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Renfrewshire Council

Notice of Meeting and Agenda

Audit, Risk and Scrutiny Board

Date	Time	Venue
Monday, 26 August 2019	10:00	Corporate Meeting Room 1, Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

KENNETH GRAHAM
Head of Corporate Governance

Membership

Councillor Tom Begg: Councillor Stephen Burns: Councillor Michelle Campbell: Councillor Alison Jean Dowling: Councillor Neill Graham: Councillor Jim Harte: Councillor Emma Rodden:

Councillor Bill Binks (Convener): Councillor Jim Sharkey (Depute Convener):

Members of the Press and Public

Members of the press and public wishing to attend the meeting should report to the customer service centre where they will be met and directed to the meeting.

Further Information

This is a meeting which is open to members of the public.

A copy of the agenda and reports for this meeting will be available for inspection prior to the meeting at the Customer Service Centre, Renfrewshire House, Cotton Street, Paisley and online at http://renfrewshire.cmis.uk.com/renfrewshire/CouncilandBoards.aspx

For further information, please either email democratic-services@renfrewshire.gov.uk or telephone 0141 618 7112.

Apologies

Apologies from members.

Declarations of Interest

Members are asked to declare an interest in any item(s) on the agenda and to provide a brief explanation of the nature of the interest.

AUDIT

MONITORING, REVIEWING SERVICE DELIVERY PERFORMANCE, POLICIES & PRACTICES

ANNUAL PROGRAMME

AUDIT - EXEMPT ITEM

EXCLUSION OF PRESS AND PUBLIC

The Board may by resolution exclude the press and public from the meeting during consideration of the following items of business as it is likely, in view of the nature of the business to be transacted, that if members of the press and public are present, there could be disclosure to them of exempt information as defined in paragraph 1 of Part I of Schedule 7A of the Local Government (Scotland) Act, 1973

11   **Summary of Exempt Internal Audit Reports for Period 1 May to 30 June 2019**

- Information relating to any individual;

To: Audit, Risk and Scrutiny Board

On: 26 August 2019

Report by: Chief Auditor

Heading: Training for Audit, Risk and Scrutiny Board Members

1. **Summary**

1.1 In line with national guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the implementation of Audit Committee Principles in Scottish Local Authorities, training on audit and risk related matters is being provided to members of the Audit, Risk and Scrutiny Board.

1.2 At the Audit, Scrutiny and Petitions Board meeting on 28 May 2019, it was agreed that a programme of training briefings for members would be provided and would continue to form part of the main agenda at every alternate meeting.

1.3 Attached at Appendix 1 is the agreed programme of briefings, and at Appendix 2 the current briefing on "Performance Reporting".

2. **Recommendations**

2.1 Members are asked to note the content of the current training briefing.

Implications of the Report

1.   **Financial** - None

2.   **HR & Organisational Development** - None

3.   **Community Planning –**
        Safer and Stronger – an effective audit committee is an important element of good corporate governance.

4.   **Legal** - None

5.   **Property/Assets** - None

6.   **Information Technology** - None

7.   **Equality & Human Rights** - None

8.   **Health & Safety** – None

9.   **Procurement** - None

10.   **Risk -** training for elected members on audit and risk-related matters reflects audit committee principles

11.   **Privacy Impact** – None

12.   **COSLA Implications** – None

13.   **Climate Risk** - None

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Author: Andrea McMahon – 01416187017

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Date	Topic
26 August 2019	Performance reporting
4 November 2019	Following the public pound
16 March 2020	Public Sector fraud

Performance Reporting

Audit, Risk and Scrutiny Board

26 August 2019

What? & Why?

Public Performance Reporting (PPR) is an important component in the Council's overall management arrangements, by collecting performance information, analysing, explaining and reporting on it...

Ensures local citizens, businesses and partner organisations are able to track Council performance over time, the progress against outcomes and if targets have/not been achieved.

Renfrewshire Council

LOCAL GOVERNMENT ACT 1992 THE PUBLICATION OF INFORMATION (STANDARDS OF PERFORMANCE) DIRECTION 2018

"COMMISSION TO DIRECT RELEVANT BODIES TO PUBLISH SUCH INFORMATION RELATING TO THEIR ACTIVITIES IN ANY FINANCIAL YEAR OR OTHER SPECIFIED PERIOD AS WILL, IN THE COMMISSION'S OPINION:

FACILITATE THE MAKING OF APPROPRIATE COMPARISONS (BY REFERENCE TO THE CRITERIA OF COST, ECONOMY, EFFICIENCY AND EFFECTIVENESS AND OF SECURING BEST VALUE IN ACCORDANCE WITH SECTION 1 OF THE LOCAL GOVERNMENT IN SCOTLAND ACT 2003) BETWEEN –

I. THE STANDARDS OF PERFORMANCE ACHIEVED BY DIFFERENT RELEVANT BODIES IN THAT FINANCIAL YEAR OR OTHER PERIOD; AND

II. THE STANDARDS OF PERFORMANCE ACHIEVED BY SUCH BODIES IN DIFFERENT FINANCIAL YEARS OR, AS THE CASE MAY BE, OTHER PERIODS"

Renfrewshire Council

Audiences

ELECTED MEMBERS

PUBLIC

AUDITORS

CPP PARTNERS/ STAKEHOLDERS

STAFF

CMT

Elected Members

High quality and accurate performance information is essential in decision-making, to monitor, review and evaluate the plans and activities of the Council.

WHAT?

National reports – such as Local Government in Scotland, Performance & Challenges

Local reports –performance of council plan, service improvement plan, risk register, operational plans, annual reports etc.

Audit and Inspections – reports on inspections, financial audits, internal audit progress reports, best value assurance report and progress etc.

Benchmarking – Local Government Benchmarking Framework (LGBF), APSE, Scottish Public Service Ombudsman (SPSO)etc.

Renfrewshire Council

Public Performance Reporting (PPR)

RENFREWSHIRE.GOV.UK   EXTERNAL WEBSITES   BOARD PAPERS

renfrewshire.gov.uk

Council performance pages include:

- **Our current performance,** provides a summary of the recent performance reports including annual 'its all about you';

- **Renfrewshire data,** the open data platform and data needs assessments; and

- **Benchmarking** information such as the latest Local Government Benchmarking Framework data.

Protecting the Public

Protecting the public and keeping our communities safe is one of our most important roles. We continue to take a strong lead role on adult and child protection across Renfrewshire and deliver services to manage and support offenders in the community.

