Framework. This includes that we:

- ❖ Achieve all of the standards and outcomes in the Scottish Social Housing Charter for tenants, people who are homeless and others who use our services.
- ❖ Comply with our legal obligations relating to housing and homelessness, equality and human rights, and tenant and resident safety.

The following areas are highlighted:

Annual Gas Safety Inspections

Due to tenants and engineers testing positive for COVID-19, 129 properties (1.5% of the total) did not get inspected within the annual period between 1 April 2021 and the 31 March 2022. COVID-19 issues are reducing and at the 9 August 2022 there were currently 19 properties with inspections not completed in the appropriate time. All properties are having appointments rescheduled and inspections will be undertaken as soon as possible.

Reporting against all the protected characteristic groupings

We do not currently collect and hold data for all of the protected characteristics specified by the Equality Act 2010. In dealing with the Covid-19 pandemic, both operationally and in developing new ways of working, the Council had been unable to advance work around the data capture and reporting against all of the protected characteristic groups under the new regulatory framework. Final guidance on “Collecting equality information: National guidance for Scottish social landlords” was produced in March 2022, which the service area is currently reviewing, and the Council is currently implementing a new Housing System, which will have the ability to collect and hold all required data.

Interlinked Fire Alarms and Electrical Safety Inspections

New legislation required all homes in Scotland to have interlinked fire/heat alarms by February 2022 and full electrical safety checks by March 2022. The Council has been undertaking significant work to meet these target dates, however due to the impact of Covid-19 on contractor resourcing, material supply chain issues and high inaccessibility rates, the Council is not yet fully compliant. A letter has been sent to all tenants highlighting the importance of allowing access and staff are continuing to engage with tenants to gain access to such properties, with a particular focus on those properties deemed to be at higher risk. The moratorium on forced entry has been lifted and work is ongoing to

develop a management arrangement and accompanying procedures to allow forced access to be restarted. At 12 August 2022 a total of 531 properties (6%) had not yet had interlinked fire/heat alarms fitted and 1,794 properties (20%) had not yet had full electrical safety checks completed, from a total housing stock of 9,048.

The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020

The Order came into effect on 1 October 2021 and from this date the Council was not able to meet its statutory obligations in respect of temporary accommodation provision and was in breach of the Order. The Scottish Government are fully aware of the challenges faced by East Lothian Council and there is ongoing and proactive engagement in this regard. The Council has prepared an action plan for submission to the Scottish Government and COSLA, alongside submitting quarterly / monthly RAG status data as part of the Early Warning System as required. The plan and subsequent updates have contributed to establishing an evidence base around key challenges, steps taken towards compliance and demonstrate positive progress where appropriate. The action plan has been shared with the Scottish Housing Regulator. The Council has also taken cognisance of the Homeless Persons (Unsuitable Accommodation) (Scotland) Amendment Order (No. 3) Order 2021, which provides further clarity on the extended Order and came into effect on 1 December 2021. For the period between 1 October 2021 and 31 July 2022 540 new homeless cases had been opened and 134 breaches of the Unsuitable Accommodation Order had been reported.

General

Although other services were restricted because of the Scottish Government's response to the Covid-19 pandemic, we do not view these restrictions to be in breach of the regulatory framework.

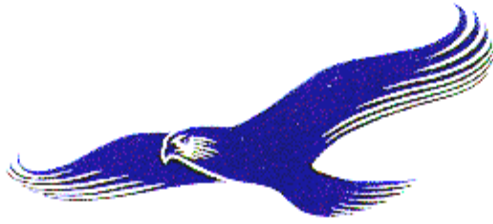
We confirm that we have seen and considered appropriate evidence to support the level of assurance.

We approved our Annual Assurance Statement at our Audit and Governance Committee on 20 September 2022.

I sign this statement on behalf of East Lothian Council's Audit and Governance Committee.

Yours sincerely

Duncan Stainbank
Service Manager – Internal Audit



Appendix 2

East Lothian Council Internal Audit Assurance Report

From:	Duncan Stainbank, Service Manager – Internal Audit Peter Moore, Senior Auditor
To:	Douglas Proudfoot, Executive Director for Place Wendy McGuire, Head of Housing James Coutts, Service Manager – Community Housing and Homelessness
Date:	08 September 2022

SHR Annual Assurance Statement

1. Background

The Council is required to provide the Scottish Housing Regulator (SHR) with an Annual Assurance Statement (AAS) to confirm its compliance with the regulatory requirements set out in Chapter 3 of the SHR's Regulatory Framework. This includes that the Council:

- achieves all of the standards and outcomes in the Scottish Social Housing Charter for tenants, people who are homeless and others who use our services; and
- complies with all legal obligations relating to housing and homelessness, equality and human rights, and tenant and resident safety.

This is the fourth year that the Council has been required to prepare an Annual Assurance Statement and submit it to the SHR. We note that on 31 August 2020, the SHR made further adjustments to its regulatory approach in response to Covid-19, including allowing landlords more time to complete their Annual Assurance Statement by extending the deadline from October 2020 to November 2020. The SHR also published new advice for landlords on completing Annual Assurance Statements and noted that the landlord should "have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services. Covid-19 has had a profound effect upon landlords' ability to meet its legal obligations across a range of activities. Where a landlord is unable to meet a legal obligation, the landlord should note the non-compliance and specify whether the failure to comply is due to Covid-19 or not. Where the landlord judges the non-compliance to be material it should be specifically disclosed in the AAS." We note that the deadline for submission for the Annual Assurance Statement reverted back to 31 October from last year and that the deadline for submission of this year's report is 31 October 2022.

The scope of the audit is to obtain, review and consider the adequacy of the evidence available to support the Council's compliance with the regulatory requirements set out in Chapter 3 of the SHR's Regulatory Framework. The audit covers compliance with the following five areas of regulatory compliance as set out in Chapter 3:

- Assurance and Notification – the Council is required to prepare an Annual Assurance Statement, submit it to the SHR and make it available to tenants and other service users; have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services, equality and human rights and tenant and resident safety; notify the SHR of any tenant and resident safety matters; and make its Engagement Plan easily available and accessible to its tenants and service users;
- Scottish Social Housing Charter Performance – the Council is required to report its performance in achieving or progressing towards the Charter outcomes and standards;
- Tenants and Service Users Redress – the Council provides tenants and other service users with the information they need to exercise their right to complain and seek redress;
- Whistleblowing – the Council has effective arrangements and a policy for whistleblowing by staff and elected members, which it makes easily available and which it promotes;
- Equality and Human Rights – there is assurance and evidence that the Council considers equality and human rights issues properly when making all of its decisions, in the design and review of internal and external policies and in its day-to-day service delivery.

2. Findings

2.1 Assurance and Notification

Key findings are:

- The Council prepares an Annual Assurance Statement, which it submits to the SHR and makes available to tenants and service users.
- The service area has introduced a quarterly Assurance and Notification Self-Assessment Checklist, which requires to be signed off by appropriate managers/representatives and is included as part of the evidence gathering regarding regulatory compliance. Three areas of non-compliance have been highlighted:
 - Annual Gas Safety Inspections – 129 properties (1.5% of the total) did not get inspected within the annual period between 1 April 2021 and the 31 March 2022, with rescheduling due to tenants and engineers testing positive for COVID-19 particularly high in the period January to March 2022. COVID-19 issues are reducing and at the 9 August 2022 there were currently 19 properties with inspections not completed in the appropriate time. All properties are having appointments rescheduled and inspections will be undertaken as soon as possible.
 - Interlinked Fire Alarms and Electrical Safety Inspections – New legislation required all homes in Scotland to have interlinked fire/heat alarms by February 2022 and full electrical safety checks by March 2022. The Council has been undertaking significant work to meet these target dates, however due to the impact of Covid-19 on contractor resourcing, material supply chain issues and high inaccessibility rates, the Council is not yet fully compliant. A letter has been sent to all tenants highlighting the importance of allowing access and staff are continuing to engage with tenants to gain access to such properties, with a particular focus on those properties deemed to be at higher risk. The moratorium on forced entry has been lifted and work is ongoing to develop a management arrangement and accompanying procedures to allow forced access to be restarted. At 12 August 2022 a total of 531 properties (6%) had not yet had interlinked fire/heat alarms fitted and 1,794 properties (20%) had not yet had full electrical safety checks completed, from a total housing stock of 9,048.
 - The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020 came into effect on 1 October 2021 and from this date the Council was not able to meet its statutory obligations in respect of temporary accommodation provision and was in breach of the

Order. The Scottish Government are fully aware of the challenges faced by East Lothian Council and there is ongoing and proactive engagement in this regard. The Council has prepared an action plan for submission to the Scottish Government and COSLA, alongside submitting quarterly / monthly RAG status data as part of the Early Warning System as required. The plan and subsequent updates have contributed to establishing an evidence base around key challenges, steps taken towards compliance and demonstrate positive progress where appropriate. The action plan has been shared with the Scottish Housing Regulator. The Council has also taken cognisance of the Homeless Persons (Unsuitable Accommodation) (Scotland) Amendment Order (No. 3) Order 2021, which provides further clarity on the extended Order and came into effect on 1 December 2021. For the period between 1 October 2021 and 31 July 2022 540 new homeless cases had been opened and 134 (25%) breaches of the Unsuitable Accommodation Order had been reported.

- Confirmation was sought from the Council's Health & Safety Adviser and Insurance Officer and we were advised that they do not have a record of any HSE investigations relating to tenant or resident safety, nor have the Council had any notification from our insurers of any concerns.
- The SHR's Engagement Plan for East Lothian Council can be accessed on the Council's website.

2.2 Scottish Social Housing Charter Performance

Key findings are:

- The Council submitted the 2021/22 Annual Return on the Charter to the SHR on 31 May 2022 and the Council has involved tenants, and where relevant other service users, in the preparation and scrutiny of performance information through the East Lothian Tenants and Residents Panel (ELTRP), the umbrella organisation for tenants and residents in East Lothian.
- The deadline for landlords to report to their tenants and service users on their performance against the Scottish Social Housing Charter is 31 October 2022. We are advised that the draft of the Landlord Report to Tenants 2021/22, providing information on the performance of the Council as a housing provider has recently been consulted on. The responses from the consultation with stakeholders was due by 26 August 2022 and that the final report will be published prior to the October 2021 deadline.
- The 2020-23 Tenant Participation Strategy was approved by Cabinet on 10 November 2020.

2.3 Tenants and Service Users Redress

Key findings are:

- The Council provides tenants and other service users with the information they need to exercise their right to complain and seek redress, and responds to tenants within the timescales outlined in its service standards, in accordance with guidance from the Scottish Public Services Ombudsman (SPSO).
- Full details of the Council's Complaints Procedure are provided on the Council's website including the online Complaints, Compliments and Comments form; a link to the pages providing full details of the Council's Complaints Handling Procedure; advice on what to do if the person making the complaint remains dissatisfied with how the Council has handled their complaint; links to the SPSO and SHR; and details of the Council's complaints performance.

2.4 Whistleblowing

Key findings are:

- The Council has a Whistleblowing Policy in place, which is available to employees in the Human Resources section of the Council’s intranet. The Policy has recently been refreshed and the updated Whistleblowing Policy will be presented to Cabinet on 13 September 2022 for approval.
- A dedicated whistleblowing hotline and whistleblowing email address are both in place.

2.5 Equality and Human Rights

Key findings are:

- The Council has a detailed “East Lothian Equality Plan 2021-2025” in place, dated November 2021.
- All Council, Cabinet and Committee reports require an Integrated Impact Assessment to be carried out if the subject of the report affects the wellbeing of the community or has a significant impact on equality, the environment or economy.
- The SHR states that to comply with its duties in respect of equality and human rights “landlords must collect data relating to each of the protected characteristics for their existing tenants, new tenants, people on waiting lists, governing body members and staff. Local authorities must also collect data on protected characteristics for people who apply to them as homeless. Landlords who provide Gypsy/Traveller sites must collect data on protected characteristics for these service users.” The nine protected characteristics, as per the Equality Act 2010, are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. We note that the Community Housing and Homelessness section do hold some relevant data, however they do not currently collect and hold data for all of the protected characteristics detailed in the legislation.
- We are advised by the service area that in dealing with the Covid-19 pandemic, both operationally and in developing new ways of working, the Council had been unable to advance work around the data capture and reporting against all of the protected characteristic groups under the new regulatory framework. Final guidance on “Collecting equality information: National guidance for Scottish social landlords” was produced in March 2022, which the service area is currently reviewing, and the Council is currently implementing a new Housing System, which will have the ability to collect and hold all required data.

3. Conclusions

3.1 Subject to the exceptions detailed in paragraph 3.2 below, we can confirm that the Council complies with the regulatory requirements set out in Chapter 3 of the Regulatory Framework. This includes that the Council:

- achieves all of the standards and outcomes in the Scottish Social Housing Charter for tenants, people who are homeless and others who use our services;
- complies with all legal obligations relating to housing and homelessness, equality and human rights, and tenant and resident safety.

3.2 The areas of non-compliance that require to be highlighted in the Annual Assurance Statement are:

- Annual Gas Safety Inspections 129 properties (1.5% of the total) did not get inspected within the annual period between 1 April 2021 and the 31 March 2022, with rescheduling due to tenants and engineers testing positive for COVID-19 particularly high in the period January to March 2022. COVID-19 issues are reducing and at the 9 August 2022 there were currently 19

properties with inspections not completed in the appropriate time. All properties are having appointments rescheduled and inspections will be undertaken as soon as possible.

- Reporting against all the protected characteristic groupings – we do not currently collect and hold data for all of the protected characteristics specified by the Equality Act 2010. In dealing with the Covid-19 pandemic, both operationally and in developing new ways of working, the Council had been unable to advance work around the data capture and reporting against all of the protected characteristic groups under the new regulatory framework. Final guidance on “Collecting equality information: National guidance for Scottish social landlords” was produced in March 2022, which the service area is currently reviewing, and the Council is currently implementing a new Housing System, which will have the ability to collect and hold all required data.
- Interlinked Fire Alarms and Electrical Safety Inspections – new legislation required all homes in Scotland to have interlinked fire alarms by February 2022 and full electrical safety checks by March 2022. The Council has been undertaking significant work to meet these target dates, however due to the impact of Covid-19 on contractor resourcing, material supply chain issues and high inaccessibility rates, the Council is not yet fully compliant. A letter has been sent to all tenants highlighting the importance of allowing access and staff are continuing to engage with tenants to gain access to such properties, with a particular focus on those properties deemed to be at higher risk. The moratorium on forced entry has been lifted and work is ongoing to develop a management arrangement and accompanying procedures to allow forced access to be restarted.
- The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020 came into effect on 1 October 2021 and from this date the Council was not able to meet its statutory obligations in respect of temporary accommodation provision and was in breach of the Order. The Scottish Government are fully aware of the challenges faced by East Lothian Council and there is ongoing and proactive engagement in this regard. The Council has prepared an action plan for submission to the Scottish Government and COSLA, alongside submitting quarterly / monthly RAG status data as part of the Early Warning System as required. The plan and subsequent updates have contributed to establishing an evidence base around key challenges, steps taken towards compliance and demonstrate positive progress where appropriate. The action plan has been shared with the Scottish Housing Regulator. The Council has also taken cognisance of the Homeless Persons (Unsuitable Accommodation) (Scotland) Amendment Order (No. 3) Order 2021, which provides further clarity on the extended Order and came into effect on 1 December 2021

REQUIREMENTS FOR LOCAL AUTHORITIES AND RSLs

EACH LANDLORD MUST:

ASSURANCE & NOTIFICATION

- ✓ Prepare an Annual Assurance Statement in accordance with our [published guidance](#), submit it to us between April and the end of October each year, and make it available to tenants and other service users.
- ✓ Notify us during the year of any material changes to the assurance in its Assurance Statement.
- ✓ Have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.
- ✓ Notify us of any tenant and resident safety matters which have been reported to, or are being investigated by the Health and Safety Executive, or reports from regulatory or statutory authorities, or insurance providers, relating to safety concerns.
- ✓ Make its Engagement Plan easily available and accessible to its tenants and service users, including online.
- ✓ Register all requirements for providing data to us with the Information Commissioner's Office as a purpose for which they are acquiring data under the Data Protection Act 2018.

SCOTTISH SOCIAL HOUSING CHARTER PERFORMANCE

- ✓ Submit an Annual Return on the Charter to us each year in accordance with our [published guidance](#).
- ✓ Involve tenants, and where relevant other service users, in the preparation and scrutiny of performance information. It must:
 - agree its approach with tenants
 - ensure that it is effective and meaningful – that the chosen approach gives tenants a real and demonstrable say in the assessment of performance
 - publicise the approach to tenants
 - ensure that it can be verified and be able to show that the agreed approach to involving tenants has happened
 - involve other service users in an appropriate way, having asked and had regard to their needs and wishes.
- ✓ Report its performance in achieving or progressing towards the Charter outcomes and standards to its tenants and other service users (no later than October each year). It must agree the format of performance reporting with tenants, ensuring that it is accessible for tenants and other service users, with plain and jargon-free language.

SCOTTISH SOCIAL HOUSING CHARTER PERFORMANCE (CONTINUED)

- ✓ When reporting its performance to tenants and other service users it must:
 - provide them with an assessment of performance in delivering each of the Charter outcomes and standards which are relevant to the landlord
 - include relevant comparisons – these should include comparisons with previous years, with other landlords and with national performance
 - set out how and when the landlord intends to address areas for improvement
 - give tenants and other service users a way to feed back their views on the style and form of the reporting.
- ✓ Make our report on its performance easily available to its tenants, including online.

WHISTLEBLOWING

- ✓ Have effective arrangements and a policy for whistleblowing by staff and governing body/elected members which it makes easily available and which it promotes.

TENANTS AND SERVICE USERS REDRESS

- ✓ Make information on reporting significant performance failures, including our [leaflet](#), available to its tenants.
- ✓ Provide tenants and other service users with the information they need to exercise their right to complain and seek redress, and respond to tenants within the timescales outlined in its service standards, in accordance with guidance from the Scottish Public Services Ombudsman (SPSO).
- ✓ Ensure it has effective arrangements to learn from complaints and from other tenant and service user feedback, in accordance with SPSO guidance.

EQUALITY AND HUMAN RIGHTS

- ✓ Have assurance and evidence that it considers equality and human rights issues properly when making all of its decisions, in the design and review of internal and external policies, and in its day-to-day service delivery.
- ✓ To comply with these duties, landlords must collect data relating to each of the protected characteristics for their existing tenants, new tenants, people on waiting lists, governing body members and staff. Local authorities must also collect data on protected characteristics for people who apply to them as homeless. Landlords who provide Gypsy/Traveller sites must collect data on protected characteristics for these service users.

AAS 2022 - EVIDENCE LIST

- Submission of the Annual Return of the Charter (ARC) and Energy Efficiency Standards for Social Housing (EESH) reports each year to the Scottish Housing Regulator (SHR)
- Production of an Annual Landlord Report based on the ARC return in conjunction with the East Lothian Tenants and Residents Panel (ELTRP)
- Statutory returns to the Scottish Government
- Non-statutory benchmarking exercises with Scottish Housing Network
- Regular internal performance monitoring and reporting of key indicators to PPRC
- Regular transactional customer surveys and three yearly comprehensive tenant satisfaction survey
- Complaints monitoring and handling
- Regular reviews of housing policies and procedures in tandem with ELTRP, including integrated impact assessments where appropriate
- Social Housing Charter project group
- Financial monitoring and reporting
- HRA project board
- Adherence to Council Standing Orders
- Care Inspectorate reviews and reports
- Internal and external audit reviews and reports
- Management of public protection matters through the MAPPA process
- Detailed process mapping and procedures within all parts of the Service
- Formalised committee reporting cycles and submission of relevant reports
- Production of our Strategic Housing Investment Plan (SHIP)
- Regular contractor review meetings
- Compliance with procurement legislation and policies
- Business Continuity Plans
- Development Risk Register
- Service Plans
- Data Protection/GDPR reporting and monitoring framework in place
- Tenant Participation Strategy, including Tenant scrutiny framework
- Quarterly and Annual Assurance checklists
- Rapid Rehousing Transition Plan 2019-24
- Spheracloud Health and Safety incident reporting and risk assessments
- SHR Engagement Plan publically available
- Information on reporting Significant Performance Failures to SHR publically available
- Data collection of protected characteristics (partial)

REPORT TO: Audit and Governance Committee

MEETING DATE: 20 September 2022

BY: Chief Executive

SUBJECT: Housing Risk Register

6

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Housing Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Housing Risk Register is 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 Housing Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Housing 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 Housing risks 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 Housing and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Housing LRWG. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) producing 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 Housing Risk Register includes 1 Very High, 9 High, 8 Medium and 2 Low Risks. As per the Council's Risk Strategy, only the Very High and High risks are being reported to the Committee.

