


















































































































































































































































# Part 2

## Councils' responses to the challenges



### Councils have reduced staff numbers to save money but many do not have workforce plans

#### Councils' workforce has fallen by seven per cent in the last five years

**24.** Councils spend a significant amount on staff and staff-related costs. Most councils have reduced their workforces as a way to reduce costs. Our [Local government in Scotland: Financial overview 2015/16](#)  highlighted that, between 2011/12 and 2015/16, 13,029 individuals left councils through exit packages costing a total of £518.5 million (at 2015/16 prices). Councils' decisions to reduce their workforce numbers through exit packages should be supported by business cases that outline:

- associated costs
- potential savings
- the impact that this will have on the level of skills and experience within the council.

**25.** At March 2016, approximately 198,000 full-time equivalent (FTE) employees worked in Scotland's councils. Between 2011 and 2016, 27 councils reduced their number of FTE employees and councils' total workforce fell by 15,100 FTE (seven per cent).<sup>9</sup> In the last year, 14 councils reduced their number of FTEs, with councils' total workforce reduced by 2,700 (one per cent) ([Exhibit 6, page 19](#)). From the data that is collected centrally by the Scottish Government, it is not clear how many of these moved to arm's-length external organisations (ALEOs).<sup>10</sup>

#### Only half of councils have organisation-wide workforce plans, risking their ability to deliver services and manage change

**26.** Reducing council workforces, if not planned and managed appropriately, can affect the skills mix and capacity of the organisation to deliver, manage and scrutinise services effectively. Councils should have effective systems in place for managing their workforce and monitoring staffing levels. Councils should hold accurate information on staff numbers by grade and department to help them prepare and implement organisation-wide workforce plans. These should be aligned with other long-term plans such as financial plans.



**What do you need the workforce to look like in terms of numbers, skills and knowledge?**

**Does your workforce data allow accurate analysis of changes to the workforce at an organisation and department level?**











demonstrated in our Best Value audit work. For example, South Ayrshire Council has made considerable progress in delivering improvements and meeting financial challenges as a result of effective political and managerial leadership.<sup>16</sup>

**40.** Comprehensive option appraisals, risk assessments and scrutiny are required to assess options for change and to monitor the impact and progress. Auditors at Stirling Council reported that the council has a project-driven approach where all projects need to be fully backed up by business cases and completed option appraisals before a decision is taken. Options are effectively challenged throughout the process to ensure that they are achievable and that the project provides value for money. Evidence also suggests that South Ayrshire Council has a robust system in place to review and improve services (**Case study 1**). However, it is a mixed picture in other councils. In Falkirk Council, auditors reported a good level of scrutiny and challenge by councillors. But they also noted a lack of detailed reporting on anticipated and achieved outcomes, with no process in place for providing updates on all projects.



**How well do you scrutinise decisions on financial and service performance?**

**How do you ensure you have the knowledge and expertise you need to scrutinise effectively?**

## Case study 1

### South Ayrshire Council



The council has developed a comprehensive review system to help approve and reform services. This follows a nine-step process and includes topic selection, approval, consultations and options appraisal. The reviews and consultation procedures involve staff at all levels, trade unions and service users.

Through this approach, the council has reported that it is starting to achieve positive results. For example, in April 2015, the council carried out a property maintenance service review that concluded that there has been an overall average increase in productivity of staff of 15 per cent from 2014; and an increase in the number of jobs completed on time, from 68 per cent in 2013/14 to 87 per cent in 2015/16.

Source: Audit reports

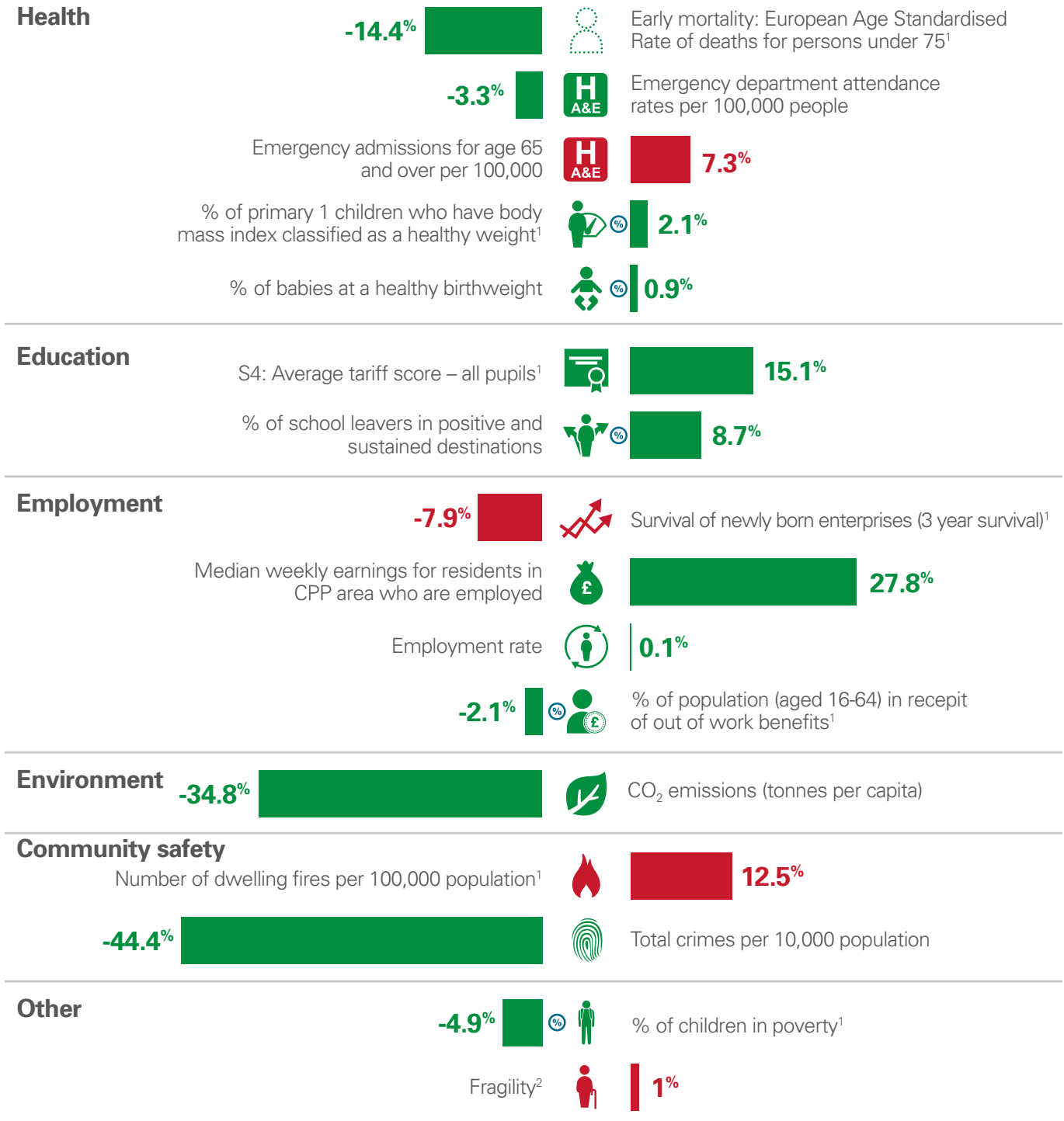
## Despite challenges, performance has been maintained or improved

**41.** The Improvement Service reports on progress against 18 outcomes, supported by 16 performance measures, through the Community Planning Outcomes Profile. This is a new tool which allows outcomes and equalities data to be measured on a consistent basis. Councils need to work with partners and communities through, for example, community planning partnerships (CPPs) and integration joint boards (IJBs) to improve outcomes for communities. Changes in outcomes will be influenced by factors wider than council activity so cannot be solely linked to council activity. The 16 performance measures suggest that outcomes are generally improving across Scotland (**Exhibit 8, page 24**).

## Exhibit 8

### Changes in performance measures for Scotland's outcomes, 2004/05 to 2014/15

Performance measures suggest that outcomes for Scotland's communities are generally improving.



Percentage point change – raw data is not available therefore absolute changes are shown.

Notes:

- 1. Imputed and projected data has been calculated using different methodologies for different measures where raw data is not yet available.
- 2. Fragility is a weighted combination of three indicators: de-population, rural de-population and old age dependency ratio.

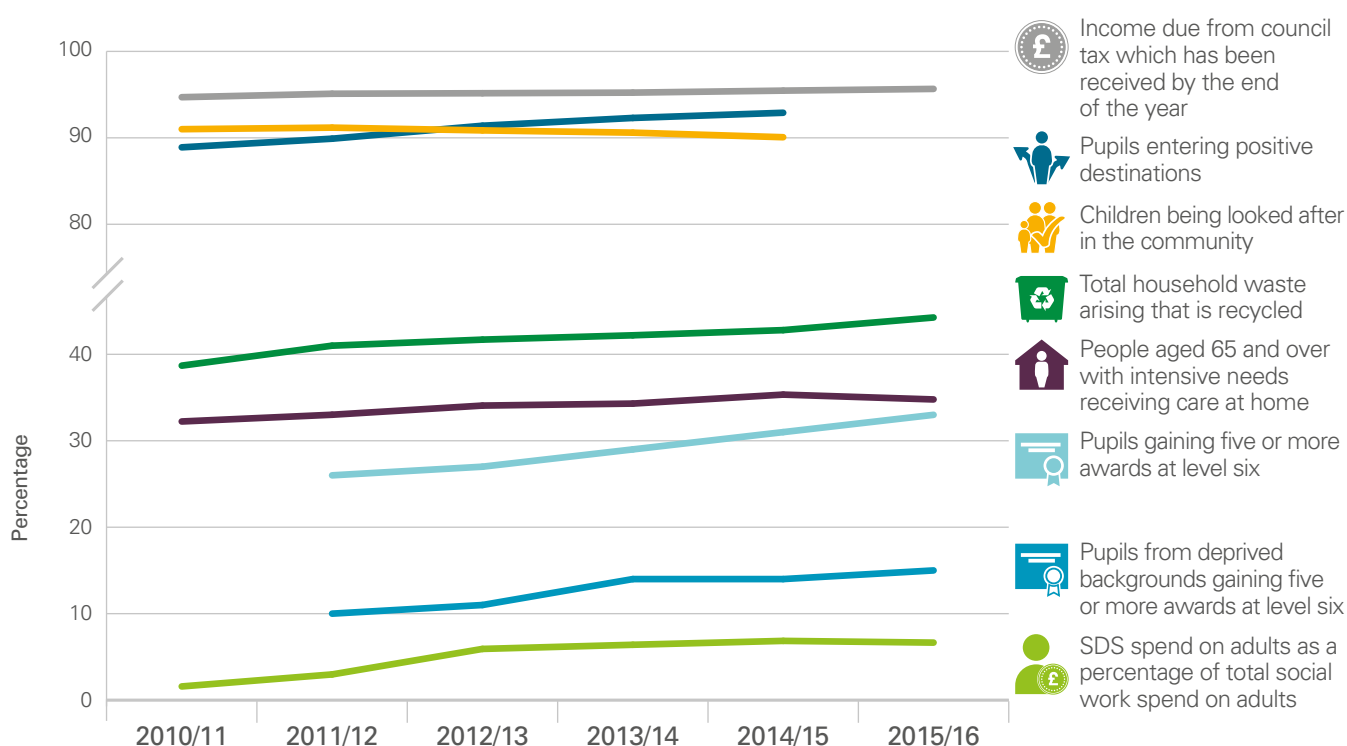
Source: Audit Scotland; and *Community planning outcomes profile*, Improvement Service, 2014/15

42. The Improvement Service, in partnership with councils, collates and reports on the Local Government Benchmarking Framework (LGBF) to provide information for councils to improve performance and costs. The framework covers a range of over 60 performance indicators covering a wide range of areas. We have selected those measures which give an indication of council performance in key service areas for the public.<sup>17</sup> This shows that councils' performance in the last five years has been maintained or improved ([Exhibit 9](#)).

## Exhibit 9

### Performance against selected indicators, 2010/11 to 2015/16

Councils' performance has been maintained or improved over the last five years.



Notes:

1. Data is not available for all indicators for 2010/11 to 2015/16.
2. We have not included measures of public satisfaction or cost indicators in this analysis.

Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16

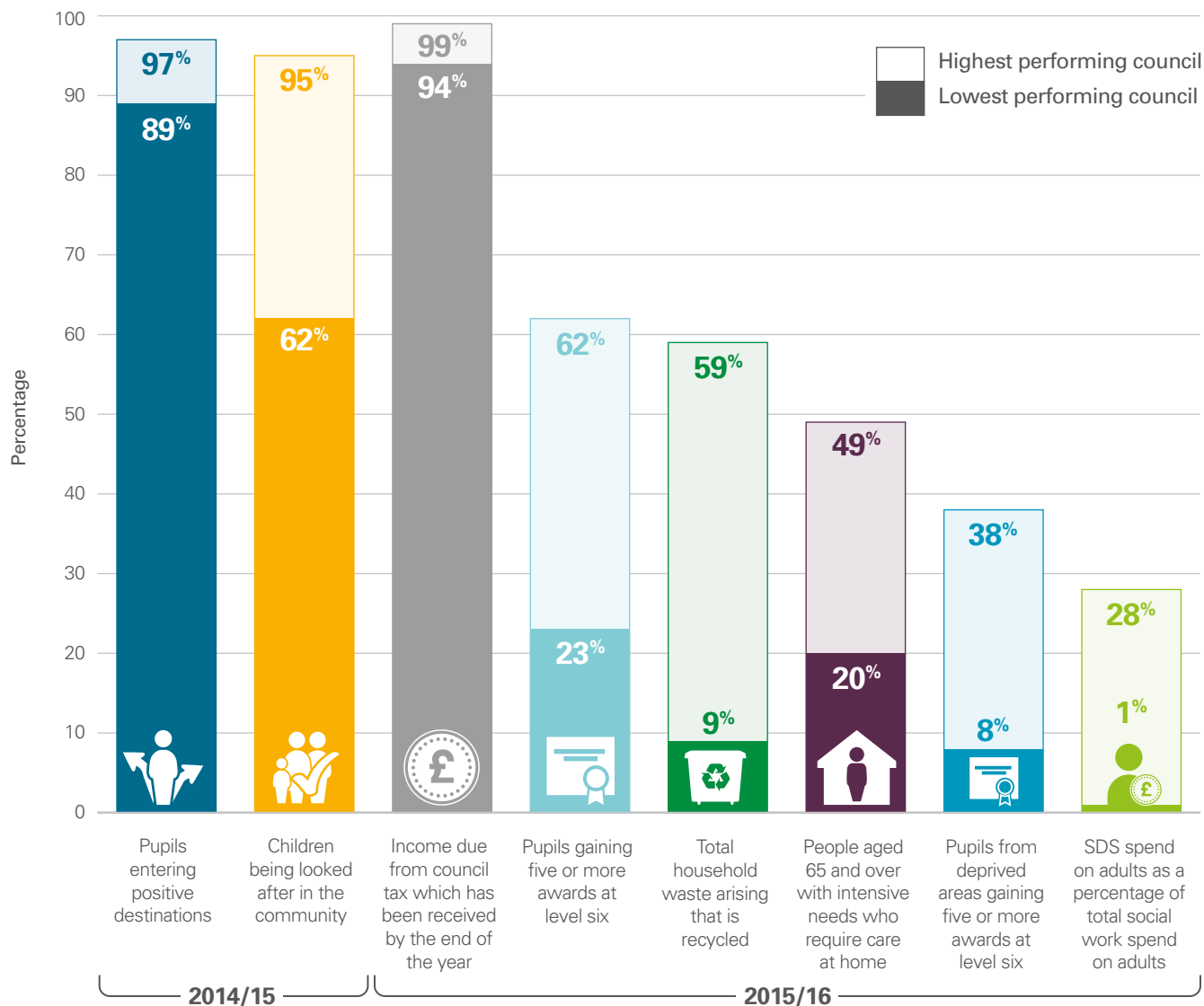


43. Analysis also shows significant variation in performance among councils ([Exhibit 10, page 26](#)). The amount of waste recycled and the percentage of pupils gaining five or more awards at level six show the biggest variation. However, there is also variation in social care indicators. There may be valid reasons for some of this variation; however, councils need to work to understand reasons for any lower performance in these measures, learn what has been successful in other councils and apply these lessons to their own services.

## Exhibit 10

### Variation in highest and lowest performing councils

There is significant variation in council performance in most performance measures.



Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16

### Some unit costs have reduced but there is variation across councils

**44.** We have also analysed selected unit cost indicators over the last five years ([Exhibit 11, page 27](#)). The unit costs of these selected indicators have all reduced over the last five years. Some culture and leisure unit costs reduced by around one-third whilst education unit costs reduced by less than ten per cent.