85% of adults agree that Renfrewshire is a safe place to live (**82%** in 2016/17)

84% of adults are satisfied with their neighbourhood as a place to live (81% in 2016/17)

1,939 reported incidents of antisocial behaviour, increased slightly from 1,916 in 2016/17

Improving Care, Health and Wellbeing

We want to ensure that everyone in Renfrewshire has access to the support and services they need to help them live healthy and happy lives. We want to focus on person centred care and ensure that Renfrewshire is a caring place where people are treated as individuals and are supported to live well.

80% of adults overall receiving any help, care or

Infographics

Introduction

The purpose of the Management Commentary is to present an overview of Renfrewshire Council's performance during the 2018/19 financial year and to help readers understand its financial position at 31 March 2019. In addition, it outlines the main issues and risks that may impact the performance of the Council in the future.

Renfrewshire Council, on of 32 local authorities in Scotland, was established by the Local Government (Scotland) Act 1994 and came into being on 1 April 1996.

178,000 residents

270 square km

We provide services to the residents of the entire Renfrewshire area, which has a mixed geography, with many villages completing its three main towns of Johnstone, Paisley and Renfrew.

The kind of services that the Council provides includes nursery, primary and secondary education; social services; waste services, council housing and regeneration.

The Council is governed by 43 elected members, or councillors, who serve across 12 multi-member wards.
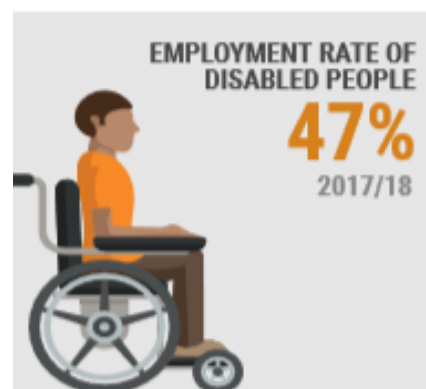
The political affiliations of the elected members are as follows:

OUR COUNCIL
- **19** SNP
- **13** Scottish Labour
- **8** Conservative & Unionist
- **2** Independent
- **1** Liberal Democrat

Renfrewshire Council is organised into five directorate services, as follows:

- CHILDREN'S SERVICES
- FINANCE & RESOURCES
- CHIEF EXECUTIVE'S
- ENVIRONMENT & INFRASTRUCTURE SERVICES
- COMMUNITIES, HOUSING & PLANNING SERVICES

The council is part of a wider Group, with partnerships spanning a number of organisations to varying degrees. These include:

RENFREWSHIRE COUNCIL
- GLASGOW CITY REGION CITY DEAL
- STRATHCLYDE PARTNERSHIP FOR TRANSPORT
- CLYDE MUIRSHIEL PARK AUTHORITY
- RENFREWSHIRE LEISURE LTD
- PARK LANE DEVELOPMENTS LLP
- CLYDEPLAN
- RENFREWSHIRE VALUATION JOINT BOARD
- SCOTLAND EXCEL
- COMMON GOOD FUNDS
- RENFREWSHIRE HEALTH AND SOCIAL CARE PARTNERSHIP

INCREASED OVERALL EMPLOYMENT RATE
74% 2016 → 78.5% 2017/18

INCREASED EMPLOYMENT RATE 50+
40% 2016 → 41.2% 2017/18

EMPLOYMENT RATE OF DISABLED PEOPLE **47%** 2017/18

PARTICIPATION OF 16-19 YEAR OLDS IN EDUCATION, TRAINING AND EMPLOYMENT **91.6%** 2018

INCREASED EMPLOYMENT IN THE MANUFACTURING SECTOR
8,300 2015 → 9,000 2016

OPPORTUNITIES TO SEE OR HEAR SOMETHING POSITIVE ABOUT PAISLEY AND RENFREWSHIRE
INCREASED 72 MILLION 2016 → 600 MILLION

External websites & sources

- Improvement Service, LGBF - http://www.improvementservice.org.uk/benchmarking/
- Audit Scotland – Best Value Assurance Reports and National Performance and Challenges Report etc
- Scotland's National Performance Framework - https://nationalperformance.gov.scot
- APSE - https://www.apse.org.uk/apse/index.cfm/performance-networks/performance-reports-indicators/

- a structured approach to PPR, with clear presentation of information;

- effective use of customer satisfaction information;

- a balanced picture of performance;

- use of comparators;

- use of financial and cost information;

- evidence of the council's dialogue with the public;

- evidence of the accessibility of information; and

- underpins the development of a culture of customer focus and continuous improvement for Renfrewshire.

Good performance reporting

Questions

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Renfrewshire
Council

To: **Audit, Risk and Scrutiny Board**

On: **26 August 2019**

Report by: **Chief Auditor**

Heading: **Summary of Internal Audit Reports for period 01 May to 30 June 2019**

1.   Summary

1.1   In line with the Public Sector Internal Audit Standards, Internal Audit must communicate the results of each engagement to the Board. To comply with this requirement Internal Audit submits regular reports on the findings and conclusions of audit engagements to the Audit, Risk and Scrutiny Board.

1.2   Appendix 1 provides details those audit engagements completed during the period 01 May to 30 June 2019 with the overall assurance rating and the number of recommendations in each risk category. The committee summary for each report is also attached. For each audit assignment where recommendations have been made, the relevant managers have put action plans in place to address the issues raised.

1.3   In addition to the reports listed in the Appendix, Internal Audit has an ongoing commitment to:

- A range of corporate and service initiatives;
- Progressing of information security matters in partnership with ICT and Legal Services;
- The regular provision of advice to departmental officers;
- The provision of internal audit services to the associated bodies for which Renfrewshire Council is the lead authority and to Renfrewshire Leisure Ltd and Renfrewshire Health and Social Care Integrated Joint Board;

- Co-ordination of the Council's corporate risk management activity;
- Management of the counter fraud team;
- Management of the risk management and insurance team.

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2. Recommendations

2.1 Members are invited to consider and note the Summary of Audit Reports finalised during the period from 01 May to 30 June 2019.

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Implications of the Report

1. **Financial** - None

2. **HR & Organisational Development** - None

3. **Community Planning –**
   Safer and Stronger - effective internal audit is an important element of good corporate governance.

4. **Legal** - None

5. **Property/Assets** - None

6. **Information Technology** - None

7. **Equality & Human Rights** – None

8. **Health & Safety** – None

9. **Procurement** - None

10**.** **Risk** - The summary reported relates to the delivery of the risk-based internal audit plan.