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 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - It is the consideration of the Housing LRWG 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 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 – Housing Risk Register 2022

7.2 Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy	
DESIGNATION	Emergency Planning, Risk and Resilience Officer	
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DATE	08 September 2022	

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Risk & Controls Owner	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Owners	Planned Control Target Date	Evidence held of Regular Review
					Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating			
					L	I	L x I		L	I	L x I			
		<p>reduce the existing portfolio of 'suitable' accommodation.</p> <p>Proposed change to Homelessness Code of Guidance / new prevention duty pose risk to existing practice / Homelessness Operations Policy.</p> <p>Reduced supply of private lets due to landlords' ongoing concerns re new Private Residential Tenancy, legislative change (energy efficiency and repairing standard) and welfare reform impacts.</p> <p>Requirement to prioritise sisted eviction cases upon opening of Sheriff Court.</p> <p>Potential increase in service demand due to poverty, relationship breakdown and domestic abuse, associated with Covid-19 / lockdown restrictions.</p> <p>Uncertainty over future funding of supported housing (DWP) and proposed changes in respect of restructuring the financing of temporary accommodation.</p> <p>A focus is required on migrant homelessness and destitution in 2021, an area of complexity subject to limited Scottish Government flexibility.</p> <p>The Scottish Government aim to pursue a right to adequate housing through a Human Rights Bill, which will pose additional homelessness / supply pressures.</p> <p>Legislative change is likely to increase demand on homelessness services and corresponding duties to accommodate, meaning increased spend.</p> <p>A recent ruling in the Court of Session (April 2022) has ruled that local authorities are under an absolute duty to provide suitable temporary accommodation even where it has none available within its existing resources.</p> <p>There is increasing housing demand pressure arising from the Ukrainian refugee schemes with host arrangements breaking down early, frustration amongst hosts and refugees in respect of failures and delays within the Scottish Super Sponsorship scheme resulting in private matching and more presentations over and above the service demands being placed on existing</p>	<p>New team in place in response to Ukrainian refugee situation with diverted resources from across the service resulting in service strain elsewhere including the Housing Options team.</p>				<p>Procurement underway re revised contract for temporary accommodation, to enable appropriate stock of suitable accommodation</p> <p>Ongoing review to convert tenancies to enable RRTP targets re reduction in temporary accommodation to be met.</p> <p>Increased focus on homelessness prevention for vulnerable groups, via transformation of Prevention / Response Teams.</p> <p>Team being strengthened and consolidated with the recruitment of full-time resettlement and tenancy support staff to allow staff to resume to substantive duties</p>					<p>December 2022</p> <p>December 2022</p> <p>December 2022</p> <p>December 2022</p>		

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		resettlement teams. These demands are likely to increase with further UK and Scottish Government commitments in respect of other humanitarian schemes including but not limited to the existing Afghan schemes and the forthcoming changes around the new asylum seeker dispersal scheme.												
H2	Financial	<p>Building material supply Issues</p> <p>Concurrent impacts of Brexit, COVID-19, war in Ukraine and other global supply chain factors are affecting building material supplies. There are currently inconsistencies in the supply of these materials across all trades.</p> <p>This is impacting on cost and repair timescales and ability to meet statutory repair duties and could result in emergency repairs not being carried out.</p> <p>This is also impacting on the affordable housing programme leading to delays on delivery and increasing costs which are becoming unaffordable.</p>	<p>Stockpiling of materials following Scotland Excel guidance issues during first Covid-19 lockdown.</p> <p>Maintaining a dialogue with suppliers to minimise impacts on repair timescales.</p> <p>This is also highlighted within the Corporate Risks on Supply Issues and Brexit and regularly discussed at CMT, who are aware of this issue.</p> <p>The Scottish Government have reviewed and increased the benchmark. Agreed to continually monitor and review to ensure level is correct and reflects current costs</p> <p>Quarterly Programme Board meetings in place to monitor closely.</p>	D Ogilvie	4	4	16	<p>Continue to monitor stock levels and supplier availability. Possible prioritisation of emergency works should issues persist.</p> <p>Continue to monitor and follow national advice through Scottish Government, Scotland Excel, COSLA etc.</p> <p>Continue to liaise with the Scottish Government in relation to increasing costs and the new build benchmark for subsidy.</p>	3	4	12	<p>P Grant</p> <p>D Ogilvie</p> <p>D Ogilvie</p>	<p>December 2022</p> <p>December 2022</p> <p>December 2022</p>	<p>Risk updated by Service Manager – Strategy & Development August 2022 with no changes to risk scores.</p> <p>New risk identified March 2021.</p>
H3	Financial	<p>Property Maintenance Trading Operation</p> <p>Property Maintenance is a significant Trading Operation, which generates an annual surplus to the General Fund.</p> <p>COVID-19 restrictions have severely impacted on trading activity turnover. This could lead to a subsequent shortfall in target operating surplus, impacting on the wider General Fund budget position.</p> <p>If the operation fails to demonstrate Best Value, it could result in work possibly having to be outsourced and subsequent job losses.</p>	<p>Monthly review of Trading Accounts to ensure service is on target to meet budgeted surplus and regular financial health checks are undertaken out by departmental Finance Partner.</p> <p>Ongoing implementation of mobile working in Property Maintenance.</p> <p>Job costing aligned to a nationally benchmarked schedule of rates (SORs).</p> <p>Ongoing twice-yearly reconciliation of building material stock.</p> <p>A COVID19 HRA subsidy payment was required to cover ongoing operating costs during curtailed operations while in lockdown. HRA subsidy payment to cover ongoing operating costs has been approved for previous financial years and will be monitored for this year.</p> <p>The service maximised operations and identifying safe working opportunities incrementally in line with Scottish Government's COVID-19 Construction re-start plan.</p>	P Grant	4	4	16	<p>Further roll-out of mobile working and targeted efficiency improvements.</p> <p>Closely monitoring turnover levels to ensure accurate projections of year end surplus.</p> <p>A dedicated Income & Accruals officer role is proposed as part of the final phase of service review, ensuring more frequent housekeeping of works orders, minimising accruals and realising trading turnover.</p> <p>Ensure methodology for SOR increase is correct and reflects current increase</p> <p>Monitor and consider further possible subsidy from HRA</p>	3	3	9	<p>P Grant</p> <p>P Grant</p> <p>P Grant</p> <p>P Grant</p>	<p>September 2022</p> <p>March 2023</p> <p>September 2022</p> <p>October 2022</p>	<p>Risk updated by Service Manager – Property Maintenance August 2022 with no changes to risk scores.</p> <p>Risk refreshed July 2021 with risk scores increased to 16 and 9.</p>

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H4	Financial	<p>Fuel Poverty</p> <p>Increase in fuel poverty due to a variety of factors:</p> <ul style="list-style-type: none"> - Increase in fuel prices - Impact of welfare reform - Changing householder economic / financial situation - COVID impact - loss of employment. <p>There may also be a lack of skilled workforce to install EWI due to Brexit.</p> <p>Energy Efficiency is a national infrastructure priority (SG's Infrastructure Investment Plan 2015). During 2017, the Scottish Government consulted on a range of related issues as part of the draft Climate Change Plan and draft Scottish Energy Strategy. Energy Efficiency Scotland Programme (EES) is currently under development and will be a co-ordinated programme to improve energy efficiency of homes alongside commercial, public and industrial sectors.</p> <p>The impact of living in fuel poverty can place additional pressure on existing services –health, social care, advice, rent income.</p> <p>New buildings consented from 2024 must use zero direct emissions heating.</p> <p>Potential increased risk of damage to the fabric of buildings and impact on health and wellbeing of tenants as a result of tenants not being able to afford to heat their homes.</p>	<p>All new homes that are fitted with ASHP are very well insulated while new trial projects using ASHP are ongoing.</p> <p>Energy Efficient Scotland: Area Based Scheme (EES: ABS) in place, offering targeted energy efficiency measures and fuel poverty advice to private sector stock. £1.16m secured for this financial year</p> <p>Survey works ongoing to identify suitable areas re-East Lothian's EES/ABS programme. Begin to look at alternative energy efficiency improvements other than fabric.</p> <p>Energy advice and fuel debt support in place, but increasing evidence that scale of the fuel poverty crisis may present service delivery challenges in months ahead.</p> <p>Capital Programmes in place for council housing and Registered Social Landlords to increase energy efficiency measures. Social rented tenure must meet EESSH 2 by December 2032.</p> <p>£3.255M was invested in energy efficiency measures to ELC owned stock in 2019/20 raising EESSH compliance to 82% of all stock.</p> <p>Local Housing Strategy is now in place with associated actions in relation to energy efficiency of existing housing stock, fuel poverty and climate change.</p> <p>Improving knowledge of the levels, extent and nature of fuel poverty and target resources to the worst affected areas. Prioritise areas most at risk of fuel poverty using data from Home Analytics.</p>	D Ogilvie	4	4	16	<p>Scottish Government requirement for all local authorities to have Local Heat and Energy Efficiency Strategy (LHEES) in place by December 2023, in line with new Heat in Buildings Strategy. Pilot complete.</p> <p>Closely monitoring Scottish Government's Heat in Buildings Strategy, revising modernisation programmes and upskilling of in-house workforce accordingly.</p> <p>Housing Strategy & Development and Property Maintenance looking to develop an Energy Efficiency Policy to set out asset management / investment priorities in the short term whilst linking with LHEES long term.</p> <p>Scottish Government is planning to introduce a Heat in Buildings Bill to Parliament in 2024, which will enshrine their ambition to eradicate fuel poverty including regulation, LHEES, National Public Energy Agency and potentially removing barriers to retrofit. The Scottish Government published Fuel Poverty Strategy for Scotland in December 2021 outlining its strategic approach to tackling fuel poverty in Scotland.</p> <p>Scottish Government is in consultation on New Build Heat Standard Part 2, and Housing Strategy & Development is leading the response for ELC.</p> <p>New Local Housing Strategy is currently being drafted which will include actions to tackle fuel poverty</p> <p>Project group to be formed to undertake review of current Energy Efficiency advice service provision (currently via Changeworks) in light of rising demands within EL population</p> <p>Continue to explore and identify new innovative methods and solutions to improve energy efficiency once all fabric upgrades have been carried out, possibility of Solar PV and battery.</p> <p>Develop some information and advice in relation to energy efficiency and maintenance of homes.</p>	3	3	9	<p>D Ogilvie</p> <p>D Ogilvie</p> <p>D Ogilvie P Grant</p> <p>D Ogilvie</p> <p>D Ogilvie</p> <p>D Ogilvie</p> <p>D Ogilvie</p> <p>D Ogilvie</p>	<p>March 2023</p> <p>March 2023</p> <p>March 2023</p> <p>July 2023</p> <p>October 2023</p> <p>July 2023</p> <p>December 2022</p> <p>December 2023</p> <p>December 2023</p>	<p>Risk refreshed by Service Manager August 2022 with impact score increased to 4 to reflect growing severity of fuel poverty crisis, and risk rating increased to 16.</p> <p>Risk refreshed by Service Manager February 2017 with current score reduced from 15 to 12 and residual score from 12 to 9.</p>

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H5	Legal & Regulatory	<p>Domestic Electrical Compliance</p> <p>Wiring regulations state that an electrical inspection condition report be conducted for all social housing assets within a 5-year period of inspection.</p> <p>COVID-19 has resulted in a higher number of tenant refusals and our ancillary contractor being unable to recruit sufficient skilled resources to deliver such inspections.</p> <p>Additional delays occurred 2022/23 due to tenant refusal/suspension of forced entry, resulting in more properties becoming non-complaint.</p> <p>This also impacts on compliance of the Scottish Housing Quality Standard at risk H8 and would require reporting through the SHR Annual Assurance Statement.</p> <p>Were we not to achieve compliance by March 2022 then there is a risk the Council would be in breach of the SHQS legislation.</p>	<p>A one-off capital budget provision has been secured and programme of works had been developed to cover all Council houses, utilising both ELC's in-house Property Maintenance team bolstered by an ancillary electrical contractor.</p> <p>HRA Programme Board has approved the recommencement of forced entry for domestic electrical compliance works.</p>	P Grant				<p>Catch-up programme recast over 2022/23. Regular review of by HRA Programme Board.</p> <p>Forced access procedures under ongoing development.</p>				P Grant	March 2023	New risk identified June 2021 and updated by Service Manager – Property Maintenance August 2022 with no changes to risk scores.
					4	4	16		2	4	8	P Grant	October 2022	
H6	Financial	<p>Affordable Housing Supply</p> <p>Supply of affordable housing is outstripped by need and demand influencing rising numbers on the Councils Housing Register and increased risk of rising Homeless applications. The impact of Covid, inflation and economic impacts on household incomes may result in an increase in people applying for council housing.</p> <p>Insufficient land in control of affordable housing providers due to limited amount of Council owned land and difficulty in competing on the open market to purchase land due to high land prices. Much of the land in East Lothian is tied up in options to private housing developers, leading to an inability to control provision of new affordable housing and reliance on planning policy for affordable housing to deliver land. Pressure on the housing stock in East Lothian may increase due to people wanting to move out of cities.</p> <p>Government Resource Planning Assumptions (RPAs) for East Lothian have</p>	<p>Scottish Government have announced a new ambition to deliver 110,000 affordable homes across Scotland by 2032, with at least 70% in the social rented sector. This is accompanied by support to fund more off the shelf purchases. An increase in funding at a national level allocated to support this and is reflected in increased RPAs at a local level and a new benchmark is being reviewed in light of increasing standards and costs.</p> <p>The adopted LDP and significant land use allocations therein, providing land through planning policy to deliver an increase supply of affordable homes.</p> <p>Current LHS 2018-2023 in place with an action plan that is continually monitored. The plan for the development of the Local Housing Strategy 2023-28 was approved by Cabinet in January 2022 and will include associated actions in relation to delivery of affordable housing.</p> <p>SHIP Strategic Housing Investment Plan for 2022/23 to 2026/27 was submitted in October 2021</p>	D Ogilvie				<p>Supplementary Planning Guidance is under review</p> <p>Planning underway for Local Housing Strategy 2023-28, aligning with Housing to 2040 and NPF4.</p> <p>Updated SHIP due at the end of October 2022 which will set out future investment priorities.</p> <p>Supporting Local Investment Framework being developed.</p> <p>Programme for Governance key messages are ambition to deliver a further 100,000 affordable homes, and set out a 20 year vision for energy efficient zero carbon housing with access to outdoor space, transport links, digital connectivity and community services.</p> <p>Regional Housing Programme proposed through Edinburgh & South East Scotland City Region Deal to explore further opportunities.</p>				D Ogilvie	December 2022	Risk refreshed by Service Manager August 2022 with no changes to scores.
					5	3	15		3	3	9	D Ogilvie	June 2023	
												D Ogilvie	October 2022	
												D Ogilvie	August 2023	
												D Ogilvie	August 2023	

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		<p>been provided for the period 2021/22 – 2025/26 as follows:</p> <p>2021/22 - £13.651m 2022/23 - £11.767m 2023/24 - £11.773m 2024/25 - £11.774m 2025/26 - £11.969m</p> <p>The government programme is over committed for this year due to disruption the previous year.</p> <p>There is rising concern about the impact of cost pressures emerging in the new supply programme, particularly with regard to grant benchmarks as these were set before the inflationary rises took hold. If SG does not adjust the benchmarks, there is widespread concern amongst all ALACHO members that very little will be approved this year, which will impact on future years' completions.</p> <p>Housing for Varying Needs (HFVN) Standards are being reviewed by the Scottish Government. These together with revisions to the Building Regulations and the Scottish Governments ambitious climate targets will lead to increased costs.</p> <p>There is a need to deliver Carbon Neutral Housing by 2045.</p>	<p>Supplementary planning guidance for affordable housing has been approved and adopted.</p> <p>Section 75 Co-ordinator recruited to project manage delivery of strategic sites, including affordable housing contribution.</p> <p>The Council continues to pursue opportunities to acquire land and units /bring forward private projects for affordable housing. The Scottish Government are supportive of off the shelf opportunities where possible</p> <p>The Council continues to deliver and to discuss with RSLs and other organisations unsubsidised affordable housing models. HRA Programme Board in place.</p> <p>The Council has an LLP East Lothian Mid-Market Homes to deliver mid-market rent units.</p>				<p>Continue to liaise with the Scottish Government in relation to increasing costs and the new build benchmark for subsidy.</p> <p>ALACHO is making a joint response with COSLA to the Housing and Planning Committee - pre-budget scrutiny in early September regarding local authorities' abilities to deliver their AHSP which will set out the issues surrounding increased build costs, lack of sufficient Scottish Government grant and constraints on the HRA to also bring existing stock up to EESSH2 standards, all while making budget savings and trying to keep rent rises to a minimum.</p>				<p>D Ogilvie</p> <p>D Ogilvie</p>	<p>September 2023</p> <p>September 2023</p>		
H7	Legal & regulatory	<p>Housing Quality</p> <p>Our houses are required to meet the Scottish Housing Quality Standard (SHQS) and will be required to meet the Energy Efficiency Standard in Social Housing (EESH). Delivery of these Standards is a significant contributor to the achievement of several of the National Outcomes the Scottish Government aims to achieve.</p> <p>The Scottish Housing Regulator (SHR) is monitoring progress against these Standards and failure to clearly demonstrate compliance may involve intervention by the SHR on the management of stock quality. It could also lead to loss of reputation to the Council as a service provider and the largest landlord in East Lothian.</p> <p>While a rolling stock condition survey programme is in place, the data is incomplete.</p>	<p>Annual monitoring and reporting to SHR (via Social Housing Charter) and Audit Scotland.</p> <p>Annual Housing Capital Investment Programme review. The Capital Programme funds planned programmes of work has been targeted at continued compliance with the requirements of the SHQS.</p> <p>Supplementary Planning Guidance now adopted which sets out minimum design and quality requirements for new build stock.</p> <p>Keystone domestic asset management software system in place ensuring robust information held on the condition of Council housing stock. Data validation checks of information held on Keystone.</p> <p>Dedicated asset surveyors in place and rolling programme of stock condition</p>	P Grant	3	4	12	<p>Housing Asset Management Strategy to be developed, extending housing investment strategy to detailed 10-year programmes and outlining broader 30-year objectives.</p> <p>Support the development of an Affordable Housing Design Guide.</p> <p>Housing Compliance framework to be developed incorporating Tenant Safety Policy in conjunction with new Housing Asset Compliance team and supported by new CX Compliance database (part of new HMS system).</p>	2	4	8	<p>P Grant</p> <p>D Ogilvie</p> <p>P Grant</p>	<p>March 2023</p> <p>March 2023</p> <p>March 2023</p>	<p>Risk refreshed July 2022 by Service Managers with no change to assessment of risk scores.</p>

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					L	I	L x I		L	I	L x I			
		<p>Procurement rules negate our ability to enter into building contracts on s75 obligations which involve the transfer of completed units. This also prevents the ability to influence the specification which can result in poor quality products and increased resources in relation to resolving defects. This can in turn result in an impact on future repairs and maintenance costs.</p> <p>New technical guidance issued May 2020 bring new smoke, fire and heat detection programmes into SHQS compliance by February 2021. Further extension of deadline due to Covid-19 to end March 2022.</p> <p>The new guidance also confirms the requirement to undertake electrical condition checks on a maximum 5-year cycle.</p>	<p>surveys has commenced to keep data up to date.</p> <p>Housing Asset Management Team established to oversee delivery of HRA Capital modernisation programme.</p> <p>Regular monitoring and reporting as part of Balanced Scorecard.</p> <p>Intelligence-led 10-year investment budget established.</p> <p>Detailed 5-year investment programme now developed on basis of stock condition intelligence and aligned to regulatory standards.</p> <p>Team Manager (Housing Assets) recruited to oversee collection and recording of housing stock intelligence including energy performance and delivery of key aspects of the capital modernisation programme.</p> <p>In-house asset surveyors are now in place, with a 5-year rolling stock condition survey regime implemented.</p> <p>Keeping SHR regularly updated on progress towards meeting the Standards. Keystone housing asset management system informs future planning of annual programme of modernisation work.</p> <p>Closer alignment of development of modernisation programme and delivery.</p> <p>The Council ensures Quality Assurance is carried out at all stages of development.</p>											
H8	Service Objectives	<p>Mobile Working</p> <p>Current mobile working hardware, within Property Maintenance, is dated and does not meet PSN requirements. This has resulted in a switch-off of existing hardware, and reverting to paper-based job ticketing, placing increased pressure on administrative resources.</p> <p>A project to implement Windows 8 tablet technology was terminated due to the supplier failing to meet expectations.</p> <p>Further issues with integration to Orchard HMS have furthered hindered user acceptance testing.</p>	<p>A new iOS-based mobile working platform has been procured.</p> <p>A paper-based contingency has been implemented to cover the intervening period between PSN 'switch-off' and go-live of the new platform.</p> <p>Security vulnerabilities identified in penetration testing of replacement solution (2018), representing a considerable obstacle to implementation.</p> <p>Software was upgraded by supplier August 2019 to overcome security vulnerabilities. User acceptance testing commenced.</p>	P Grant	4	3	12	Implementation of phase 2 mobile working, encompassing iOS Smartphone technology has commenced. ELC IT included in project planning to ensure resources and supporting system architecture is in place.	2	3	6	Paul Grant	September 2022	<p>Risk refreshed by Service Manager – Property Maintenance August 2022 with no change to risk scores.</p> <p>Risk refreshed March 2019 with residual score increased from 3 to 6.</p>

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					L	I	L x I		L	I	L x I			
			ELC IT officer assigned to project. Liaising with both main supplier and Orchard HMS to progress integration issues.											
H9	Legal & Regulatory	Solid Fuel Installations and Safety Failure to Manage Solid Fuel safety on all Solid Fuel Installations in ELC Housing Properties leading to potential CO poisoning of tenants, increased risk of house fires and potential risk of prosecution. Chimneys are generally in poor condition while the Council are unable to control fuels burnt in solid fuel appliances.	Programme for Solid Fuel Servicing terminated end of 2018. New servicing contractor in place from April 2019. Heating replacements to energy efficient, low carbon alternative fuels are available and being installed but implementation is difficult due to customer refusals. Contractor in place for removal and replacement of solid fuel systems. Policy in place that properties are replaced upon becoming vacant.	P Iannetta P Grant	2	5	10	Programme for removal and replacement of solid fuel systems ongoing in remaining 36 properties. Gas supplies have been installed to all Council houses in gas areas to enable rapid replacement when consent received.	1	5	5	P Iannetta	March 2023 to review numbers installed.	Risk refreshed August 2022 - no change to risk scores. Refreshed 2019 by Head of Service with Residual Score reduced 10 to 5 and Current Risk Score reduced 15 to 10. Also INF22
H10	Physical Impact on People	Risk of Work at Height Injury Work at Height remains the biggest cause of fatal injury in the workplace for certain Property Maintenance employees. 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 on the victims' family and potentially damaging to the Council's reputation.	Dynamic risk assessments may also apply, to consider changing local/environment conditions (traffic/weather etc). All working at height operatives (excl. 'mop up') have received training. Training for specific equipment. PASMA, IPAF provided to relevant Operatives on 5 year cyclical basis. All staff are provided with Working at Heights training on induction while refresher training is provided every 4 years. Staff and workforce receive ongoing training/development to encourage a managing safety culture and the implementation of safe working practice. Trade based supervisors (with responsibility for ensuring safe working practices) in place and all IOSH accredited. Works on public buildings have been restricted to 'make safe' only w.e.f. March 2022. High risk/complex works are outsourced via Roofing & Rendering framework. Proposed restructure to include a dedicated H&S Team within Property Maintenance.	P Grant	2	5	10	Proposed restructure to include a dedicated H&S Team within Property Maintenance. 'Mop-up' training to be delivered. 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. External review of Property Maintenance working at height arrangements completed by Gallagher Basset as part of ELC risk management contract. Various recommendations to be implemented according to perceived seriousness.	1	5	5	P Grant P Grant P Grant P Grant	September 2022 October 2022 December 2022 December 2022	Risk refreshed August 2022 by Service Manager Property maintenance with no changes to scores. Also INF 50

Original date produced (V1)	29th April 2021		Overall Rating
File Name	Housing 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
			1-4 Low
Version	Date	Author(s)	
1	29/04/2021	S Kennedy	New Housing Risk Register created.
2	02/08/21	S Kennedy	All risks reviewed by Housing Service Managers and Head of Housing
3	11/03/21	S Kennedy	Risk on former Herdmanflat Hospital added by Head of Housing
4	24/03/21	S Kennedy	All risks reviewed and refreshed by Heads of Service
5	13/05/22	S Kennedy	Risk on Affordable Housing Supply updated by Service Manager – Strategy & Development.
6	27/07/22	S Kennedy	Full Register updated to add fields for Risk Category and Owners
7	19/08/22	S Kennedy	Housing Strategy & Development Risks updated, CDM risk removed and full Register reviewed by Head of Housing.

East Lothian Council Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	>90% chance of occurring
Probable	4	70%-90% chance of occurrence
Possible	3	30-70% chance of occurring
Unlikely	2	10-30% chance of occurring
Rare	1	<10% chance of occurring

Appendix 2

Impact Description

Impact of Occurrence	Score	Description							
		Impact on Service Objectives	Financial Impact	Physical and/or Psychological Impact on People	Impact on Time	Impact on Reputation	Impact on Assets	Business Continuity	Legal & Regulatory
Catastrophic	5	Catastrophic failure in service delivery and key service standards are not met, long-term catastrophic interruption to operations, several major partnerships are affected	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances. Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves. The Council is expected to hold a reserve to budget ratio of 2%.	Single or Multiple fatality and or psychological impact, within council control, leading to 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. Prolonged regional and national condemnation.	Significant disruption to building, facilities, vehicles or equipment (Loss of building, vehicles, rebuilding required, temporary accommodation required, vital equipment lost without replacement capability available resulting in services being unable to be delivered).	Complete inability to provide service/system, prolonged downtime with no back-up in place.	Catastrophic legal, regulatory, or contractual breach likely to result in substantial fines or other sanctions, including substantial involvement from regulators.
Major	4	Major impact to service quality, multiple service standards are not met, long-term disruption to operations, multiple partnerships affected.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty). Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves.	Number of extensive injuries (major permanent harm) or major psychological impact to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Serious negative national or regional criticism and publicity.	Major disruption to building, facilities, vehicles or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required, equipment or vehicles unavailable to provide significant elements of service delivery and no appropriate contingency arrangements in place).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council, fines and regulatory action publicly enforced.
Moderate	3	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards.	Moderate impact on budgets (can be contained within overall directorate budget).	Serious injury requiring medical treatment or moderate psychological impact 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.	Adverse national media public attention with elected members becoming involved.	Moderate disruption to building, facilities, vehicles or equipment (loss of use of building for medium period, loss of equipment or vehicles requires contingency arrangements to be employed and has moderate impact on overall service delivery).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council, regulator action and or improvement required of the Council .
Minor	2	Minor impact to service quality, minor service standards are not met, short-term disruption to operations, minor impact on a partnerships	Minor impact on budgets (can be contained within service head's budget).	Non life changing injury or psychological impact to staff or member of the public requiring treatment.	Some - between 2 and 6 months to recover.	Minor adverse local, public or media attention and complaints.	Minor disruption to building, facilities, vehicles or equipment (alternative arrangements in place and covered by insurance, equipment or vehicles unavailable for small period of time minor impact on service).	Reasonable back-up arrangements, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council, regulator advice and improvement requested of the Council.
Minimal	1	No impact to service quality, limited disruption to operations.	Minimal impact on budgets (can be contained within unit's budget).	Minor injury or minor psychological impact to employee, service user or public.	Minimal - Up to 2 months to recover.	Public concern restricted to local complaints and of no interest to the media.	Minimal disruption to building, facilities, vehicles or equipment (alternative arrangements in place, equipment or vehicles alternative quickly available to replace or substitute).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council, regulator suggested improvements requested.