**45.** The cost of providing similar services varies between councils. In some cases, cost variation will be heavily influenced by geography, population density and deprivation. The Local Government Benchmarking Framework has placed councils with similar profiles into family groups based on factors such as population density and levels of deprivation. This allows similar councils to compare themselves.

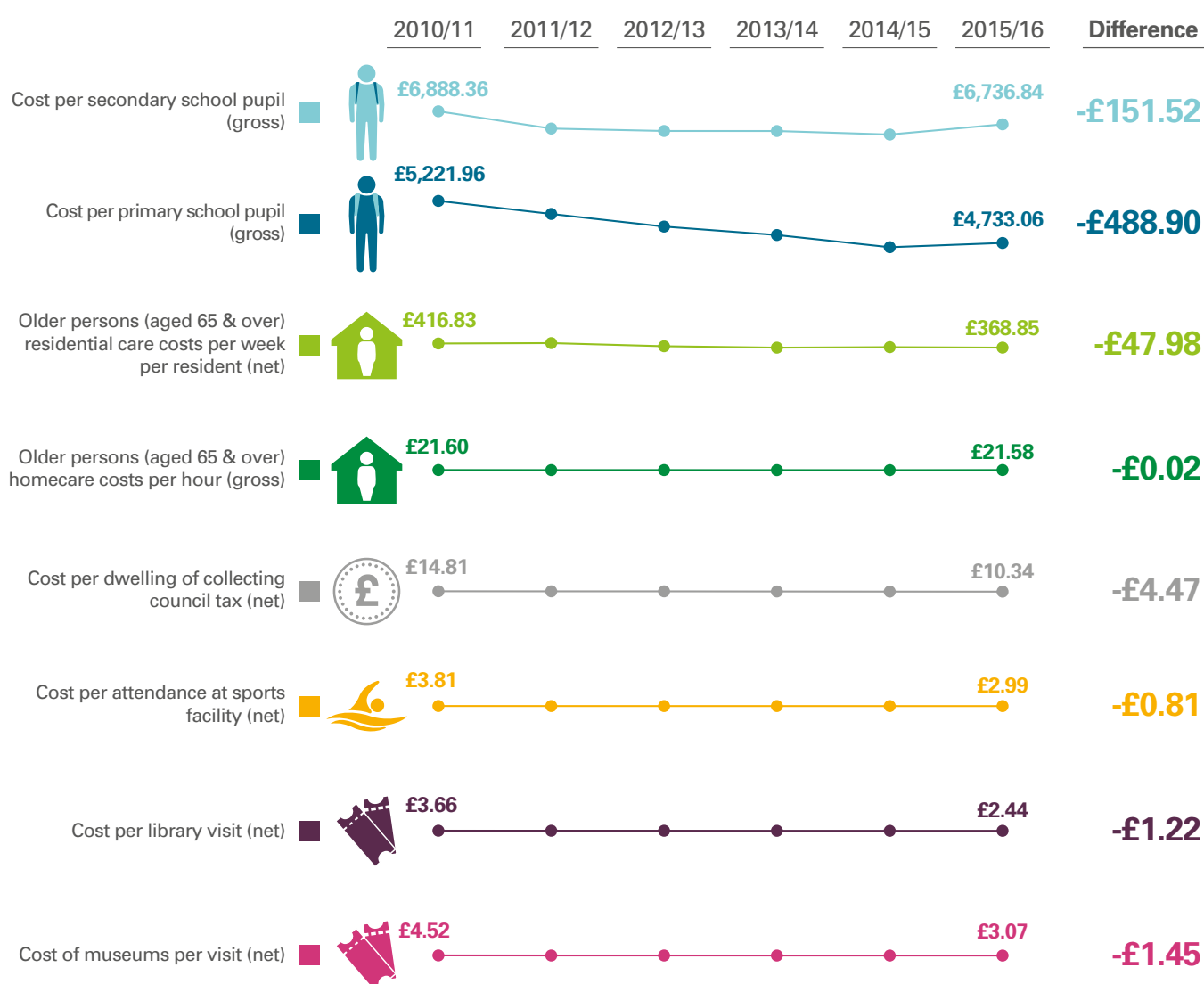
However, some councils in the same family group have significant variation in unit costs. For example, the cost of street cleaning per 1,000 population is almost three times greater in Glasgow City Council (£26,460 in 2015/16) than Aberdeen City Council (£9,312 in 2015/16).

**46.** Analysis of 2015/16 family group data for the cost of collecting council tax shows that, if all councils were able to reduce their cost of council tax collection per dwelling to the lowest in their family group, collectively they could save over £13 million. These figures are only indicative and there will be reasons for some variation, however they do indicate that savings can be made. Councils should continue to work to understand the reasons for their unit costs, learn from each other, identify possible savings that can be made and agree the acceptable impact on performance and policy.

## Exhibit 11

### Change in selected unit costs since 2010/11 to 2015/16

Unit costs have varied over the past five years.



Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16



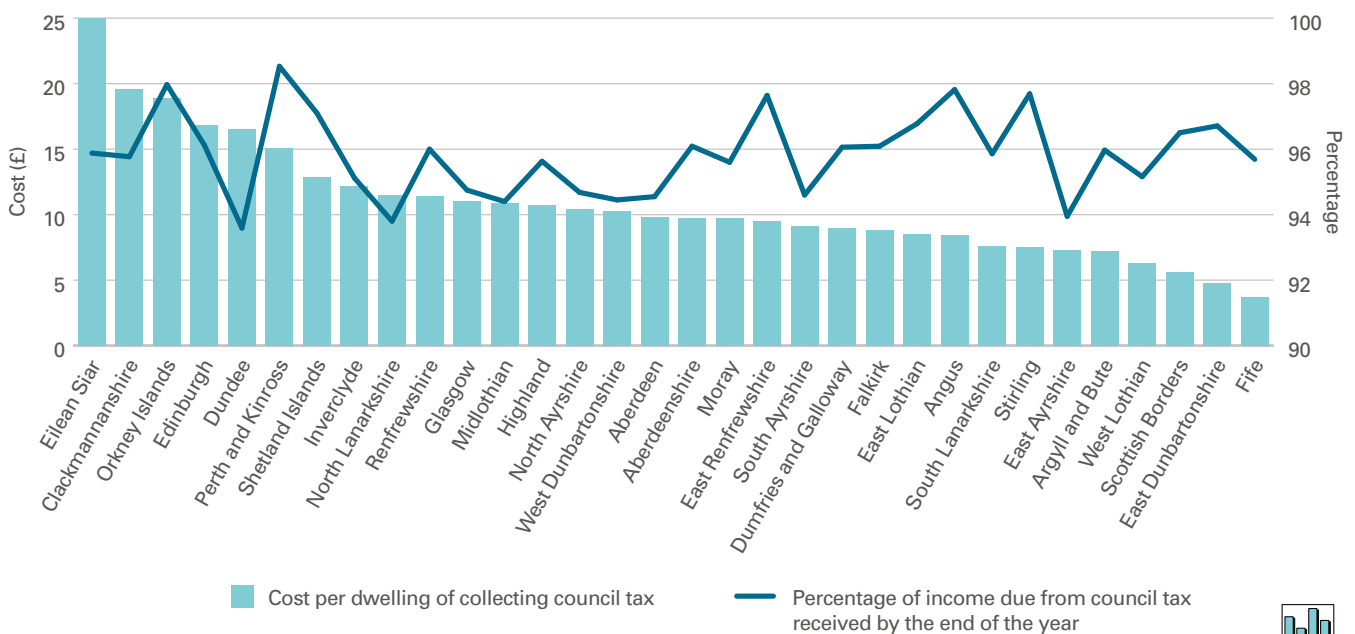
**The link between performance and cost is not always clear**

**47.** Variation in unit costs is not always reflected in performance measures at a local level. For example, there is no link between the cost and collection of council tax in 2015/16 (Exhibit 12). Similarly, changes in unit costs do not always have the expected impact on performance. For example, between 2010/11 and 2015/16, 11 councils improved their cleanliness score, of these; three increased their unit costs while eight reduced their costs (Exhibit 13, page 29).

**Exhibit 12**

**The cost and collection rate of council tax, 2015/16**

There is no link between the cost of collecting council tax and the collection rate.



Source: Audit Scotland; and Local Government Benchmarking Framework, Improvement Service, 2015/16

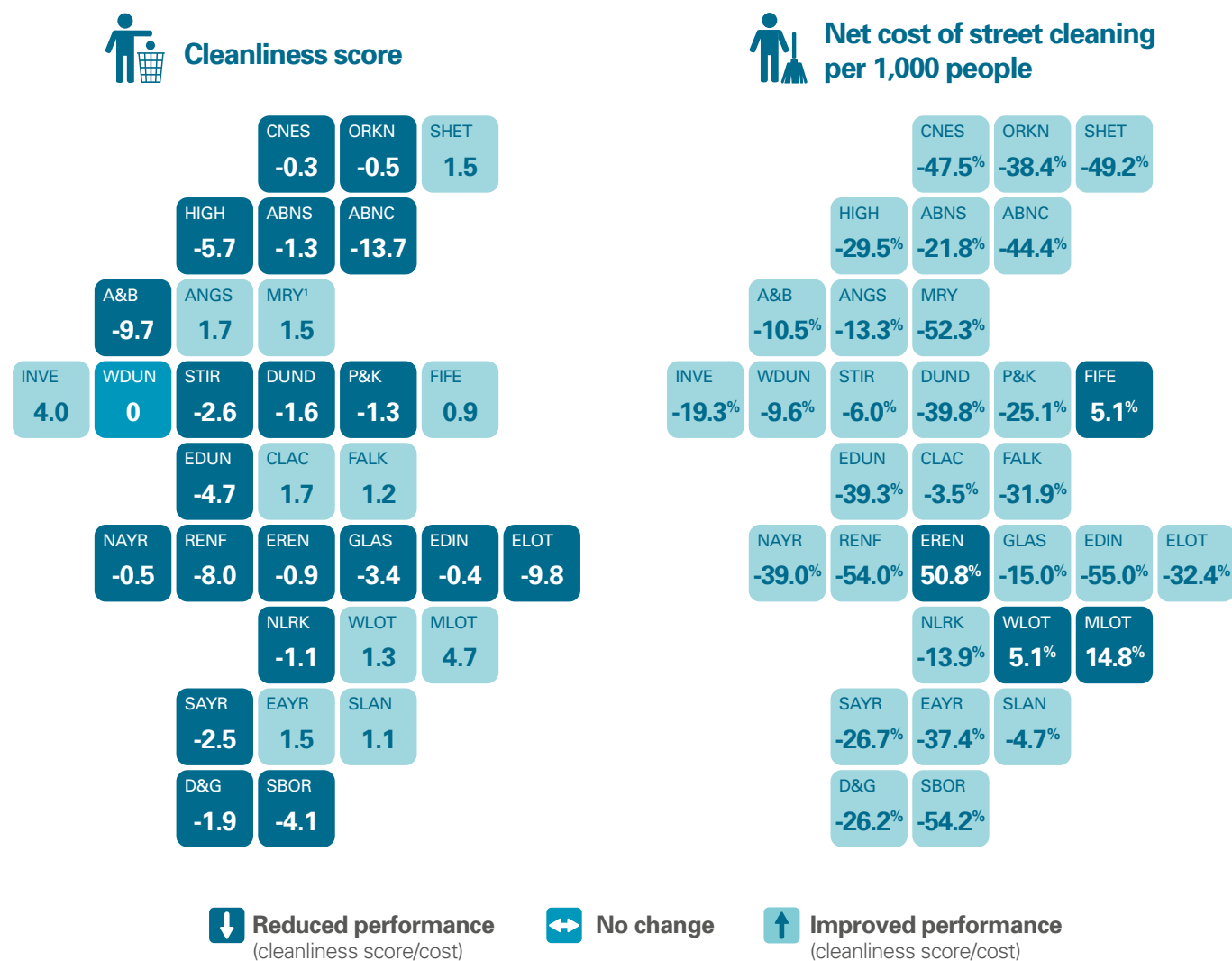
**Councils have reduced some costs with no negative impact on performance**

**48.** There is evidence of councils reducing costs and improving performance. Between 2010/11 and 2015/16, the average cost of collecting council tax reduced from £14.81 in real terms to £10.34 while the rate of collecting council tax improved from 94.7 per cent to 95.7 per cent. At council level, Glasgow City Council reduced the cost of collecting council tax in real terms from £18.48 per dwelling in 2010/11 to £10.98 in 2015/16. It achieved this by redesigning processes, better use of technology and closer working with partner organisations. Over the same period, the collection rate increased from 92.3 per cent to 94.7 per cent. City of Edinburgh Council has reduced the net cost of street cleaning per 1,000 residents by over 50 per cent in real terms, from £37,006 to £16,646, with the council’s cleanliness score only falling by 0.4 percentage points from 90.5 per cent to 90.1 per cent.

### Exhibit 13

#### The cost and cleanliness of streets in Scotland, 2010/11 to 2015/16

The majority of councils have reduced the cost of street cleaning but there has also been a reduction in street cleanliness.



#### Councils


- |                                      |                               |                                  |
|--------------------------------------|-------------------------------|----------------------------------|
| <b>ABNC</b> Aberdeen                 | <b>EDIN</b> Edinburgh         | <b>ORKN</b> Orkney Islands       |
| <b>ABNS</b> Aberdeenshire            | <b>CNES</b> Eilean Siar       | <b>P&amp;K</b> Perth and Kinross |
| <b>ANGS</b> Angus                    | <b>FALK</b> Falkirk           | <b>RENF</b> Renfrewshire         |
| <b>A&amp;B</b> Argyll and Bute       | <b>FIFE</b> Fife              | <b>SBOR</b> Scottish Borders     |
| <b>CLAC</b> Clackmannanshire         | <b>GLAS</b> Glasgow           | <b>SHET</b> Shetland Islands     |
| <b>D&amp;G</b> Dumfries and Galloway | <b>HIGH</b> Highland          | <b>SAYR</b> South Ayrshire       |
| <b>DUND</b> Dundee                   | <b>INVE</b> Inverclyde        | <b>SLAN</b> South Lanarkshire    |
| <b>EAYR</b> East Ayrshire            | <b>MLOT</b> Midlothian        | <b>STIR</b> Stirling             |
| <b>EDUN</b> East Dunbartonshire      | <b>MRY</b> Moray              | <b>WDUN</b> West Dunbartonshire  |
| <b>ELOT</b> East Lothian             | <b>NAYR</b> North Ayrshire    | <b>WLOT</b> West Lothian         |
| <b>EREN</b> East Renfrewshire        | <b>NLRK</b> North Lanarkshire |                                  |

Note: 1. The data presented for The Moray Council is calculated using data for 2010/11 and 2012/13 as no further data is available.

Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16


**49.** The Accounts Commission has previously stated that given the challenges facing local government, not least the future financial challenges, it does not expect to see performance improving in all measures for all councils. It is up to individual councils and their communities to agree local priorities and identify where improvements are required.

### Public satisfaction is declining and complaints are increasing

**50.** Public satisfaction with services is falling. The latest information from the Scottish Household Survey shows that between 2010 and 2015, satisfaction with schools fell from 83 to 74 per cent.<sup>18</sup> However, around the same period, there was an increase in the percentage of school pupils gaining five or more awards at level six. As reported in [Social work in Scotland](#) , satisfaction with social care and social work fell from 62 per cent in 2010/11 to 51 per cent in 2014/15. We recognise that there are limitations with this data, particularly for some rural councils. Many councils therefore supplement this data with locally collected information.

**51.** In 2015/16, the Scottish Public Service Ombudsman (SPSO) received 1,722 complaints relating to Scottish councils. This is 13 per cent more than in 2011/12. It upheld 55 per cent of complaints in 2015/16 compared to 47 per cent in 2014/15. The health sector experienced a similar level of complaints being upheld in 2015/16. The SPSO records complaints by category. For councils, housing has the largest number of complaints (423 complaints in 2015/16), followed by social work (231 complaints). The number of complaints about environmental health and cleansing more than trebled between 2011/12 and 2015/16 to 126.

### Greater community involvement could improve public satisfaction

**52.** The decline in satisfaction measures may be expected given the financial challenges councils have faced. It may also suggest that councils need to have frank and wide-ranging debates with communities to determine what they can realistically deliver in reduced budgets. Our 2016 report on [Social work in Scotland](#)  highlighted that councillors had a key role in consulting more fully with the public about service priorities. It stated that councillors also needed to manage people's expectations of services that councils can afford to provide in the future.<sup>19</sup> North Ayrshire Council reviewed its library opening hours in consultation with local communities and reduced the service by 475 hours a year, saving £315,000.