11. **Privacy Impact** – None

12. **COSLA Implications** – None

13. **Climate Risk** - None

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Author: Karen Campbell – 01416187016

Appendix 1

Renfrewshire Council

Internal Audit Service

Update for Audit, Risk and Scrutiny Board

Final Audit Reports issued from 01 May – 30 June 2019

Category	Service	Engagement	Assurance Rating	Recommendation Ratings			
				Critical	Important	Good Practice	Service Improvement
Assurance	Adult Services	Home Care – Contract Management	Substantial	0	0	2	0
	Childrens' Services	Award of Grants	Reasonable	0	0	3	0
	Finance & Resources	Payment of Members Expenses & Allowances	Reasonable	0	1	2	0
Governance	Corporate	GDPR and the Data Protection Act 2018	Substantial	0	0	2	3

Note 1 – No assurance rating can be given in respect of investigation assignments

Assurance Level	
Substantial Assurance	• There is a sound system of internal control designed to achieve the objectives of the area being reviewed. • The control processes tested are being consistently applied.
Reasonable Assurance	• The internal control processes are generally satisfactory with some areas of weakness being identified that could put some objectives of the area being reviewed at risk • There is evidence that the level of non-compliance with some of the control processes may put some of the objectives of the area being reviewed at risk.

Limited Assurance	• Weaknesses in the system of internal controls are such as to put the objectives of the area being reviewed at risk. • The level of non-compliance puts the objectives of the area being reviewed at risk.
No Assurance	• Control processes are generally weak with significant risk to the achievement of the objectives of the area being reviewed. • Significant non-compliance with control processes leaves the processes/systems open to error or abuse.

Recommendation Rating	
Service Improvement	Implementation will improve the efficiency / housekeeping of the area under review.
Good Practice	Implementation will contribute to the general effectiveness of control.
Important	Implementation will raise the level of assurance provided by the control system to acceptable levels.
Critical	Addresses a significant risk, impacting on the objectives of the area under review.

Internal Audit Report
HSCP

Home Care - Contract Management (A0099/2019/001)

Date: June 2019

COMMITTEE SUMMARY

Audit Objectives
The objectives of the audit were to ensure that: 1. There are documented procedures in place to ensure the consistency of monitoring arrangements within Adult Services and the Corporate Procurement Unit (CPU) for the provision of independent care at home providers. 2. The arrangements in place are sufficient to monitor the quality of care and contract requirements of care at home services. 3. There are adequate arrangements in place to record issues as they arise with an appropriate mechanism in place to satisfactorily resolve any issues with the relevant party in line with documented procedures.

Audit Scope
1. Through discussion with relevant officers from Adult Services and CPU, ascertained the procedures in place for contract monitoring of care at home services. 2. Obtained documented procedures in relation to contract monitoring and assessed these for adequacy. 3. Prepared a series of tests to enable sample testing of compliance with the arrangements in place.

Key Audit Assurances
1. There are documented procedures in place to ensure the consistency of monitoring arrangements within Adult Services and the Corporate Procurement Unit (CPU) for the provision of independent care at home providers. 2. The arrangements in place are sufficient to monitor the quality of care and contract requirements of care at home services. 3. There are adequate arrangements in place to record issues as they arise with an appropriate mechanism in place to satisfactorily resolve any issues with the relevant party in line with documented procedures.

Key Risks
There were no key risks identified during the audit.

Internal Audit Report
HSCP

Home Care - Contract Management (A0099/2019/001)

Date: June 2019

Overall Audit Opinion
The audit review provided substantial assurance that care at home services provided by contractors are being adequately monitored by CPU and Adult Services. However, we have made recommendations in relation to the awareness of procedural documentation and the administration of the service aim of a two-year rolling programme for the quality assessment of providers be maintained.

Management Commentary
Management have commenced a review of the end to end processes. Guidance will be updated to reflect the findings of the review and will be circulated to all relevant staff. This will address the good practice recommendation made in the internal audit report.

Internal Audit Report
Children's Services
Administration of Grants – Award of Grants (A0030/2019/001)
Date: May 2019

COMMITTEE SUMMARY

Audit Objectives
The objectives of the audit were to ensure that: 1. There is an adequate process in place for the administration of grant funding across Children's Services; 2. The roles and responsibilities of officers involved in the administration of grant funding are explicitly set out and officers are aware of these; 3. The procedures in place for ensuring post application checks undertaken prior to submission to Board are appropriate; 4. Appropriate criteria for the award of grants has been established; 5. Applications have met the required criteria and any awards or refusals have been within the criteria; 6. Awards are subject to sufficient monitoring in line with the grant conditions; and 7. Arrangements are in place to ensure any unspent grant monies have been returned

Audit Scope
1. Interviewed the appropriate staff, evaluated the system in place for administration of grant awards and identified any possible improvements to the system. 2. Prepared a series of tests to ensure the Grant Award process is operating effectively and as described.

Key Audit Assurances
1. The roles and responsibilities of officers involved in the administration of grant funding are explicitly set out and officers are aware of these; 2. The procedures in place for ensuring post application checks undertaken prior to submission to Board are appropriate; 3. Appropriate criteria for the award of grants has been established; 4. Applications have met the required criteria and any awards or refusals have been within the criteria.

Key Risks
If evidence of checks is not retained there may be insufficient documentation in the event of any dispute.

Overall Audit Opinion
The audit has identified that reasonable arrangements were in place for the award of grants in Children's Services during the financial year 2018/19. Recommendations were made to strengthen the evidencing of the checks made.

Internal Audit Report
Children's Services
Administration of Grants – Award of Grants (A0030/2019/001)
Date: May 2019

Management Commentary
A checklist to record all checks carried out on grant applications will be re-introduced to evidence that the required checks have been undertaken.

Internal Audit Report

Finance & Resources

Members Allowances and Expenses (A0081/2019/001)

Date: June 2019

COMMITTEE SUMMARY

Audit Objectives
The objectives of the review were to ensure that: 1. The provisions of the guidelines as they relate to members' allowances and expenses have been properly implemented. 2. Members' expense claims have been fully completed and authorised in accordance with the guidelines, and contain sufficient detail to support the amounts claimed. 3. An adequate checking process has been established to ensure correct payments are made.

Audit Scope
1. Obtained a copy of the document - 'Guidance on Members' Salaries, Allowances and Expenses' 2. Selected a sample of members' expense claims in 2017/18 and 2018/19 and tested for compliance with the most recent guidance. 3. Tested members' claim forms to ensure that they contained sufficient detail to support the amounts claimed. 4. Tested the checking and authorisation process in operation for adequacy.

Key Audit Assurances
1. The provisions of the payment scheme as it relates to members' expenses have been properly implemented for the expense claims tested. 2. Expense claims tested were fully completed and sufficiently detailed to support the amounts claimed. 3. An adequate checking process has been established to ensure correct payments are made.