Risk	Impact				
Likelihood	Minimal (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

REPORT TO: Audit and Governance Committee

MEETING DATE: 20 September 2022

BY: Chief Executive

SUBJECT: Development Risk Register

7

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Development Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Development Risk Register is 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 Development Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Development 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 Development risks 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 Development and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Development LRWG. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) producing 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 Development Risk Register includes 1 High, 4 Medium and 5 Low risks. As per the Council’s Risk Strategy, only the one High risk is being reported to the Committee.

3.4 Please also note that within Development there are three Project Risk Registers covering the Cockenzie Site, Blindwells and the Innovation Hub. Each of these have one summary of the overall risk within the Development Risk Register.

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 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - It is the consideration of the Development LRWG 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 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 – Development Risk Register 2022

7.2 Appendix 2 – Risk Matrix

AUTHOR’S NAME	Scott Kennedy	
DESIGNATION	Emergency Planning, Risk and Resilience Officer	
CONTACT INFO	skennedy@eastlothian.gov.uk	01620 827900
DATE	08 September 2022	

Development Risk Register 2022

Date reviewed: 5th September 2022

APPENDIX 1

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Risk & Controls Owner	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Owners	Planned Control Target Date	Evidence held of Regular Review
					Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating			
					L	I	L x I		L	I	L x I			
D1	Service objectives	<p>Failure to facilitate supportive business formation and recovery environment</p> <p>Failing to facilitate a conducive environment for business formation, recovery and growth would lead to a lack of opportunity / encouragement to new start-ups, businesses with growth potential, and relocation of businesses to East Lothian. Opportunity cost in terms of prosperity and employment as well as risk of business failure and job losses. Reputational risk to East Lothian as a business location and consequently to the Council. Impact on the revenue of the Council through reduced income from business rates, rents, and council tax. May lead to higher costs of service provision e.g. welfare support to tackle growing inequalities.</p> <p>There are:</p> <p>Ongoing issues with the availability of commercial space within the County. Recent commercial needs review highlights full occupancy and older business units coming to the end of their effective life. Lack of new developments coming forward, due to difficulties with delivering development on allocated sites.</p> <p>Significant risks to viability and growth of businesses due to increasing impact on cost base (rising costs of resources / utilities / transportation etc.), linked cost of living increases/wage deflation, as well as issues finding and retaining skilled staff as result of very low unemployment levels</p> <p>Ongoing issues in terms of shifting buying patterns, loss of confidence, and debt burden following COVID-19 additionally increasing the risk of business failure, job losses, and increased personal debt.</p>	<p>Delivery of Business Gateway by specialist advisers enables staff to engage with, support and monitor business performance and confidence. Monitor developments regarding the national review of business support environment including national Business Gateway review.</p> <p>Ongoing monitoring of commercial / employment land availability and planning support to developers bringing forward plans for allocated sites.</p> <p>Continue to monitor economic situation and work with national partners via CEG and BSP, carry out 'business base survey' to gather further intelligence and inform ongoing delivery / scope of support funds.</p> <p>Additional business support funding introduced during 21/22 being continued (c/f) to 22/23 with addition of circa £750k 1 year 'LA-CER' Fund to provide additional expert help for businesses plus a range of grant funding to support sustainability and growth projects.</p> <p>UK Shared Prosperity Investment Plan submitted to UK Government to secure additional financial support for communities, businesses, and skills development, circa £408k in year 1 of 3.</p> <p>LUF2 bid submitted to secure funds for remediation of potential future employment land at former Cockenzie Power Station site.</p>	J Baker	3	4	12	<p>Provision / development / enablement by ELC of land to allow for business growth and expansion. This is linked to the LDP and its identified employment sites and a review of potential sites through the preparation of LDP2.</p> <p>Develop new 10 year Local Economy Strategy and Action Plan</p> <p>Develop UKSPF investment plan for 23/24 and 24/25 to secure support for businesses, jobs, and communities.</p>	2	4	8	<p>J Baker</p> <p>J Baker</p> <p>J Baker</p>	<p>18/08/2023</p> <p>31/03/2023</p> <p>28/02/2023</p>	<p>Risk further reviewed by Head of Service, September 2022 with current risk score reduced from 16 to 12.</p> <p>Risk refreshed August 2022 by Service Manager – Economic Development combining three risks into one with no change to risk scores.</p> <p>Risk refreshed March 2022 with current risk score increased from 12 to 16 and residual score from 8 to 16.</p> <p>Risk refreshed November 2021 with risk scores increased to from 4 and 4 to 12 and 8.</p>
Original date produced (V1)	6 th May 2014				Overall Rating									
File Name	Development Risk Register				20-25 Very High									
Original Author(s)	Scott Kennedy, Risk Officer				10-19 High									

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Risk & Controls Owner	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Owners	Planned Control Target Date	Evidence held of Regular Review
					Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating			
					L	I	L x I		L	I	L x I			
Current Revision Author(s)	Scott Kennedy, Risk Officer			5 -9 Medium										
				0-4 Low										
Version	Date	Author(s)												
18	April 2021	S Kennedy					Risk Register updated to extract Housing, ED&SI and Property Maintenance Risks to new Housing Risk Register and to include only one Innovation Hub and one Blindwells overall risks as they have their own project Risk Registers.							
19	June 2021	S Kennedy					Updates made to Innovation HUB/EIP, Blindwells, Economic Development and Planning Risks							
20	July 2021	S Kennedy					Further updates made to Economic Development risks							
21	November 2021	S Kennedy					Risk register fully reviewed and updated by Development Management Team.							
22	March 2022	S Kennedy					Innovation Hub Risk refreshed by Project Manager and Economic Development risks by Service Manager.							
23	August 2022	S Kennedy					All risks refreshed and risks added on Cockenzie site, East Linton Rail Halt and Musselburgh Active Toun project.							
24	August 2022	M Sullivan					Full register reviewed by Head of Service							

East Lothian Council Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	>90% chance of occurring
Probable	4	70%-90% chance of occurrence
Possible	3	30-70% chance of occurring
Unlikely	2	10-30% chance of occurring
Rare	1	<10% chance of occurring

Appendix 2

Impact Description

Impact of Occurrence	Score	Description							
		Impact on Service Objectives	Financial Impact	Physical and/or Psychological Impact on People	Impact on Time	Impact on Reputation	Impact on Assets	Business Continuity	Legal & Regulatory
Catastrophic	5	Catastrophic failure in service delivery and key service standards are not met, long-term catastrophic interruption to operations, several major partnerships are affected	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances. Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves. The Council is expected to hold a reserve to budget ratio of 2%.	Single or Multiple fatality and or psychological impact, within council control, leading to 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. Prolonged regional and national condemnation.	Significant disruption to building, facilities, vehicles or equipment (Loss of building, vehicles, rebuilding required, temporary accommodation required, vital equipment lost without replacement capability available resulting in services being unable to be delivered).	Complete inability to provide service/system, prolonged downtime with no back-up in place.	Catastrophic legal, regulatory, or contractual breach likely to result in substantial fines or other sanctions, including substantial involvement from regulators.
Major	4	Major impact to service quality, multiple service standards are not met, long-term disruption to operations, multiple partnerships affected.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty). Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves.	Number of extensive injuries (major permanent harm) or major psychological impact to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Serious negative national or regional criticism and publicity.	Major disruption to building, facilities, vehicles or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required, equipment or vehicles unavailable to provide significant elements of service delivery and no appropriate contingency arrangements in place).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council, fines and regulatory action publicly enforced.
Moderate	3	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards.	Moderate impact on budgets (can be contained within overall directorate budget).	Serious injury requiring medical treatment or moderate psychological impact 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.	Adverse national media public attention with elected members becoming involved.	Moderate disruption to building, facilities, vehicles or equipment (loss of use of building for medium period, loss of equipment or vehicles requires contingency arrangements to be employed and has moderate impact on overall service delivery).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council, regulator action and or improvement required of the Council .
Minor	2	Minor impact to service quality, minor service standards are not met, short-term disruption to operations, minor impact on a partnerships	Minor impact on budgets (can be contained within service head's budget).	Non life changing injury or psychological impact to staff or member of the public requiring treatment.	Some - between 2 and 6 months to recover.	Minor adverse local, public or media attention and complaints.	Minor disruption to building, facilities, vehicles or equipment (alternative arrangements in place and covered by insurance, equipment or vehicles unavailable for small period of time minor impact on service).	Reasonable back-up arrangements, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council, regulator advice and improvement requested of the Council.
Minimal	1	No impact to service quality, limited disruption to operations.	Minimal impact on budgets (can be contained within unit's budget).	Minor injury or minor psychological impact to employee, service user or public.	Minimal - Up to 2 months to recover.	Public concern restricted to local complaints and of no interest to the media.	Minimal disruption to building, facilities, vehicles or equipment (alternative arrangements in place, equipment or vehicles alternative quickly available to replace or substitute).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council, regulator suggested improvements requested.

Risk	Impact				
Likelihood	Minimal (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 September 2022

BY: Chief Executive

SUBJECT: Communities Risk Register

8

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Communities Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Communities Risk Register is 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 Communities Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Communities 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 Communities risks 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 Communities and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Communities LRWG. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) producing 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 Communities Risk Register includes 1 Very High, 5 High, 20 Medium and 9 Low risks. As per the Council's Risk Strategy, only the Very High and High risks are being reported to the Committee.

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 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - It is the consideration of the Communities LRWG 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 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 – Communities Risk Register 2022

7.2 Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy	
DESIGNATION	Emergency Planning, Risk and Resilience Officer	
CONTACT INFO	skennedy@eastlothian.gov.uk	01620 827900
DATE	08 September 2022	

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Risk & Controls Owner	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Owners	Planned Control Target Date	Evidence held of Regular Review
					Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating			
					L	I	L x I		L	I	L x I			
C1	Service Objectives	<p>Service Capacity – Staffing</p> <p>Breadth of Community Services service delivery across East Lothian and ongoing staffing pressures, underpinned by budgetary constraint, stretches resources leading to an inability to sustain services which may impact on the ability to safely deliver priority 'back-office' and frontline services e.g. Customer Services and Libraries, Contact Centre, Community Centres, Food Safety Inspections etc.</p> <p>This risk is heightened by the workforce profile and demographic which may lead to increased vacancy rate, staff absence and staff turnover and ongoing COVID-19 related absences. Service continuity and succession planning may be challenged where services are delivered by single specialist post-holder.</p> <p>Failure to address this risk could lead to:</p> <ul style="list-style-type: none"> Inability to develop service and staff skills/knowledge Inability to effectively meet stakeholder and customer demand Reduced ability to introduce legislative changes effectively Challenge in appropriately resourcing services (staffing and equipment) e.g. new school library Workforce capacity pressures (e.g. attendance management, role redesign) resulting from service developments to meet strategic priorities e.g. new ways of working, digital strategy, asset management, financial strategy, within budget allocation. <p>Communities' staff teams have been integral to the delivery of the Council's COVID-19 response, requiring staff to be redeployed from core activities to enable this work, resulting in service pressures and backlogs as COVID-19 recovery progresses – this may lead to temporary heightened risks within services.</p> <p>High internal turnover of staff within Customer Services due to higher graded/promoted posts being available in other services.</p> <p>Significant concern with the staffing of the Community Response 24/365 service within the Contact Centre due to staff turnover (often with staff moving to promoted posts within the Council), ongoing COVID-related staffing absence and recruitment market challenges. This has been alleviated with job review and</p>	<p>Service Plans and Business Continuity Plans in place.</p> <p>Upskilling and development of staff teams to respond to COVID 19 emergency service requirements and new ways of working.</p> <p>Customer Services Partnership working with Midlothian and Scottish Borders Council expanding which expands service provision and generates service sustainability and income; continuing exploration of further business opportunities and income streams.</p> <p>Effective operational and staff management, deploying ongoing service reviews, service development and staff management, policies and procedures.</p> <p>Flexible deployment of staff and Locum/casual/relief posts, and engaging with volunteers e.g. within the Museum Service, to meet peaks and troughs of service demand.</p> <p>Daily review of front-line staffing capacity and decision making re-reducing opening hours of some facilities e.g. libraries, community centres, ensuring community and partner services are advised as early as possible.</p> <p>Recruiting relief Community Development Assistants within Connected Communities Service to provide greater capacity and flexibility, working across community centres to improve knowledge of how different facilities operate and increase flexibility of staff available.</p> <p>Active monitoring of staffing budgets with Finance to move staffing resource to where it is needed</p> <p>Close monitoring of RIVO in relation to staff experiences/stress and risk assessments completed.</p> <p>Provision of effective staff Induction and ongoing training e.g. Digital training, Mental Health, Health and safety etc.</p> <p>Customer Services Business Continuity Plan re-invoked on 14 June 2022 to reflect current staffing pressures with agreement adjust Contact Centre telephone/on-line operations to ensure staffing of the 24/365 Community Response Service and to temporarily adjust Face to face Service operating arrangements when necessary. Customer Services Team to operate</p>	<p>C Rodgers</p> <p>C McCorry</p> <p>L Crothers</p>	5	4	20	<p>Explore graduate intern/KickStart opportunities to meet service professional requirements.</p> <p>Roll-out of Customer Service platform improving linkages to other systems and enable access to self-serve for customers, and over time, reducing resource demand within services.</p> <p>Service Reviews in Customer Services, Connected Communities and Protective Services with inputs from HR and Finance to ensure appropriate role and grading definitions within the service and broader corporate context.</p> <p>Review Customer Services and Connected Communities Service physical assets in the context of the Corporate Asset Strategy as regards Asset Rationalisation and Place Making.</p> <p>Daily monitoring of staffing and resource capacity leading to interim operational arrangements regarding service provision and operating hours in response to staffing pressures.</p> <p>Review of Head of Establishment role and remit, including emergency Call Out arrangements to minimise demands on front line staff, within context of Asset Strategy and Corporate Landlord model.</p> <p>Daily review of staffing capacity within Contact Centre and Customer Service face to face services.</p> <p>Contribute to HR processes re ongoing recruitment and grading developments.</p>	2	3	6	<p>L Crothers</p> <p>C Rodgers</p> <p>C Rodgers</p> <p>C Rodgers C McCorry</p> <p>L Crothers</p> <p>Head of Community Services</p> <p>C Rodgers</p> <p>Relevant Service Manager (s)</p>	<p>April 2023</p> <p>March 2023</p> <p>March 2023</p> <p>September 2023</p> <p>December 2022</p> <p>March 2023</p> <p>Ongoing</p> <p>December 2023</p>	<p>Risk refreshed by Service Manager – Customer Services – Sept 2022 – no change to scores</p> <p>Risk refreshed August 2022 by Head of Service – no change to scores.</p> <p>Risk register refreshed by Service Manager, Customer Services – May 2022 with current risk score increased from 16 to 20.</p> <p>Risk register refreshed by Service Manager, Customer Services – March 2022 with current risk score increased from 12 to 16.</p> <p>November 2021 - Risk reviewed by Head of Service to encompass all service capacity/staffing risks within the Communities Group. No changes to assessment of scores.</p> <p>Risk refreshed by Head of Service October 2020 with residual score reduced to 6.</p> <p>Risk refreshed by Service Manager – Customer Services in the context of COVID-19 service response – 2.10.19 with current risk increased from 9 to 12.</p>

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Risk & Controls Owner	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Owners	Planned Control Target Date	Evidence held of Regular Review
					Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating			
					L	I	L x I		L	I	L x I			
		<p>regrading undertaken and additional locum CR staff being recruited.</p> <p>Connected Communities and Customer Services are having to staff and manage a large no. of buildings which means constant moving of staff to cover and large amount of supervisory/management time looking after the buildings reducing capacity in their own service</p> <p>Challenges currently in recruitment to a wide range of vacant posts across Community Services which may be a short term COVID-19 or Brexit related issue, set in the context of wider economic recovery and a buoyant recruitment market. Unsuccessful recruitment campaigns may impact on the Council's reputation as an employer and may impact on service delivery and project deadlines.</p>	<p>business as usual from 5.9.22 following constant recruitment to posts in recent months.</p> <p>Performance Indicators analysed informing service delivery and management and supporting external funding bids for service development/redesign.</p> <p>Promote alternate customer service options i.e. channel shift to increase online service delivery, and reduce face-to-face and cash handling service provision.</p> <p>Continue to Identify critical 'specialist' work and contingency measures such as cross training, shadowing, alternative 'backup' provision and support arrangements: staff encouraged to work jointly, where appropriate, with Project team approach to some areas of work.</p> <p>Cross team training on issues such as project management and good relations with partner organisations such as the Improvement Service which allows for secondment of staff with specialist skills.</p> <p>Support access to appropriate professional development/qualifications informed by PRDs.</p>											
C2	Financial	<p>Ineffective Insurance Cover</p> <p>Failure to identify, source and secure effective insurance cover for the Council e.g. public liability and employers' liability, property and vehicle insurance cover etc. would leave the Council vulnerable to significant risk in respect of claims received. This could lead to financial loss and reputational damage.</p> <p>Should the Council's Insurance Service fail to operate effectively, risks may increase regarding effective management of insurance claims handling, policy compliance and accurate information being provided to the insurers (as required under the Insurance Act 2015). This, in turn, could lead to fraudulent claims, uninsured financial loss and reputational damage.</p> <p>Failure to declare accurately the risks within the Council to our insurers could result in cover being withdrawn and / or additional premiums or deductibles being incurred (leaving the Council at greater financial risk)</p> <p>Failure to maintain and implement / audit policies and procedures could lead to a</p>	<p>Documented procedures in place as well as Corporate Risk Assessment, Insurance Renewal Timetable and Insurance Administration.</p> <p>Insurance Policies renewed/replaced in a timely manner. New Shared Insurance Service has identified several areas where ELC has been exposed without insurance coverage – this is now being addressed.</p> <p>Existing Insurance Broker can assist with any queries in relation to existing policies and arrange for any new or changes in insurance cover</p> <p>External Claims Handlers handle all claims to ensure independence of process and consistency as service levels internally prior to the Shared Insurance Service were not upheld.</p> <p>Robust claims handling process in place through the use of external claims handling agents.</p> <p>Procedure in place to check for possible fraudulent claims received by the council; all claims are checked rigorously by internal and external claims staff.</p>	L Crothers R Kydd A-M Glancy	4	4	16	<p>Documented procedures in place, Corporate Risk Assessment, Insurance Renewal Timetable and Insurance Administration all being reviewed and updated during 2022.</p> <p>New system of monitoring and escalation of incidents leading to insurance claims and engaging with Council Management Team (CMT) and Service Management Team (SMT) re-lessons learned and preventative measures to be implemented.</p> <p>Use Gallagher Bassett risk review days available from insurer to explore ways to reduce risks/claims and improve processes across the Council in relation to claims that may not have been reviewed for some years.</p> <p>Review of Insurance Fund.</p> <p>Implementation of Insurance e-learning for all staff including</p>	2	4	8	L Crothers L Crothers L Crothers A-M Glancy L Crothers	December 2022 December 2022 March 2023 December 2022 March 2023	<p>Risk refreshed August 2022 by Head of Service – no change to scores.</p> <p>Risk fully reviewed by Ruth Kydd, Insurance April 2022 with current risk score increased from 8 to 16 and residual score from amended 3 to 8.</p> <p>Risk reviewed by HoS October 2021, with current control score amended to 8.</p> <p>Risk refreshed by Head of Service October 2020, with Residual Risk reduced from 6 to 3.</p>

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Risk & Controls Owner	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Owners	Planned Control Target Date	Evidence held of Regular Review		
					Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating					
					L	I	L x I		L	I	L x I					
		deterioration in the Councils claims experience. This will increase the premiums that the Council will have to pay. This may impact on the value of the Corporate Insurance Fund held within the Council's Reserves. Failure to safeguard data held by the insurance team.	Insurance Fund in place within Council Reserves budget. External reviews undertaken every 3 years to ensure adequacy of fund. Regular Members' reports submitted to update members about the improvements being focussed on. Service Level Agreement for outsourced Insurance Service to City of Edinburgh Council in place to increase resilience and capacity and ensure ELC has experienced and knowledgeable team operating the service.				information about the policies in place, requirements for annual declarations and also emerging insurance risks. Annual performance report to be drafted highlighting Strategic Insurance Market context and ELC claims history and cover arrangements and corporate risk management improvements arising. Data sharing protocol operating between insurers is currently being amended / updated as there is no contract in place for the claims handling agents.				L Crothers L Crothers	March 2023 December 2022				
C3	Service Objectives	Failure of Customer Services / Contact Centre I.T. Systems Failure of IT customer interface systems (including Telephony) would render the Council: <ul style="list-style-type: none"> Unable to deliver customer services some of which are vital 'life and limb' services i.e. community alarm/telecare services for 3 Councils and 2 Housing associations/adult and children's social work calls/out-of-hours emergency calls Data unable to be inputted onto databases Customers unable to access self-service and get on-line unable to meet customer expectations resulting in reputational damage, service level breach, poor publicity and failure to provide essential services. Digital enabled telecare Risk of failure of ELC to provide digitally enabled 24/7/365 telecare alarms and periphery to vulnerable health and social care clients when client telephony systems are transferred from analogue to digital in xx year xx could result in alarm failure or delay in connecting when vulnerable client needs assistance. As Telephony companies are now replacing fibre from analogue to digital in East Lothian – this is now critical and more failures likely	Business continuity plan in place, tested annually and any actions implemented. Any short term system outages/incidents test resilience and inform BC Plan. Regular meetings with staff to ensure they are aware of business needs; staff procedure up to date, staff trained and aware of outcomes and controls. 3rd party provider support and BC plans held ESS/Overdrive//MODES). Manual 'back-up' procedures in place to support service provision, where possible: Social work service advised of any telephony problems in order that they can check on most vulnerable clients and make contacts, carers and emergency response service aware. Alternative backup solutions identified where possible e.g. Netcall 2nd server, Assure (libraries) etc. Review of Netcall Telephony Management system. Customer Service Platform developed and services transferring over from CRM. ELC is participating in the national Digital Office A2D scheme but progress slow Digital mobile alarms are in place but don't operate as they should so that there can be delay until it finds mobile signal to connect with. CCTV system upgrade, review of static and mobile camera use. The majority of I.T. systems are Public Sector Network (PSN) compliant with the exception of the Customer Relationship Management (CRM).	C Rodgers R McGill			4	4	16	New Customer Relations Management System / Customer Services Portal / implementation programme ongoing. Phase one implemented March 2020 and ongoing. Most Waste services functions are now live - March 2022 - for complete transfer from CRM – October 2022. Property maintenance services have been delayed due to lack of staffing resources across all Services which are involved so hope to go live – November 2022. Netcall Management System contract extended to October 2022. Replacement of analogue with digital enabled alarms (won't work with existing ARC system). Upgrade existing Digital system to cope with both analogue and digital alarms or migrate to national Shared Arc system. Public Network to be refreshed. Funding identified by IT to upgrade/replace PN hardware and support – working group to be established. Full replacement and upgrade of CCTV.	2	3	6	C Rodgers C Rodgers C Rodgers C Rodgers R McGill	March 2023 March 2023 March 2023 September 2023 March 2023	Risk refreshed by Service Manager – Customer Services – September 2022 – no change to scores. Risk refreshed August 2022 by Head of Service – no change to scores. Risk register refreshed by Service Manager – May 2022 with no changes to assessment of scores with new element on Digital Enabled Telecare added and further discussion to take place through DSEG and Digital Office project. Risk refreshed by Customer Service Managers January 2017 with current score increased from 9 to 16 and residual score reduced from 9 to 6.