**53.** The Community Empowerment (Scotland) Act 2015 should ensure councils work more closely with public bodies and communities to design, develop and deliver better-quality services. Some councils already do this through participatory budgeting ([Case study 2, page 31](#)). One per cent of a council's spending should be decided by communities.<sup>20</sup> This allows communities to be actively involved in decision-making and to influence where public funds should be spent.




---

**How are you involving local communities and empowering them to design and deliver services to suit local needs?**

**How can you better engage with local communities to understand why public satisfaction is declining?**

---

**What level of complaints does your council receive? For which departments? How has this changed?**

**Are appropriate systems in place to deal with complaints?**

---

**Does your council have regular discussions with communities about service priorities and what level of service the council can afford to provide going forward?**

**What is the your role as councilor in this?**

---



---

## Case study 2

### Participatory budgeting




#### Comhairle nan Eilean Siar

Community members were involved in designing and procuring the Uist and Barra public bus service. The procurement process involved using an 'output performance specification'. In this, participants were asked at various public meetings to define their priorities, rank types of services and vote for their preferred price/quality ratio. The final decisions were made by panels of local people. This participatory budgeting approach has provided a more responsive service for the local community and the council has reported an increase in uptake since it began in March 2016.

#### City of Edinburgh Council

'Leith Decides' is the longest-running participatory budgeting project in Scotland and has been used by Leith Neighbourhood Partnership since 2010/11. The approach involves the local community deciding how 50 per cent of the partnership's community grants fund is spent. In 2014/15, a total of 1,625 people took part in scoring projects (an increase of 66 per cent on the previous year) and £22,092 (in grants of up to £1,000) was allocated to 25 projects. In addition to this, the number of people engaged in local decisions has increased significantly, from 320 in 2010/11 to 1,625 in 2014/15.

#### North Ayrshire Council

In November 2016, the council [launched](#)  one of Scotland's largest online participatory budgeting projects in collaboration with Young Scot. About 5,000 young people aged 11-25 years in North Ayrshire used Young Scot's online voting platform to allocate a share of £60,762 to youth projects in their local area

Source: Audit reports

---

# Part 3

## Looking ahead




### Councillors need to provide effective, strategic leadership

**54.** The next council term is likely to bring significant challenges and uncertainties for councils. The role of local government in Scotland is under review and is the subject of planned Scottish Government legislation. The impact of the United Kingdom's decision to leave the European Union is currently unknown but will have to be worked out and managed. The ongoing financial and population pressures are set to increase.

**55.** Our audit work has shown that there are still areas that councils need to strengthen in responding to the challenges they face. We recognise that, with reducing resources, councils will find delivering services and improvements increasingly difficult. It is critical therefore, that they set clear long-term strategies and plans that target effort on improving priority areas. This will require councils to evaluate all possible options to make improvements for their communities in the most efficient ways.

**56.** The 2017 local government elections could result in changes to elected members and the political make-up of councils. Councillors have a critical role in setting their council's strategies and need to have the right knowledge, skills and time to lead and scrutinise how councils are achieving these. Councils will also need to continue to involve citizens in decisions about local services and report their performance in ways that help local citizens gauge improvement. Our audit work has highlighted the importance of effective leadership in developing robust strategies and making difficult decisions.


**57.** Councillors need to provide effective strategic leadership if councils are to successfully change the way they work. Councillors need to make informed decisions on the increasingly difficult and complex choices they face and to scrutinise whether the council is achieving its priorities. Council officers must support new and returning councillors effectively by providing them with clear and understandable information, and access to necessary and essential training to help them fulfil their role. We have recently published a report on [\*Roles and working relationships in councils – Are you still getting it right?\*](#)  (2016) to support councillors in their difficult and challenging role. The Improvement Service's induction materials may be a useful resources here.



**How can you ensure that you have the right skills and knowledge to help carry out increasingly complex and challenging roles efficiently?**

## Councils need comprehensive long-term financial strategies and plans in place

**58.** Our recent financial overview for 2015/16 highlighted the increasing challenges that councils are having in managing their budgets. About a third overspent social work budgets in 2015/16, similarly about a third underspent education budgets. The need for budgets and forecasts to reflect actual spending becomes increasingly important for councils with decreasing or low levels of usable reserves to draw on. Councils cannot continue to rely on underspends in certain services offsetting overspending elsewhere. Budgets should be revised to reflect true spending levels and patterns. This requires good financial management to ensure spending is accurately forecast and monitored within the year, including systems that allow budgets to be monitored in real time. The impact of current spending approved by councillors on the financial position can only be accurately assessed if budgets are accurate.

**59.** Councils are developing their financial strategies and plans in an increasingly complex environment. The Accounts Commission recognises that the Scottish Government providing funding settlement figures for a single year presents challenges to councils updating medium-term financial plans and having long-term strategies in place. But the absence of indicative funding should not prevent councils projecting future income, and spending and planning accordingly. A longer-term approach to finances provides a context for current decisions and, along with a clear set of financial strategies and principles, creates an overall framework for financial decision-making and sustainability. It is imperative that long-term financial strategies (covering five to ten years) link spending to councils' strategic priorities and that spending plans are considered in this context. Our [Local government in Scotland: Financial overview 2015/16](#)  highlighted that this is an area where councils can continue to improve.

**60.** Council priorities should be supported by long-term strategies and medium-term plans. Using tools such as scenario planning, councils can consider a range of different scenarios and become more agile in developing their responses. Financial strategies and plans must be aligned to workforce, service and operational plans to ensure that they take account of councils' operating environments. This will ensure the council is financially aware, takes decisions based on financial information and manages the financial risk. [Exhibit 14 \(page 34\)](#) sets out the main elements of the financial planning process and how these interact with key council planning documents.

## Councils need to appraise all possible options for change and involve local communities

**61.** A crucial element of achieving Best Value is using options appraisal effectively to evaluate current and alternative ways to deliver services. There should be rigorous and challenging appraisal of all the options. It is important that councils consider a wide range of alternatives, including fundamentally different approaches, to help each council find the most effective and efficient way to achieve its priorities for its local communities. This includes examining opportunities to work with and give communities powers to deliver services in different ways as well as learning lessons from other councils across the United Kingdom and from wider public service reform. Councillors should get all necessary information and support from officers to help them fully assess the benefits and risks of each option.




---

**How fully have you appraised all options for delivering services differently?**

---



---

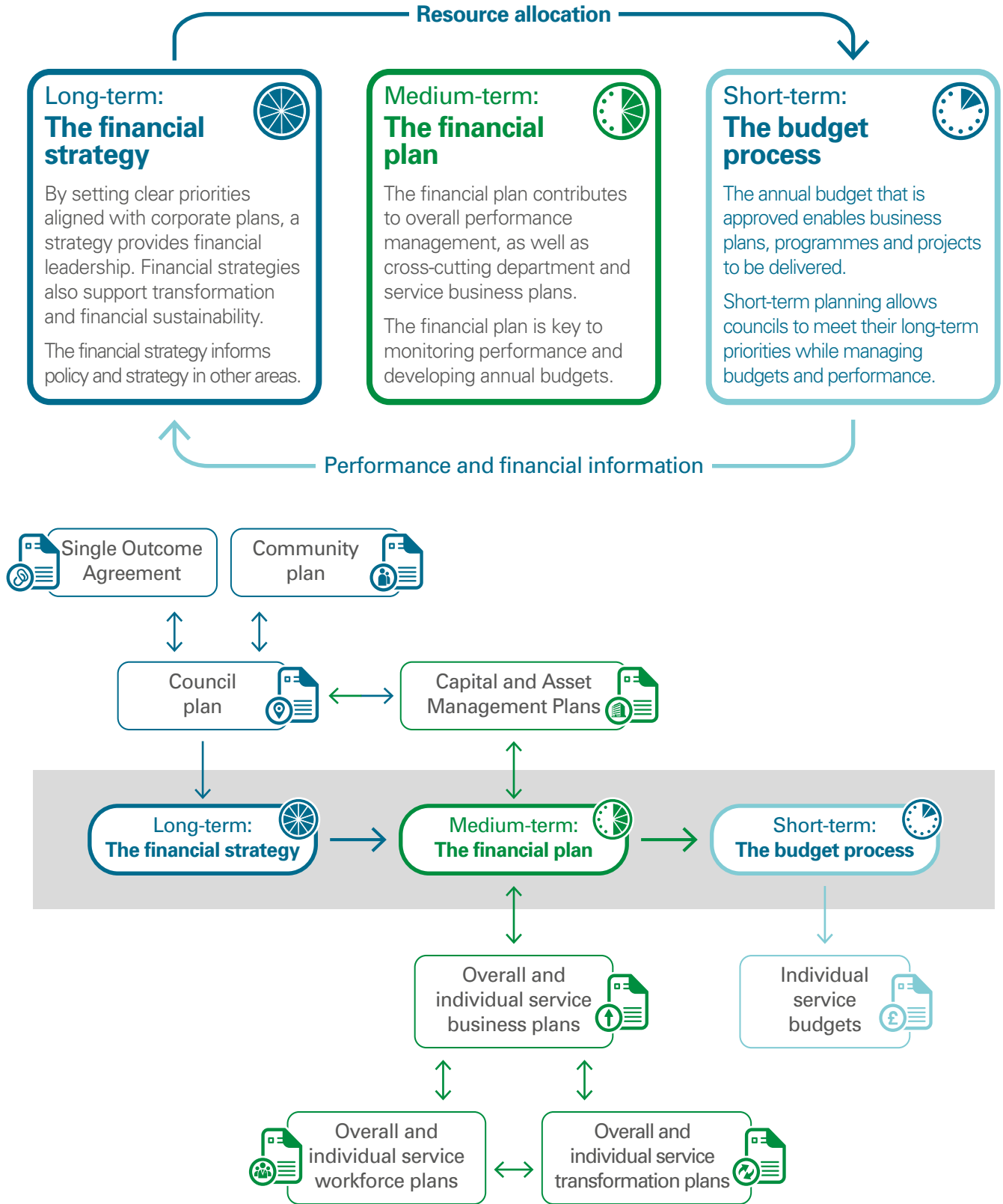
**How can you consider more business in public?**

---

### Exhibit 14

#### Key components of council strategic planning and operational management

Financial planning should be linked to operational delivery plans.



Source: Audit Scotland












**62.** When councils and councillors are identifying and approving savings in any service area, it is important that they consider, assess and monitor the impact of their decisions. Councils should:

- identify expected savings
- consider the potential impact on people using services, communities and staff
- monitor how they are achieving savings
- review the impact of reforms on the outcomes that services are delivering.

**63.** We have seen examples of councils engaging well with their communities on important local issues. The Community Empowerment (Scotland) Act 2015 provides, among other things, a statutory basis for local people to be more involved in decision-making and to take ownership of councils' assets. Councils need to understand local expectations of services and to work closely with their communities and the people who use services to redesign how services are delivered. New guidance issued in December 2016 places a statutory duty on CPPs to improve local outcomes. An increased emphasis on joint working is expected to improve community involvement and address inequalities.<sup>21</sup>

# Endnotes



- ◀ 1 This is gross income. Councils' total income in 2015/16 was £18.9 billion, with £10.9 billion being provided by the Scottish Government.
- ◀ 2 [Local government in Scotland: Financial overview 2015/16](#) , Audit Scotland, November 2016.
- ◀ 3 The Scottish Government guarantees the combined general revenue grant and non-domestic rate income figure approved by the Parliament for each council. This means that any reduction in one component of funding is compensated for by an increase in the other.
- ◀ 4 *Scotland's Budget – 2016*, Fraser of Allander Institute, 2016.
- ◀ 5 This assumes that council tax collection rates (and the households this was collected from) would have remained the same and that total funding, and therefore income, would have been adjusted to exclude £70 million of revenue funding provided annually by the Scottish Government to councils to support the council tax freeze.
- ◀ 6 *Scotland's Budget – 2016*, Fraser of Allander Institute, 2016.
- ◀ 7 [School education](#) , Audit Scotland, June 2014. This report shows that performance improved between 2002/03 and 2012/13 against the ten attainment measures examined.
- ◀ 8 Aberdeenshire, Clackmannanshire, East Lothian, Highland, Midlothian, Orkney Islands, Shetland Islands and West Lothian councils.
- ◀ 9 *Public Sector Employment in Scotland*, Scottish Government, June 2016. These figures will include staff who have transferred to or from ALEOs over the period.
- ◀ 10 We reported in our November 2013 audit, [Scotland's public sector workforce](#) , that councils transferred 9,100 FTE posts to ALEOs between 2009/10 and 2012/13.
- ◀ 11 Information collected by auditors as a follow up to [Scotland's public sector workforce](#) , Audit Scotland, November 2013.
- ◀ 12 [Maintaining Scotland's roads: a follow-up report](#) , Audit Scotland, August 2016.
- ◀ 13 [Local government in Scotland: Financial overview 2015/16](#) , Audit Scotland, November 2016.
- ◀ 14 Auditors provided this information in July 2016. We report more information on funding gaps in [Local government in Scotland: Financial overview 2015/16](#) , Audit Scotland, November 2016.
- ◀ 15 [Falkirk Council: Best Value audit report](#) , Audit Scotland, December 2016.
- ◀ 16 [South Ayrshire Council: Best Value audit report](#) , Audit Scotland, June 2016.
- ◀ 17 The full range of indicators includes unit costs and public satisfaction. These are available on the Improvement Service website – [www.improvementservice.org.uk/benchmarking/](http://www.improvementservice.org.uk/benchmarking/) 
- ◀ 18 *Scotland's People Annual Report: Results from the 2015 Scottish Household Survey*, 2016. There are limitations when using this data as survey questions do not fully distinguish the views of the whole adult population on services from the views of those who are direct users of the services. Sample size may also be an issue in some councils.
- ◀ 19 [Social work in Scotland](#) , Audit Scotland, September 2016.
- ◀ 20 *A Plan For Scotland, the Scottish Government's Programme For Scotland 2016-17*, Scottish Government, September 2016.
- ◀ 21 *Community Empowerment (Scotland) Act – Part 2: Community Planning Guidance*, Scottish Government, December 2016.

# Local government in Scotland Performance and challenges 2017

This report is available in PDF and RTF formats,  
along with a podcast summary at:

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

If you require this publication in an alternative  
format and/or language, please contact us to  
discuss your needs: 0131 625 1500

or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk) 

For the latest news, reports  
and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk) 

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

ISBN 978 1 911494 16 4

This publication is printed on 100% recycled, uncoated paper





# Local government in Scotland: Performance and challenges 2017




ACCOUNTS COMMISSION 

## Key messages


- 1** Councils have faced significant challenges from a long-term decline in revenue funding from an ageing and growing population. The scale of these challenges continues to grow. Policy and legislative changes are also placing additional demands on councils and changing how councils work.
- 2** Councils are responding to the challenges by continuing to adopt alternative ways of working, reducing the level of service they provide and reviewing fees and charges. While some councils are making good progress in managing services and delivering savings, others are not. The pace and scale of reform needs to increase in some councils. Despite these challenges, councils' performance has been maintained or improved.
- 3** With reducing budgets and workforces, councils will find delivering improvements increasingly difficult. It is critical, therefore, that they set clear long-term strategies and plans that target effort on priority areas. This includes organisation-wide workforce plans to ensure councils have the capacity to manage change and deliver services going forward. A councillor's role is complex, demanding and evolving. They are required to provide effective and strategic leadership, and it is therefore critical that their knowledge is up to date and skills are refreshed to enable them to establish strategic priorities, fully assess options for change and hold services to account.



## Recommendations


### Councils should:

- set clear priorities supported by long-term strategies and medium-term plans covering finances, services, performance and workforce. These plans should inform all council decision-making, service redesign, savings and investment decisions. [Exhibit 14 \(page 34\)](#)  sets out the main elements of a councils' financial planning processes and how these link with other council plans
- ensure that budgets are clearly linked to their medium-term financial plans and long-term financial strategies. Budgets should be revised to reflect true spending levels and patterns. This requires good financial management and real-time information to ensure spending is accurately forecast and monitored within the year
- have an organisation-wide workforce plan to ensure the council has the people and skills to manage change and deliver services into the future
- ensure workforce data allows thorough analysis of changes to the workforce at an organisation-wide and department level. This will allow councils to better assess the opportunities and risks in staff changes
- thoroughly evaluate all options for change and service redesign, including options for investing to save, and monitor the impact of change on council priorities and desired outcomes
- support communities to develop their ability to fully participate in setting council priorities and making decisions about service redesign and use of resources
- ensure councillors get support to develop the right skills and knowledge to fulfil their complex and evolving roles
- ensure there is clear public reporting of performance linked to council priorities to help communities gauge improvements and understand reduced performance in lower priority areas
- continue to work to understand the reasons for variation in unit costs and performance, and collaborate to identify and adopt good practice from each other.