Key Risks
The changeover from E5 to Business World has raised an issue with respect to the retention of, and access to, backup of claims which could pose problems for future audits and adherence to statutory retention guidelines.

Overall Audit Opinion
The recent changeover from E5 to Business World has raised an issue with respect to the retention of, and access to claim backup information. However, Treasury have provided assurances to Internal Audit that these issues are being addressed and we have made a recommendation in this regard. The audit identified that the controls in place to ensure that the provisions of the payment scheme as it relates to members' expenses and allowances are properly implemented. There is also an adequate checking process established to ensure correct payments are

made and there are satisfactory controls in place to ensure that members' expense claims contain sufficient detail to support the amounts claimed.

The auditor has made a provision of reasonable assurance in relation to the area under review.

Management Commentary
Management have now implemented a process which enables claim back up information to be reviewed following authorisation.

Internal Audit Report

Corporate

GDPR and the Data Protection Act 2018 (B0010/2019/001)

Date: May 2019

COMMITTEE SUMMARY

Audit Objectives
The objectives of the review are to ensure that: 1. Data protection governance, structures, policies and procedures are adequate to ensure compliance with data protection legislation; 2. Data registers are in place which record the information required by Article 30 of the GDPR; 3. Documented, accurate and up to date records are kept of data sharing and data processing agreements; 4. Arrangements are in place to ensure that Data Privacy Impact Assessments are undertaken when required; 5. Arrangements are in place to provide training on GDPR to relevant employees.

Audit Scope
1. Interviewed the appropriate staff to ascertain the processes and controls in place for the above objectives and assess for adequacy. 2. Prepared and undertook a series of tests to confirm the adequacy of the controls identified.

Key Audit Assurances
1. Data protection governance, structures, policies and procedures are adequate to comply with data protection legislation; 2. The Information Asset Register (IAR) meets the GDPR requirements of a Data Register. 3. The Information Governance Team maintain a database of data sharing/processing agreements 4. Arrangements are in place to provide training on GDPR to relevant employees.

Key Risks
There were no key risks identified as part of this audit.

Overall Audit Opinion
The audit has identified that satisfactory arrangements are in place to comply with the General Data Protection Regulation 2018. Recommendations have been made to ensure that the requirement to carry out Data Privacy Impact Assessments (DPIA's) is documented in Project Management guidance and that the system used to record DPIA's is updated to include references to relevant legislation and record the approval of each DPIA.

Internal Audit Report

Corporate

GDPR and the Data Protection Act 2018 (B0010/2019/001)

Date: May 2019

Management Commentary
Management devised a temporary solution to enable them to update legislative references and evidence that DPIAs had been appropriately approved. A long term Sharepoint solution to enable DPIAs to be appropriately recorded and retained has been progressed with ICT. This is currently subject to testing by the Information Governance Team prior to sign off. Arrangements have been made to document the need for DPIAs in Project Management documentation.

To: Audit, Risk and Scrutiny Board

On: 26 August 2019

Report by: Chief Auditor

Heading: Internal Audit and Counter Fraud Progress and Performance for Period to 30 June 2019

1.   Summary

1.1   The Internal Audit Annual Plan was approved by the Audit, Scrutiny and Petitions Board on 18 March 2019. Internal Audit measures the progress and performance of the team on a regular basis using a range of performance indicators. This report monitors progress from 1 April 2019 to 30 June 2019, in terms of the delivery of the Audit Plan for the year and compares actual performance against targets set by the Director of Finance and Resources.

1.2   In terms of Counter Fraud, no formal performance targets for fraud investigation have been established for the following reasons. A major part of their work involves being the single point of contact for DWP's Single Fraud Investigation Service and the Service Level Agreement for this work contains time targets for completing this work. A great deal of effort has also been on increasing fraud awareness amongst employees to prevent fraud from occurring against the Council. The types of fraud referrals received to date are wide ranging and the team's objective is to concentrate on investigating those referrals considered to contain the greatest fraud risk.

1.3   The report details progress against local and national initiatives involving Internal Audit and the Counter Fraud Team from 1 April 2019 to 30 June 2019.

2.   **Recommendations**

2.1   Members are invited to note the Internal Audit and Counter Fraud Team progress and performance to 30 June 2019.

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3.   **Background**

3.1   The progress and performance of the Internal Audit Team is subject to regular monitoring using a number of performance measures. The Director of Finance and Resources has set annual targets for the team to demonstrate continuous improvement. In terms of the Counter Fraud team, there are time targets in place for responding to requests from the DWP's Single Fraud Investigation Service. Due to the diverse nature of fraud referrals no formal performance targets have been established and the outcomes from investigations is regularly monitored by management.

3.2   Internal Audit and the Counter Fraud Team support a variety of local and national initiatives through participation in professional practitioner groups and co-ordination of national initiatives such as the National Fraud Initiative.

3.3   This report measures the progress and performance of both the Internal Audit and Counter Fraud Team for the period from 1 April 2019 to 30 June 2019.

4.   **Internal Audit Team Performance**

         (a)   **Percentage of audit plan completed as at 30 June 2019**

         This measures the degree to which the Audit plan has been completed

Actual 2018/19	Annual Target 2019/20	Audit Plan Completion Target to 30 June 2019	Audit Plan Completion Target to 30 June 2019
95.6%	95.0%	20%	21.5%

         Actual performance is currently ahead of target.

(b)   **Percentage of assignments complete by target date**

This measures the degree with which target dates for audit work have been met.

Target 2019/20	Actual to 30 June 2019
95.0%	100%

Actual performance is ahead of the target set for the year.

(c)   **Percentage of audit assignments completed within time budget**

This measures how well the time budget for individual assignments has been adhered to.

Target 2019/20	Actual to 30 June 2019
95.0%	100%

Actual performance is ahead of the target set for the year, although this is likely to reduce over the remainder of the year.

(d)   **Percentage of audit reports issued within 6 weeks of completion of audit field work**

This measures how quickly draft audit reports are issued after the audit fieldwork has been completed.

Target 2019/20	Actual to 30 June 2019
95.0%	100%

Actual performance is ahead of the target set for the year.

5   Counter Fraud Team Progress and Performance

5.1   In line with the Service Level Agreement, the Counter Fraud Team act as the Single Point of Contact (SPOC) to route potential housing benefit fraud referrals to the DWP, liaise with the Council's Housing Benefit Team and DWP Fraud Officers and retrieve the necessary evidence for the DWP Fraud Officers from the Housing Benefit System.