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Risk & Controls Owner	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Owners	Planned Control Target Date	Evidence held of Regular Review
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					L	I	L x I		L	I	L x I			
			Library Booking System contracts extended to end of December 2022.				Continuing work to replace the CRM with the new Customer Platform with the existing Verint CRM system no longer being supported by Verint since 30.9.21. Full transfer of work to new Platform not due to end of December 2022. Numerous delays compounded by COVID and resource issues. Library Management System MS replacement way forward agreed with Procurement but existing LMS extended for further 6 months due to demand on IT resources. Contract has now been let – August 2022 with implementation expected by end of December 2022.				C Rodgers C Rodgers/C Messer	December 2022 December 2022		
C4	Reputation	<p>Failure in Contact Centre Community Response</p> <p>This is a call service for telecare/community alarm customers for East Lothian Council, Midlothian Council and Scottish Borders Councils.</p> <p>A failure in Community Response processes i.e. staff not dealing with calls appropriately, not following scripts, not asking appropriate questions, making assumptions about what is wrong/who the caller is, not dealing with requests timeously/not noting key information etc. could result in:</p> <ul style="list-style-type: none"> • Serious injury to customers • Fatality of customers • Loss in confidence by stakeholders/partners/customer • Financial loss due to liability claims • HSE involvement • The Council could become unable to respond to customer requests at the first point of contact. <p>All of the above could lead to reputational and or financial damage to the council and poor publicity.</p> <p>Current service pressures and risks enhanced related to difficulties in recruitment and retention of staff.</p>	<p>Staff recruited for key qualifications, skills & attributes. Training programme for staff in place.</p> <p>Continual communication, training and staff development is aligned to good practice, industry standards and service delivery levels, monitored through PRDs.</p> <p>Monitor performance and service provision e.g. call monitoring.</p> <p>Embedding services for Scottish Borders Council i.e. telecare and out-of-hours calls has increased capacity/resilience.</p> <p>Solo Operating risk assessment and working procedure in place.</p> <p>Lessons learned report from incidents.</p> <p>Ongoing development of closer working between colleagues and stakeholders.</p> <p>Increased flexibility in relation to shift cover within CRT with staff having built in responsibility to cover shift gaps.</p> <p>CECOPS accredited.</p> <p>Recruitment campaigns taking place as soon as vacancies arise to limit reductions in staffing for any length of time.</p> <p>Role redefinition and regrading undertaken in June 2022 has assisted the situation greatly</p> <p>New ways of working e.g. home working enabled by system development, allows</p>	C Rodgers R McGill	3	4	12	Contribute to corporate HR job design and grading processes, related to systems and care related roles.	3	3	9	C Rodgers	December 2022	<p>Risk refreshed by Service Manager – Customer Services – September 2022 – Current risk reduced from 20 to 12.</p> <p>Risk refreshed August 2022 by Head of Service – no change to scores.</p> <p>Risk register refreshed by Service Manager – Customer Services – May 2022 with current risk score increased from 6 to 20 and residual score from 6 to 9.</p> <p>Risk register refreshed by Service Manager, Customer Services – March 2022 with no change to risk scores.</p> <p>Risk register refreshed by Service Manager, Customer Services – September 2021 with current score reduced from 8 to 6.</p> <p>Risk refreshed by Head of Services in October 2020 and Residual Risk reduced from 8 to 6.</p>

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					L	I	L x I		L	I	L x I			
			for greater business continuity with regard to severe weather or the Contact Centre not being available for any reason. (NB: when IT systems are upgraded over a weekend, this negates being able to access from home.) CR Staff working extra hours until Christmas to allow vacancies to be filled and staff trained. Locum staff being recruited and trained.											
C5	Reputation	Animal Health/Welfare Incident Any major animal health and welfare incident or disease e.g. avian influenza, foot and mouth, rabies, animal neglect etc. could have significant impact on local farms and business and on East Lothian as a whole (transport, rural schools, tourism etc.). During the summer of 2022 there was an outbreak in cases of Avian Flu around the North Berwick area. This was managed by various Council teams. There is an ongoing lack of import checks at borders e.g. increasing numbers of trafficked puppies which then require quarantine. The above incidents take up significant staff resource while it's recognised that further resource is required. An incident has the potential to close down parts/all of the county and restrict movement of animals or the public. The Council has a duty to make arrangements for care of animals where serious neglect is established which could have both financial and resource impact. Increased risk of pets being introduced to the country via Ukrainians moving to the UK due to ongoing war. UK and Scottish Government are aware of the issue and putting in place additional quarantine facilities, however, lack of import checks could see animals missing quarantine requirements.	The Council has a major incident plan in place to activate if an incident occurs. Trading Standards employees are trained and deploy enforcement responsibilities under animal health and welfare legislation. Attendance at the East of Scotland Animal Health & Welfare panel. Established liaison/incident response arrangements with the Animal and Plant Health Agency (APHA). As part of the Animal Health & Welfare Framework with APHA, risk assessed visits carried out annually to certain high risk premises. APHA also conduct their own visits. Whilst staffing levels remain low annual inspections to premises are paused with officers continuing to respond to serious animal welfare complaints. Public and industry information and advice placed promptly on website, social media. Added Resilience from the Safer Communities Team (Dog Warden) where deemed necessary. Ongoing monitoring of Avian Flu outbreak nationwide as they occur. National Group set up and Scottish RRP's have devised a Local Authority Avian Influenza Response Guide which is to be approved. Pets and animals are checked as part of the property checks carried out on Ukrainians moving to East Lothian.	A Connell	3	4	12	Protective Services Service Review may lead to an increase in staffing levels, providing increased capacity in respect of inspections and animal welfare checks and compliance. Contribution to national Trading Standards review of professional pathways and efforts to address national shortage of qualified officers.	2	3	6	L Crothers A Connell	December 2022 December 2022	Risk refreshed August 2022 by Head of Service – no change to scores. Risk refreshed by Service Manager, Protective Services, April 2022 due to heightened risks with likelihood increased from 2 to 3. Risk refreshed by Head of Service and current score decreased from 10 to 8. Risk refreshed August 2021 by PTSO and Head of Service with current score increased from 8 to 10. Risk refreshed August 2019 by PTSO with both scores increased from 4 to 8.
C6	Business Continuity	Loss or damage of assets Loss or damage or delayed repair of assets due to fire, explosion, storm, flood, malicious damage, theft, lack of repair/maintenance, lack of adequate security measures, loss of utility supply or	Business continuity planning in place and alternative operating premises identified; plans and training records reviewed annually. Key equipment and maintenance contracts are kept up to date and in good working order.	C Rodgers C McCorry	3	4	12	All senior staff to attend updated e-learning managing safely course. The Council's overarching Health & Safety Policy and Arrangements re Head of Establishment remit are under review. An increased focus on the Audit and Inspection role of the	2	3	6	C Rodgers L Crothers	September 2022 March 2023	Risk refreshed August 2022 by Head of Service and Service Manager Customer Services – no change to scores.

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					L	I	L x I		L	I	L x I			
		<p>lack of facility support could result in (using Brunton Hall as an example):</p> <ul style="list-style-type: none"> Inability to access office accommodation, equipment, data; Damage to equipment including our irreplaceable heritage assets e.g. museum objects, paintings and/or all other assets held within these premises; Inability to retrieve data; Serious injury to staff/members of public; Long term absences; Loss of Income Damage to the public reputation of the BH as a professionally managed and safe high class public service centre and events/theatre venue Loss of income to Brunton Theatre Trust and to ELC if customers are discouraged from using facilities due to anti-social and inappropriate behaviour. <p>Private cars routinely parked around and under parts of the Brunton Hall building potentially risking fire/terrorism attack.</p> <p>Prestongrange Museum at risk of vandalism/unauthorised encampment due to openness of site.</p>	<p>Ensure Condition and other data is maintained up to date to inform the planned delivery of works required to ensure buildings comply with statutory and legal requirements and are maintained in a good condition.</p> <p>Regular fire drills carried out, H&S workplace inspections and Risk Assessments, while staff are trained in aspects relating to good working practices and in relation to fire drills and security procedures.</p> <p>Emergency planning procedures in place and regularly tested e.g. Service disaster plans for Museums.</p> <p>Alarm systems and CCTV systems in place for some Council buildings e.g. John Muir House, museums and libraries.</p> <p>Inventory held of all Council paintings, recording values, locations and conservation needs in accordance with the Councils Museum Collections Policy. Insurance query.</p> <p>Accreditation governing the quality of care for collections and museum buildings received from the Museums Association and reviewed tri-annually.</p> <p>All Museums have had security surveys carried out by Police Scotland, which are refreshed every five years.</p> <p>Regular reporting and investigation of incidents and remedial action taken and highlighted to management if necessary, while all incidents reported on Sphera.</p> <p>Authorised building access and egress routes operate securely and are monitored. Brunton Hall back doors have been closed since March 2020.</p> <p>Problem solving partnership operate in respect of key buildings/locations when necessary e.g. Brunton Hall.</p> <p>User Groups meet regularly at Penston House, Brunton Hall, Library and Museum HQ, John Muir House and John Gray Centre.</p> <p>Prestongrange Project Board and Prestongrange Project Team meeting regularly: to limit vehicular access to the site, boulders and soil tips put on various parts of the Prestongrange site.</p>				<p>team will also be part of this review and an Audit Programme will be developed.</p> <p>Audit taking place in relation to the Council's Artworks Catalogue. (Delay due to long term absence of key member of staff)</p> <p>Review parking enforcement and Journey Hub operation around the Brunton Hall.</p> <p>Exploration of CCTV for Prestongrange site.</p> <p>Refresh of BH asset condition report by Infrastructure Services and programme of essential works within allocated capital budgets over the next 4 years.</p> <p>Exploration of appropriate insurance cover and insurance quotations for ELC Arts and Museum collections.</p> <p>Development of 'Trusted Keyholder Scheme', approved by ELC insurers, to enable controlled and limited community access to specific community buildings out of hours.</p>				<p>C Rodgers</p> <p>L Crothers</p> <p>C Rodgers</p> <p>P Iannetta</p> <p>C Rodgers</p> <p>C McCorry</p>	<p>December 2022</p> <p>December 2022</p> <p>December 2022</p> <p>December 2022</p> <p>March 2023</p> <p>March 2023</p>	<p>Risk updated by Service Manager – Customer Services, March 2022 with current score increased from 8 to 12.</p> <p>Risk refreshed by Head of Service in October 2020 and Residual risk reduced from 8 to 6.</p> <p>Risk refreshed by Customer Service Manager in October 2019 and merged with former risk specifically on Brunton Hall.</p>	

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					L	I	L x I		L	I	L x I			
		Original date produced (Version 1)		06 May 2014										Overall Rating
		File Name		Policy and Partnerships Risk Register										Very High
		Original Author(s)		Scott Kennedy, Risk Officer										High
		Current Revision Author(s)		Scott Kennedy, Risk Officer										Medium
		Version		Date	Author(s)	Notes on Revisions								Low
		21		November 2021	S Saunders	Full review and refresh completed by Head of Communities. Risks on Equality and Health & Safety removed as these are covered in the Corporate Risk Register.								
		22		March 2022	S Kennedy	Risk Register Reviewed by Risk Officer plus Service Managers: Policy, Improvement & Partnerships.								
		23		April 2022	S Kennedy	Risk Registered reviewed by Insurance team including full update of risk on Insurance. Connected Communities Risks reviewed.								
		24		20 April 2022	S Kennedy	Full Risk Register reviewed and refreshed by Head of Service								
		25		16 June 2022	S Kennedy	Animal Health/Welfare Incident Risk updated								
		26		28 June 2022	S Kennedy	Avian Flu Risk updated								
		27		25 July 2022	S Saunders	Review of Very High Risks carried out by Head of Communities and new columns added for new risk software.								
		28		22 nd August 2022	S Saunders	Review of Register carried out by Head of Communities								
		29		29 th August 2022	S Kennedy	Improvement, Policy & Communications, Customer Services and Protective Services risks updated by Service Managers.								

East Lothian Council Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	>90% chance of occurring
Probable	4	70%-90% chance of occurrence
Possible	3	30-70% chance of occurring
Unlikely	2	10-30% chance of occurring
Rare	1	<10% chance of occurring

Appendix 2

Impact Description

Impact of Occurrence	Score	Description							
		Impact on Service Objectives	Financial Impact	Physical and/or Psychological Impact on People	Impact on Time	Impact on Reputation	Impact on Assets	Business Continuity	Legal & Regulatory
Catastrophic	5	Catastrophic failure in service delivery and key service standards are not met, long-term catastrophic interruption to operations, several major partnerships are affected	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances. Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves. The Council is expected to hold a reserve to budget ratio of 2%.	Single or Multiple fatality and or psychological impact, within council control, leading to 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. Prolonged regional and national condemnation.	Significant disruption to building, facilities, vehicles or equipment (Loss of building, vehicles, rebuilding required, temporary accommodation required, vital equipment lost without replacement capability available resulting in services being unable to be delivered).	Complete inability to provide service/system, prolonged downtime with no back-up in place.	Catastrophic legal, regulatory, or contractual breach likely to result in substantial fines or other sanctions, including substantial involvement from regulators.
Major	4	Major impact to service quality, multiple service standards are not met, long-term disruption to operations, multiple partnerships affected.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty). Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves.	Number of extensive injuries (major permanent harm) or major psychological impact to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Serious negative national or regional criticism and publicity.	Major disruption to building, facilities, vehicles or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required, equipment or vehicles unavailable to provide significant elements of service delivery and no appropriate contingency arrangements in place).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council, fines and regulatory action publicly enforced.
Moderate	3	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards.	Moderate impact on budgets (can be contained within overall directorate budget).	Serious injury requiring medical treatment or moderate psychological impact 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.	Adverse national media public attention with elected members becoming involved.	Moderate disruption to building, facilities, vehicles or equipment (loss of use of building for medium period, loss of equipment or vehicles requires contingency arrangements to be employed and has moderate impact on overall service delivery).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council, regulator action and or improvement required of the Council .
Minor	2	Minor impact to service quality, minor service standards are not met, short-term disruption to operations, minor impact on a partnerships	Minor impact on budgets (can be contained within service head's budget).	Non life changing injury or psychological impact to staff or member of the public requiring treatment.	Some - between 2 and 6 months to recover.	Minor adverse local, public or media attention and complaints.	Minor disruption to building, facilities, vehicles or equipment (alternative arrangements in place and covered by insurance, equipment or vehicles unavailable for small period of time minor impact on service).	Reasonable back-up arrangements, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council, regulator advice and improvement requested of the Council.
Minimal	1	No impact to service quality, limited disruption to operations.	Minimal impact on budgets (can be contained within unit's budget).	Minor injury or minor psychological impact to employee, service user or public.	Minimal - Up to 2 months to recover.	Public concern restricted to local complaints and of no interest to the media.	Minimal disruption to building, facilities, vehicles or equipment (alternative arrangements in place, equipment or vehicles alternative quickly available to replace or substitute).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council, regulator suggested improvements requested.

Risk	Impact				
Likelihood	Minimal (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 September 2022

BY: Executive Director for Council Resources

SUBJECT: Local Government in Scotland: Overview 2022 (Accounts Commission, May 2022)

9

1 PURPOSE

- 1.1 To review the Accounts Commission report, *Local Government in Scotland: Overview 2022*.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to:
- Note the findings and conclusions in the Accounts Commission report, *Local Government in Scotland: Overview 2022*.
 - Note the recommendations made by the Account Commission and how the Council is already responding as detailed in the tables in paragraphs 3.18 and 3.24.
 - Note the supplement to the *Local Government in Scotland: Overview 2022* with 26 questions the Accounts Commission suggests elected members should consider and seek further information if required.

3 BACKGROUND

- 3.1 Each year the Accounts Commission produces an overview of issues that have arisen from the local authority audits conducted by Audit Scotland. The 2022 report was published in May 2022. It considers the second year of the pandemic from March 2021m to February 2022.
- 3.2 The report is structured around three themes:
- Responding to the external environment: climate change, reform, financial pressures, Brexit, demographic change

- Organising the Council: leadership, resources, workforce
- Meeting local needs: inequality.

Responding to the External Environment

- 3.3 The report highlights that as councils continue to plan their recovery from COVID-19 and renewal they need to tackle key priorities including a large and complex programme of reform and the impacts of departure from the EU, climate change and growing levels of poverty.
- 3.4 With regards to public sector reform the report highlights the Scottish Government's proposals for a new National Care Service. It points out that *"Such a significant programme of reform brings challenges and risks. Reform in other areas of the public sector has shown that expected benefits are not always clearly defined, and even when they are, they are not always delivered. Focusing on such a major transformation will also risk a diversion from tackling the immediate challenges within the social care sector. For local government there is uncertainty about the destination of the policy, and concern over a loss to local empowerment and funding for councils."*
- 3.5 The report highlights that *"The UK's departure from the European Union is exacerbating the challenges councils face"* in particular in relation to *"impacts on the labour market including staff shortages, access to funding and business."*
- 3.6 With regards to Climate Change the report suggests that although councils have committed to take action to achieve net zero, clearer plans are needed to achieve it. Audit Scotland will report on the approach councils are taking to meet their climate change ambitions in late summer 2022.
- 3.7 The final set of challenges councils are facing relate to the impact of the COVID-19 pandemic sitting *"against a backdrop of long-standing and growing demographic pressures and a cost of living crisis that will affect demand for council services,"*
- 3.8 The external environment and challenges highlighted in the Accounts Commission report have formed the context for the Council's 2022-2027 Council Plan and are reflected in the Plan's three overarching objectives:
- Recovery and Renewal
 - Reducing Poverty
 - Responding to the Climate Emergency

Organising the Council

- 3.9 This part of the report considers three issues:
- Leading recovery and renewal
 - Managing resources
 - Managing the workforce

- 3.10 The key message with regards to **leading recovery and renewal** is that as leaders (elected members, chief executives and senior management teams) “*plan for recovery and renewal it will be important that they collaborate with their partners and communities. This will need skilled leadership, learning lessons from the pandemic and working to make the best use of resources to improve outcomes.*”
- 3.11 The report highlights that some councils have integrated their recovery plans into refreshed strategic plans, including Local Outcome Improvement Plans. The new 2022-2027 Council Plan draws heavily on the themes, objectives and priorities identified in the Recovery and Renewal Plan that was adopted by the Council and East Lothian Partnership at the end of 2021. The Partnership is reviewing its Local Outcome Improvement Plan – The East Lothian Plan – to take account of the new priorities for recovery and renewal.
- 3.12 It is worth noting that the new Council Plan is aligned with the themes and priorities that the Overview report shows are common across other recovery and renewal plans:
- Economic recovery
 - Addressing growing inequalities
 - Climate emergency
 - School education recovery
 - Health and wellbeing both in the community and workforce
 - New ways of working – digital technology, the workforce
- 3.13 The other key messages under leading recovery and renewal are:
- Current recovery plans emphasise the negative effect that COVID-19 has had on inequalities but are not clear on how planned recovery actions will improve outcomes for those most affected
 - There are good examples of councils showing leadership in tackling long-standing structural issues through new place-based initiatives such as community wealth building
 - Collaborative leadership skills have been important during the response phase and need to be maintained to meet the complex challenges ahead
 - Changes and turnover in senior officers and political leadership present a risk to councils’ capacity to maintain momentum and drive forward recovery
 - As governance structures are re-established, better information is needed on service recovery to support scrutiny and inform decision-making
 - Councils recognise that they have an opportunity to learn lessons from the new ways of working and approaches to service delivery that have been put in place in response to the pandemic

- Data has been important in guiding the response to the pandemic. But improvements are needed in data availability, tools and skills to support performance monitoring, strategic decision-making and planning service improvements.
- 3.14 The section of the report dealing with **managing resources** highlights that *“Councils’ finances have been significantly affected by Covid-19. The long term funding position remains uncertain, with significant challenges ahead as councils continue to manage and respond to the impact of the pandemic on their services, finances and communities.”*
- Funding to local government has been reduced in real terms by 4.2% since 2013/14 in contrast to a real terms increase of 4.3% in Scottish Government funding of other areas of the budget over the same period
 - The ongoing absence of a multi-year financial settlement creates uncertainty at a time when effective and robust financial management is crucial
 - Councils now need to review longer-term financial plans as COVID-19 uncertainty diminishes. They should ensure that financial plans are clearly linked to overarching recovery strategies
 - As COVID-19 funding ends, councils will need to adapt and make difficult decisions to maintain financial stability
 - It is clear that (ring-fenced) spending on priority areas have increased while other areas of local government budget have faced spending cuts
 - Covid-19 has impacted on capital projects and volatility in capital funding allocations could affect councils’ recovery and investment plans
- 3.15 In addition to the increasing financial pressures councils face they also face continued pressures in **managing the workforce**: *“with high absence levels, impacts on wellbeing, particularly for front-line workers, and skill shortages in key areas. A resilient workforce is critical to the ongoing response to COVID-19 and the recovery of services. Councils will need to update workforce plans, learn lessons from new ways of working put in place, and provide wellbeing support for their staff.”*
- 3.16 The report highlights that staff absence levels increased from late summer 2021 due to new waves of the pandemic and staff burnout from the prolonged response and recovery phase. Also councils are facing skills shortages and recruitment difficulties in key areas. East Lothian council has also faced these challenges
- 3.17 The table below shows the recommendations made by the Accounts Commission relating to leading recovery and renewal, managing

resources and managing the workforce with a summary of how the Council is already responding to them.

Recommendation	East Lothian Council position
<p>Councils together with their partners and communities should revise their strategic plans, including Local Outcomes Improvement Plans to realign priorities and provide a roadmap for recovery and renewal. They should also consider how this contributes to the national recovery strategy set out by the Scottish Government.</p>	<p>The Council's 2022-2027 Council Plan which was adopted by Council (23rd August) is based on three overarching objectives, Recovery and Renewal, Reducing Poverty and Inequality and Responding to the Climate Emergency and is aligned to the Scottish Government's national recovery strategy.</p> <p>The East Lothian Partnership is focused on implementing the Recovery and Renewal Plan and is to review and revise the East Lothian Plan (our Local Outcome Improvement Plan) to take account of post pandemic priorities.</p>
<p>Elected members and senior managers need to work together to drive change, make decisions and deliver recovery and renewal.</p>	<p>Good working relations have been formed between elected members and senior managers following the May 2022 council elections.</p>
<p>Councils should consider the leadership skills needed for now and in future. This includes clear succession planning arrangements and a structured programme of induction for new elected members.</p>	<p>Newly elected members undertook a comprehensive induction programme and a programme of elected members' briefings has been put in place.</p> <p>Succession planning for senior managers is considered in the new Workforce Plan that will come to council for approval in October 2022.</p>
<p>Councils' governance arrangements should ensure that their elected members have sufficient information to support the scrutiny and decision-making needed for recovery and renewal.</p>	<p>Elected members are provided with detailed information in Council and Cabinet reports and are offered opportunity to ask for further information at pre-meetings.</p> <p>Elected members are provided with detailed information on key issues at briefings.</p>
<p>Councils need to clearly set out how they are evaluating new service</p>	<p>A detailed lessons learned exercise has been carried out on the Council's response to the pandemic.</p>

models and learning lessons from the response to Covid-19.	
Councils should have a clear plan for developing the use of data in their councils, this includes data skills, data standards and data tools.	A data strategy is being developed which will take account of the Data Maturity Assessment that has been carried out by the council.
Councils must ensure that financial plans and overarching recovery strategies and actions are clearly aligned, including funding to deliver on their duty to address inequalities.	The Council's Financial Strategy, revenue and capital budgets are aligned to the recovery and renewal plan and Council Plan priorities.
Councils must have clear plans for management of reserves	The Council's Financial Strategy includes proposal for managing reserves.
Councils should update their workforce plans to build on lessons learned, address skills gaps and build a resilient workforce for the future. This will include monitoring the wellbeing of the workforce, and the effectiveness of health and wellbeing initiatives.	A new Workforce Plan is in preparation and will be submitted to the October 2022 Council meeting. Supporting staff health and wellbeing has been a particular focus of the Council over the course of the pandemic.