# Self-assessment tool for councillors

This self-assessment captures a number of potential questions for councillors and relates to our report [Local government in Scotland 2017: Performance and challenges](#) . It is designed to help councillors identify how well informed they are about key issues in their council and to highlight areas where they may wish to ask further questions of officers.

As part of [Local government in Scotland: Financial overview 2015/16](#) , published in November 2016, we produced a [checklist for councillors](#)  related to financial matters. This may be useful to help councillors identify how well informed they are about financial issues in their council.

How well informed am I?		
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
<b>Workforce planning (paragraphs 24-32)</b> 		
What do you need the workforce to look like in terms of numbers, skills and knowledge?		
Does your workforce data allow accurate analysis of changes to the workforce at an organisation and department level?		
Do you have an organisation-wide workforce plan with realistic targets and timescales for meeting objectives?		
Do you think your organisation-wide workforce plan will ensure staff reductions do not have a negative impact on the skills mix and ability of your council to scrutinise, manage and deliver services effectively?		
Do you have the staff and skills necessary to manage change and deliver services?		

## How well informed am I?

Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
<b>Scrutiny (paragraphs 39-40)</b> 		
How well do you scrutinise decisions on financial and service performance?		
How do you ensure you have the knowledge and expertise you need to scrutinise effectively?		
<b>Community engagement (paragraphs 52-53 and 61-63)</b> 		
How are you involving local communities and empowering them to design and deliver services to suit local needs?		
Does your council have regular discussions with communities about service priorities and what level of service the council can afford to provide going forward?		
What is your role as councillor in this?		
How can you consider more business in public?		
<b>Public satisfaction (paragraphs 50-51)</b> 		
How can you better engage with local communities to understand why public satisfaction is declining?		
What level of complaints does your council receive?		
For which departments?		
How has this changed?		
Are appropriate systems in place to deal with complaints?		

## How well informed am I?

Questions for councillors to consider

What do I know?

Do I need to ask any further questions?

### Councillor skills and training (paragraphs 54-57)

How can you ensure that you have the right skills and knowledge to help carry out increasingly complex and challenging roles efficiently?

### Transformational change and service redesign (paragraph 61-63)

How fully have you appraised all options for delivering services differently?

Do you need to invest in any skills, for example, change management?



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk) 

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

For the latest news, reports and updates, follow us on:





**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 20 June 2017

**BY:** Depute Chief Executive (Partnerships and Community Services)

**SUBJECT:** How Councils Work: Roles and Working Relationships in Councils – Are you still getting it right? (Accounts Commission, November 2016)

---

## **1 PURPOSE**

- 1.1 To review East Lothian Council's position in relation to the Accounts Commission report, *'How Councils Work: Roles and working Relationships in Councils – Are you still getting it right?'*

## **2 RECOMMENDATIONS**

- 2.1 The Committee should:
- note the position of East Lothian Council in regard to the issues raised in Accounts Commission report, *'How Councils Work: Roles and Working Relationships in Councils – Are you still getting it right?'*
  - use the Summary Checklist that accompanies the report to identify any areas where further information or guidance is required for elected members
  - note that a training needs survey of elected members will be carried out in the autumn to help inform the development of an on-going training and development programme for councillors.

## **3 BACKGROUND**

- 3.1 The Accounts Commission has published a series of reports under the theme: How Councils Work, which address key areas of good governance in councils. It published the *'Roles and Working Relationships: Are you getting it right'* report in 2010 and in November

2016 it published the follow up report, 'Roles and Working Relationships in Councils – Are you still getting it right?' in November 2016.

3.2 In this latest report the Accounts Commission revisits the themes in its 2010 report. It highlights issues that are important to the governance of councils in the current climate. The Commission hopes that the report will support councillors in their difficult and challenging role. Also the report should also help councils to consider their governance arrangements.

3.3 The three messages highlighted in the report centre on the main themes of the original 2010 report:

- clear roles and responsibilities and arrangements for governance that are up to date
- effective working relationships, with councillors and officers demonstrating appropriate behaviours
- councillors having the skills and tools to carry out their complex and evolving roles.

3.4 The Accounts Commission stresses that Councils need to put in place systems for governance that fit their particular ways of working. The broad principles of good governance that all councils must observe were set out in the CIPFA/ SOLACE Delivering Good Governance in Local Government Framework (2007). The six core principles of the framework provide a useful context for the report:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability.

3.5 The Council adopted the Good Governance principles in 2010 and carries out an annual self-evaluation against the framework which is reported along with the Annual Governance Statement to Audit and Governance Committee.



- 3.6 *How Councils Work: Roles and working Relationships in Councils – Are you still getting it right?* is structured around seven significant issues, which are summarised below along with a short explanation of how East Lothian Council is addressing each of them.

***The changing local government operating environment***

- 3.7 The report highlights the major challenges faced by local government, including continuing resource constraint against a backdrop of increasing demand and rising public expectations, the integration of Health and Social Care, the increasing complexity of service delivery, the re-emphasis on Community Planning and the Community Empowerment Act, the potential impact of the Scottish Government's Programme for Government and the implications of the decision to leave the European Union.
- 3.8 The Accounts Commission has emphasised, in this and other reports, that the scale and pace of change required and expected of councils means that difficult decisions about fundamental changes in services and how they are delivered will need to be taken. This makes it even more important that councils review their governance arrangements to ensure they remain 'fit for purpose' in the ever changing and more complex operating environment.
- 3.9 The draft Council Plan 2017-2022 adopted by the Council in February 2017 addresses the challenges highlight by the Accounts Commission. The draft Plan is explicit in identifying the need for the Council to undergo fundamental changes through the Transformational Change programme and through increasingly becoming:
- An enabling and empowering authority that works with its citizens and communities, the business and third sectors and other public sector partners to deliver the solutions that work best for East Lothian
  - A more entrepreneurial authority, developing new ways of ensuring services are provided in the most effective and efficient way possible
  - A 'digital' authority, fully embracing and exploiting opportunities to use technology to deliver services.
- 3.10 East Lothian Council carries out an annual self-evaluation against its Corporate Governance framework to ensure that it has governance arrangements in place to support effective decision-making and strong and effective leadership. The self-evaluation, which is reported to the Audit and Governance Committee and forms the basis for the Annual Governance Statement, included in the Council's Annual Accounts, identifies areas for improvement.

### ***Councillors and officers must be clear on their roles***

- 3.11 The key point made by the Accounts Commission is that clear governance, particularly officer and member roles and responsibilities, is essential to delivering effective public services. Councillors should actively support and contribute to the effective governance of the council through taking fair and objective decisions and providing constructive scrutiny. Councillors are required to observe the Councillors Code of Conduct but councils can also develop more specific local guidance on roles and responsibilities.
- 3.12 The elected member induction programme has included sessions which deal with the roles and responsibilities of elected members and the Councillors Code of Conduct. The Council has adopted role descriptions for elected members making a clear distinction between 'backbench' elected members, senior members, Council Leader and Provost. The Council Standing Orders and Scheme of Administration and Delegation include the role descriptions for Chief Officers and Statutory Officers as well as the Councillors Code of Conduct, which clearly outline the different role of councillors and officers.

### ***Scrutiny is an essential part of effective decision-making***

- 3.13 Councils must have good systems for decision-making, audit and scrutiny, if they are to operate effectively. Scrutiny and audit are both important, but their distinction is not always clear. The Accounts Commission believes that effective and transparent scrutiny is best achieved where the chair of the scrutiny committee is not a member of the political administration; scrutiny committees must have clear terms of reference; they must have access to independent advice; and their members must have the necessary skills and training to do their job.
- 3.14 The Council has three scrutiny committees – Audit and Governance, Policy and Performance Review and Police, Fire and Rescue and Community Safety Scrutiny Committees. The Committees have clear and distinct terms of reference. The Audit and Governance and Policy and Performance Review Committees are chaired by non-administration members. The scrutiny committees are supported by council officers who provide impartial advice to the members. The Guide to Scrutiny provides members of the committees with guidance about how to conduct their business and provide effective scrutiny.

### ***The governance of partnerships and arm's length bodies needs to be considered from the outset***

- 3.15 Councils and their partners must give careful consideration to the governance arrangements for partnerships, joint boards and arms-length organisations. The integration of health and social care is an example of the complexities involved in achieving effective partnership working. The report also makes specific reference to arms-length organisations (ALEOs) which have grown in scale and importance in recent years. The Councillors Code of Conduct usefully sets out the principles that

councillors must follow when taking a role on outside bodies. The report also highlights the potential conflict of interest issues that might arise for councillors who are appointed to the boards of ALEOs and other outside bodies.

- 3.16 East Lothian Council only has one recognised ALEO – Enjoy Leisure – which was established following detailed consideration of governance and other arrangements. The governance arrangements for East Lothian’s community Planning Partnership have been reviewed and revised on several occasions and will be reviewed once again during summer 2017 to ensure they remain ‘fit for purpose’ as the Single Outcome Agreement is replaced by a new East Lothian Plan (Local Outcome Improvement Plan). The elected members’ induction programme included sessions on the role of members on outside bodies and briefings on some of the Council’s key partnership bodies, including the Health and Social Care Partnership.

***Statutory officers need to have sufficient influence***

- 3.17 The Accounts Commission believes that statutory officers, who have an important role to play in promoting and enforcing good governance and for making sure councils comply with legislation, must have sufficient influence and experience to undertake these roles. Councillors must be aware of the purpose of the statutory officers which should be set out in schemes of delegation.
- 3.18 East Lothian Council’s Scheme of Delegation includes the role descriptions for the statutory officers – Head of Paid Service, Chief Financial Officer, Monitoring Officer, Chief Social Work Officer and Chief Education Officer. Four of the five statutory officers are members of the Council Management Team and the other – Chief Social Work Officer – attends regularly and also meets with the Chief Executive on a monthly basis. All elected members have been made aware of the role of the Council’s statutory officers and have direct access to them to seek advice or pursue any matter of concern (e.g. possible breach of Standing Orders or the Councillors Code of Conduct). The statutory officers attend the Council, Cabinet and other Committees as required to provide advice to members.

***Good conduct and behaviours are crucial***

- 3.19 The Accounts Commission has stressed the importance of councillors and officers working well together with relationships built on trust, openness and mutual respect. Again the report stresses the importance of councillors observing the ethical standards and behaviours set out in the councillors’ code of conduct. The 2010 How Council’s Work report noted the benefits of using cross-party meetings to help foster good communication and working relationships between political groups. It also suggested that member-officer working groups can be useful although they should not be used for decision-making. The report stresses that ultimately, actual behaviours are more important than rules.

- 3.20 The Council supports a culture of trust, respect and openness between councillors and chief officers, with the officers providing confidential advice as required to both the administration and opposition groups (e.g. in the preparation of administration and opposition budgets prior to the Council budget setting meeting). The Council has on occasion established cross party meetings to consider matters such as the Council's response to the Local Government Boundary Commission.

***Councillors need the skills and tools to carry out their roles***

- 3.21 As has been highlighted above the role of elected members is evolving and has become increasingly complex, which underlines the importance of councillors having the skills, knowledge and confidence to undertake their various roles. Councils have carried out training needs analysis and put in place personal development plans for councillors. Although there is no requirement in the Councillors Code of Conduct for councillors to participate in training some training, in particular around councillors' quasi-judicial roles and in regulatory functions such as planning is compulsory. The Accounts Commission urges councils to ensure that councillors receive training in the essential areas of scrutiny, audit and financial decision-making. Finally, the report suggests that training and development for councillors should be an on-going process, not just a one-off induction.
- 3.22 The elected members' induction programme has included mandatory sessions, including on the councillors code of conduct, legal duties and responsibilities and the planning system. Other sessions were mandatory for new members. The Council has undertaken training needs analyses which helped to inform the development of an on-going programme of briefing sessions on key issues. Shortly after the 2012 council elections members were encouraged to create personal development plans that were then supported through the Improvement Service. It is proposed that a training needs survey of all elected members will be carried out in the autumn to help inform the development of an on-going training and development programme for councillors.
- 3.23 The Accounts Commission report is accompanied by a summary checklist (Appendix 2) of key questions which councillors and officers should ask themselves to ensure they are satisfied that the issues in the report are being addressed effectively.

## **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. The 'Overview of Local Government in Scotland 2016' will assist the Council in recognising the challenges that it faces in achieving Best Value in the future.

## **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 ‘How Councils Work: Roles and Relationships in Councils – Are you still getting it right?’, Accounts Commission, November 2016  
7.2 Summary Checklist, Accounts Commission, November 2016

<b>AUTHOR'S NAME</b>	Paolo Vestri
<b>DESIGNATION</b>	Service Manager, Corporate Policy & Improvement
<b>CONTACT INFO</b>	pvestri@eastlothian.gov.uk
<b>DATE</b>	2 June 2017



# How councils work

## Follow-up messages for councils

Roles and working relationships in councils -  
Are you still getting it right?



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
November 2016


# 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/ac](http://www.audit-scotland.gov.uk/about/ac) 

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



---

# Contents

---

How councils work	<b>4</b>
Purpose of this report	<b>4</b>
The changing local government operating environment	<b>6</b>
Councillors and officers must be clear on their roles	<b>8</b>
Scrutiny is an essential part of effective decision-making	<b>10</b>
The governance of partnerships and arm's-length bodies needs to be considered at the outset	<b>12</b>
Statutory officers need to have sufficient influence	<b>14</b>
Good conduct and behaviours are crucial	<b>15</b>
Councillors need the skills and tools to carry out their role	<b>17</b>
References	<b>19</b>

---

## Links


-  PDF download
  -  Web link
-

---

# How councils work

## Are you still getting it right?

---

1. The Accounts Commission's 2010 [\*How councils work. Roles and working relationships: are you getting it right?\*](#)  (HCW) report set out the importance of good governance in councils. This requires good working relationships, and members and officers being clear about their respective roles and responsibilities. As the Commission said at the time, getting these things right has a significant bearing on how well councils perform in delivering vital public services for local people and communities, and ensuring that public money is used wisely.
2. The report highlighted the complex and demanding role that councillors have in representing their constituents, providing strategic direction for the council, and scrutinising policy decisions and service performance. The Commission also drew attention to the increasing role of councillors on external bodies and partnerships such as health integration joint boards, arm's-length organisations, voluntary sector organisations and police and fire committees. The report stressed the importance of training and development to support councillors with the skills and tools to carry out their role.
3. Many, if not all of the recommendations in that report still stand. That is unsurprising as they were founded on core principles of good governance: clarity about roles and responsibilities; a culture of trust; and the application of good conduct and behaviour. However, since its publication in 2010, the context in which local government operates has changed markedly. The Accounts Commission has therefore decided to re-visit some of the report's key messages in the light of these changes.
4. The Commission hopes that this report will be a useful tool to support councillors and officers in their complex and evolving role. It aims to help them review their practice and to take any necessary actions to ensure that their council's governance arrangements remain fit for purpose.

### Purpose of this report

5. Alongside its role as the local government public spending watchdog, the Accounts Commission also aims to help councils improve. The How councils work series of reports and this follow-up report focus on supporting councils in their drive for improvement.
6. In this report the Accounts Commission revisits the themes in its 2010 HCW report on roles and working relationships. It highlights issues that are important to the governance of councils in the current climate. The Commission hopes that this report will support councillors in their difficult and challenging role. It should also help councils to consider their current governance arrangements and make any necessary changes, including their preparations for the new intake of councillors following the May 2017 local government elections.

**7.** The messages highlighted in this report centre on the main themes of the original HCW of:



- clear roles and responsibilities and arrangements for governance that are up to date
- effective working relationships, with councillors and officers demonstrating appropriate behaviours
- councillors having the skills and tools to carry out their complex and evolving role.

**8.** Councils need to put in place systems for governance that fit their particular ways of working. There are however broad principles of good governance that all councils must observe. The 2007 CIPFA/ SOLACE Delivering Good Governance in Local Government Framework sets out six core principles which provide a useful context for this report:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

**9.** The checklists throughout the report are designed to help councils assess their governance arrangements taking these principles into account.

**10.** The [References](#) section provides links to other useful guidance material prepared by bodies including the Association of Public Service Excellence, the Centre for Public Scrutiny, the Chartered Institute of Public Finance and Accountancy, the Improvement Service, the Society of Local Authority Chief Executives and Senior Managers, and the Standards Commission.