5.2   On 28 November 2018, Joint Working with the Department for Work and Pensions Counter Fraud Section became live for criminal fraud investigations which focuses on the investigation and prosecution of the LA administered Council Tax Reduction Scheme (CTRS) and Social Security benefit fraud. To date, we have 16 cases which are being jointly worked on.

5.3   Housing Benefit matches arising from the National Fraud Initiative 2018/19 have been reviewed and relevant cases have been referred to the DWP for investigation. The rest of the matches have been

distributed between the relevant staff within the services and the Counter Fraud Officers for checking and the reports are being actively worked on. Currently, the Counter Fraud Officers have opened 57 cases which are worthy of further investigation from this exercise.

5.4   The remainder of the corporate counter fraud resource is currently being utilised to investigate non-benefit fraud referrals received to date in areas such as tenancy, revenues and education. Although there are no specific performance measures for counter fraud, the team records the outcomes of investigations in line with any guidance issued by Audit Scotland. The financial and non-financial results for quarter 1 (April 2019 to June 2019) are noted in the table below:-

Financial Outcomes	Quarter 1 (£)
Cash savings directly attributable to preventative counter fraud intervention	19,834.17
Cash recoveries in progress directly attributable to counter fraud investigations	1,986.12
Housing Benefit savings directly attributable to counter fraud investigation	31,839.45
Notional savings identified through counter fraud investigation, (e.g. housing tenancy and future council tax)	187,899.92
Non-Financial Outcomes	Quarter 1
Housing properties recovered	2
Housing applications amended/cancelled	0
Blue badge misuse warning letters issued	11
Licences revoked	0

5.5   The team are continuing to engage with services to raise awareness of the work the Counter Fraud Team can undertake to mitigate and investigate fraud.

6.   Scottish Local Authorities Chief Internal Auditors' Group

6.1   This group held their Internal Audit Conference, titled "Connections Collaborations Catalysts" in June 2019. Two highly topical   areas Procurement and Cyber Security, which were identified through a training needs analysis were the main focus of this conference. The conference comprised of a mix of presentations from speakers from various organisations and group workshops which resulted in a very well received and informative conference.

7.   Local and National Initiatives

7.1   We continue to be involved in the management and security of the Council's information and we have representation on the Information Security and Information Management Governance Groups. We also continue to be involved in various change projects as required.

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Implications of the Report

1.   **Financial** - The Council has in place arrangements to recover the any overpayments identified from the work of the Counter Fraud Team and the National Fraud Initiative.

2.   **HR & Organisational Development** - None

3.   **Community Planning –**
        Safer and Stronger - effective internal audit is an important element of good corporate governance.

4.   **Legal** - None

5.   **Property/Assets** - None

6.   **Information Technology** - None

7.   **Equality & Human Rights** - None

8.   **Health & Safety** – None

9.   **Procurement** - None

10**.**   **Risk** - The progress and performance reported relates to the delivery of the risk-based internal audit plan and the mitigation of the risk of fraud and error.

11.   **Privacy Impact** – None

12.   **COSLA Implications** – None

13.   **Climate Risk** - None

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Author: Karen Campbell – 01416187016

To: Audit, Risk and Scrutiny Board

On: 26 August 2019

Report by: Director of Finance & Resources

Heading: Accounts Commission – Safeguarding Public Money: are you getting it right?

1. Summary

1.1 The Accounts Commission have published a series of 'How Councils work' Reports aimed at supporting councils' drive for continuous improvement. Topics are selected from current themes arising from their Best Value assurance work, performance audits, the work of council's external auditors and their annual review of local government.

1.2 In April 2019, their latest report "Safeguarding Public Money: are you getting it right?" was published and the aim of the report was to reinforce the importance of councils having effective internal controls and to help elected members and officers ensure that their Council has adequate internal controls and risk management processes in place to protect public money. The report also provides eight checklists to assist elected members when they are considering the internal controls and risk management arrangements within their Council. The full Report is attached in Appendix 1.

1.3 The Report will be of interest to all officers and members but particularly so to those involved in the Audit, Risk and Scrutiny Board given that part of their remit focusses on good governance, risk management, audit and compliance.

1.4   This report outlines the key messages from the report and provides a summary of the key procedures and processes Renfrewshire Council has in place within the areas covered by each checklist. This position is based on cumulative knowledge of Council Officers and its aim is to provide members with a degree of assurance over the areas covered and highlight the source of these assurances.

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2. Recommendations

2.1   Members are requested to note:

- the key messages in the report Safeguarding Public Money: are you getting it right?" which is Attached in Appendix 1 for reference,

- that for the Board's assurance, the main processes and arrangements which operate within Renfrewshire Council are outlined in detail in the main body of this report in direct response to the key checklist points outlined in the Accounts Commission report.

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3. Background

3.1.1   The Report "Safeguarding Public Money: are you getting it right?" recognises that councils provide valuable public services but face a complex, uncertain environment that places evolving demands and expectations on them and increasingly, councils deliver services through multi-faceted partnership working, such as for the provision of social care services. It also highlights that Councils face the challenge of prioritising how they use their finite, decreasing resources to meet the rising demands on their services and therefore effective risk management and strong internal controls are more important now than ever before.

3.1.2   The Report is organised in three parts:-

Part 1 – provides information on how internal controls help councils to manage risk;

Part 2 – details the potentially serious consequences of weak controls;

Part 3 – the important roles of councillors and officers in safeguarding public money and

3.1.3   The Accounts commission expects councillors to use this report to ensure that they:

- Have a good understanding of the main risks facing their council and how well these risks are being managed,

- Are assured that appropriate internal controls are in place and, where weaknesses have been identified, effective action is being taken to address them,

- Are kept aware of the outcome of any significant risk occurring; the failure of internal controls: and what remedial actions are being taken.

4.   Key Messages

4.1   There are 4 key messages from the report and these can be summarised as follows:

- An effective system of internal control and risk management helps councils to safeguard their finances; ensures they implement their policies; and helps them to deliver high-quality services.

- Nationally, there are signs from internal auditors and external auditors that standards of internal controls in some instances are under increased strain, and this could lead to serious consequences including loss of money, impact on services and reputational damage.

- Ultimately, councillors are accountable for scrutinising a council's use of public money.   Senior Officers have the primary responsibility for ensuring internal controls and risk management operate effectively and that a council's internal audit function provides a valuable and objective view.

- Councillors should seek assurances from officers that a rigorous system of internal controls is in place. Scrutiny and audit committees have leading roles, but every committee and councillor have a scrutiny role too.