Meeting Local Needs

3.18 This part of the report covers two issues:

- the impact of COVID-19 on services and inequality
- collaboration and communities

3.19 The report highlights the ***impact that COVID-19 has had on services and inequality***. It states that while the pandemic continues to disrupt council services there is a lack of clarity on demand, unmet need and service backlogs that makes the full extent of the effect unclear.

3.20 It also suggests that *“public tolerance of service disruption and backlogs is declining...Councils are having to balance a growing expectation that services should be back to normal while still adhering to COVID-19 guidelines and facing absences that limit their capacity to deliver.”* This growing ‘intolerance’ may be one of the factors behind the relatively low levels of satisfaction with public services found in the 2021 Residents’ Survey.

3.21 The report also highlights:

- Councils have worked hard and adapted to maintain delivery of key services. Digital delivery has expanded but brings with it the risk – for some – of increased digital exclusion

- The extent to which councils have assessed and can evidence the impact that COVID-19 related service changes and disruption have had on different groups and citizens in their local areas is unclear. Three service areas that have continued to be disrupted through the second year of the pandemic are highlighted in the report – education, social care and public services
- The impact of the pandemic and service disruption has been felt most strongly by those communities and citizens already experiencing inequalities
- While councils recognise the disproportionate impact the pandemic has had on different groups, they need to learn lessons from taking early action and assess the impact of service disruption to address long-term impacts
- Some councils are using lessons learned from the pandemic to improve how they tackle vulnerability and inequality
- Data is a key tool in tackling inequality but there are gaps in equality data, particularly at a local level

3.22 With regards to **collaboration and communities** the report states that *“The early response phase showed what could be achieved by working closely with communities and the voluntary sector. This momentum may be lost if they are not involved in shaping recovery.”* It highlights that:

- There is limited evidence of direct community input into driving recovery actions and more needs to be done
- Voluntary sector organisations are facing pressures that could threaten their ability to deliver services to vulnerable people who rely on them
- Councils worked well with their community planning partners in the response phase, but they need clearer plans for the future

3.23 The table below shows the recommendations made by the Accounts Commission relating to the impact of COVID-19 on services and inequality and collaboration and communities with a summary of how the Council is already responding to them.

Recommendation	East Lothian Council position
While some progress has been made in improving the use of data in decision-making, councils need to have a clear sense of where increased demand and service backlogs exist so that they can identify areas of high risk and direct resources accordingly. This	The Council has recognised the need to improve the quality of the data about service users it records and uses. Improving data collection and use is an action both the Poverty Plan and the Equality Plan and is also a key focus of the Data Maturity element of the Digital Strategy.

information also needs to be more transparent and publicly available.	
A key priority for councils' recovery and renewal is assessing the impact of the pandemic and service disruption on the most vulnerable and learning from this to inform how they support those most affected and address inequalities. This will need better local data to improve understanding.	As above
Where councils plan to continue with the changes made to services during the pandemic, they need to conduct impact assessments and consult the community. With the expansion of digital services, councils need to assess and mitigate the impacts of digital exclusion	The Council's new Digital Strategy acknowledges the importance of addressing digital exclusion and using our technology wherever possible to reduce exclusion by supporting a new open public network to replace the Peoples network and providing free Internet access from our main premises. Digital inclusion is also a priority for the Connected Communities service.
Councils need to ensure that partnership working forged in the pandemic with their communities, partners and the voluntary sector remains in place. They also need to learn what made it work and harness this to transform future engagement. The momentum and energy from communities may be lost if public bodies don't capitalise on what has been achieved.	The excellent partnership working between the council, community partners (including Area Partnerships) and the voluntary sector has continued. The new Council Plan includes commitments to being an enabling and empowering authority and to extending community engagement and decision-making and increasing community and individual resilience.

Questions for Elected Members

3.24 Accompanying the Overview report the Accounts Commission has published a supplement: Questions for Elected Members. This is a checklist of 26 questions for elected members to consider relating to the Local Government in Scotland Overview 2022. It is designed to support elected members in scrutinising and understanding how well their council is planning recovery and renewal.

3.25 The questions are structured around seven themes:

- Leadership: planning, strategy and improvement

- Leadership: skills
- Governance
- Finance
- Workforce
- Meeting local needs
- Community empowerment and collaboration

3.26 Elected members are directed to consider ‘What do I know’ and ‘Do I need to ask any further questions’.

4 POLICY IMPLICATIONS

4.1 Councils are required under the Local Government in Scotland Act 2003 to achieve Best Value in regard to economy, efficiency, effectiveness, equal opportunities and sustainable development. ‘Local Government in Scotland: Overview 2022’ will assist the Council to recognise and respond to the challenges that it faces as we move to recovery and renewal from the COVID-19 pandemic.

5 INTEGRATED IMPACT ASSESSMENT

5.1 This report is not applicable to the well-being of equalities groups and an 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 ‘Local Government in Scotland: Overview 2022’, Accounts Commission, May 2022

7.2 ‘Local Government in Scotland: Overview 2022: Supplement Questions for Elected Members’, Accounts Commission, May 2022

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Local government in Scotland

Overview 2022



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
May 2022

Who we are

The Accounts Commission

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

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

Our work includes:

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

You can find out more about the work of the Accounts Commission on our website:

www.audit-scotland.gov.uk/about-us/accounts-commission

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Key messages



1. Councils have had a very difficult year

Alongside the ongoing response to the pandemic, councils have faced challenges in recovering services, dealing with increased demand and backlogs, and meeting community needs and expectations. This has taken place against a backdrop of long-standing pressures such as increased demand from an ageing population and rising poverty.



2. The challenging context means collaborative leadership is more important than ever

Councils are operating in a difficult and uncertain strategic context and face longer-term financial pressures, a lack of certainty and flexibility over long-term funding, and the prospect of major service reforms. This challenging context needs local government leaders skilled in effective strategic thinking, decision-making and collaborative working, and able to learn lessons from new ways of working. Collaborative leadership is more important than ever as councils work with partners, communities, and citizens to support recovery and improve outcomes.



3. Pressure on the local government workforce continues

Councils are continuing to experience high absence levels. Impacts on staff wellbeing and skills shortages, particularly in front-line workers, have also been noted. A resilient workforce is critical to the ongoing response to Covid-19 and the recovery of services. Workforce plans will need to be updated, considering lessons learned from new ways of working. Wellbeing support for the workforce must also continue.



4. The impact of the pandemic and service disruption have been felt most strongly by those already experiencing inequality

Councils have worked hard and adapted to maintain service delivery but not all services are back at pre-pandemic levels so those most in need of support are still being affected. Councils must evaluate these impacts so that recovery and renewal supports those most affected and addresses inequalities. Recovery and renewal should also reflect the wider ambitions of the public service reform agenda.



5. The early response showed what could be achieved by working closely with communities and the voluntary sector

This momentum may be lost if communities and the voluntary sector are not involved in shaping recovery. Flexible governance and decision-making structures will be needed, as will opportunities for more local participation.



6. Improvements are needed in data availability, tools and skills to support performance monitoring, strategic decision-making and planning service improvements

Data has been important in guiding the response to the pandemic but there are key areas where a lack of data could hamper recovery, such as unmet needs, service demands and backlogs. Data is a key tool in tackling inequality but there are gaps in equality data, particularly at a local level.

Key facts



32

Councils



5.5 million

People served by councils



213,000

Workforce

Local government workforce FTE Q4 2021. 2.4 per cent increase since Q4 2020



£13.8 billion

Budget

Net expenditure budget for 2021/22



1.3 million

Covid-19 cases

Cases between Mar 2021 and Feb 2022



£0.5 billion

Lost income

Estimated loss of income from customers and clients in 2020/21



Inequality

24 years less

Healthy life expectancy in most deprived areas compared to less deprived areas

24.3 per cent

Children living in poverty in 2019/20 (most recent year available)



Financial hardship

8.8 per cent

Rent arrears as a per cent of rent due at Dec 2021. Up from 7.3 per cent in 2019/20 (pre-pandemic)

132,435

Claimant count Feb 2022. Still above pre-pandemic levels



Support

30 per cent

Increase in Discretionary Housing Payment budget since 2019/20 (pre-pandemic)

£600 million

Value of business support grants administered 2021/22

56,205

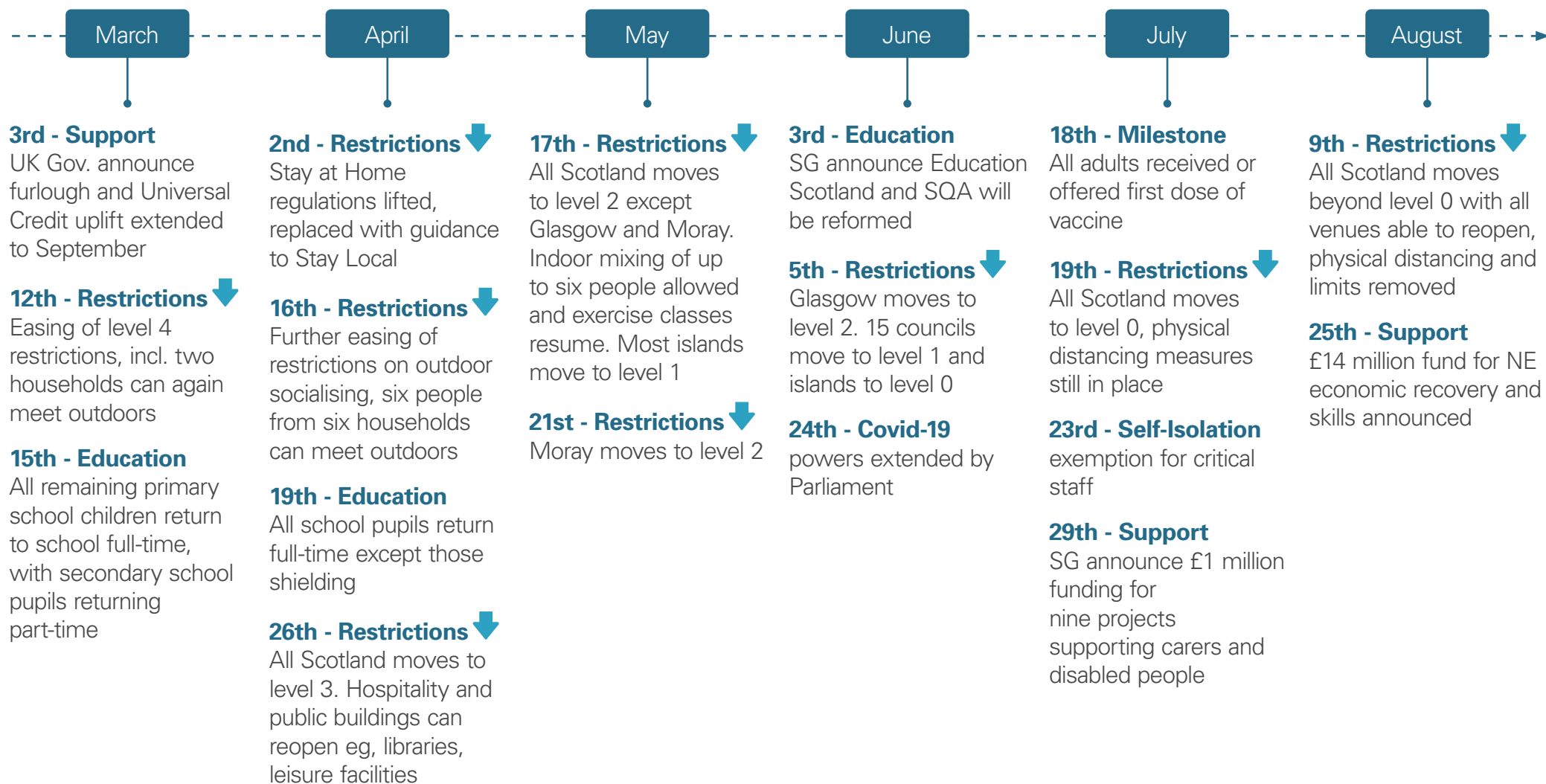
Self-isolation grants awarded at end Nov 2021 (started 12 Oct 2020)

491,016

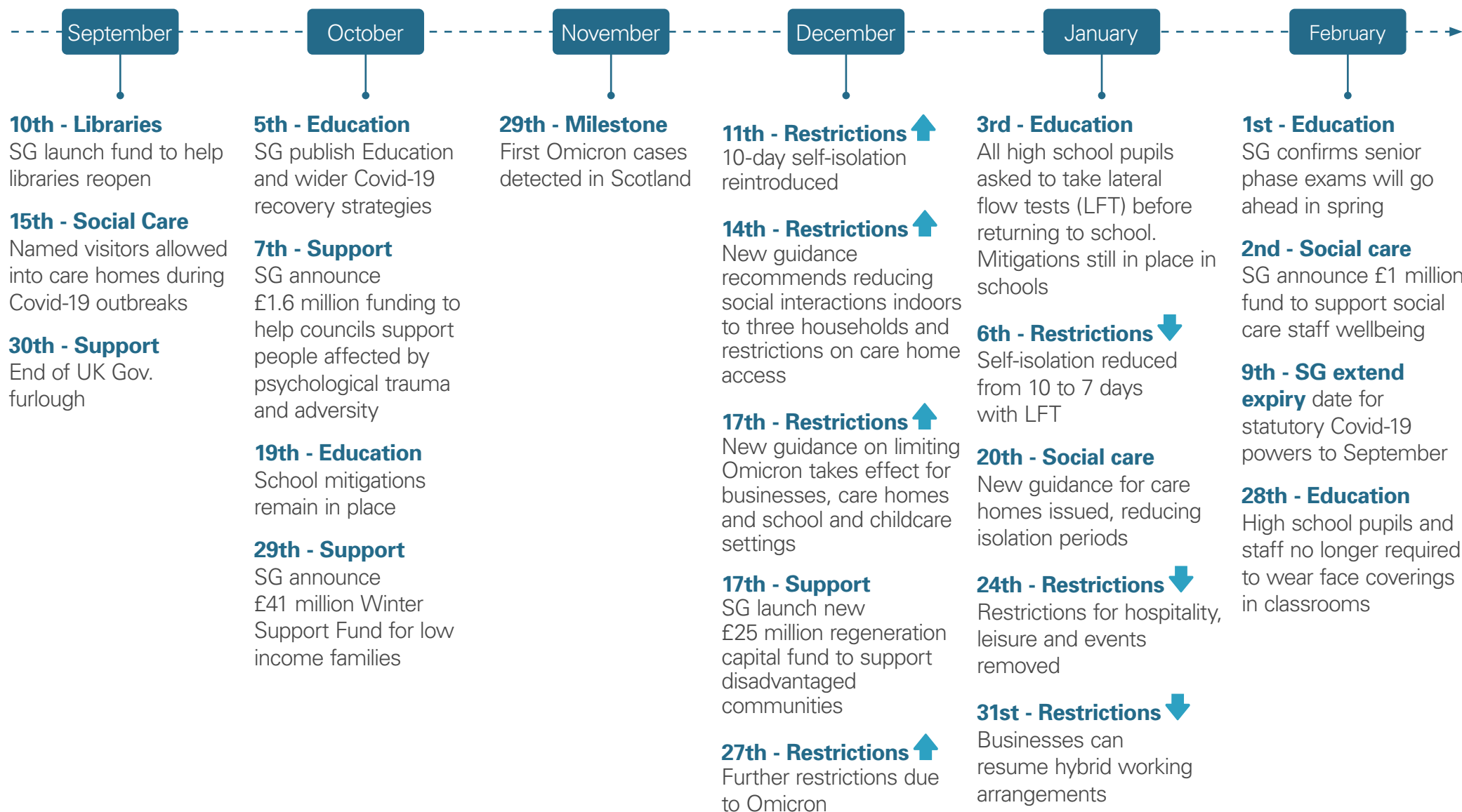
Number of Helpline calls and texts (includes Test and Protect), Mar 2021 to Feb 2022

Timeline

Covid-19 restrictions and key events between March 2021 and February 2022



Timeline continued



Background

Reporting on the impact of Covid-19 on local government

Our strategic approach to covering Covid-19 in local government overview reporting

1. In August 2020, we set out a strategic medium-term approach to reflect Covid-19 in future local government overview reporting.
2. The first report in the series, [Local government in Scotland: Overview 2021](#), considered the initial response phase of the pandemic from March 2020 to February 2021. This included:
 - the initial emergency response and the impact on council services, how councils and their workforce were working in new ways, and how collaboration with communities and partners had been vital
 - the continued financial challenges councils face, and how councils were starting to plan for recovery and learn lessons from responding to the pandemic.
3. Future reporting will cover further progress towards recovery and renewal and examine the longer-term impact of the pandemic.
4. An in-depth financial overview of the sector complements each local government overview. This year's report, [Financial overview 2020/21](#), was published in March.

This report:

- is the second in the series of reports that reflects the evolving and long-term nature of the impact of the Covid-19 pandemic
- considers the second year of the pandemic from March 2021 to February 2022, with data and information correct as at the end of February 2022. We attempted to use this timeframe for all data but where it was not possible the most recent available was used instead
- builds on last year's overview report and assesses:
 - the ongoing impact of Covid-19 and councils' progress towards recovery and renewal
 - how councils are positioned to address long-term priorities including climate change, inequality and public service reform
 - how effectively council leadership is managing recovery and renewal
- includes exhibits and case studies throughout to illustrate issues and practice across councils
- The findings of this report are drawn from the range of local and national audit work carried out during the year as well as specific research and analysis of available data and intelligence.

Progress towards recovery and renewal

Councils have had a difficult year. Alongside continuing to respond to Covid-19 they have been planning and recovering services and renewal in an increasingly complex and uncertain environment.

5. As we began scoping this year's overview, we hoped that the second year of the pandemic would be about recovery and returning to normal. That has not been the case. Covid-19 has continued to have a significant impact on all aspects of daily life.

6. Councils too have had a difficult year. They have moved on from the immediate emergency response of year 1, but they have had to continue to respond to Covid-19 – managing restrictions and mitigation measures, providing support to communities, and operating differently – while also recovering services and planning renewal in a complex and uncertain environment. The [timeline \(pages 8 and 9\)](#) shows the complexity as councils moved in and out of restrictions throughout the year and different programmes of support were introduced.

7. Recovery and renewal are not about returning to the pre-pandemic status quo. The process of recovery and renewal includes directing resources to help ensure that services can restart and are reshaped to meet the new needs of the local area, to address the harm caused by the pandemic, to support economic recovery, to empower communities, to address inequalities, and to tackle key priorities including climate change, growing poverty, and the long-standing need for public service reform.

8. We have structured this report around three main themes on which progress towards recovery and renewal depends. Leaders need to consider how well their council is:

Responding to the external environment:

climate change, reform, financial pressures, Brexit, demographic change

Organising the council:

leadership, resources, workforce

Meeting local needs:

inequality

Shaped by engaging with communities and collaboration



Responding to the external environment

As councils continue to plan their recovery from Covid-19 and renewal they need to tackle key priorities including climate change, poverty, and the long-standing need for public service reform.

Councils have to respond to a large and complex programme of reform and the impacts of departure from the EU

Social care reform

9. The Accounts Commission together with the Auditor General for Scotland recently reported on the huge challenges that face the social care sector in Scotland in their [Social care briefing](#). Increasing demand, severe workforce pressures and limited progress in service improvement and reform are affecting the sustainability of services. Action is needed now to address these issues.

10. Scottish Government proposals for a new National Care Service are still at an early stage but will have a substantial impact on local authorities' responsibilities. Such a significant programme of reform brings challenges and risks. Reform in other areas of the public sector has shown that expected benefits are not always clearly defined, and even when they are, they are not always delivered.¹ Focusing on such a major transformation will also risk a diversion from tackling the immediate challenges within the social care sector. For local government there is uncertainty about the destination of the policy, and concern over a loss to local empowerment and funding for councils.

Brexit

11. The UK's departure from the European Union is exacerbating the challenges councils face. The Trade and Customs Agreement (TCA) between the United Kingdom and the European Union has imposed new tariff and non-tariff barriers in stages from 1 January 2021. This represents a further supply shock to the United Kingdom's economy in addition to Covid-19 and the rise in global energy prices. Councils are facing higher prices and shortages of key resources, for example construction materials and labour shortages particularly in the construction and care sectors. There is also uncertainty around the loss of EU structural funds and their replacement. There is a reported lack of understanding about how the Shared Prosperity Fund, due to launch in 2022, will work for councils, and what its relationship will be to the Community Renewal Fund and the Levelling-Up Fund.²

12. It is difficult to untangle the combined impacts of Brexit and Covid-19. Councils remain uncertain about the long-term effect of EU departure and are continuing to monitor impacts on the labour market including staff shortages, access to funding, and on business.

Climate change

13. Councils recognise that climate change is an urgent issue. They have committed to taking action to achieve net zero, but clearer plans are needed to achieve it.



Climate change – policy spotlight

Around two-thirds of councils have formally declared a climate emergency, and COSLA's Blueprint for Local Government states that climate change is a 'greater threat than COVID'.³ However, there is no universally shared understanding of what declaring a climate emergency means in practice and there is variation in policy and practice across councils. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action.⁴

Councils' ambitions for how and when they will achieve net zero or other emissions reductions targets are varied, but all are either on or before the Scottish Government's national target year of 2045. Council recovery plans have climate change as a theme with commitments such as providing active travel routes in communities, installing electric car charging infrastructure, and pushing forward plans for low-emission zones.

Source: Audit Scotland

We, together with the Auditor General, set out our joint approach to auditing climate change in October 2021 in [Auditing climate change: An update \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/auditing-climate-change-an-update). It reported that while public bodies, including councils, have declared a climate emergency, there are questions around definitions of net zero and the robustness of plans. It also highlighted the importance for bodies in tackling adaptation and resilience to reduce the impact of climate change that has already taken place, the need for investment to achieve net zero, the critical role for the public, and the need for strong partnership working and public sector leadership.

Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic. We will be reporting on the approach that councils are taking to meet their climate change ambitions in late summer 2022.

The impact of the pandemic sits against a backdrop of long-standing and growing demographic pressures and a growing cost of living crisis that will affect demand for council services

14. The overall population is projected to fall over the next 25 years.⁵ The trend is towards an ageing population and the proportion of those aged over 65 will increase. The latest data shows that overall life expectancy has fallen as has healthy life expectancy. Deprivation has a big impact on both.^{6 7}

15. Poverty rates have been rising in recent years, with the highest rates among children. The proportion of children living in poverty (after housing costs) has increased from 21.6 to 24.3 per cent since 2013/14, including a 1 percentage point increase in the most recent year in which data is available.⁸ This trend is seen across all 32 councils but in recent years poverty rates have increased at a faster rate in councils with lower levels of deprivation.

16. Increasing financial hardship is expected as the cost of living rises rapidly, with the greatest effects felt by those already experiencing poverty. Energy Action Scotland estimate that in 12 council areas over 40 per cent of households will live in fuel poverty after April's energy price rises. Eileanan Siar is forecast to be the worst affected area with an estimated 57 per cent of households living in fuel poverty.⁹

Challenges for councils

17. Planning to respond to these longer-term issues is difficult. Funding levels continue to be uncertain because of short-term funding cycles, ring-fenced funding and uncertainty over how long Covid-19 funds will remain in place.

18. It will be challenging for councils to find the capacity and resources to respond to, influence and shape this programme to their own contexts particularly while continuing to respond to Covid-19 and deal with service backlogs and increased demand and harms arising from the pandemic. This uncertain and challenging context needs effective strategic thinking, decision-making and collaborative working from local government leaders. It also needs a resilient workforce, and a culture that promotes collaboration, innovation and wellbeing.