**11.** As part of its research for this report, the Accounts Commission hosted two Round Table discussions to explore how the current local government context impacts on governance in councils. These were attended by senior officers and members from Scottish local authorities and leading local government policy experts and academics. Summaries of those discussions can be accessed here [Round Table 1](#) , [Round Table 2](#) . In addition to the round table discussions, the Commission has drawn on its own audit work in councils, and also wider research from those bodies identified in [references](#).

**12.** The following sections set out significant issues that the Accounts Commission believes are important to effective governance in the changing local government climate.


### **The changing local government operating environment**

**13.** Councillors and council officers are working in an increasingly complex and challenging environment. Councils face continued financial constraints along with demand pressures in areas such as older peoples' care. Councils are having to rethink many of the ways in which they have done things in the past. This has implications for councillors and officers, and how they work together to lead change and improve services. Some of the major changes in the local government environment are summarised below:

- Continuing resource constraints, against a backdrop of increasing demand and rising public expectations about the quality of public services.
- The integration of health and social care, which is fundamentally changing the governance arrangements for this significant area of public service delivery.
- The increasing complexity of service delivery (ALEOs, Trusts, special-purpose vehicles, charities, etc.), often in partnership with others (other public bodies, the third and private sector, or communities themselves).
- The re-emphasis on Community Planning and the Community Empowerment Act, which has the potential to fundamentally change the relationship between councils and local communities.
- The City Region Deal programme, which is giving councils a more prominent role in leading the development of the local economy.
- The Community Justice (Scotland) Act 2016, which gives community planning partnerships responsibility for the strategic planning and delivery of community justice.
- The potential impact on councils of the Scottish Government's Programme for Government.
- The implications on local government of the United Kingdom's decision to leave the European Union.

**14.** The councillor role, while rewarding, can be challenging and stressful. Councillors play an increasingly important role in enabling communities to meet their aspirations. But at a time of financial constraint, they must also take difficult service decisions that may impact on the communities they serve. A report by the Association of Public Service Excellence (APSE) [\*The future role of elected members in Scotland\*](#)  illustrates these points well.

**15.** Councils need to take major decisions over how they provide services to meet current cost and demand pressures. The Accounts Commission has found that councils are implementing incremental changes to services, for example through introducing service charges or reducing employee numbers. But these approaches are not sufficient or sustainable given the scale of the challenges ahead.

**16.** In its 2016 report, *An overview of local government in Scotland* , the Commission emphasised that councils need to consider fundamental changes to cope with these pressures. A more strategic approach is needed with longer-term planning and a greater openness to alternative forms of service delivery. This requires both strong leadership and effective engagement with communities.

**17.** Good governance lies at the heart of how councils manage change and deliver improvement. But, governance has become more complex since the Accounts Commission's 2010 How councils work report because of a range of factors, including:

- the shift from single party council administrations to coalitions, where no single party has overall control
- the shift from traditional service-based committees to the executive or cabinet model, bringing a clearer separation between decision-making and scrutiny
- the increasing prominence of partnership working, including health and social care integration, and service delivery through alternative models such as arm's-length organisations
- the introduction of leaner management structures within councils, with executive directors holding wider service remits.

**18.** Many councils are taking measures to scale-down their management structures and reduce their workforces. Streamlining management and becoming more efficient is an important aspect of delivering Best Value, but the Commission has emphasised that councils need to retain sufficient leadership capacity to deliver effective services for the future. This means having the people in place with sufficient knowledge, skills and available time.

---

## Checklist 1

### Keeping governance up to date



#### As a councillor:

How effective is governance in your council?

Have your views been sought over the effectiveness decision-making and scrutiny, coalition working arrangements, or multi-member ward working for example?

Do you think councillors provide strong and effective leadership?

Do you feel that the council's senior management team has the capacity and capability to deliver the council's priorities?

Cont.

**As a chief officer:**

Have you consulted with councillors over the effectiveness of the council's governance arrangements?

Do you regularly review governance, eg schemes of delegation, standing orders and working protocols?

How well has the council adapted its governance to take into account significant changes such as health IJBs and its use of arm's-length companies?

Does your annual governance statement address significant issues and identify areas for improvement?

**Councillors and officers must be clear on their roles**

**19.** Governance can be described as the systems for directing and controlling an organisation's activities. Put simply, it's about being clear about what the council is trying to achieve and who is responsible for doing what. The 2010 HCW report emphasised that clear governance, particularly officer and member roles and responsibilities, is essential to delivering effective public services. That fundamental principle is as valid now as it ever was.

**20.** It is important that councillors actively support and contribute to the effective governance of the council itself. For example taking fair and objective decisions and providing constructive scrutiny. The Accounts Commission's Best Value work has shown how difficult it is for councils to make progress where councillors do not support, or may even obstruct their council's governance processes.

**21.** Councillors are required to observe the Councillors Code of Conduct. This sets out core requirements around the role of councillors and their conduct, for example around declaring interests and taking decisions. The McIntosh report into local government and the Scottish Parliament, June 1999 highlighted the distinct roles and responsibilities for councillors and officers.

- The full council (comprising all councillors) is the governing body of the council that determines policy. It is ultimately responsible for ensuring the quality of service delivery.
- Councillors are elected to determine policy, not to engage in the direct operational management of services – this is the responsibility of council officers.
- Officers advise and serve the whole council. The council has a right to expect advice which is candid, expert and impartial.

**22.** It found that these distinctions are often easier to state than to carry out consistently into practice. For example the distinction between policy development and management is notoriously difficult to draw up at the margin. In addition, the changed framework within which councillors and officers operate in cabinet or executive systems of governance call on a new level of skills on the part of officers who are required to work directly to both the executive leadership group and to the council as a whole.

**23.** Coalition administrations are now the norm for local government in Scotland, but these can bring less certainty over decision-making. It can take more effort from both councillors and officers to work effectively in a coalition. It also requires a more sophisticated or nuanced approach to balance different interests across political groups.

**24.** Some council administrations use coalition agreements to set out the joint expectations of the administration parties. These can be used to set out their shared vision and commitments, arrangements for budget setting, decision-making and scrutiny, and arrangements for resolving any differences. Coalition agreements can also be a useful focus for officers to help clarify the goals they need to work to. If managed well coalition working can lead to better decisions through testing policy proposals more widely.

**25.** Councils should also consider developing more specific local guidance or protocols to help clarify roles and responsibilities in their council. Examples include protocols for multi-member ward working; member-officer engagement; and employee conduct. [References](#) outline further guidance available to councillors.

---

## Checklist 2



### Clear roles and expectations

#### As a councillor:

How well do you understand and observe the roles expected of you?

Do you need further guidance on how to fulfil your role, for example protocols for member-officer working?

Do you actively contribute to effective governance in the council, as well as fulfilling your representative role as councillor?

Are officers accessible – and to what extent do they provide the right balance between supporting the administration and supporting the council as a whole?

Where your council is led by a coalition, are the working arrangements clear?

Where your council uses the executive or cabinet system, are the roles of the executive and non-executive groups clear?

#### As a chief officer:

Do you feel you provide the right balance between supporting the administration and supporting the council as a whole?

Have you reviewed the council's governance documents including schemes of delegation, guidelines and protocols to ensure they are clear and easily understood?

Do you think all councillors are clear on their roles and have the necessary skills, and have you taken steps to support them?

---

## Scrutiny is an essential part of effective decision-making

**26.** Good governance involves councils being accountable and accessible to the communities they serve. Councils must be transparent about the decisions they make and the quality of the services they provide. The council's leadership must be scrutinised and held to account for its plans and performance. This requires a culture that recognises the importance of scrutiny and is open to candid discussions about risks.


**27.** Putting effective scrutiny in place can be particularly difficult in complex partnerships or where there is an uncertain and changing environment. Whatever system of governance is used, it is crucial to know who is asking questions over risk and resilience. A prerequisite for effective scrutiny is that councillors must regularly attend committee or board meetings and actively take part in scrutiny when they do so.

**28.** Councils must have good systems for decision-making, audit and scrutiny if they are to operate effectively. Scrutiny and audit are both important, but their distinction is not always clear. Blurring these roles can weaken governance.

**29.** In broad terms, scrutiny questions whether councils are doing the right thing and questions policy proposals and the performance and quality of services. Audit examines the regularity of governance and financial management including how the council has applied its resources to achieve its objectives. Councillors' involvement in discussion and debate at the start of the decision-making process is an important element of good policy making and effective scrutiny.

**30.** The Accounts Commission believes that effective and transparent scrutiny is best achieved where the chair of the scrutiny or audit committee is not a member of the political administration. Scrutiny and audit committees must have clear terms of reference that set out their independent role in scrutinising the councils decisions and its performance and practice. They should have adequate support and be given access to independent advice. Members of these committees must have the necessary skills and training to do their job.

**31.** Councils should give careful consideration to the design of their scrutiny arrangements, and review their effectiveness on an ongoing basis. The cabinet or executive model of governance makes a clearer distinction between decision-making and scrutiny. Where councils use this approach they should be clear on the powers that rest with executive members and the means by which non-executive members can hold the executive to account.

**32.** In its [overview of local government in Scotland](#)  report, the Accounts Commission' emphasised the importance of robust scrutiny over councils' strategic service delivery choices, noting that "it is increasingly important that councillors are able to challenge and scrutinise decisions and performance, and fully assess options for new and different ways of delivering services within their reducing budgets".

**33.** The Commission's Best Value work in councils has highlighted that scrutiny works best where councillors receive good quality information on which to base their decisions. But, councillors also need to be proactive and assure themselves that they have sufficient evidence before decisions are made. The information they receive should be balanced, comprehensive and understandable. If things go



wrong it is not enough for councillors to say 'I wasn't told', or 'we weren't given the information'. Where scrutiny fails the public interest is not met; the most graphic example being the failure in scrutiny by councillors in Rotherham MBC in relation to the sexual exploitation of children.

**34.** The 2015 Community Empowerment Act gives communities a much stronger say in how public services are to be planned and provided. The legislation provides a real opportunity for councils to develop imaginative ways of involving communities in local decisions and in scrutinising local services. Councils must use the opportunity that this new legislation presents to strengthen community engagement and participation to drive improved outcomes in local services.

---

## Checklist 3



### Effective scrutiny

#### As a councillor:

How open is your council to scrutiny – is scrutiny encouraged as a means to improve services and make better decisions?

Have you received training and support in your scrutiny role?

Do you actively engage in scrutiny and ask constructive and challenging questions?

Do you feel able to ask candid questions, for example about risks?

To what extent does scrutiny take into account service user and community views?

Are the chairs of the audit and scrutiny committees sufficiently independent?

Do you get sufficient information to make balanced decisions, for example on the best options for delivering services?

Does your council's scheme of special responsibility allowances reflect the importance of the scrutiny and audit functions?

#### As a chief officer:

Do you periodically review the effectiveness of scrutiny – including its impact on decision-making?

Are effective scrutiny and audit arrangements in place for services delivered through local partnerships or arm's-length bodies?

Do you provide councillors with comprehensive information on services, costs and risks?

Have you taken measures to engage service users and communities in scrutiny?

---

## The governance of partnerships and arm's-length bodies needs to be considered at the outset

**35.** Councils and their partners must give careful consideration to the governance arrangements for partnerships, joint boards, and arm's-length organisations. Issues such as councillor representation, scrutiny and public accountability need to be considered at the outset.

**36.** Where the council jointly leads a service with other partners it is important that they share a common culture and purpose. The Accounts Commission's Best Value audit work found that community planning partnerships for example are most effective where they have a shared culture of trust. But, the integration of health and social care is an example of the complexities involved in achieving this. Our December 2015 report on [Health and social care integration](#) highlighted the need for members of IJBs to understand and respect differences in organisational culture between councils and the NHS and to build a common understanding of the roles and responsibilities of board members.

**37.** There has been steady growth in councils' use of arm's-length organisations. First seen as sports trusts in the 1980s, ALEOs are now also widely used for property, transport, and economic development. More recently, ALEOs have been used for core services such as older people's care. This can mean councillors taking positions on the boards of companies and charitable trusts and brings particular demands to their already diverse role.

**38.** The councillors Code of Conduct sets out principles that councillors must follow when taking a role on outside bodies. The Standards Commission's Advice Note for Councillors on ALEOs provides supplementary guidance to help clarify this complex area of the Code. The Accounts Commission and COSLA's [Following the Public Pound Code](#) (FPP) and the Accounts Commission's [How councils work](#) reports on ALEOs also set out guiding principles for councils in this complex area.

**39.** These reports emphasise that councils should consider carefully the representation on arm's-length organisations. The key question is what skills are required of the board and who is best placed to meet these. Where councillors or officers take such roles they should be clear of their responsibilities and have the right mix of skills and experience.

**40.** There are risks of conflicts of interest where councillors or council officers take board positions. The Companies Act and Charities Act requires board members or trustees to act in the best interests of the company or trust on which they serve, and to put these interests first. But there may be times where this requirement may conflict with a councillors' duties to the council. This can be a difficult balance where councillors and council representatives may be privy to certain information, but are prohibited from sharing or acting on it because of their role. Examples could be council policy decisions that impact on local services and the funding provided to ALEOs.

**41.** There is an ongoing debate around the advantages and disadvantages of having councillors as board members. On the plus-side, councillors bring their status as democratically elected community representatives and their knowledge of the council and its services; on the minus-side, there are potential conflicts of interest between their council and ALEO roles. It is interesting to note that in England it tends to be the exception rather than the rule for councillors to be members of ALEO boards.

**42.** Councils should consider wider options to limit the risks of conflicts. For example, some councils have chosen not to use council representatives as board members for this reason. Alternatively, council representatives can take advisory or non-decision making roles in the ALEO. In all cases, and in line with FPP, councils should ensure that the performance of ALEOs is regularly reported and monitored by the council and reported to committee.

---

## Checklist 4



### Partnerships and arm's-length bodies

#### As a councillor:

Do you think the governance arrangements for local partnerships, the health IJB, and the council's arms-length bodies are clear and fit for purpose?

Do you have the necessary skills and abilities to undertake your role?

Do you receive support and training on your roles and responsibilities in relation to any partnership or arms-length body that you sit on?

Does your training specifically cover your legal responsibilities as a member or trustee in relation to the company or charitable trust that you are a member of?

Do you make a strong contribution through your attendance and engagement at board meetings?

Are the different aspects of the role clear eg providing strategic direction, scrutiny, audit, and representing the council or community?

Is the performance of the local body or partnership sufficiently monitored and reported to council?

Does the IJB have a common culture and purpose – is there a clear vision for improving care?

#### As a chief officer:

Does your council provide sufficient training and support to councillors in their roles on local partnerships and boards?

Does the council understand and observe the Following the Public Pound guidance? (eg setting clear criteria for funding, audit access, and monitoring)

Does the council have a clear rationale for council representatives having a role on outside bodies and partnerships?

Are you satisfied with the governance of the IJB including how its decisions are reported to the council?

---

## Statutory officers need to have sufficient influence

**43.** Statutory officers have specific duties and discharge their role as part of their wider responsibilities within their council. They have an important, independent role in promoting and enforcing good governance and for making sure councils comply with legislation. [Exhibit 1](#) summarises the core roles of statutory officers.

**44.** The Accounts Commission believes that statutory officers must have sufficient influence and experience to undertake these important roles. It has found in its Best Value audit work that in some cases the role of monitoring officer can be undermined because of a lack of trust and respect between councillors and officers.


**45.** The 2010 HCW report found that councillors are not always clear on the purpose of the statutory officer roles. Council schemes of delegation should set out what these roles involve and why they are important, and the role of statutory officers should feature in induction schemes for all newly councillors. Councillors and committees should know when to seek advice from statutory officers to ensure that they operate legally and responsibly.

**46.** The chief executive is responsible for ensuring that statutory officers have sufficient access and influence to carry out their roles. This could mean for example their being a member of, or attending the senior management team. As such the chief executive may need to balance the benefits of having statutory officers as full members of the senior management team, with any intentions to operate slimmer executive management structures.

### Exhibit 1

#### Statutory officer roles

Statutory officer post	Core duties
Head of paid service (the chief executive) <ul style="list-style-type: none"> <li>established under the Local Government and Housing Act 1989</li> </ul>	The head of paid service (the chief executive) is responsible to councillors for the staffing of the council and ensuring the work in different departments is coordinated.
Monitoring officer <ul style="list-style-type: none"> <li>established under the Local Government and Housing Act 1989</li> </ul>	The monitoring officer ensures that the council observes its constitution and operates legally. This includes reporting on the legality of matters, mal-administration, and the conduct of councillors and officers.
Chief financial officer <ul style="list-style-type: none"> <li>established under the Local Government (Scotland) Act 1973</li> </ul>	The chief financial officer (section 95 officer or the senior financial officer) is responsible for the financial affairs of the council.
Chief social work officer <ul style="list-style-type: none"> <li>established under the Social Work (Scotland Act) 1968</li> </ul>	Councils are required to appoint a professionally qualified chief social work officer to provide members and senior officers with effective, professional advice about the delivery of social work services.
Chief education officer <ul style="list-style-type: none"> <li>established under the Education (Scotland) Act 2016</li> </ul>	Councils are required to appoint a suitably qualified and experienced chief education officer to carry out the authority's education functions as defined by the Education (Scotland) Act and other enactments.