5.   Part 1 - Internal Controls help councils to manage risk (Checklist 1)

5.1   Report – Key points

- It is the responsibility of officers to develop, implement and maintain reliable controls to manage risk, safeguard public funds and help secure value for money. Accounting regulations require a council to review, at least annually, the effectiveness of its system of internal controls and the findings must be considered by the audit committee before it approves the annual governance statement.

- A Council needs to understand its risks before it can manage them. Having a sound risk management process in place reduces the likelihood of a council being impacted by adverse events; suffering a policy or service failure or omitting to benefit from opportunities.

5.2   Renfrewshire Council's Key Assurances

5.2.1   Internal Controls and Risk Management (Checklist 1)

- The system of internal financial control is based on a well established framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council.

- The risk based Annual Internal Audit Plan is designed to provide appropriate coverage across all services, examining and evaluating the adequacy and effectiveness of the governance, risk management and internal control processes.

- The results of each audit assignment are communicated to the appropriate Service Director and also to members of the Audit, Risk and Scrutiny Board. Internal audit also has robust follow up procedures which ensures agreed management actions have been implemented. Follow up activity is reported to the Audit, Risk and Scrutiny Board and Corporate Management Team.

- The effectiveness of the governance framework is reviewed annually by the Corporate Management Team, including the use of a self-assessment tool involving completion by each Service Director of a 38 point checklist covering five key areas of governance:

  Business Planning and Performance Management
  Internal Control Environment
  Budgeting, Accounting and Financial Control
  Risk Management and Business Continuity
  Conflicts of Interest and Gifts and Hospitality.

- Any major weakness identified in the governance framework would be highlighted to the Corporate Management Team and Elected Members in the Chief Auditor's Annual Report and the Governance Statement which is submitted to the Audit, Risk and Scrutiny Board prior to inclusion in the annual accounts.

- The Council's approach to risk management is set out in the risk management strategy and is robust, well developed and embedded across the Council. There are both Corporate Risk Registers and Service Risk Registers, designed to ensure the appropriate degree of focus is given to material risks that operate at different levels across the Council.

- There are also designated risk management champions within each service. They have a responsibility (1) corporately, to support corporate risk management development activities, representing their service on the Corporate Risk Management Group and (2) locally, to support their directors, senior management teams and local risk fora/ groups in implementing arrangements in accord with the risk management policy and strategy.

- Risks and updates are reported regularly to members of the Corporate Management Team and Audit, Risk and Scrutiny Board.

6. **Part 2 - Weak Controls can have serious consequences (Checklists 3 & 4)**

6.1 **Report – Key points**

- An effective system of internal control works to prevent foreseeable problems, for example, fraud or loss from happening in the first place and even where controls are theoretically robust, risks can arise if they are implemented weakly. The consequences of weak controls can be damaging, not only in loss of public funds but reputationally to a Council. Controls therefore need to be applied consistently by all service areas. However, developing and implementing internal controls is not cost-free and having too many controls in place may be unworkable or unsustainable. Also, whilst having an adequate internal control system in place reduces the risk of fraud and error occurring, it can never eradicate it completely from happening. Therefore, senior management are responsible for ensuring that the most suitable, up-to-date controls are in operation within processes at all times.

- Fraud and corruption can be perpetrated in various ways, for example by staff, customers or suppliers of the council. It is good practice for councils to have sufficient capacity in place to prevent frauds; investigate suspicious activity and correct errors. Participation in the National fraud initiative (NFI) is a major tool that can facilitate the identification of potential fraud and error.

- A council should be committed to openness and transparency and have a whistleblowing policy in place to assist employees be able to raise legitimate concerns without fear of reprisal and enable corrective action to be taken as soon as possible.

- Digital technology is becoming central to the way public services are delivered. However, this increases the potential for inadvertent data breaches and malicious cyber attacks on Council data. It is therefore vital that Councils exhibit high standards of information security.

6.2 **Renfrewshire Council's Key Assurances**

6.2.1 **Fraud and Corruption (Checklist 2)**

- The Counter Fraud and Corruption Policy details the Council's approach to the prevention, detection and prosecution of fraud and corruption, across all of the Council's service areas. This Policy was recently updated and approved by the Finance, Resources and Customer Services Policy Board in January 2019.

- Whilst all Council Officers have a responsibility for minimising the risk of fraud and error, the Council's arrangements for fraud prevention and detection are co-ordinated through the corporate counter fraud section which was established in April 2016 and sits within the Council's Internal Audit Function. A rolling Corporate Fraud Business plan has been prepared to direct their resources to the service areas where there is the highest potential for attempted fraud to occur. Fraud awareness training has been delivered to a wide range of staff across services.

- The Counter Fraud Team are also responsible for undertaking investigations of potential fraud against the Council. Where there is an allegation made against an employee which relates to their employment functions, the matter is investigated by Internal Audit and/or Counter Fraud Officers in line with the Council's Defalcation Procedures which forms part of the Disciplinary Procedures. Resources are utilised to investigate potential serious fraud cases.

- In addition, to enable the totality of fraud to be dealt with, a service level agreement has been established to facilitate joint working between the Department for Work and Pensions and the Council's Fraud Officers to enable joint fraud investigations to be undertaken in cases where there is a DWP benefit and Council Tax Allowance in payment.

- The Council actively participates in the National Fraud Initiative. This initiative is managed by Internal Audit and the work of investigating the matches received in divided between services and the corporate fraud team.

- The results of any fraud investigations are reported to the responsible service to enable recovery action to be taken on any overpayments which has arisen. There is also a range of sanction action which is taken, including referral to the Police or Procurator Fiscal depending on the severity of each case.

- The outcomes of the Counter Fraud Team's work are reported quarterly to the members of the Audit, Risk and Scrutiny Board. The results of the National Fraud Initiative are also reported to this Board

- The Council has a Whistleblowing policy in place with enables staff to raise concerns without fear of retribution and there are plans to update this policy during this year.

- The council has run several training events for Elected Members and a specific training programme is also in place for members of the Audit, Risk and Scrutiny Board covering a wide range of areas which are pertinent to their scrutiny role.

6.2.2 Consequences of Weak Controls (Checklist 3)

- The outcome, including recommendations is reported to the Service Director at the conclusion of every internal audit. A summary of each internal audit assignment is also submitted to the Audit, Risk and Scrutiny for their consideration. This details the assignment objectives, key assurances and risks, an audit conclusion and a service management comment updating members of the remedial action taken to date. Where substantial weaknesses are identified, a senior service representative also attends the Audit, Risk and Scrutiny Board to answer any member queries.