19. Councils can learn from how they responded to the pandemic – through strong partnership working, engaging with communities and focusing on vulnerabilities.



Organising the council: leading recovery and renewal

Leaders in local government face a challenging context. As they plan for recovery and renewal it will be important that they collaborate with their partners and communities. This will need skilled leadership, learning lessons from the pandemic and working to make the best use of resources to improve outcomes.

Councils prepared recovery plans in response to the pandemic, and leaders are now starting to plan and set out their vision and strategy as their councils navigate the uncertainties and challenges they face

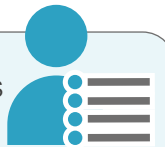
20. Local government leaders are operating in a complex, uncertain and volatile environment, and external pressures make it difficult to plan and deliver councils' recovery from the pandemic. These include:

- uncertainty about the course the pandemic will take and its impact on operations, pivoting between response and recovery
- the impact of major public service reforms, including the proposed National Care Service
- a lack of longer-term financial settlement and limited flexibility because of ring-fenced funding.

21. Councils have prepared recovery plans that vary in their approach from high-level strategic statements to more detailed short-term operational plans. They have been a helpful tool for managing the early recovery phase and reinforcing the need for councils to remain flexible in a changing and volatile environment. We expect that councils will continue to refresh and refine their plans to set out more clearly how they will address inequalities, mitigate the harm caused by the pandemic, improve outcomes and monitor progress.

22. Recovery plans include a focus on partnership working, but leaders have an opportunity to collaborate more widely with their communities in planning for the future. This could lead to more sustainable, community-focused renewal and innovative ways of delivering services in communities.

By **leaders** we mean elected members, chief executives and the senior management team.



Case study 1

City of Edinburgh Council



In response to the pandemic, the council quickly developed and implemented their Adaptation and Renewal Plan.

It realised that pre-pandemic working practices could not continue and might never return. It created the Now, Near, Far & Beyond programme linked to national guidance but with the ability to respond to any changes. The plan was regularly updated and aligned with the agreed City Vision 2050. Updates included a Covid-19 dashboard containing a range of public health, Covid-19 response and economic data, as well as details of decisions made at committee meetings. These were made available online to the public, via the council website, providing transparency of the council's decision-making and governance process.

Source: Audit Scotland using information from City of Edinburgh Council

23. Some councils have integrated their recovery plans into refreshed strategic plans, including Local Outcomes Improvement Plans, recognising the impact of the pandemic, lessons learned from the response, and the need to realign priorities. This can help councils move from response to renewal and set a roadmap for the future. Common themes in recovery plans that are being reflected in wider strategic plans include:

- New ways of working – digital technology, the workforce
- Addressing growing inequalities
- School education recovery
- Focus on health and wellbeing both in the community and workforce
- Economic recovery
- Climate emergency.

24. The Scottish Government published a national recovery plan in October 2021.¹⁰ While most councils' recovery plans were published before this, councils will have an opportunity to consider the priorities set out in the national recovery plan as they refresh their own plans. There is also an opportunity to consider the wider public service reform agenda and how to incorporate the principles of people, prevention, performance, and partnership into their plans.¹¹

Current recovery plans emphasise the negative effect that Covid-19 has had on inequalities but are not clear on how planned recovery actions will improve outcomes for those most affected

25. As outlined in [paragraph 77](#), there is a lack of data on the scale of service backlogs and increased demand, and evidence of the harm caused is still emerging.

26. Councils have struggled in the past to bring about the level of change that is needed to deliver public service reform, sustainable local government, and better outcomes. Transformation programmes have been disrupted by Covid-19 at the same time as new operating models and service delivery approaches have been presented.

27. There is a risk that councils are unable to deliver the level of recovery and transformation needed with their existing resources and will have to make difficult decisions about prioritising services.

There are good examples of councils showing leadership in tackling long-standing structural issues through new place-based initiatives such as community wealth building

28. Following successes in England, North Ayrshire was the first council in Scotland to create a community wealth building strategy, in which the council, other public bodies and key organisations work with communities to support local economic development and tackle poverty.¹² Community wealth building has now been adopted by a number of councils and is part of the programme for government.

Collaborative leadership skills have been important during the response phase and need to be maintained to meet the complex challenges ahead

29. Collaborative leadership enabled the response to the pandemic as councils worked with partners, communities and across departments. [Exhibit 1. \(page 18\)](#) outlines key leadership principles that have been important in the response phase and could further support recovery and renewal. Recent Best Value Assurance Reports have shown that not all councils have the collaborative leadership needed to drive change, and so it is particularly important that they develop the leadership skills needed in this complex and uncertain environment.

Case study 2

Renfrewshire Council



Renfrewshire Council worked with partners to carry out a community impact assessment to gather information on how the pandemic has affected people in Renfrewshire.

This included analysis of all available data, a programme of community meetings and surveys, and engagement with local partnerships on key issues affecting local communities. The findings were used to develop a social renewal plan which sets out the work the council will do with other public sector and voluntary sector partners to tackle inequality and poverty and to support families and communities in the wake of the pandemic.

Source: Audit Scotland using information from Renfrewshire Council

Exhibit 1.

Principles of leadership that enabled the response to Covid-19



Communicative – being available, engaging, honest and open. The pandemic created uncertainty that demanded more frequent communication with staff, partners, and communities. This provides assurance, uncovers issues, and enables decision-making. The shift to remote and hybrid working also demands more frequent communication.



Collaborative – working with and empowering others. This was critical to the pandemic response and harnessing the resources of the community and partners. Complex problems need a ‘whole systems approach’ that works across organisational and functional boundaries and aligns objectives and outcomes.



Emotionally intelligent – showing empathy, understanding and dealing with the ‘whole person’. The impacts on the health and wellbeing of the workforce and communities demands greater emotional intelligence from leaders.



Data driven – using data and information to plan, make decisions, direct resources and monitor progress, as well as to learn from looking back. Data has been a vital tool, and leaders’ ability to use data will be important as we move into the future.



Agile and flexible – making decisions and working quickly to respond to emerging issues. Having a clear vision and purpose is important, but also being agile and flexible in an uncertain environment.



Culture focused – being open and honest, inspiring trust and respect, and having empathy are all important, as are encouraging learning, improvement, innovation and collaboration. Leaders need to focus on creating the right organisational culture.



Enables community empowerment – supports communities to take more control, builds effective relationships with communities, and shows strong public sector leadership on community empowerment. These can help improve outcomes and reduce inequalities.

Source: Audit Scotland

Changes and turnover in senior officer and political leadership present a risk to councils' capacity to maintain momentum and drive forward recovery

30. Turnover of senior officers has been high recently with half of all council chief executives coming into post within the past four years as well as other changes to senior leadership teams in some councils over the past year. Some councils are experiencing difficulties in filling vacant senior management positions. The pandemic is reported to have led to a surge in resignations, as senior leaders and management consider their work/life balance and overall position, potentially leading to further change in the sector. The local council elections may also bring in a new cohort of elected members and changes in political leadership in councils.

31. This turnover in officials and elected members could bring new ideas and energy to the challenges of recovery, but it could also risk a loss of momentum, organisational knowledge and capacity and disrupt decision-making. At this time, it is important that councils establish stability in their leadership to provide strong support and guide recovery and renewal. Effective succession planning arrangements are needed so that the skills required at a senior level are developed in new and emerging leaders.



Our [‘Questions for elected members’](#) checklist has been developed to help elected members in their scrutiny and decision-making roles and in working with council executives. The Improvement Service has also worked with councils to prepare induction materials that will be available for the new cohort of elected members which will help them take up their role in leading and scrutinising recovery.

As governance structures are re-established, better information is needed on service recovery to support scrutiny and inform decision-making

32. Councils put in place emergency governance arrangements in the initial months of the pandemic. They have since re-established their full committee structures, albeit via online, virtual and hybrid meetings.

33. Public accessibility and therefore participation has changed following the shift to online and virtual meetings. All councils provide public access via either live streaming or a recording of council and committee meetings, and most councils offer both. As restrictions continue to be lifted, councils should review how their approach can best meet the needs of their citizens and make sure that no one is excluded.

34. Councils have taken a range of approaches to the governance of recovery and renewal, with some having recovery boards and other structures that can involve both elected members and senior managers.

35. It is not clear whether sufficient information on the status of, and changes in, council services is available to support scrutiny and inform decision-making. It is difficult to find update papers that clearly set out councils' progress on recovery and renewal, what demand and backlogs exist, and what changes to services are planned. Greater transparency is needed to provide assurance that proper scrutiny is in place.

Councils recognise that they have an opportunity to learn lessons from the new ways of working and approaches to service delivery that have been put in place in response to the pandemic

36. Leaders need to do more to learn the lessons from the pandemic response and use this to drive longer-term recovery and renewal. Key lessons learned include the benefits of:

- collaborative working with partners and communities to respond and reshape services
- having access to and making better use of data to understand needs and plan services
- the rapid use of digital technology in service redesign
- focusing on vulnerability and inequality, including taking a ‘whole systems’ and holistic approach
- new ways of working for staff
- focusing on physical and mental wellbeing – for communities and the workforce
- promoting shared values and a caring culture (kindness)
- the opportunity to reconfigure the estate
- adopting place-based approaches.

37. The Improvement Service is supporting councils by updating the Public Service Improvement Framework (PSIF) to capture learning from the Covid-19 response.¹³ It has developed several checklists and self-assessment tools that councils are starting to use.

38. South Lanarkshire Council pioneered the new PSIF checklists, resulting in its ‘New Ways of Working’ plan, which includes technology, maintaining the new networks and new volunteers, ‘agile’ working, and maintaining its work with partner organisations on information sharing.

Data has been important in guiding the response to the pandemic. But improvements are needed in data availability, tools and skills to support performance monitoring, strategic decision-making and planning service improvements

39. Council performance reporting has been affected by the pandemic and, while councils continue to report regularly, there have been delays and inconsistencies. Comparing performance over time is difficult given the disruption to council services during the pandemic.

40. The Local Government Benchmarking Framework (LGBF) 2020/21 shows increasing variation in performance across councils and a level of complexity that needs careful interpretation but offers councils a rich source of intelligence to evaluate how local factors (ie, different local restrictions, patterns of demand and need, and local response and solutions) affected their performance.¹⁴

41. Early in the pandemic the Improvement Service developed a Covid-19 data dashboard to provide councils with up-to-date council- and Scotland-level data across 22 measures. This helps councils to monitor key aspects of their Covid-19 response and supports more immediate data-driven decision-making. Alongside the Local Government Digital Office, the Improvement Service is working to create a local government data portal.

42. Research by the Urban Big Data Centre found that since the beginning of the pandemic councils have experienced a rapid increase in demand for 'on the ground' information to understand their local communities.¹⁵ But this is hampered by challenges including access to data, a lack of joined-up data, issues with data quality and a lack of analysts to generate intelligence from it.

43. The pandemic has introduced additional complexity into existing data sets, with data gaps and disruption of data collection, as well as the impact of service disruptions on data trends, making it more challenging to interpret the data. We know that councils were reporting data skills shortages before the pandemic.¹⁶ It will be important for leaders to collectively drive improvements in data, in terms of not only data quality and timeliness but also building data skills within councils. This will support councils to put a performance monitoring framework in place that allows them to make strategic decisions and to plan improvements, recovery, and renewal.



Organising the council: managing resources

Councils' finances have been significantly affected by Covid-19. The long-term funding position remains uncertain, with significant challenges ahead as councils continue to manage and respond to the impact of the pandemic on their services, finances, and communities.

Covid-19 significantly impacted on many aspects of councils' finances in 2020/21

44. Our report [Local government in Scotland: Financial overview 2020/21](#) is the first to capture the full year effect of Covid-19 on councils' finances and explains how the pandemic and the associated lockdowns have created significant financial challenges and uncertainty.

45. Councils experienced significant additional costs, loss of income and unrealised savings as a result of the pandemic. For example, councils experienced a drop in the income generated from customer and client receipts of approximately £0.5 billion in 2020/21, from the disruption of key income streams such as cultural and community activities, car parking, school meals and trade waste disposal.

46. In 2020/21, the Scottish Government increased funding to councils by £1.5 billion to support them to deal with the impacts of the pandemic.

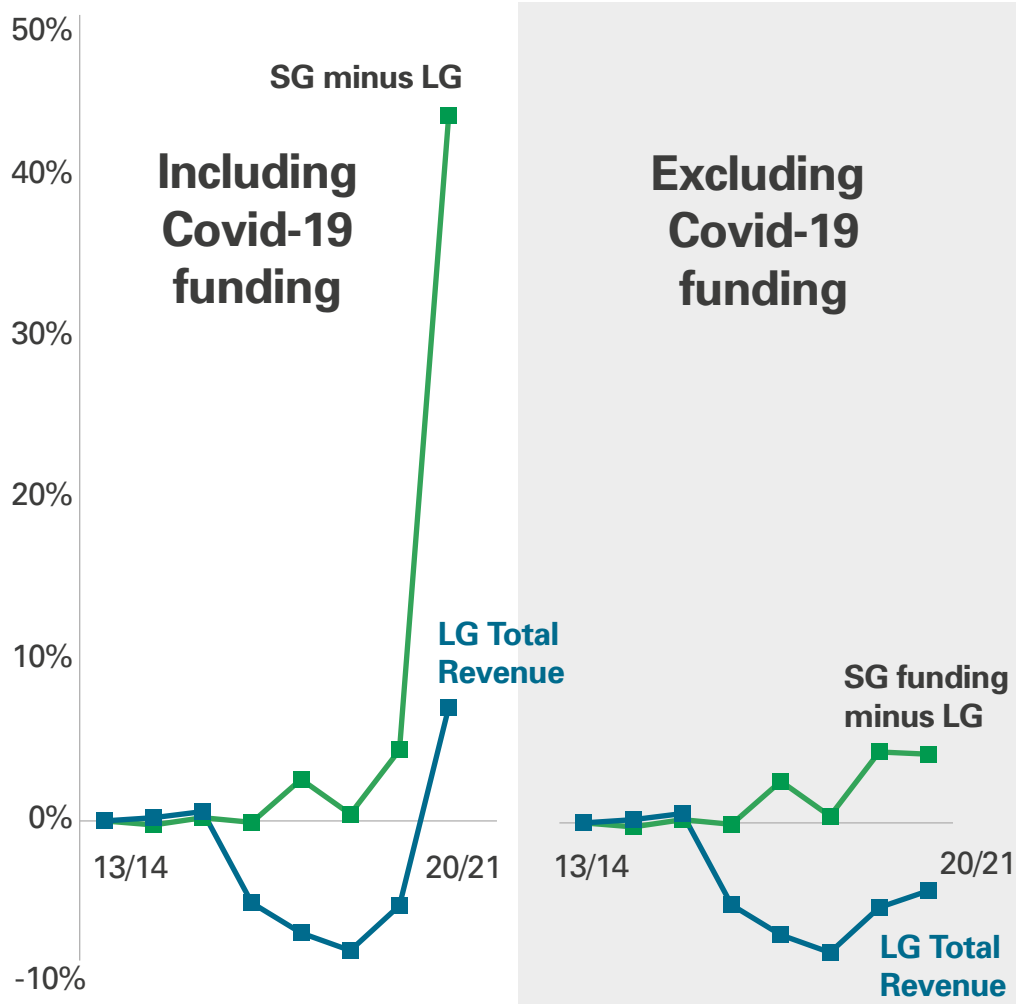
47. All councils reported surpluses in 2020/21, largely because of the additional funding received. Total usable reserves across Scotland increased significantly, from £2.6 billion in 2019/20 to £3.8 billion in 2020/21. However, this has artificially inflated the position. Councils are unlikely to have flexibility in how large elements of reserves can be used.

Funding to local government has been reduced in real terms since 2013/14. The rest of the Scottish Government budget has seen an increase in funding over the same period

48. Funding from the Scottish Government to local government increased by 7.0 per cent in real terms between 2013/14 and 2020/21. However, this was because of significant additional Covid-19 funding. When this additional funding is excluded, councils' underlying cumulative funding has fallen by 4.2 per cent in real terms since 2013/14. This is in contrast to an increase of 4.3 per cent in Scottish Government funding of other areas of the budget over the same period [Exhibit 2. \(page 23\)](#).

Exhibit 2.

A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas (including and excluding Covid-19 funding)



Source: Finance Circular 5/2021 and Scottish Government budget documents

The ongoing absence of a multi-year financial settlement creates uncertainty for councils at a time when effective and robust financial management is crucial

49. The Scottish Government continues to fund councils on an annual basis. This makes it challenging for councils to plan and budget effectively for the medium and longer term, and work with partners to develop long-term plans to deliver better outcomes and address inequalities.

50. Managing reserves and having in place robust medium- and longer-term financial plans will continue to be key to maintaining financial sustainability.

51. The Scottish Government has indicated that a longer-term funding settlement for councils may be possible, however multi-year allocations were not included in the 2022/23 budget.

52. The Scottish Government and COSLA are currently developing a fiscal framework to determine future funding of local government. Work on the Local Governance Review also continues. These may result in additional spending powers for local government, giving communities and places greater control over the decisions that affect them most.¹⁷

Councils now need to review longer-term financial plans as Covid-19 uncertainty diminishes. They should ensure that financial plans are clearly linked to overarching recovery strategies

53. Auditors have reported greater uncertainty in current financial planning arrangements at councils because of Covid-19. Analysis of a sample of 22 councils found 15 with a long-term plan in place. However, many of these now need to be updated to reflect current circumstances.

54. As the uncertainty created by Covid-19 diminishes, councils should update their longer-term financial plans and take account of their overarching recovery strategies to ensure a cohesive approach to recovery and renewal of services, finances and communities.

As Covid-19 funding ends, councils will need to adapt and make difficult decisions to maintain financial sustainability

55. COSLA expect that councils will need to restart change programmes that have stalled, deliver savings and bring forward proposals to reduce costs. Transformation programmes will be important for councils in helping identify resources for priority areas.

56. Responding to the programme of reform outlined in [paragraph 10](#) further exacerbates this challenge. In addition, councils' financial outlook challenges are heightened by increasing inflation – data from the Office for National Statistics shows that this has risen to a level higher than has been seen for many years.¹⁸

While COSLA and the Scottish Government continue to discuss the extent of ring-fencing in the local government budget, it is clear that spending on priority areas have increased while other areas of the local government budget have faced spending cuts

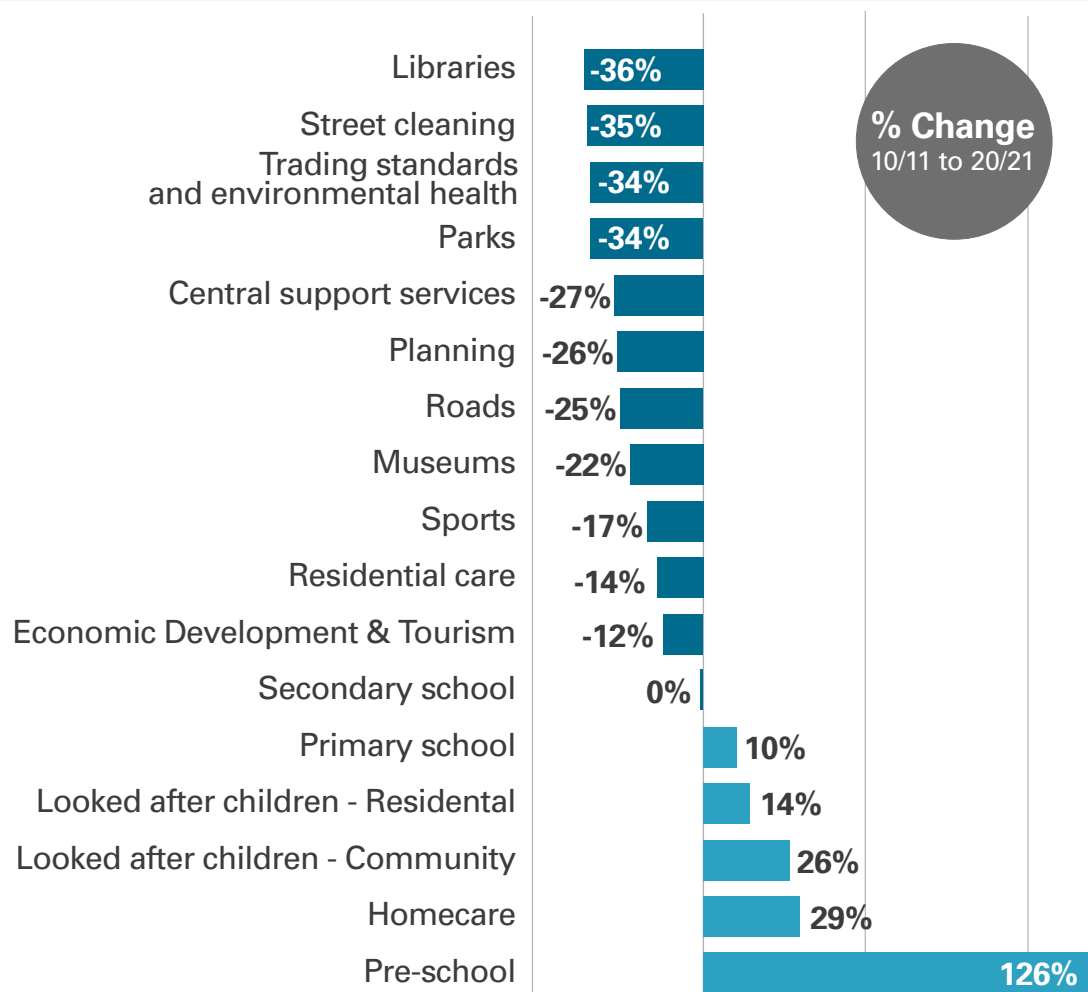
57. There is a significant difference between the view of COSLA and that of the Scottish Government on the extent of ring-fencing in local authority budgets.

58. While ring-fenced funding helps support delivery of key Scottish Government policies, such as expanding early learning and childcare services, it can constrain a proportion of the total funding and resources available to councils and removes local discretion over how these funds can be used.

59. [Exhibit 3. \(page 25\)](#) shows the change in revenue expenditure over the longer term 2010/11 to 2020/21 for protected and unprotected service areas. These longer-term spending reductions on areas including environmental services, culture and leisure, and corporate services, have placed these services under pressure as councils respond and recover from Covid-19.

Exhibit 3.

Percentage change in expenditure (real terms) by service from 2010/11 to 2020/21



Source: LGBF 2020/21 data, using Audit Scotland Covid-19 adjusted methodology for calculating real terms (page 7, [Local government in Scotland: Financial overview 2020/21](#) for further detail)

Covid-19 has impacted on capital projects and volatility in capital funding allocations could affect councils' recovery and investment plans

60. Auditors reported that Covid-19 had a significant impact on the delivery of capital projects in 2020/21. Capital project costs increased owing to increases in the cost of raw materials, supply chain delays and inflation associated with delayed contracts. CIPFA Local Government Directors of Finance Section notes that these cost increases have not been matched by an increase in the capital grant received.

61. At the same time most councils, 26 in total, reported reduced capital expenditure in 2020/21, with Covid-19 restrictions disrupting construction activity in many instances.

62. Capital investment is likely to play a key role in councils' recovery from Covid-19 and in particular address the impact of climate change. The local government estate, comprising buildings and vehicles, will need some modernising to deliver councils' carbon reduction targets and wider investment needed to mitigate and adapt to the impacts of climate change. Funding will need to be in place to support this.

63. Our [Local government in Scotland: Financial overview 2020/21](#) report notes that the local government capital settlement in 2021/22 decreased from £0.8 billion in 2020/21 to £0.6 billion, and capital funding received in recent years has been very volatile. Lack of longer-term funding settlements will again impact on councils' investment plans.