47. Our report *Social work in Scotland*  highlights that the role of the chief social work officer (CSWO) has changed significantly as a consequence of health and social care integration. This has created risks that in some councils the CSWO may have too many responsibilities and insufficient status to enable them to fulfill their statutory responsibilities effectively. This is one example of the challenges councils face in putting effective governance in place at a time of ongoing change.

---

## Checklist 5



### The role of statutory officers

#### As a councillor:

Do you understand the roles of statutory officers, and do you have confidence in their abilities and contribution? (eg, monitoring officer, chief social work officer, chief finance officer)

Have you received sufficient training on the roles and responsibilities of statutory officers?

Do you / your committee understand how and when to consult with statutory officers?

#### As a statutory officer:

Do you have sufficient influence to ensure the council operates effectively?

Are you seen to be accessible in the support that you provide throughout the council?

Do you have a constructive relationship with the senior management team?

Are your views sought, and do you provide advice and direction to councillors and senior officials?

Are the responsibilities of the statutory officer roles adequately set out in the council's governance documents?

---

## Good conduct and behaviours are crucial

48. Culture is set from the top and a positive culture is essential for any organisation to operate effectively. The Accounts Commission has stressed the importance of councillors and officers working well together. This means good working relationships built on trust, openness and mutual respect between all parties. Where these are absent it is difficult for any organisation to make progress.

49. Councils should reflect on whether their working relationships are constructive and productive. Councils operate in an often highly politicised environment and this can lead to tensions. The Standards Commission has noted increasing incidences of complaints against councillors. This can damage the reputation of councils and distract them from their purpose to provide people with vital services.

50. The Accounts Commission's Best Value work in councils has found instances where working relationships have broken down between political groups, or where there are tensions between members and officers. For example where

members lack confidence in officers and the information they provide to them. Social media and instantaneous communications are also becoming an increasing area of risk for councillor conduct.

**51.** Councillors and officers should send clear signals over how their people should behave and interact. Councillors should observe the ethical standards and behaviours set out in the councillors' code of conduct. Monitoring officers also have a role to help them with this. Exit interviews for councillors are seldom undertaken but they can provide useful reflection on how councils are run.

**52.** The 2010 HCW report noted the benefits of using cross-party meetings to help foster good communication and working relationships between political groups. Similarly, member-officer working groups can be useful to for members to work more closely with officers. These meetings should not be used for decision-making, observing the principle for council decisions and discussions to be taken in public.

**53.** Ultimately, actual behaviours are more important than rules – which can be worked around or ignored. It can be difficult for monitoring officers to challenge personal behaviours and this takes confidence and experience. Monitoring officers need to know how to act, and when. It is important that they address issues at an early stage, nipping potential problems in the bud to prevent poor behaviour becoming an accepted part of how the council runs itself.

---

## Checklist 6



### Conduct and working relationships

#### As a councillor:

To what extent do you think councillors work constructively together and show mutual trust and respect?

Is there a culture of trust and openness between councillors and chief officers?

Are you made aware of the behaviours and conduct expected of you?

Are cross party or group meetings and member-to-officer working groups used and do they work well?

#### As a chief officer:

Is sufficient guidance on roles and expected conduct available to both councillors and officers /employees?

Do you have positive and constructive working relationships with officers?

Are sufficient opportunities in place for cross party / group meetings, and for members to work with officers?

Are such meetings constructive, and do they respect the principle for public debate and decision-making?

Does the council undertake exit interviews for councillors and learn from them?

## Councillors need the skills and tools to carry out their role

**54.** Local government in Scotland is a significant undertaking on any measure, involving annual expenditure of £20 billion and employing over 240,000 people. The increasing complexity of the local government environment, highlighted in this report, underlines the crucial importance of councillors having the skills, knowledge and confidence to provide demonstrable leadership, to undertake a much wider variety of roles, and to manage this complexity effectively.

**55.** It is essential that councils practice effective scrutiny, and decision-making to make sure that every pound they spend is spent wisely. There is an over-riding need for good governance and this can be especially challenging as service delivery arrangements become more complex.

**56.** Many councils carry out training needs analysis and put in place personal development plans for councillors. But evidence from Best Value audits indicates that councillors' take up of training is at best variable and sometimes they have poor perceptions of the training they receive.

**57.** Despite the importance of skills development there is no requirement in the Councillors Code of Conduct for councillors to participate in training. However, all councils provide compulsory training for the quasi-judicial roles in regulatory functions such as planning and licensing.

**58.** This is in contrast to the position in the health service where health boards have a duty to provide non executive directors with the necessary information and training to ensure that they are able to discharge their corporate responsibility to their highest standards. The approach recommends mandatory training and development for new non executive directors of a health board relevant to their governance committee membership or as identified through the performance development process.

**59.** It is also important to draw attention to the requirement in the Following the Public Pound (FPP) code for councils to properly advise members and officers of their responsibilities in relation to ALEOs, including declarations of interests. Councils should consider the role of their training and development programmes in meeting this requirement. This is not only in the public interest but in the best interests of councils themselves.

**60.** The Accounts Commission urges councils to go further and ensure that councillors receive training in the essential areas of scrutiny, audit, and financial decision-making.

**61.** Involving councillors in the design of training programmes can help to make them more relevant to their needs. Drawing on the views of newly elected and longer-serving members can help ensure that training and development, particularly induction training, is appropriate and effective. This can help to overcome the 'you don't know what you don't know' challenge where councillors may not be aware of skills and knowledge gaps until they have been in the job for some time. There is also a role for peer-to-peer training so councillors can learn and benefit from others' experience.

**62.** Training and development should be an ongoing process, not just a one-off induction. Newly elected councillors can be overloaded at the start of their term.

Councils should consider wider options such as training in the transition period before councillors take office; or a second wave of training once councillors have settled into their roles and are in a better position to apply new learning.

**63.** It is also important that officers provide ongoing support to councillors including good quality advice and information to help them in their various roles. This includes the opportunity to learn from good practice in other councils – another recurring theme of Best Value audits. The overall focus needs to be on continuing personal development.

---

## Checklist 7

### Councillors skills



#### As a councillor:

How well do you understand your role in relation to the council, local community, and on partnerships and outside bodies?

Is training and development sufficient for you to do your job?

Are you able to make an effective contribution to scrutiny, audit, and financial aspects of council business?

Do you take up training opportunities and make the most of advice and support from officers?

#### As a chief officer:

Do you ensure that training and development opportunities are available to councillors?

Does training include essential skills in areas such as scrutiny, audit and financial decision-making

Do you give sufficient support, information and guidance to councillors across their diverse roles, including partnerships and arm's-length companies?

Do you tailor training to the individual needs of councillors make it available on an on-going basis?

Do you seek feedback on the effectiveness of training and act on this?

Has the council reviewed the facilities and support provided to councillors to help them make the best use of their time and skills?

---



# References

## Accounts Commission/Audit Scotland

[\*How councils work. Roles and working relationships\*](#) , Audit Scotland, August 2010.

[\*How councils work. Arm's-length external organisations \(ALEOs\)\*](#) , Audit Scotland, June 2011.

[\*The following the Public Pound Code \(Accounts Commission and COSLA\)\*](#) , Audit Scotland, March 2004.

[\*An overview of local government in Scotland 2016\*](#) , Audit Scotland, March 2016.


## Other references (as in October 2016)

[Councillors' Code of Conduct \(The Standards Commission\)](#) .

CIPFA/SOLACE [Delivering Good Governance in Local Government: Framework \(2016 Edition\)](#) .

[Advice for councillors on arm's length external organisations](#)  (The Standards Commission).

[Improvement Service learning materials](#) , eg Elected Member Briefing Notes & Guidance (CPP board guidance, continuous professional development, induction, briefings etc.)

Scottish Parliament Information Centre (SPICe) Financial Scrutiny Unit Briefing, [Subject profile – local government in Scotland](#) , (includes councillor roles and council powers / functions).

[The role of the chief financial officer](#) , CIPFA.

Association of Public Service Excellence (APSE) report: [The final piece of the jigsaw: elected members, everyday politics and local democracy in Scotland](#) .

Local Government Association information on being a councillor: <http://beacouncillor.co.uk/> .

Scottish Government: [On Board: A Guide for Board Members of Public Bodies in Scotland](#) .

# How councils work

## Follow-up messages for councils

Roles and working relationships in councils  
- Are you still getting it right?

This report is available in PDF and RTF formats,  
along with a podcast summary at:

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

If you require this publication in an alternative  
format and/or language, please contact us to  
discuss your needs: 0131 625 1500

or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk) 

For the latest news, reports  
and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk) 

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

ISBN 978 1 911494 11 9

# Summary Checklist

## Appendix 2

### Questions for councillors and officers to consider



#### Keeping governance up to date

**As a councillor:**

How effective is governance in your council?

Have your views been sought over the effectiveness decision-making and scrutiny, coalition working arrangements, or multi-member ward working for example?

Do you think councillors provide strong and effective leadership?

Do you feel that the council's senior management team has the capacity and capability to deliver the council's priorities?

**As a chief officer:**

Have you consulted with councillors over the effectiveness of the council's governance arrangements?

Do you regularly review governance eg schemes of delegation, standing orders and working protocols?

How well has the council adapted its governance to take into account significant changes such as health IJBs and its use of arm's-length companies?

Does your annual governance statement address significant issues and identify areas for improvement?

#### Clear roles and expectations

**As a councillor:**

How well do you understand and observe the roles expected of you?

Do you need further guidance on how to fulfil your role, for example protocols for member-officer working?

Do you actively contribute to effective governance in the council, as well as fulfilling your representative role as councillor?

Are officers accessible - and to what extent do they provide the right balance between supporting the administration and supporting the council as a whole?

Where your council is led by a coalition, are the working arrangements clear?

Where your council uses the executive or cabinet system, are the roles of the executive and non-executive groups clear?

**As a chief officer:**

Do you feel you provide the right balance between supporting the administration and supporting the council as a whole?

Have you reviewed the council's governance documents including schemes of delegation, guidelines and protocols to ensure they are clear and easily understood?

Do you think all councillors are clear on their roles and have the necessary skills, and have you taken steps to support them?

**Effective scrutiny****As a councillor:**

How open is your council to scrutiny – is scrutiny encouraged as a means to improve services and make better decisions?

Have you received training and support in your scrutiny role?

Do you actively engage in scrutiny and ask constructive and challenging questions?

Do you feel able to ask candid questions, for example about risks?

To what extent does scrutiny take into account service user and community views?

Are the chairs of the audit and scrutiny committees sufficiently independent?

Do you get sufficient information to make balanced decisions, for example on the best options for delivering services?

Does your council's scheme of special responsibility allowances reflect the importance of the scrutiny and audit functions?

**As a chief officer:**

Do you periodically review the effectiveness of scrutiny - including its impact on decision-making?

Are effective scrutiny and audit arrangements in place for services delivered through local partnerships or arm's-length bodies?

Do you provide councillors with comprehensive information on services, costs and risks?

Have you taken measures to engage service users and communities in scrutiny?

**Partnerships and arm's-length bodies****As a councillor:**

Do you think the governance arrangements for local partnerships, the health IJB, and the council's arms-length bodies are clear and fit for purpose?

Do you have the necessary skills and abilities to undertake your role?

Do you receive support and training on your roles and responsibilities in relation to any partnership or arms-length body that you sit on?

Does your training specifically cover your legal responsibilities as a member or trustee in relation to the company or charitable trust that you are a member of?

Do you make a strong contribution through your attendance and engagement at board meetings?

Are the different aspects of the role clear eg providing strategic direction, scrutiny, audit, and representing the council or community?

Is the performance of the local body or partnership sufficiently monitored and reported to council?

Does the IJB have a common culture and purpose – is there a clear vision for improving care?

#### **As a chief officer:**

Does your council provide sufficient training and support to councillors in their roles on local partnerships and boards?

Does the council understand and observe the Following the Public Pound guidance? (eg setting clear criteria for funding, audit access, and monitoring)

Does the council have a clear rationale for council representatives having a role on outside bodies and partnerships?

Are you satisfied with the governance of the IJB including how its decisions are reported to the council?

### **The role of Statutory officers**

#### **As a councillor:**

Do you understand the roles of statutory officers, and do you have confidence in their abilities and contribution? (eg monitoring officer, chief social work officer, chief finance officer)

Have you received sufficient training on the roles and responsibilities of statutory officers?

Do you/your committee understand how and when to consult with statutory officers?

#### **As a statutory officer:**

Do you have sufficient influence to ensure the council operates effectively?

Are you seen to be accessible in the support that you provide throughout the council?

Do you have a constructive relationship with the senior management team?

Are your views sought, and do you provide advice and direction to councillors and senior officials?

Are the responsibilities of the statutory officer roles adequately set out in the council's governance documents?

### **Conduct and working relationships**

#### **As a councillor:**

To what extent do you think councillors work constructively together and show mutual trust and respect?

Is there a culture of trust and openness between councillors and chief officers?

Are you made aware of the behaviours and conduct expected of you?

Are cross party or group meetings and member-to-officer working groups used and do they work well?

**As a chief officer:**

Is sufficient guidance on roles and expected conduct available to both councillors and officers/employees?

Do you have positive and constructive working relationships with officers?

Are sufficient opportunities in place for cross party / group meetings, and for members to work with officers?

Are such meetings constructive, and do they respect the principle for public debate and decision-making?

Does the council undertake exit interviews for councillors and learn from them?

**Councillor skills****As a councillor:**

How well do you understand your role in relation to the council, local community, and on partnerships and outside bodies?

Is training and development sufficient for you to do your job?

Are you able to make an effective contribution to scrutiny, audit, and financial aspects of council business?

Do you take up training opportunities and make the most of advice and support from officers?

**As a chief officer:**

Do you ensure that training and development opportunities are available to councillors?

Does training include essential skills in areas such as scrutiny, audit and financial decision-making

Do you give sufficient support, information and guidance to councillors across their diverse roles, including partnerships and arm's-length companies?

Do you tailor training to the individual needs of councillors make it available on an on-going basis?

Do you seek feedback on the effectiveness of training and act on this?

Has the council reviewed the facilities and support provided to councillors to help them make the best use of their time and skills?



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

For the latest news, reports and updates, follow us on:



**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 20 June 2017

**BY:** Depute Chief Executive (Resources & People Services)

**SUBJECT:** Internal Audit Report – Workforce Planning (Secondments and Higher Duties)

---

**1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Workforce Planning (Secondments and Higher Duties).

**2 RECOMMENDATION**

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

**3 BACKGROUND**

- 3.1 A review of the internal controls surrounding Workforce Planning was undertaken as part of the Audit Plan for 2016/17.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

**4 POLICY IMPLICATIONS**

- 4.1 None

**5 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

<b>AUTHOR'S NAME</b>	Mala Garden
<b>DESIGNATION</b>	Internal Audit Manager
<b>CONTACT INFO</b>	01620 827326
<b>DATE</b>	8 June 2017



**EAST LoTHIAN COUNCIL – INTERNAL AUDIT  
WORKFORCE PLANNING  
(SECONDMENTS AND HIGHER DUTIES)**

**1. EXECUTIVE SUMMARY**

**1.1 Introduction**

A review of the internal controls surrounding Workforce Planning was undertaken as part of the Audit Plan for 2016/17. Our review examined the arrangements in place for employees undertaking secondments or higher duties. A summary of our main findings is outlined below.

**1.2 Areas where Expected Controls were Met**

- The Council has in place appropriate policies for secondments and higher duties.
- A clear audit trail exists on the Civica system of all secondments and higher duties – a detailed process history screen records all key tasks undertaken at each stage of the workflow process.
- All key documentation is held for secondments and higher duties, including a fully completed Change of Contract form detailing the start and end date and a formal letter to the employee outlining the terms of the secondment or higher duties.
- All Change of Contract forms had been properly authorised by the relevant line manager.
- Arrangements are in place to ensure that employees return to their substantive post and salary grade at the end of their period of secondment or higher duties.