- Any identified serious internal control failures would be highlighted in the Chief Auditor's Annual Report which is submitted to members of the Corporate Management Team and Audit, Risk and Scrutiny Board and they would also be disclosed in the Council's governance statement which forms part of the Annual Accounts.

- An annual follow up exercise on the implementation of audit recommendations is undertaken by internal audit and the outcome of this exercise is also reported to the Corporate Management Team and Audit, Risk and Scrutiny Board Members.

- Information Security is paramount to Renfrewshire Council. There is a mandatory information governance framework and strategy in place, approved by members, which all officers must follow. The Director of Finance and Resources is the appointed Council's Senior Information Risk Owner.

- There is an information Governance Team in operation, who are responsible for raising awareness of the importance of information security and for investigating any potential breaches. There is also a cyber security team who deal with technical and cyber security matters within ICT. Training in these areas is mandatory for Council staff and members training has also been provided.

7. Part 3 - Officers and councillors both have important roles

7.1 Report – Key points

- Members and officers have two distinct roles and good councillor-officer working relationships are vitally important. Elected members determine the council's policy direction and officers are responsible for implementing these policies.

- The audit committee has an important role in providing the council with assurance on the adequacy of the council's governance and internal control arrangements, risk management framework, and performance reporting.

- Changing models of service delivery through partnerships and other collaborative ways of working result in a more complex governance and accountability landscape. It is important that councillors and officers understand their role and have the necessary skills in the various types of partnership working which the council undertakes. Having sound controls within the council for community planning matters will reinforce transparent decision-making, support scrutiny and aid managing the risks involved.

- Members should be trained on induction and there should be continuing professional development that builds on their knowledge and experience.

- Statutory Officers have an important role in governance, overseeing the council's key controls, managing risk and delivering council services.

- Accounting regulations compel councils to operate a professional and objective internal auditing service. It operates independently from the day to day running of the council, providing a service to all areas of the council and some partnerships, evaluating the effectiveness of the risk management, control and governance processes and recommending improvements where necessary. The Chief Auditor should have unrestricted, 'open door' access to the chief executive

7.2 Renfrewshire Council's Key Assurances

7.2.1 Audit Committee (Checklist 4)

- The Audit, Risk and Scrutiny Board (ARSB), chaired by a member who is not part of the administration, operates in accordance with formal terms of reference which were updated in September 2018. The Chief Auditor meets with the Chair and Vice-Chair prior to the main committee meeting to discuss the papers being submitted. Any other officers submitting papers also attend this meeting.

- In addition to the corporate members training programme, members of the ARSB receive regular training as part of the board meeting on areas pertinent to their Board's responsibility.

- The content of the annual Audit Plan is approved by this Board.

- For each audit assignment finalised, committee members receive a summary detailing the assignment objectives, level of assurance provided over the area examined, key assurances and findings, number of recommendations made, and their level of importance identified. It also includes and update from service management of the action they have taken to date. These summaries are well received, and a member of the service senior management team also attends the relevant board to respond to any queries members have.

- Annually, the Board is provided with details of the status of recommendations which internal audit have made previously.

- This Board approves the strategic, corporate and key service risks and receives progress reports on a six monthly basis detailing the progress of risks.

7.2.2 Partnership working (Checklist 5)

- Renfrewshire Community Planning Partnership (RCPP) brings together public, private and third sector agencies, along with Renfrewshire's local communities to plan and deliver better services and to ensure that these services make a real difference to people's lives.

- In 2016, the Community Planning Partnership reviewed its governance arrangements to improve oversight, reduce duplication and better reflect the partnership working arrangements that were in place across Renfrewshire.

- Main partnership groups have been established to drive forward the delivery of the Community Plan. A Community Planning Partnership Executive Group has been introduced, chaired by the Chief Executive of Renfrewshire Council and comprised of Chief Executive level officers across the Partnerships. In addition, there is also a Community Planning Partnership Oversight Group chaired by the Leader of Renfrewshire Council, and comprising conveners of the Council's policy boards and a member of the Opposition Group. The roles of these groups mentioned above are primarily to set direction, drive the activities of the partnership and provide oversight and scrutiny where necessary. It is the responsibility of these groups to develop the more detailed action plan that will enable the Community plan to be delivered.

- The Leadership Board is responsible for providing strategic leadership and oversight of community planning and policy development within the Council, and to liaise with partner organisations in relation to issues within the overarching themes of the Community Plan, Council Plan, and Local Outcome Improvement Plan, including oversight, promotion and

development of effective partnership and multi-agency arrangements. It is also responsible for providing oversight of the Council's strategic approach to the use of arms length external organisations and arrangements. Regular progress reports on these areas of business are submitted to this Board.

- Partnership working is included in the members induction and training programme.

7.2.3 Councillors Continuing Personal Development (Checklist 6)

- The Council establishes a new programme of induction and briefings, to be delivered for new and returning councillors following the Local Government Election and throughout their term of office. The programme has been developed with input from across Council services, from members themselves, and from partner organisations.

- Members are encouraged to make use of the National Elected Members Portal, established by the Improvement Service. This online resource provides a range of development opportunities including Induction materials for newly elected councillors and ongoing Continuous Professional Development for all councillors.

- Members are also encouraged to produce a Personal Development Plan, and refresh the content as appropriate, at least every two years.

7.2.4 Statutory Officers and Chief Education Officer (Checklist 7)

- The statutory appointments of officers agreed by the Council and their responsibilities are set out in the Scheme of Delegated Functions which was last updated in January 2019.

- Each of the Statutory Officers and the Chief Education Officer sit on the Council's Corporate Management Team which engages regularly to discuss key issues.

- There is regular engagement between Elected Members and Statutory Officers regarding key issues.

- In addition, Renfrewshire Council actively encourages Elected Members and all Senior Officers to work together to achieve the best for its community within clearly defined functions and roles. To facilitate this , a protocol for relationships between elected members, political groups and officers is in place to guide members and officers of the Council in their relations with one another; to develop co-operative relationships between members; assist with ward management; and to provide a framework within which members of political groups within the council are able to operate individually and collectively.

7.2.5   **Internal Audit (Checklist 8)**

- Internal Audit operates under the Council's Internal Audit Charter which was approved by the Audit, Risk and Scrutiny Board (ARSB). This Charter states that Renfrewshire Council's Internal Audit service will comply with the Public Sector Internal Audit Standards and the authority of Internal Audit is set out in the Council's Financial Regulations and Codes.

- The Chief Auditor reports functionally to the Board and administratively (i.e. day to day operations) to the Director of Finance and Resources. The Charter allows the Chief Auditor to report directly to the Chief Executive, Board members or the Council regarding any matters of concern that could place the Council in a position where the risks it faces are unacceptable or the independence of Internal Audit is under threat.