Organising the council: managing the workforce

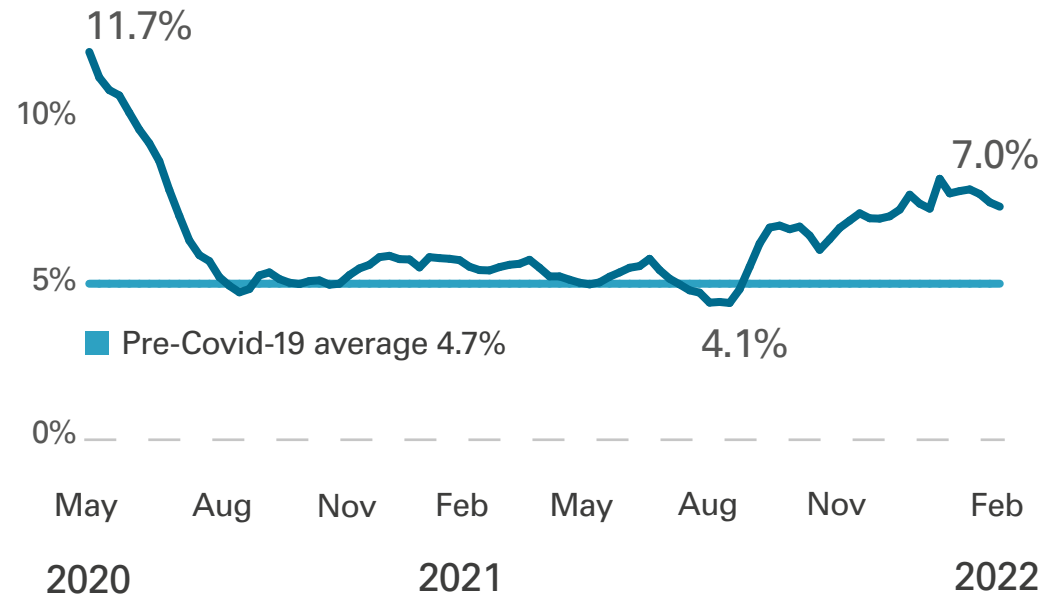
Pressure on the local government workforce continues, with high absence levels, impacts on wellbeing, particularly for front-line workers, and skills shortages in key areas. A resilient workforce is critical to the ongoing response to Covid-19 and the recovery of services. Councils will need to update workforce plans, learn lessons from new ways of working put in place, and provide wellbeing support for their staff.

The second year of the pandemic continues to have a negative impact on the workforce and staff wellbeing

64. Council services are facing high demand, high staff absence levels from new waves of the pandemic and staff burnout from the prolonged response and recovery phase. These impacts have been felt across the workforce but particularly so in front-line community-facing roles. [Exhibit 4. and Exhibit 5. \(page 27\)](#) show that teaching and education staff absence levels peaked in December 2021 and wider staff absences also rose in the last quarter of 2021.

Exhibit 4.

Average percentage of council staff absent during the pandemic

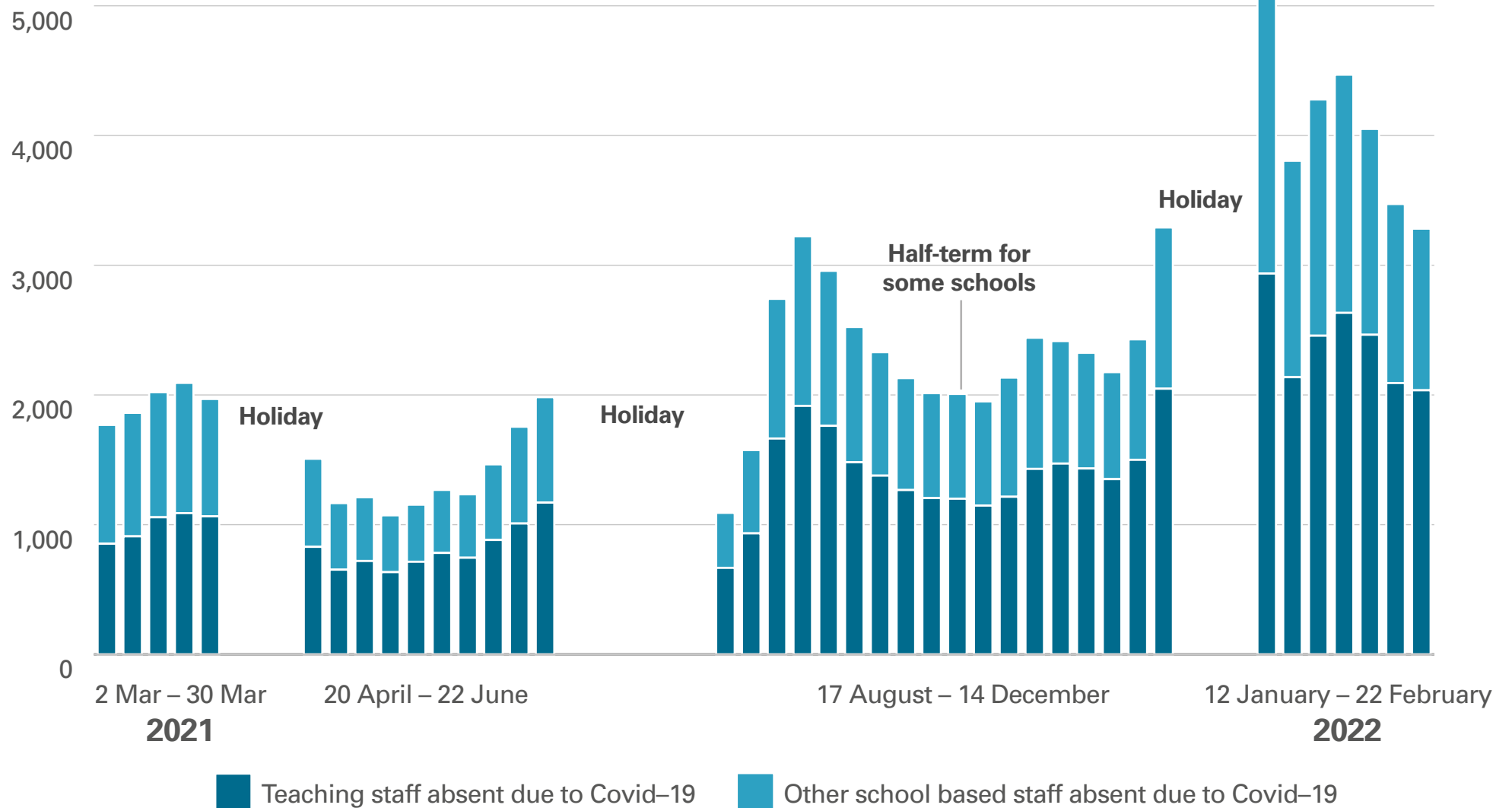


Note: Pre-Covid-19 average is based on 2018/19 data.

Source: Improvement Service

Exhibit 5.

Number of school staff absent March 2021 to February 2022



Source: Scottish Government Education Analytical Services

65. Staff wellbeing, both physical and mental, has been a prominent theme within recovery plans. Councils are making efforts to understand these issues through staff surveys and other methods, provide confidential support services, and incorporate training for stress and mental health into council training programmes ([Exhibit 6.](#))

Exhibit 6.

Examples of council wellbeing initiatives



Dundee City Council launched a new wellbeing support service and also gives staff access to the intranet on their own devices.



Clackmannanshire Council integrated training on stress and mental health into its corporate training calendar to increase awareness.



Argyll and Bute Council launched 'Wellbeing Wednesday'.

Source: Audit Scotland using information from councils

Councils are facing skills shortages and recruitment difficulties in key areas

66. Covid-19, combined with Brexit, is exacerbating skills shortages, many of which were pre-existing ([Exhibit 7., page 29](#)). Covid-19 has had a particular impact on facilities management services because of the increased need for cleaners and a tighter labour market. HGV (Heavy Goods Vehicle) driver shortages have been affected by Brexit, as councils are unable to compete with private sector wages.

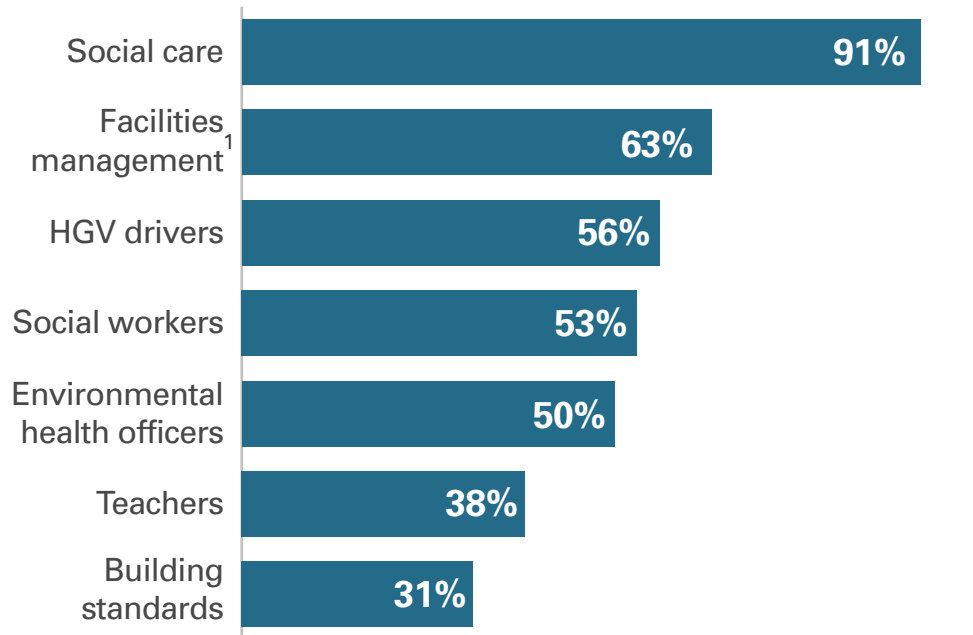
67. Social care faces the greatest skills shortages. Our [Social Care briefing](#) highlighted the considerable vacancy and recruitment problems facing the sector, with poor terms and conditions contributing to these issues. See [Exhibit 9. \(page 35\)](#) for further details.

68. Councils are changing their recruitment strategies in the face of these shortages, with more marketing, use of social media and local employability initiatives. The Scottish Government established a Fair Work in Social Care Group, in partnership with COSLA, which includes representation from local government, private sector provider groups, third sector, and trade unions. Since summer 2020 the group has been working to develop and implement recommendations regarding improving pay, terms and conditions, and effective employee voice for the social care workforce.

69. Councils are also seeing an increase in retirement and flexible working contributing to the skills shortage. Fifty-six per cent of councils report difficulties in recruiting to senior posts and leadership positions. Succession planning is important in this context.¹⁹

Exhibit 7.

Percentage of councils reporting skills shortage by occupation



Note: Facilities management includes catering and cleaning

Source: Society of Personnel and Development Scotland

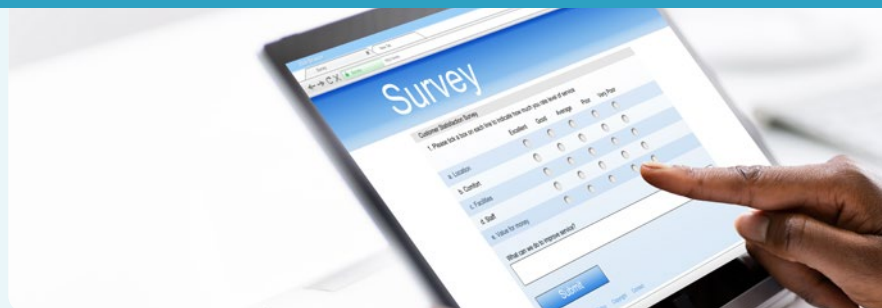
Councils have adopted new ways of working

70. Councils have shown considerable flexibility in redeploying staff to areas of greatest priority and demand and in adopting remote and hybrid working. The shift to home working brought about by the pandemic is likely to have a longer-term impact on how councils work. Wider evidence shows that it can bring benefits for both employers and staff, but individual circumstances should be considered.²⁰

71. Councils are considering how hybrid working can support their ambitions for a more flexible and adaptable workforce in future. For it to work well, councils need to provide staff with a wide range of support, including health and wellbeing support, a supportive workplace and management culture, and appropriate technology and equipment. The diverse roles in councils mean that not all staff can work remotely. It will be important for councils to continue to consult and engage with their employees, learn lessons from what has been done to date, and test new models of working as they move forward.

Case study 3

City of Edinburgh Council



The City of Edinburgh Council developed a new work strategy after receiving feedback from 6,400 employees via two surveys conducted in 2020. The surveys asked employees how the pandemic has changed the way they work and how they would like to work in the future. The responses made it clear that staff want to retain a more flexible approach to work in future.

'Our Future Work Strategy' outlines three trials to explore new ways of working. Two of the trials are about adapting current office space to best fit a future of hybrid working. The third trial is of a longer-term plan to develop local offices that would enable staff to work close to where they live, reducing the need for commuting. The council believes that investing in local working and following the principle of '20-minute neighbourhoods' will contribute to reducing emissions locally, and so help Edinburgh achieve its target of becoming a net-zero city by 2030.

Source: Audit Scotland using information from City of Edinburgh Council

The pandemic has made workforce planning both more difficult and more necessary

72. Workforce planning is developing in councils. Some have plans that are linked to wider strategic plans as well as individual service plans, while other councils' workforce plans are more limited.

73. As a result of the pandemic, councils have had to respond to short-term pressures, but they need to plan for longer-term resilience in the workforce. Some councils have started to update their plans to reflect more flexible and remote ways of working and to focus on wellbeing.

74. There are common recruitment pressures across councils, as detailed above, but these are changing more frequently as the pandemic affects the wider labour market. Some councils are 'growing their own talent' by improving modern apprentice programmes and creating new internal recruitment and movement of staff across the council or new talent programmes.

75. Councils report that they lack resources to support workforce planning and are collaborating and sharing practice to make improvements.²¹ Joint working through the Improvement Service and the Society for Personnel and Development Scotland is allowing common challenges and practice to be shared. The Improvement Service has provided tools for councils to develop workforce plans.²² It is vital for councils to share lessons learned and to use them to inform their revised plans.

Organising the council: recommendations



Actions for leadership

- **Councils together with their partners and communities should revise their strategic plans, including Local Outcomes Improvement Plans to realign priorities and provide a roadmap for recovery and renewal. They should also consider how this contributes to the national recovery strategy set out by the Scottish Government.**
- **Elected members and senior managers need to work together to drive change, make decisions and deliver recovery and renewal.**
- **Councils should consider the leadership skills needed for now and in future. This includes clear succession planning arrangements and a structured programme of induction for new elected members.**
- **Councils' governance arrangements should ensure that their elected members have sufficient information to support the scrutiny and decision-making needed for recovery and renewal.**
- **Councils need to clearly set out how they are evaluating new service models and learning lessons from the response to Covid-19.**
- **Councils should have a clear plan for developing the use of data in their councils, this includes data skills, data standards and data tools.**
- **Councils must ensure that financial plans and overarching recovery strategies and actions are clearly aligned, including funding to deliver on their duty to address inequalities.**
- **Councils must have clear plans for management of reserves.**
- **Councils should update their workforce plans to build on lessons learned, address skills gaps and build a resilient workforce for the future. This will include monitoring the wellbeing of the workforce, and the effectiveness of health and wellbeing initiatives.**



Meeting local needs: impact of Covid-19 on services and inequality

Covid-19 continues to disrupt council services, and those already experiencing inequality have felt the impacts of both the pandemic and service disruption most strongly. As councils focus their efforts on addressing these unequal harms, they need better local data and community engagement.

The Covid-19 pandemic continues to affect council service delivery, but a lack of clarity on demand, unmet need, and service backlogs makes the full extent of the effect unclear

76. Councils are still early in recovery, having moved on from the initial emergency response and operating under lockdowns. They report that the second year of the pandemic has been more difficult than the first. Ongoing restrictions, Covid-19-related staff absences and the non-linear nature and uncertainty of the pandemic, for example the emergence of the Omicron variant, mean that councils still need to adapt service provision and many services are disrupted.

77. The picture of service disruption is incomplete. A lack of up-to-date publicly available data makes it difficult to assess the extent to which council activities have returned to pre-pandemic levels, the level of demand for services and levels of unmet need.

78. Disruption has continued in those services we reported as most affected last year: education, social care, and culture and leisure. [Exhibits 8, 9](#) and [10 \(pages 34-36\)](#) provide more detail.

79. Alongside continued disruption, councils are also having to manage new pressures across services:

- from backlogs due to paused activity in the first year of the pandemic, such as repairs to roads and housing
- from an increase in demand, for example administering support grants, assisting with testing and vaccinations and in environmental health and trading standards. Increased levels of financial hardship are driving an increase in applications for discretionary housing payments and other support grants.

An inability to clear backlogs and meet new demands is a risk to wider recovery.

80. Public tolerance of service disruption and backlogs is declining, and communities have expressed their frustration in some cases. Councils are having to balance a growing expectation that services should be back to normal while still adhering to Covid-19 guidelines and facing absences that limit their capacity to deliver.

Councils have worked hard and adapted to maintain delivery of key services. Digital delivery has expanded but brings with it the risk – for some – of increased digital exclusion

81. As we found in our [Digital progress in local government report](#), the pandemic has brought about a change in the way in which many council services are delivered. Councils have expanded their digital service provision, to replace temporarily unavailable services, to respond to new needs, or to provide an alternative means of accessing services. Councils have introduced online booking systems for services such as recycling, created online learning hubs for parents and carers to support children’s learning, and developed more digital resources from libraries and leisure services.

82. The rapid shift to digital delivery allowed services to be delivered rather than stopped. It also highlighted how unequal access to the internet, devices and skills leaves those most disadvantaged without the same opportunities to learn, access services and remain socially connected as others.²³

The extent to which councils have assessed and can evidence the impact that Covid-19 related service changes and disruption have had on different groups and citizens in their local areas is unclear

83. Changes in service provision have offered an opportunity to learn lessons about how services are delivered in the future. But it is not clear that councils have carried out equality impact assessments or community consultation where they have made changes or plan to continue changes made to service delivery during the pandemic.

Exhibit 8.

Education services continued to be disrupted throughout the second year of the pandemic

Disruption included:

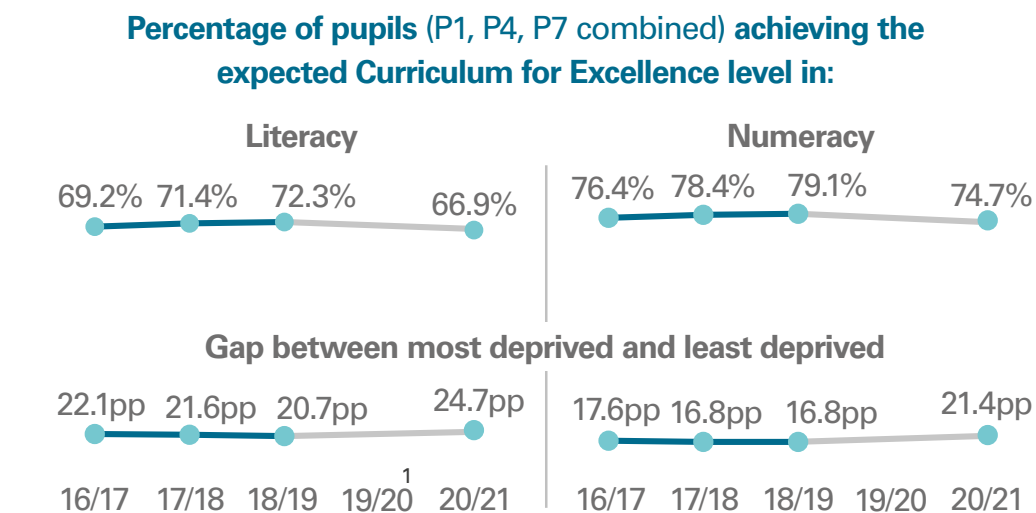
- infection control measures in place, including masks, increased ventilation, 'bubbles' to limit contact and restrictions on school visitors
- the cancellation of S4-6 exams, which were again replaced by teacher assessment
- high levels of Covid-19-related pupil and staff absences ([Exhibit 5, page 27](#)) which made it hard for schools to offer continuity and stability to pupils.

Emerging data is now evidencing the adverse effect the pandemic has had on children and young people:

Educational attainment data is only available for primary school pupils. Attainment has fallen in both literacy and numeracy and more so for those pupils in the most deprived areas, meaning that the attainment gap has widened. For example, the attainment gap in literacy has increased from 22.1 to 24.7 percentage points.

Risks and challenges

The pandemic has affected the comparability of education data for 2019/20 and 2020/21 when S4-6 exams were replaced with teacher assessed grades. Our joint report, [Improving outcomes for young people through school education](#), noted the difficulties and risk this could cause for councils in assessing and acting on the poverty related attainment gap.



We talk more about the negative impact the pandemic has had on children and young people's social and wellbeing, including on their mental health, in [paragraph 86](#).

Note 1. No data available for 2019/20

Source: See endnote [24](#)

Exhibit 9.

The pandemic has exacerbated ongoing challenges in social care

Our [Social care briefing](#) outlined the immense pressure the social care sector is facing. The pandemic has exacerbated the long-standing staffing challenges, compounded by Brexit. This has increased workloads, leading to staff burnout and high sickness absence levels, and risks limiting the capacity to provide good quality, consistent care to citizens.

There is evidence of ongoing disruption with:

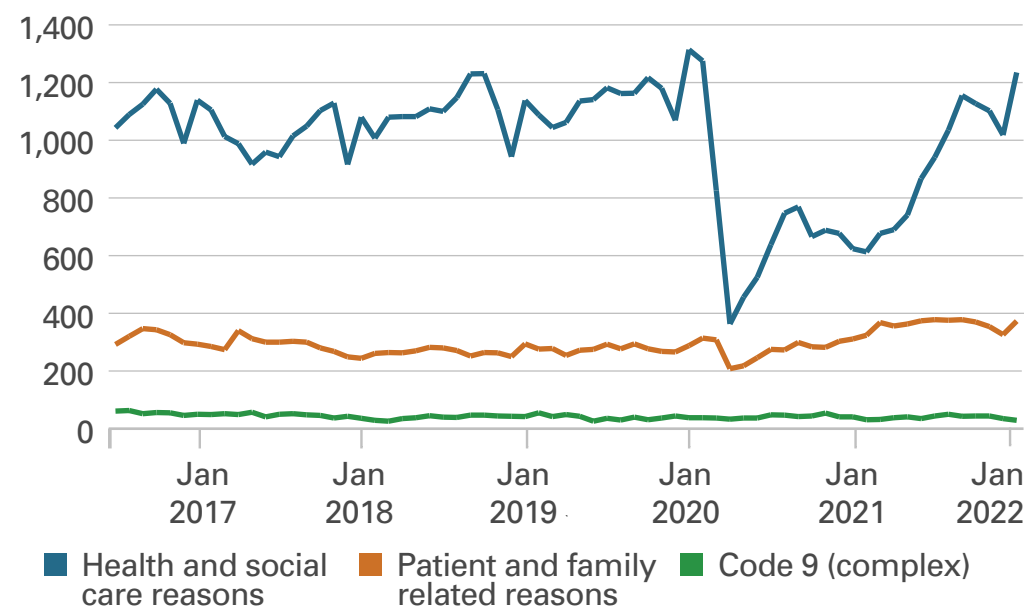
- reductions in home care packages because of staff shortages and tighter eligibility criteria for accessing care being applied to manage demand
- many day centres and respite services still closed.

Unmet demand puts additional pressure on unpaid carers, who are reporting increased feelings of anxiety, depression, and mental exhaustion.

Delayed discharges dropped significantly early in the pandemic, because of a marked reduction in non-Covid-19 related admissions along with a focused effort to get people out of hospital as quickly as possible. Delayed discharges returned to pre-pandemic levels in September 2021 and remain high reflecting the continued pressure in the system.

During strict restrictions, a rapid shift to digital tools allowed some staff to work in more flexible ways and to provide some services remotely including some online assessments and triage, and support and wellbeing check-ins through technology enabled care.