**1.3 Areas with Scope for Improvement**

- The current approach adopted for applying the Secondment Policy requires review – in some cases, Change of Contract forms processed as secondments were inconsistent with the definition contained in the Secondment Policy. *Risk – failure to adopt a consistent approach.*
- There had been a failure by one service area to complete a Change of Contract form timeously to end the period of higher duties resulting in an overpayment occurring – in this case, HR had sent reminders to the service area requesting that a Change of Contract form be completed to either extend or end the higher duties, however the service area had failed to respond to the reminders that had been sent. *Risk – inappropriate payments may be made.*
- The approach adopted for setting up secondments and higher duties on the Payroll system requires review. *Risk – failure to adopt a consistent approach.*

**1.4 Summary**

Our review of Workforce Planning (Secondments and Higher Duties) has identified some areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

**Mala Garden  
Internal Audit Manager**

**June 2017**

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT  
WORKFORCE PLANNING  
(SECONDMENTS AND HIGHER DUTIES)**

**ACTION PLAN**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.1.2	Management should review and update the Secondment Policy to ensure that it provides clarity on what constitutes a secondment and when the Policy should be applied.	Medium	HR Business Partner/Senior HR Adviser	Policy to be reviewed.		October 2017
3.3.2	Management should ensure that all Change of Contract forms are completed prior to the secondment start date.	Medium	HR on behalf of Service Managers	HR to send reminder to all Service Managers and Head Teachers.		July 2017
3.3.3	Management should review and update the existing Secondment Policy to ensure that it clearly sets out the circumstances when secondment agreements should be used.	Medium	HR Business Partner/Senior HR Adviser	Policy to be reviewed.		October 2017
3.3.4	Management should ensure that a consistent approach is adopted for setting up secondments on the Payroll system.	Medium	Payroll Manager	Agreed		June 2017

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.4.1	Management should ensure that Change of Contract forms for higher duties are completed timeously.	Medium	HR on behalf of Service Managers	HR to send reminder to all Service Managers and Head Teachers.		July 2017
3.4.2	Management should ensure that a consistent approach is adopted for setting up higher duties on the Payroll system.	Medium	Payroll Manager	Agreed		June 2017
3.4.3	Management should ensure that Change of Contract forms are completed timeously to either extend or end the contract for all employees undertaking higher duties.  Where service areas fail to act on the email reminders sent by HR, consideration should be given to escalating the reminder to the Service Manager or Head of Service.	Medium	HR on behalf of Service Managers  HR Business Partner/Senior HR Adviser	HR to send reminder to all Service Managers and Head Teachers.  Will consider amending procedure to reflect this point.		October 2017

### **Grading of Recommendations**

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

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

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 20 June 2017

**BY:** Depute Chief Executive (Resources & People Services)

**SUBJECT:** Internal Audit Report – Information Security

---

## **1 PURPOSE**

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

## **2 RECOMMENDATION**

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

## **3 BACKGROUND**

- 3.1 A review of the internal controls surrounding Information Security was undertaken as part of the Audit Plan for 2016/17.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

## **4 POLICY IMPLICATIONS**

- 4.1 None

## **5 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

<b>AUTHOR'S NAME</b>	Mala Garden
<b>DESIGNATION</b>	Internal Audit Manager
<b>CONTACT INFO</b>	01620 827326
<b>DATE</b>	8 June 2017

## **EAST LOTHIAN COUNCIL – INTERNAL AUDIT INFORMATION SECURITY**

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

As part of the Audit Plan for 2016/17 a review was undertaken of the Information Security arrangements in place within the Council. A summary of our main findings is outlined below.

#### **1.2 Areas where Expected Controls were Met**

- A high level Information Security Policy is in place setting out the Council's commitment to Information Security.
- Adequate arrangements are in place to ensure that user access to the Council's corporate network is properly controlled.

#### **1.3 Areas with Scope for Improvement**

- There was a failure to ensure that information security standards, procedures and guidance documents were readily available to employees on the Council's intranet. *Risk – lack of awareness of information security procedures.*
- For employees moving to another position within the Council, there was a lack of effective processes in place for managing user access to individual systems. *Risk – employees may have access to confidential or sensitive information that they no longer require.*
- There was a failure to ensure that an up to date record was maintained of portable IT equipment – in a number of cases, laptops were recorded as being allocated to former employees of the Council and in some cases laptops allocated to former employees could not be located. *Risk – loss or misuse of Council assets or information.*
- The procedures in place for ensuring laptops are checked and updated on a regular basis require review. *Risk – failure to ensure laptops receive automatic updates.*
- At present, there is a lack of adequate monitoring arrangements in place for identifying and suppressing inactive user accounts. *Risk – failure to ensure that systems access is restricted.*
- There was a failure to ensure that all relevant employees had undertaken the mandatory information security training. *Risk – lack of awareness of information security procedures.*

#### **1.4 Summary**

Our review of the Information Security arrangements in place within the Council has identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

**Mala Garden**  
**Internal Audit Manager**

**June 2017**

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT  
INFORMATION SECURITY**

**ACTION PLAN**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.2.2	<p>Management should ensure that all information security standards, procedures and guidance documents are readily available to employees on the Council's intranet.</p> <p>Management should ensure that a clear link is provided to the IT policy documents that are located within the IT Service Desk section of the intranet.</p>	Medium	Service Manager IT Infrastructure	Accepted – we will look to revise the content of the IT pages on the Intranet to ensure they hold key policy documents.		August 2017
3.3.2	<p>Management should ensure that a properly authorised user access request form is in place for all users of individual systems.</p> <p>Management should ensure that all changes to users' access levels are properly authorised by their line manager. Evidence of the authorisation should be retained on file.</p>	Medium	Systems Administrators – Corporate	Agreed		June 2017
3.3.3	<p>Management should ensure that users with access to sensitive and confidential information have signed the most up to date user access request form confirming that they have read and agree to abide by the conditions of use.</p>	Medium	Systems Administrator – MOSAIC	Agreed – all users will be asked to sign and return the MOSAIC access form.		June 2017



<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.3.4	Management should ensure that regular monitoring of inactive user accounts is undertaken – user accounts that have been inactive for a specific period of time should be suppressed.	Medium	Systems Administrators – Corporate	Agreed		August 2017
3.3.5	Management should ensure that appropriate arrangements are in place to notify all relevant parties of employees removed from the Council’s Payroll system following the annual review.	Medium	Payroll Manager	Agreed		In place
3.3.6	Management should ensure that details of agency workers whose network access has been revoked are passed to the local systems administrators.  Management should ensure that for temporary workers and agency staff the user access request forms provide an end date to ensure that access is revoked timeously.	Medium	Service Manager IT Infrastructure  Systems Administrators – Corporate	Accepted – requires discussion with HR and service areas to agree a procedure.  Agreed		December 2017  July 2017

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.7	Management should review the arrangements in place for informing local systems administrators of employees who move to another position within the Council.	Medium	Depute Chief Executive – Resources and People Services on behalf of CMT	Agreed – information note to be sent to Heads of Service and Service Managers.		July 2017
3.4.1	<p>Management should ensure that the existing leavers' notification circulation list includes staff with responsibility for maintaining the asset management database.</p> <p>Management should review the current arrangements in place for maintaining the asset management database to ensure that information held is accurate and complete.</p> <p>Management should ensure that a designated member of staff is identified within each service area with responsibility for maintaining an up to date record of all laptops assigned to the service area – the Council's IT section should be notified of the designated member of staff.</p>	Medium	<p>Service Manager IT Business Services</p> <p>Service Manager IT Business Services</p> <p>Depute Chief Executive – Resources and People Services on behalf of CMT</p>	<p>Accepted</p> <p>Accepted</p> <p>Agreed – information note to be sent to Heads of Service and Service Managers.</p>		<p>June 2017</p> <p>December 2017</p> <p>July 2017</p>

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.4.1 (cont)	Management should ensure that adequate procedures are in place for laptops to be checked and updated on a regular basis.	Medium	Service Manager IT Business Services / Service Manager IT Infrastructure	Accepted – revising checking procedures and ensuring unused devices are disabled from the network after 3 months. Longer term we will investigate an Access Control system.		December 2017
3.5.1	Management should ensure that the Information Security Incident Management Procedures are updated to reflect the current arrangements within the Council – the procedures should be made available on the Council’s intranet.	Medium	Service Manager IT infrastructure	Accepted – will update procedures and publish on the intranet.		August 2017
3.6.1	Management should give consideration to developing an Information Classification and Handling Procedure.	Medium	Service Manager – Licensing, Admin and Democratic Services	Agreed – full consideration will be given to the implications of adopting a classification scheme.		June 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.7.1	Management should ensure that information security training is undertaken by all relevant employees.	Medium	Team Leader – Infrastructure and Security	Agreed – regular reports on training will be obtained and reminders will be sent to service areas.		October 2017

### **Grading of Recommendations**

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

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



**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 20 June 2017

**BY:** Depute Chief Executive (Resources & People Services)

**SUBJECT:** Internal Audit Report – Capital Projects (Payment Certificates)

---

**1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Capital Projects (Payment Certificates).

**2 RECOMMENDATION**

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

**3 BACKGROUND**

- 3.1 A review of the internal controls surrounding Capital Projects was undertaken as part of the Audit Plan for 2016/17.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

**4 POLICY IMPLICATIONS**

- 4.1 None

**5 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

<b>AUTHOR'S NAME</b>	Mala Garden
<b>DESIGNATION</b>	Internal Audit Manager
<b>CONTACT INFO</b>	01620 827326
<b>DATE</b>	8 June 2017



## **EAST LOTHIAN COUNCIL – INTERNAL AUDIT CAPITAL PROJECTS (PAYMENT CERTIFICATES)**

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

As part of the Audit Plan for 2016/17 a review was undertaken of the arrangements in place for Capital Projects (Payment Certificates). A summary of our main findings is outlined below.

#### **1.2 Areas where Expected Controls were Met**

- Adequate reporting arrangements are in place for capital contracts awarded – contracts in excess of £250,000 are reported to the Members' Library Service in line with the Council's Corporate Procurement Procedures.
- Systems are in place to ensure that expenditure incurred on capital contracts is accurately reflected in the general ledger.
- For all interim payment certificates issued, an authenticated VAT receipt is held by the Council.
- Retention monies are properly deducted on the interim certificates prior to payments being made.

#### **1.3 Areas with Scope for Improvement**

- There was a lack of adequate segregation of duties – in one case, an interim payment certificate was prepared, checked and authorised for payment by the same member of staff. *Risk – errors and irregularities may occur and remain undetected.*
- In two instances, there was a lack of documentation to support the gross valuation of works certified on the interim certificates – we were unable to reconcile the payments made to the actual value of work completed. *Risk – errors and irregularities may occur and remain undetected.*
- In one case, there had been a failure to demonstrate best value – additional work had been awarded to an existing contractor outwith the tendering process. *Risk – failure to obtain best value.*

#### **1.4 Summary**

Our review of Capital Projects (Payment Certificates) has identified some areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

**Mala Garden  
Internal Audit Manager**

**June 2017**

**EAST LoTHIAN COUNCIL – INTERNAL AUDIT  
CAPITAL PROJECTS (PAYMENT CERTIFICATES)**

**ACTION PLAN**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.2.1	Management should ensure effective segregation of duties between the member of staff preparing the interim certificates and the member of staff checking or authorising the certificates for payment.	Medium	Team Manager Cost and Procurement	Agreed		June 2017
3.3.1	Management should ensure that the gross valuation used in the interim payment certificates is based on the actual value of the work completed to date.	High	Team Manager Cost and Procurement	Agreed		June 2017
3.5.1	Management should ensure that best value can be demonstrated in the awarding of all works.	High	Team Manager Cost and Procurement / Quantity Surveyor	Agreed		June 2017

### **Grading of Recommendations**

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

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



**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 20 June 2017

**BY:** Depute Chief Executive (Resources & People Services)

**SUBJECT:** Internal Audit Report – Housing Revenue Account

---

## **1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on the Housing Revenue Account.

## **2 RECOMMENDATION**

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

## **3 BACKGROUND**

- 3.1 A review of the Housing Revenue Account was undertaken as part of the audit plan for 2016/17.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

## **4 POLICY IMPLICATIONS**

- 4.1 None

## **5 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

<b>AUTHOR'S NAME</b>	Mala Garden
<b>DESIGNATION</b>	Internal Audit Manager
<b>CONTACT INFO</b>	01620 827326
<b>DATE</b>	8 June 2017

## **EAST LOTHIAN COUNCIL – INTERNAL AUDIT HOUSING REVENUE ACCOUNT**

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

A review of the internal controls surrounding the administration of the Housing Revenue Account was undertaken as part of the Audit Plan for 2016/17. A summary of our main findings is outlined below.

#### **1.2 Areas where Expected Controls were Met**

- The Orchard system provides a clear audit trail for each property including the property details, tenancy history and the rent account transactions.
- All income collected through the Income Management System is correctly posted to both the Orchard system and the Council's general ledger.
- Adequate arrangements are in place to ensure compliance with legislation in respect of the rent setting process.
- Systems are in place to ensure that all fortnightly housing rent transactions from the Orchard system are correctly updated in the general ledger.

#### **1.3 Areas with Scope for Improvement**

- In some cases, errors were identified in the rent increases applied to temporary homeless properties leased from Registered Social Landlords. *Risk – failure to ensure accuracy and completeness.*
- There was a lack of regular reconciliations between the property control totals in the Moores Books and the Orchard system. *Risk – errors and irregularities may occur and remain undetected.*
- In a number of cases anomalies in the tenancy information held on the Orchard system were identified, including incorrect tenure types and duplicate tenancies. *Risk – errors and irregularities may occur and remain undetected.*
- The arrangements in place for processing housing rent refunds require review – a number of errors were identified including a batch of refunds being paid twice in error. *Risk – overpayments may occur.*
- There were delays in quarterly reconciliations being undertaken between the Orchard system and the general ledger and in some cases differences identified had not been investigated. *Risk – errors and irregularities may occur and remain undetected.*
- There was a lack of a clear written methodology for calculating and allocating costs to the Housing Revenue Account. *Risk – an inconsistent approach may be adopted.*

#### **1.4 Summary**

Our review of the Housing Revenue Account identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main Audit Report.

**Mala Garden  
Internal Audit Manager**

**June 2017**

## ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	Management should review the adequacy and effectiveness of the current model used for setting rents.	Medium	Service Manager – Community Housing	Agreed – exercise to review the HRA model including rent and service charge policy underway.		February 2018
3.2.2	For all properties added to the housing stock, Management should ensure that the property attributes are obtained from a physical inspection of the property.	Medium	Service Manager – Community Housing	Agreed – consistent approach to be applied for all new housing stock, forms will be completed by Community Housing Officers.		June 2017
3.3.1	Management should ensure that a review is undertaken of service charges that are currently applied to properties.  Management should ensure that appropriate checks are undertaken of rent increases applied to Housing Association and homeless properties – the Homelessness Section should be provided with reports of the rent increases applied.	Medium	Service Manager – Community Housing  Revenues Systems Development and Business Support Team Leader/ Homelessness Manager	Agreed – see action for 3.2.1 above.  Agreed – reports to be passed to the Homelessness Section for checking.		February 2018  June 2017



PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.1 (cont)	Any discrepancies identified in the rent increases applied should be promptly corrected by the Homelessness Section. The Revenues Systems Development and Business Support Team should be notified of all changes.	Medium	Homelessness Manager	Agreed		June 2017
	Management should ensure that rent increases are only applied for Housing Association properties following appropriate confirmation being received from the Housing Association.		Revenues Systems Development and Business Support Team Leader	Agreed		June 2017
3.4.1	Management should ensure that the tenancy information held on the Orchard system is accurate and complete – appropriate action should be taken to close duplicate or invalid tenancies.	Medium	Service Manager – Community Housing	Agreed – housekeeping exercise to be carried out.		June 2017
	Management should ensure that the annual rent charge letters sent out for Housing Association properties exclude information on ELC rent increases.		Revenues Systems Development and Business Support Team Leader	Agreed – procedures will be updated to split the files sent to Critiqom. Inserts advising of the ELC rent increase will be removed for HA properties.		June 2017

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.4.1 (cont)	Management should undertake a review of garages recorded as void on the Orchard system to determine if the Council is making the best use of its garage stock.	Medium	Service Manager – Community Housing	Agreed – review of garages to be undertaken as part of the Housing Asset Management Strategy.		January 2018
3.4.2	Management should ensure that a reconciliation is undertaken between the number of properties identified for a rent increase and the number of properties that receive an annual rent charge letter.	Medium	Revenues Systems Development and Business Support Team Leader	Agreed		June 2017
3.4.5	Evidence should be obtained to confirm the date of dispatch for the annual rent charge letters.	Medium	Revenues Systems Development and Business Support Team Leader	Agreed		In place
3.5.2	Management should ensure that reconciliations of property control totals between the Moores Books and the Orchard system are undertaken on a regular basis.	Medium	Service Manager – Community Housing	Agreed – revised procedure for verification now in place.		June 2017

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.2 (cont)	<p>Management should ensure that a reconciliation sheet is prepared to evidence the reconciliation being carried out – all supporting documentation from the Orchard system should be retained.</p> <p>A person independent of processing should check the reconciliation of the property control totals and sign the reconciliation sheet as evidence of the check being carried out.</p>	Medium	Service Manager – Community Housing	Agreed		June 2017
3.6.3	Management should ensure that all transfer allowances processed through the Income Management System are reconciled to the list of 'non-cash payments'.	Medium	Revenues Systems Development and Business Support Team Leader	Agreed		June 2017
3.7.2	Management should ensure that quarterly reconciliations between the Orchard system and the general ledger are carried out timeously – differences identified should be investigated.	Medium	Service Manager – Business Finance	Agreed – quarterly reconciliations will be carried out timeously and material differences identified will be investigated.		June 2017

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.7.2 (cont)	<p>Management should review the current approach adopted for processing refunds.</p> <p>Management should ensure that all overpayments in respect of refunds are promptly recovered from the tenants.</p> <p>Appropriate checks should be undertaken to ensure that refunds are correctly coded on the Orchard system.</p> <p>Management should ensure that refunds are posted to the correct refund ledger code in the general ledger.</p>	Medium	<p>Revenues Systems Development and Business Support Team Leader</p> <p>Rent Income Team Leader</p> <p>Rent Income Team Leader</p> <p>Revenues Systems Development and Business Support Team Leader/Principal Accountant (Financial)</p>	<p>Agreed – the refund process has now been automated and will no longer be processed through the Creditors Section.</p> <p>Agreed</p> <p>Agreed – all refunds will now be correctly coded as part of the automated process.</p> <p>Agreed</p>		<p>In place</p> <p>In place</p> <p>June 2017</p> <p>June 2017</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.8.1	<p>Management should ensure that a clear written methodology is developed for calculating and allocating costs to the Housing Revenue Account.</p> <p>Management should ensure that service areas provide appropriate documentation to support expenditure posted to the Housing Revenue Account.</p>	Medium	Service Manager – Business Finance	<p>Partly agreed – see below.</p> <p>Currently working with Budget Holders and HRA service users to increase transparency of costs charged to HRA.</p> <p>Review of historic internal recharges to ensure that charge remains appropriate.</p> <p>Discussions ongoing around enhanced training for Budget Holders.</p> <p>External review of HRA budget model with any further need to prepare additional specific guidance explored in line with wider review.</p>		<p>Ongoing</p> <p>December 2017</p> <p>2017/18</p> <p>December 2017</p>

### **Grading of Recommendations**

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

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

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 20 June 2017

**BY:** Internal Audit Manager

**SUBJECT:** Annual Internal Audit Report 2016/17

---

## **1 PURPOSE**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that the Internal Audit Manager prepares an annual internal audit opinion and report to support the Council's Annual Governance Statement.
- 1.2 This report provides a summary of the work undertaken by East Lothian Council's Internal Audit Unit in 2016/17 and supports both the Council's Annual Governance Statement and the Internal Audit Manager's Controls Assurance Statement.

## **2 RECOMMENDATION**

- 2.1 The Audit and Governance Committee is asked to note the contents of the Annual Internal Audit Report 2016/17.

## **3 BACKGROUND**

- 3.1 Internal Audit is an independent appraisal function established by the Council to review its governance, risk management and control systems. East Lothian Council's Internal Audit Unit operates in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 3.2 The Council's Internal Audit resources in 2016/17 were made up of:
- The Internal Audit Manager
  - Three Senior Auditors
  - One Senior Audit Assistant
- 3.3 The Internal Audit Manager reports administratively to the Depute Chief Executive – Resources and People Services, functionally to the Audit and Governance Committee and has direct access to the Chief Executive, the Section 95 Officer and the Monitoring Officer.
- 3.4 Internal Audit is continuously seeking to improve its service and aims to provide a service that remains responsive to the needs of the Council and maintains

consistently high standards. This was achieved in 2016/17 through the following processes:

- Compliance with PSIAS.
- A tailored audit approach using a defined methodology for financial audits.
- A programme of quality control measures which include the supervision of staff conducting audit reviews and the detailed review of working paper files and audit reports.
- The development of personal and training plans – Internal Audit staff members are required to undertake a programme of Continuous Professional Development (CPD).

3.5 The PSIAS require the development of a Quality Assurance and Improvement Programme (QAIP). The QAIP is designed to enable evaluation of Internal Audit's conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards. The QAIP must include both internal and external assessments. An internal assessment of internal audit practices was carried out against the PSIAS to ensure conformance to the Standards.

### **Delivery of the Internal Audit Service 2016/17**

3.6 In March 2016, the Audit and Governance Committee approved the Internal Audit Plan for 2016/17. Our audit plan was scoped to address the Council's key risks and strategic objectives.

3.7 In 2016/17 Internal Audit issued 18 reports (see Table A below). In addition, two audit reviews (Housing Benefit & Council Tax Reduction and Gas Servicing & Maintenance) are currently being finalised and a further review (Fuel Management) is outstanding.

3.8 Table A outlines the audit work undertaken which resulted in a number of recommendations being made – 16 recommendations were graded as high (i.e. recommendations which are fundamental to the system and upon which Management should take immediate action), 123 recommendations were graded as medium (i.e. recommendations which will improve the efficiency and effectiveness of the existing controls) and 3 low risk recommendations were made (i.e. recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency). Our recommendations sought to address the weaknesses identified in the design of controls and operating effectiveness.

3.9 In addition to the reviews listed in Table A, Internal Audit has undertaken follow-up reviews of previous years' work to ensure that recommendations have been implemented by Management and have prepared reports for the East Lothian Integration Joint Board Audit and Risk Committee.



3.10 We have completed the following reviews in 2016/17:

**Table A**

<b>Audit Assignment</b>	<b>Report Status</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
Section 75 Payments	Final	7	7	-
Direct Payments – Children’s Wellbeing	Final	-	11	-
Housing Voids	Final	-	9	-
PPP Contract Monitoring	Final	-	15	1
Preston Lodge High School	Final	-	9	1
Contracts Audit	Final	-	2	-
Freedom of Information (FOI)	Final	-	3	-
Home to School Transport	Final	3	2	-
Payments to Third Sector Organisations	Final	1	6	-
Prevention of Tenancy Fraud	Final	-	6	-
Public Services Network (PSN)	Final	-	6	-
Income – Waste Services	Final	2	5	-
Roads Contracts	Final	1	9	-
Performance Indicators 2015/16	Final	-	4	1
Workforce Planning	Final	-	7	-
Information Security	Final	-	11	-
Housing Revenue Account	Final	-	10	-
Capital Projects – Payment Certificates	Final	2	1	-
<b>Totals</b>		<b>16</b>	<b>123</b>	<b>3</b>

### **Conflicts of Interest**

3.11 There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

### **Performance Indicators**

3.12 We have undertaken our audit work in accordance with the agreed plan and each of our final reports has been reported to the Audit and Governance Committee. Performance information for 2016/17 covers:

- Completion of the annual Audit Plan – 95%
- % of recommendations accepted by Management – 98%
- % of staff with CCAB accounting qualifications – 80%

## **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

<b>AUTHOR'S NAME</b>	Mala Garden
<b>DESIGNATION</b>	Internal Audit Manager
<b>CONTACT INFO</b>	01620 827326
<b>DATE</b>	8 June 2017

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 20 June 2017

**BY:** Internal Audit Manager

**SUBJECT:** Controls Assurance Statement 2016/17

---

## **1 PURPOSE**

- 1.1 The Internal Audit Manager has the responsibility to independently review the internal control systems within East Lothian Council, make an assessment of the control environment and report annually on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

## **2 RECOMMENDATION**

- 2.1 The Audit and Governance Committee is asked to note that the Controls Assurance Statement is 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 for the year ended 31 March 2017.

## **3 BACKGROUND**

### **Sound Internal Controls**

- 3.1 The Council's senior management has responsibility for establishing a sound system of internal control and for monitoring the continuing effectiveness of these controls. The main objectives of the Council's internal control systems are:
- 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.
- 3.2 A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls or the occurrence of unforeseen circumstances. The Council is continually seeking to improve the effectiveness of its system of internal control.

## **The Work of Internal Audit**

- 3.3 Internal Audit is an independent appraisal function established by the Council to review its internal control systems. Internal Audit objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources.
- 3.4 In 2016/17 the Internal Audit Unit sought to operate in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 3.5 All internal audit reports identifying system weaknesses or non-compliance with expected controls were brought to the attention of the Chief Executive, Depute Chief Executives, the Council's External Auditor and the Audit and Governance Committee.
- 3.6 The weaknesses outlined in our audit reports are those that have come to our attention during the course of our normal audit work and are not necessarily all of the weaknesses, which may exist. It is the responsibility of Management to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations.

## **Basis of Opinion**

- 3.7 My evaluation of the control environment is informed by a number of sources:
1. The policies and procedures of the Council, including:
    - Standing Orders and Financial Regulations;
    - Strategy for the Prevention and Detection of Fraud and Corruption;
    - Information Security Policy;
    - IT Acceptable Use Policy;
    - Code of Conduct;
    - Disciplinary Code;
    - Disciplinary Procedure;
    - Gifts and Hospitality Policy;
    - Whistleblowing Policy.
  2. The planning, monitoring, review and reporting arrangements within the Council, including:
    - The Budget Setting Process;
    - Monthly Budget Monitoring Statements;
    - Policy and Performance Review Committee;
    - Performance Management Framework;
    - The work of the Council Management Team.

3. The work undertaken by Internal Audit during 2016/17 including planned audits, investigations, follow-up reviews and one-off exercises.
- 3.8 My opinion does not cover the internal control systems of other organisations that are included in East Lothian Council's 2016/17 Statement of Accounts under the Group Accounts section.

**Assessment of Controls and Governance**

- 3.9 The Annual Internal Audit Report 2016/17 presented to the Audit and Governance Committee summarises the work of Internal Audit during the year.
- 3.10 For areas reviewed, an Executive Summary and Action Plan is submitted to the Audit and Governance Committee. The Action Plan contains detailed recommendations including Management responses to the recommendations made.
- 3.11 The majority of Internal Audit recommendations made in 2016/17 were categorised as medium risk (i.e. recommendations which will improve the efficiency and effectiveness of the existing controls) with a number of high risk recommendations (i.e. recommendations which are fundamental to the system and upon which Management should take immediate action). A summary of all recommendations made during 2016/17 is outlined below:

<b>Recommendations Priority Level</b>	<b>Number of Recommendations</b>	<b>Recommendations %</b>
High	16	11
Medium	123	87
Low	3	2
<b>Total</b>	<b>142</b>	<b>100</b>

- 3.12 During 2016/17 areas identified with scope for improvement included the following:
- Adherence to Council policies, procedures and guidance.
  - Compliance with the Council's Corporate Procurement Procedures.

- Internal financial controls including segregation of duties, reconciliations, audit trail, supporting documentation, monitoring and checking arrangements.
- The arrangements in place for the administration, management and monitoring of both Section 75 payments and the PPP contract.
- The approach adopted for the allocation of work to external contractors and the informal arrangements in place for agreeing rates.
- The review and updating of creditor accounts to ensure that duplicate accounts are not held.

3.13 The implementation by Management of agreed actions to address the weaknesses identified should provide assurance that the system of internal control is operating as intended.

### **Opinion**

3.14 It is my opinion, subject to the weaknesses outlined in section 3.12 above, that reasonable assurance can be placed on the overall adequacy and effectiveness of East Lothian Council's framework of governance, risk management and control for the year to 31 March 2017.

## **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

<b>AUTHOR'S NAME</b>	Mala Garden
<b>DESIGNATION</b>	Internal Audit Manager
<b>CONTACT INFO</b>	01620 827326
<b>DATE</b>	8 June 2017

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 20 June 2017

**BY:** Depute Chief Executive (Resources & People Services)

**SUBJECT:** Internal Audit Progress Report 2016/17

---

**1 PURPOSE**

1.1 To inform the Audit and Governance Committee of Internal Audit's progress against the annual audit plan for 2016/17.

**2 RECOMMENDATION**

2.1 That the Audit and Governance Committee note the contents of the Internal Audit Progress Report 2016/17.

**3 BACKGROUND**

3.1 This report is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan.

3.2 The progress made to date is outlined in the attached report.

**4 POLICY IMPLICATIONS**

4.1 None

**5 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

<b>AUTHOR'S NAME</b>	Mala Garden
<b>DESIGNATION</b>	Internal Audit Manager
<b>CONTACT INFO</b>	01620 827326
<b>DATE</b>	8 June 2017



**INTERNAL AUDIT PROGRESS REPORT 2016/17**

<b>AUDIT REPORTS</b>	<b>SCOPE OF THE AUDIT</b>	<b>TARGET COMPLETION DATE</b>	<b>STATUS</b>
Housing Voids	We will assess the arrangements in place for the management and reporting of housing voids.	September 2016	Completed
Contracts Audit	We will examine a sample of contracts to ensure that the Council's Corporate Procurement Procedures have been properly complied with.	September 2016	Completed
Road Services Contracts	We will examine the arrangements in place for the procurement and monitoring of contracts within Road Services.	November 2016	Completed
Public Services Network (PSN)	We will evaluate the Council's security arrangements, policies and controls to ensure PSN compliance.	November 2016	Completed
Property Maintenance – Housing Repairs	Our review will cover both housing repairs undertaken directly by Property Maintenance and work allocated to external contractors.	November 2016	Completed
Funding – Third Sector Organisations	We will continue our review of the partnership arrangements in place with Third Sector Organisations and assess if the Council is getting value for money from grants awarded to Third Sector Organisations. In 2016/17 we will examine the grant awards made by Children's Wellbeing.	November 2016	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Review of Previous Years' Work	Internal Audit will review the outcome of our previous years' work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.	November 2016	Completed
Schools Audit	We will examine the internal controls operating within one secondary school in East Lothian.	January 2017	Completed
Prevention of Tenancy Fraud	We will review the adequacy and effectiveness of the arrangements in place for the prevention of tenancy fraud, including a review of tenancy changes.	January 2017	Completed
Income – Waste Services	We will review the current arrangements in place for the collection and re-sale of recycled materials.	January 2017	Completed
PPP Contract Monitoring	A review will be undertaken of the arrangements in place for the performance monitoring of the PPP contract.	January 2017	Completed
Freedom of Information (FOI)	We will carry out a review of the arrangements in place to ensure compliance with legislative requirements and timescales for responding to FOI requests.	March 2017	Completed

<b>AUDIT REPORTS</b>	<b>SCOPE OF THE AUDIT</b>	<b>TARGET COMPLETION DATE</b>	<b>STATUS</b>
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	March 2017	Completed
Home to School Transport	We will examine the payments made to operators for Home to School transport for both Mainstream and Additional Support Needs pupils to ensure compliance with the contract rates in place.	March 2017	Completed
Internal Audit Plan 2017/18	Internal Audit will present the detailed operational Audit Plan for 2017/18 for approval to the Audit and Governance Committee.	March 2017	Completed
Review of Previous Years' Work	Internal Audit will review the outcome of our previous years' work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.	March 2017	Completed
Workforce Planning	We will review the processes and controls in place for managing secondments and 'acting up' roles.	March 2017	Completed
Information Security	We will carry out an assessment of the arrangements in place within the Council to ensure that information is appropriately controlled.	January 2017	Completed

<b>AUDIT REPORTS</b>	<b>SCOPE OF THE AUDIT</b>	<b>TARGET COMPLETION DATE</b>	<b>STATUS</b>
Capital Projects – Payment Certificates	We will review the issuing, authorisation and payment of interim and final certificates for capital projects.	June 2017	Completed
Housing Rents	We will examine the processes and controls in place for housing rents.	June 2017	Completed
Annual Internal Audit Report 2016/17	We will present the Annual Internal Audit Report based on Internal Audit activity undertaken for financial year 2016/17, as required by the Public Sector Internal Audit Standards.	June 2017	Completed
Controls Assurance Statement 2016/17	Internal Audit will provide an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the financial year 1 April 2016 to 31 March 2017.	June 2017	Completed
Gas Servicing and Maintenance	We will review the adequacy and effectiveness of the contractual arrangements in place for undertaking gas servicing and maintenance of all Council properties (both HRA and non HRA).	January 2017	Ongoing
Housing Benefit and Council Tax Reduction	We will examine the systems in place for the processing, assessment and payment of Housing Benefit and the award of Council Tax Reduction.	June 2017	Ongoing
Fuel Management	We will review the fuel management arrangements in place at the Council's fuel depots.	March 2017	Outstanding