Delayed discharge Census by Delay Reason



Risks and challenges

The Scottish Government is planning significant reform of social care over the next five years ([paragraph 10](#)) but, as we state in our social care briefing, action is needed now to address critical issues and better meet the needs of people relying on care and support.

The ongoing disruption means that unmet demand continues, and older people, and adults and children with disabilities face a reduction in or

complete withdrawal of care and support in the home. The Scottish Human Rights Commission has expressed significant concern that this affects the human rights of these individuals. It highlighted the need to invest in a social care system, based on human rights, that meets people's needs and improves outcomes.

Source: See endnote²⁵

Exhibit 10.

Public library services continue to be disrupted following Covid-19 restrictions

Libraries could fully reopen in April 2021 with some social distancing measures in place. However, most library services were still operating a reduced service in early 2022, compared to pre-pandemic. During lockdown many councils adapted and found innovative ways to deliver library services to continue to support their communities. Librarians across councils shared ideas.



Examples of innovative service adaptations include:

- enhanced digital offer; click and collect and home delivery services; bespoke book selection; digital story-telling; online book groups and contact calls to socially isolated elderly users.



Research found that engagement with library services had a positive impact on wellbeing and building community connectedness.

Not all councils give reasons for continued reduced hours. Those that do cite:

- staffing issues including high sickness absence or redeployment
- access issues such as the building being used for covid-19 testing, restricted access arising from sharing space with schools or buildings undergoing refurbishment.

Change in total library opening hours, pre-covid-19 and at end Feb 2022

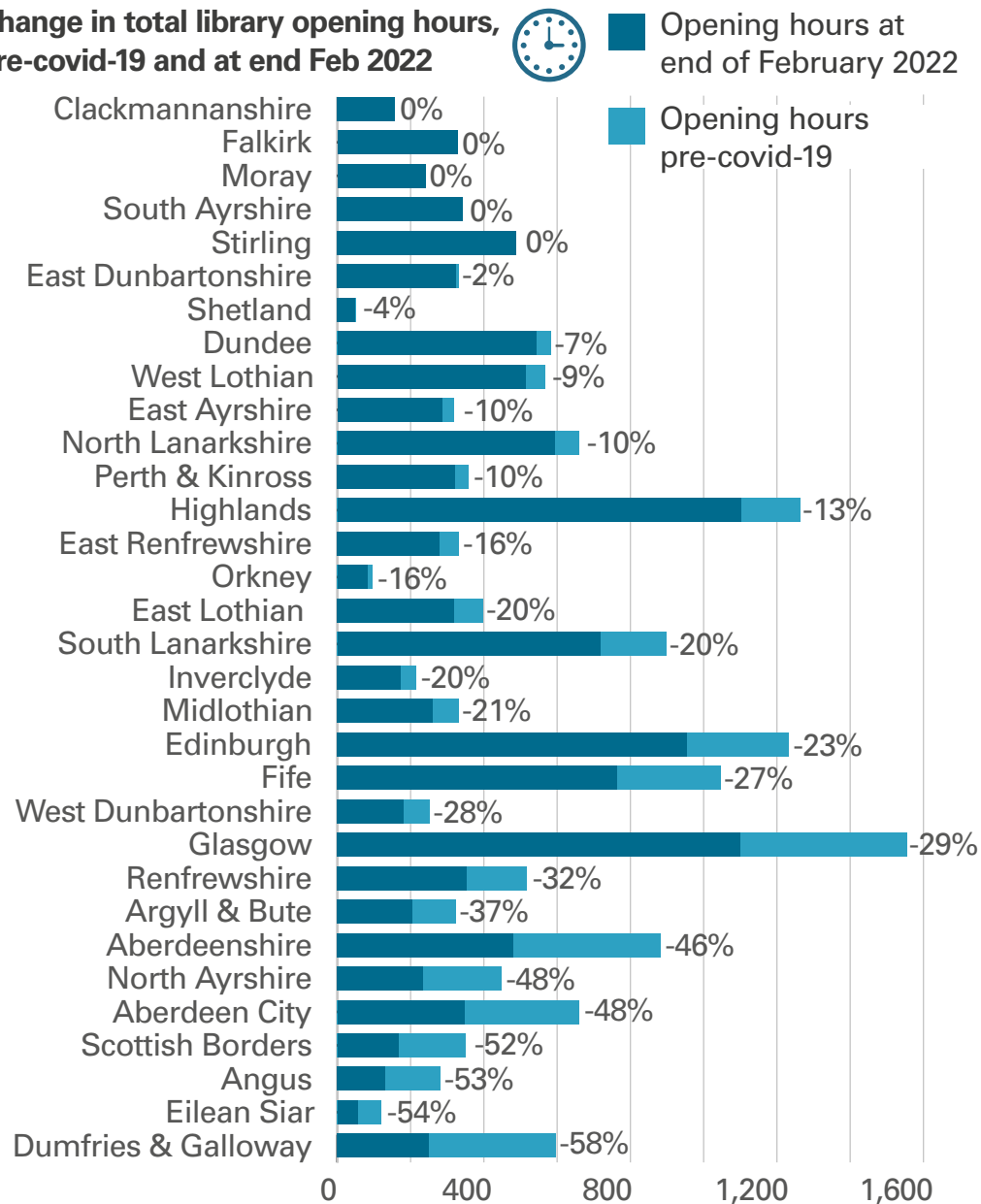


Exhibit 10. (continued)

Risks and challenges

Library services have faced declining investment. The ten years since 2010/11 saw a 29 per cent reduction in spend, yet the same period saw a 42 per cent growth in visit numbers (physical and virtual visits).

Some councils have plans to increase opening hours further. Other councils were already reducing hours and the level of service before the pandemic, and they have faced the most significant issues in recovering.

Library closures have shone a light on the extent of digital exclusion. It is not clear that councils have fully assessed the impacts of closures and reduced hours on communities and groups. And while the digital offer will shape the future of library services, research shows the buildings are vital as a safe, accessible, free, trusted and communal space in communities.

Source: See endnote²⁶

The impact of the pandemic and service disruption has been felt most strongly by those communities and citizens already experiencing inequalities

84. A substantial and growing body of evidence, mostly from research at a national level on the ‘four harms of Covid-19’ – the direct impacts of Covid-19, other health impacts, societal impacts and economic impacts – shows that particular groups have been most affected. For example:

- People with disabilities have faced increased clinical risk from Covid-19 as well as disruption to care services and social connections.
- Minority ethnic communities have faced high clinical risk from Covid-19 and increased risk of social and economic harm as a result of pre-existing inequalities in employment, income and opportunity.
- Those on low incomes and living in the most deprived communities have faced worsening social and economic inequalities, including digital exclusion, lower educational attainment and increased financial hardship.
- Older people have faced increased clinical risk from Covid-19 and are more likely to have experienced disruption to care services and social connections.

- Women have been disproportionately affected both economically and socially because of the increased childcare burden and because they are more likely to be front-line workers and have lower pay and insecure jobs.

85. For some, inequalities have worsened. Others are experiencing inequalities for the first time. Those with intersectional characteristics, that is people who fall into more than one group, and therefore experience several disadvantages at the same time, have suffered the most severe impacts. Councils’ recovery and renewal efforts need to take account of worsening, new and overlapping disadvantage.

86. Mounting evidence suggests that the pandemic has had severe social and wellbeing impacts on children and young people. This includes developmental delays seen in the very youngest because of increased social isolation, worsening mental health, a fall in educational attainment, and young people’s increasing concerns about their job prospects. Evidence also suggests that more children are presenting with additional support needs or behavioural issues and that these children are not always able to access services and get the support they need because of a lack of staff capacity. The impacts are greatest for children and young people in vulnerable groups and living in poverty.

87. Ongoing disruption to council services has meant that those most in need of support are still experiencing that unequal impact.

While councils recognise the disproportionate impact the pandemic has had on different groups, they need to learn lessons from taking early action and assess the impact of service disruption to address longer-term impacts

88. Early in the pandemic there was a huge collective effort to support the most vulnerable, with more collaborative working at a local level, a coordinated response with the voluntary sector and more place-based and holistic approaches. As we highlighted in our 2021 report, councils targeted their responses to support the most vulnerable. This included supporting families and children living in poverty through the provision of free school meals, distribution of digital devices, community food initiatives, fuel poverty and period poverty initiatives, action to prevent homelessness and eliminate rough sleeping, and online events and programmes to support mental health and wellbeing.

89. As we move into the recovery phase, some evidence suggests that councils are putting in place services to mitigate the impacts of the pandemic on the groups most affected by:

- supporting employment and improving economic prospects for women, minority ethnic groups and disabled people
- improving routes to employment and training for young people
- doing more to address the social isolation of older people and people with disabilities.

Some councils are using lessons learned from the pandemic to improve how they tackle vulnerability and inequality

90. The collaborative place-based approaches, cross-council working and community engagement that enabled the early response is informing

new ways of tackling poverty and vulnerability. Several councils have since adopted or adapted these service models to put in place a more holistic approach to tackling inequality. ([Case study 4](#))

Case study 4

Dumfries and Galloway Council



In response to the pandemic four locality hubs were established in Dumfries and Galloway to coordinate partner and volunteer activity at the local level. Since then, the four hubs have developed to become the recognised model for local community planning in Dumfries and Galloway.

Another model that evolved from the council's pandemic response is the 'single access to services' model, known as the single access point. This brings together different council services and partner agencies in one multi-agency team to ensure an efficient, clear and streamlined approach to assist those who are vulnerable. The single access point model will continue to evolve and the council is reviewing other opportunities to develop this approach.

Source: Audit Scotland using information from Dumfries and Galloway Council

Data is a key tool in tackling inequality but there are gaps in equality data, particularly at a local level

91. While councils recognise the disproportionate impact of the pandemic on different groups, it is less clear how councils have assessed how their changes in the way services are delivered, and the pandemic more widely, have affected those most in need in their area.

92. There is still a lack of data and evidence at local level that would allow councils to fully understand the adverse impacts of the pandemic on different groups within their area and inform local plans. Most council recovery plans and reports on mainstreaming equality cite national report findings or increases in measures such as housing applications, unemployment or complex case work, rather than local equality data.

93. This problem is not unique to local government, and the Scottish Government's Equality Data Improvement Programme is working to improve equality data, in particular data on overlapping inequalities, ie intersectionality.

94. Some councils have used data well to understand the impacts of the pandemic on specific groups and the emerging needs.

[\(Case study 5\)](#)

Case study 5

Glasgow City Council



Before the pandemic Glasgow City Council had been gathering detailed data to enable it to better understand the extent of child poverty in the city. The Council's Centre for Civic Innovation (CCI) took a 'deep dive' into the data the council holds on recipients of Housing Benefit and Council Tax reductions, as well data on kinship care and education benefits. This work meant that the council was able to measure the levels of relative child poverty before the pandemic and in the middle of it.

The research found that in December 2020 at least 26 per cent of children in Glasgow were living in relative poverty compared with 24 per cent in February 2020. This equates to at least 2,510 more children living in poverty and 27,995 children overall. This data profiling and analysis is unique to Glasgow, and it provides a detailed 'snapshot' of families that will help the council to map and understand the impact of interventions to reduce child poverty.

Source: Audit Scotland using information from Glasgow City Council



Meeting local needs: collaboration and communities

The early response phase showed what could be achieved by working closely with communities and the voluntary sector. This momentum may be lost if they are not involved in shaping recovery.

Collaboration has enabled new relationships and more effective ways of working but communities and local partners need to be more involved in recovery

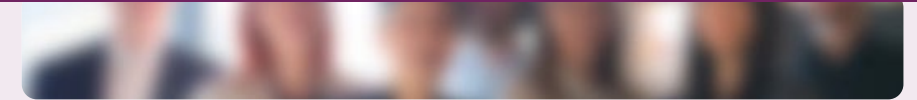
95. Our report [Local government in Scotland: Overview 2021](#) showed how communities and the voluntary sector were a vital asset in the response phase. Collaborative working enabled vulnerable citizens most in need to be speedily supported through initiatives such as community hubs.

96. In October 2021, Audit Scotland published [Community empowerment: Covid-19 update](#), bringing together the learning points from the community response to the pandemic to help public bodies develop their longer-term approaches to supporting and empowering communities. The briefing outlines key learning points under the five principles for community empowerment: community control, leadership on community empowerment, effective relationships, improving outcomes and accountability.

97. Assistance was most effectively provided in areas where local engagement and collaboration with local groups was already established before the pandemic. Greater flexibility, trusting relationships, relaxation of bureaucracy and autonomy in decision making enabled the public sector to work with communities and voluntary organisations and deploy support quickly. ([Case study 6](#))

Case study 6

Fife Council



Fife Council introduced multi-disciplinary teams to respond to the pandemic. Teams composed of council staff and partners worked well together to respond quickly and effectively to meet the needs of Fife residents. The council is focused on learning from the success of these groups as it aims to 'build back better' and renew its public services. Reforming how it works collaboratively with partners and communities and focusing on people and place is seen as critical to sustaining the sense of common purpose brought about by the pandemic.

As part of the Plan for Fife, the council has established People and Place Leadership Groups across its seven areas. The council sees these groups as an initial step forward from the team working that evolved during the pandemic response. The council sees these groups as a fundamental part of driving community wealth building as the council aims to create a fairer, more socially just economy.

Source: Audit Scotland using information from Fife Council

There is limited evidence of direct community input driving recovery actions and more needs to be done

98. Some councils are seeking the views and experiences of citizens and communities to inform recovery and learn from their experiences ([Case study 2, page 17](#)) ([Case study 7](#)). But there is limited evidence of direct community input driving recovery actions or meaningfully reshaping services.

99. Councils need dialogue and involvement of communities and the voluntary sector in planning service priorities and delivering support to vulnerable groups. More flexible governance and decision-making structures will be needed to make community participation easier.

100. Some councils have set up models of co-production. There are examples of joint work with youth councils to develop services for young people.

Voluntary sector organisations are facing pressures that could threaten their ability to deliver services to vulnerable people who rely on them

101. Throughout the pandemic voluntary sector organisations have lost income, while demand for their services has increased. A Scottish Council for Voluntary Organisations (SCVO) report found that 57 per cent of surveyed organisations saw increased demand for their services while almost half faced financial issues, as uncertainty over annual funding makes it difficult to plan for the future.²⁷

Case study 7

Aberdeenshire Council



Aberdeenshire Council carried out a community impact assessment (CIA) in the summer of 2020. The CIA included an online survey of the local community asking about the impact of the pandemic and the council's response during its early stages. On reporting the findings, the council acknowledged that there was a need for further engagement and feedback from harder-to-reach, more vulnerable groups.

The council then engaged with several groups and individuals most likely to be affected negatively by existing inequalities. The final report, *Aberdeenshire Voices on the Pandemic: Same storm, different boats*, includes insight from low-income households, care home residents, the recovery community and New Scots and volunteers.

The themes covered in the report include digital exclusion, access to food, home-schooling challenges and impacts on mental wellbeing. Local voices from Aberdeenshire have also been included in the national report *If Not Now, When?*, published by the Social Renewal Advisory Board in January 2021.

Source: Audit Scotland using information from Aberdeenshire Council

102. Organisations providing support to children and young people, from early years to youth work services, are also facing barriers to delivering their services.²⁸ A lack of staff capacity, increased demand, and lack of access to premises to deliver services (of those voluntary sector organisations wishing to access local authority premises 65 per cent say they have no access) is affecting delivery of a range of services.

103. A collaborative, place-based approach has been essential in supporting communities during the pandemic and mitigating the harm caused. Voluntary sector organisations have been a vital component of this, and councils and the Scottish Government need to do more to make sure they can continue to deliver services to those that need them.

Councils worked well with their community planning partners in the response phase, but they need clearer plans for the future

104. Councils worked with their partners in planning, sharing data and information, and coordinating the response to the pandemic. Some of this joint working is continuing with community planning partnerships working together to revise their Local Outcomes Improvement Plans to take account of recovery, and this collaborative working should continue.

Case study 8

South Ayrshire Council



South Ayrshire Council worked with partners to provide support to vulnerable communities during the pandemic by creating the Ayrshire Resilience Partnership.

This group included the Ayrshire councils' chief executives, along with representatives from health, police, and fire services. It established close working relationships with business and local voluntary groups to deliver a range of services and support.

Source: Audit Scotland using information from South Ayrshire Council

Meeting local needs: recommendations



Actions for leadership

- While some progress has been made in improving the use of data in decision-making, councils need to have a clear sense of where increased demand and service backlogs exist so that they can identify areas of high risk and direct resources accordingly. This information also needs to be more transparent and publicly available.
- A key priority for councils' recovery and renewal is assessing the impact of the pandemic and service disruption on the most vulnerable and learning from this to inform how they support those most affected and address inequalities. This will need better local data to improve understanding.
- Where councils plan to continue with the changes made to services during the pandemic, they need to conduct impact assessments and consult the community. With the expansion of digital services, councils need to assess and mitigate the impacts of digital exclusion.
- Councils need to ensure that partnership working forged in the pandemic with their communities, partners and the voluntary sector remains in place. They also need to learn what made it work and harness this to transform future engagement. The momentum and energy from communities may be lost if public bodies don't capitalise on what has been achieved.

Endnotes

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- 2 [What is happening with the new Shared Prosperity Fund? – SPICe Spotlight](#), Jun 2021
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- 6 [Life Expectancy in Scotland, 2018-2020: Infographic Summary](#), National Records of Scotland, Sep 2021
- 7 [Healthy Life Expectancy 2018-2020, Infographic Summary](#), National Records of Scotland, Feb 2022
- 8 [LGBF Benchmarking Overview Report 2020-21](#), Improvement Service, Mar 2022
- 9 [Energy Action Scotland news release](#), Mar 2022
- 10 [Covid Recovery Strategy: for a fairer future](#), Scottish Government, Oct 2021
- 11 [Audit Scotland blog: Christie - it really is now or never](#), Oct 2021
- 12 [Elected Member Briefing Note: Community Wealth Building](#), Improvement Service, Sep 2020
- 13 [Improvement Service - Public Service Improvement Framework](#)
- 14 [LGBF Benchmarking Overview Report 2020-21](#), Improvement Service, Mar 2022
- 15 [Scottish local government during Covid-19: Data needs, capabilities, and uses](#), UBDC, May 2021
- 16 [Digital progress in local government](#), Audit Scotland, Jan 2021
- 17 [Fiscal Framework and Local Government letter](#), LGHP committee, Scottish Parliament, Dec 2021
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- 20 [The longer-term shift to hybrid working: Implications for local government](#), LGIU, Oct 2021
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- 22 [Workforce Planning, Improvement Service](#)
- 23 [Report on the impact of the Covid-19 pandemic on equalities and human rights](#), Scottish Parliament, Mar 2021

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- 24 Audit Scotland using information from [Achievement of Curriculum for Excellence Levels 2020-21](#); the Improvement Service, [Minutes from the Coronavirus \(COVID 19\): Advisory Sub-Group on Education and Children’s Issues](#) and [Cross Party Group: Children and young people pandemic survey 2022](#), Scottish Parliament, Feb 2022
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- 26 Audit Scotland using information from SLIC and additional data from councils; [LGBF Benchmarking Overview Report 2020-21](#), Improvement Service, Mar 2022 [Libraries in lockdown: Scottish public libraries and their role in community cohesion and resilience during lockdown](#)
- 27 [The Scottish Third Sector Tracker](#), SCVO, Nov 2021
- 28 [Cross Party Group: Children and young people pandemic survey 2022](#), Scottish Parliament, Feb 2022

Local government in Scotland

Overview 2022

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Local government in Scotland: Overview 2022

Questions for elected members **ACCOUNTS COMMISSION** 

This checklist captures a number of questions for elected members to consider and relates to our [Local Government in Scotland Overview 2022](#). It is designed to support elected members in scrutinising and understanding how well their council is planning recovery and renewal.

Questions for elected members to consider	What do I know	Do I need to ask any further questions
<p>Leadership – planning, strategy, and improvement</p>		
<p>1. Does my council have clear plans for recovery and renewal, that outline:</p> <ul style="list-style-type: none"> • what it needs to do in the short, medium, and longer term • the outcomes it will achieve • and the investment needed? 		
<p>2. Is my council together with our partners, reviewing and aligning strategic plans and priorities (including Local Outcome Improvement Plans) to deliver recovery and renewal?</p> <p>Has it consulted with communities on these priorities?</p>		
<p>3. Do recovery plans for my council consider key themes, including:</p> <ul style="list-style-type: none"> • New ways of working • Inequalities • Education recovery • Economic recovery • Climate emergency • Health and wellbeing – community and workforce 		

Cont.

Questions for elected members to consider	What do I know	Do I need to ask any further questions
<p>4. Has my council considered the Scottish Government National Recovery Plan and Programme for Government as part of the refresh of its strategic plans and recovery plans?</p>		
<p>5. Does my council have clear plans for restarting paused, closed, or reduced services and dealing with any service backlogs caused by the pandemic?</p>		
<p>6. Do I know how my council is learning lessons from the pandemic response and evaluating new service models to inform improvement and drive recovery and renewal? Am I assured my council is building on innovations made during the pandemic:</p> <ul style="list-style-type: none"> • Supporting vulnerable groups • Working in partnership • Faster decision-making • Delivering services differently – eg digital • Working differently – remote and hybrid 		
<p>7. Do I know how well my council uses data and what plans it has to develop data skills, data standards, and data tools?</p>		
Leadership – skills		
<p>8. Is my council clear on what leadership skills are needed to drive forward recovery and renewal, and are there arrangements in place to deliver these?</p>		
<p>9. Am I aware what succession planning arrangements and leadership development arrangements are in place for the council management team? Am I satisfied these are appropriate?</p>		

Questions for elected members to consider	What do I know	Do I need to ask any further questions
<p>10. Do I have access to training and learning materials that meet my needs as an elected member? Have I taken up available opportunities that will assist me in being effective in my role?</p>		
Governance		
<p>11. Do I have access to clear, timely, and sufficiently detailed information that allows me to carry out my governance and scrutiny role?</p>		
<p>12. Do I have a clear picture of where my council is in terms of recovery and renewal:</p> <ul style="list-style-type: none"> • what new service demand, unmet needs, and what backlogs exist? • what changes to services have taken place and what impact assessments have been carried out for changes that have continued or are proposed? 		
<p>13. Am I satisfied that the governance arrangements in place in my council offer sufficient transparency and opportunities for public participation?</p>		
<p>14. Do I understand what my responsibilities are when serving on external bodies (eg, ALEOs) and joint boards or committees?</p>		
<p>15. Am I familiar with the Councillors Code of Conduct for elected members?</p>		
Finance		
<p>16. Am I clear about the financial challenges facing the council and how they are being managed?</p>		
<p>17. Has my council developed longer term financial plans that clearly link to recovery plans?</p>		

Cont.

Questions for elected members to consider	What do I know	Do I need to ask any further questions
<p>18. Does my council have clear and robust plans in place for the management of reserves?</p>		
Workforce		
<p>19. Does my council have detailed corporate and service workforce planning in place? Have these plans been updated to reflect the impact of Covid-19?</p> <p>Do these include plans for managing impact of pandemic on staff wellbeing?</p>		
<p>20. Does my council understand any specific areas of skills shortages that risk delivery of its objectives? Eg social care, facilities management</p>		
Meeting local needs		
<p>21. Does my council understand the changing demographic profile, poverty levels, and cost of living increases in our council area and how this will impact on demand for council services?</p>		
<p>22. Does my council have data and an understanding at a local level of the impact of the pandemic on different groups, in particular how inequalities have been exacerbated?</p>		
<p>23. Does my council have plans in place to address these unequal impacts?</p>		

Cont.

Questions for elected members to consider	What do I know	Do I need to ask any further questions
24. Does my council have plans in place to address key priorities and areas of reform, including social care and climate change?		
Community empowerment and collaboration		
25. How well is my council involving communities and citizens in driving recovery plans and reshaping services? What needs to improve?		
26. How well is my council collaborating with local partners, including the third sector in planning, and delivering services?		



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