- An internal audit plan is developed annually based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management. This is submitted to the Corporate Management Team and approved by the ARSB. The internal audit plan will consist of a work schedule as well as resource requirements for the next financial year. The Chief Auditor communicates the impact of any resource limitations and any significant deviation from the approved internal audit plan to senior management and the Board through periodic performance reports.

- The results of each internal audit engagement are communicated to senior management and the ARSB. The Chief Auditor also submits an Annual Report to members of the Corporate Management Team and the ARSB which includes an annual audit opinion on the overall adequacy and effectiveness of the Council's internal control environment.

8.   Conclusion

Having considered the aims of the Accounts Commission in preparing this report and the Council's current processes and procedures, the Council is well placed in relation to the key questions posed in the 8 checklists. This is reflected in the conclusion outlined in the 2018/19 Governance Statement, which forms part of the 2018/19 accounts, that the Council's governance and internal control environment currently in operation provides reasonable and objective assurance that any significant risks impacting on the achievement of the Council's principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

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Implications of the Report

1.   **Financial** – The Accounts Commission Report recognises the financial challenges that the public sector continues to face and asks the council to consider the governance arrangements it has in place to safeguard public funds

2.   **HR & Organisational Development** - None

3.   **Community Planning –**
            Safer and Stronger - effective internal audit service and audit committee arrangements is an important element of good corporate governance.

4.   **Legal** – None
5.
6.   **Property/Assets** - None

7.   **Information Technology** - None

8.   **Equality & Human Rights** - None

8.   **Health & Safety** – None

9.   **Procurement** - None

10**.**   **Risk** – The risk implications have been detailed in the report.

11.   **Privacy Impact** – None

12.   **COSLA Implications** – None

13.   **Climate Risk** - None

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Author: Karen Campbell – 07768354651

How councils work:
an improvement series for councillors and officers

Safeguarding public money: are you getting it right?

ACCOUNTS COMMISSION

The Accounts Commission

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

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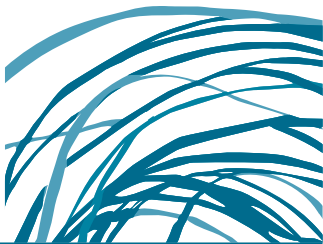
Our work includes:

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

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

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

Audit team

The core audit team consisted of Carol Calder and Douglas Black, with support from other colleagues, under the general direction of Antony Clark.

Links

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Key messages

Councils provide valuable public services but face a complex, uncertain environment that places evolving demands and expectations on them. Increasingly, councils deliver services through multi-faceted partnership working across organisational, functional and geographical boundaries – such as for the provision of health and social care services.

It is challenging for councils to prioritise how they use their finite resources. Councils' decreasing budgets contrast with rising demands on many of their services, including care of vulnerable elderly people. This means that effective risk management and strong internal controls are more important now than ever before.

1 An effective system of internal controls and risk management helps councils to safeguard their finances; ensures they implement their policies; and helps them to deliver high-quality services. Controls include procedures for paying the right sum of money to the right person at the right time; keeping confidential data secure; and minimising a council's exposure to fraud and corruption.

2 There are signs from councils' internal auditors and the work of councils' external auditors that standards of internal controls may be strained. Some recurring weaknesses are becoming apparent among councils and the consequences could be serious, including the loss of significant amounts of public money, impacts on services and reputational damage.

3 Ultimately, councillors are accountable for scrutinising a council's use of public money. Senior officers have the primary responsibility for ensuring internal controls and risk management operate effectively and that a council's internal auditing function provides a valuable and objective view.

4 Councillors should seek assurances from officers that a rigorous system of internal controls is in place. Scrutiny and audit committees have leading roles, but every committee and councillor has a scrutiny role too.

About this report
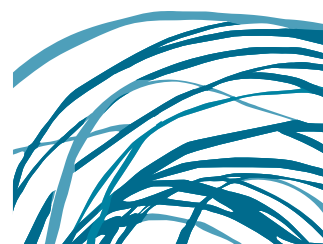
1. The Accounts Commission aims to help councils improve their use of public money, alongside its role as the local government public spending watchdog. Our *How councils work* (HCW) reports support councils' drive for continuous improvement. We select topics from recurring themes in our Best Value assurance reports; performance audits; the work of councils' external auditors; and our annual overview of local government.

2. Our previous HCW reports have examined:

- The roles, responsibilities and working relationships of councillors and council officers in achieving Best Value ⊕ (2010); and a follow-up ⊕ (2016).

- The relationships between councils and their arm's-length external organisations (ALEOs) ⊕ (2011).

- The value of good-quality cost information in making informed policy decisions and scrutinising performance ⊕ (2012).

- The importance of effective performance management systems ⊕ (2012).

- Good practice in managing councils' major capital investments ⊕ (2013).

- Charging for council services ⊕ (2013).

- Options appraisal ⊕ (2014).

3. Scotland's councils face complex, challenging financial pressures. Rising demand for many of the diverse services councils provide must be met despite tightening budgets for numerous services, and significant uncertainty stemming from external factors including the UK's planned withdrawal from the EU.

4. In 2017/18, councils' net revenue expenditure totalled £12.4 billion.[1] If councils could save one per cent by improving their financial management, risk management and internal controls, they could potentially free-up an extra £124 million for providing public services.

5. Scotland's 1,227 councillors have multi-faceted responsibilities and constantly make difficult decisions when prioritising and allocating their council's finite resources.[2] With so much at stake, it is more important than ever that the impact of their decisions on communities and individuals is transparent and clearly understood. This requires an organisational culture that is open to candid discussions about risks and recognises the importance of scrutinising decisions.[3]

6. This report aims to reinforce the importance of councils having effective internal controls. Although these may have a low profile, they are fundamental to maintaining a council's finances; securing its core values; safeguarding public money; and minimising the reputational impact on a council if things go wrong. In places, anonymised, real-life case studies illustrate the importance of internal controls and the consequences if they fail. Checklists are featured to help councillors and officers assess their council's situation and, where necessary, to identify and plan improvements.

7. The Accounts Commission expects councillors to use this report to ensure that they:

- have a good understanding of the main risks facing their council and how well these risks are being managed

- are assured that appropriate internal controls are in place and, where weaknesses have been identified, effective action is being taken to address them

- are kept aware of the outcome of any significant risk occurring; the failure of internal controls; and what remedial actions are being taken.

Part 1
Internal controls help councils to manage risk
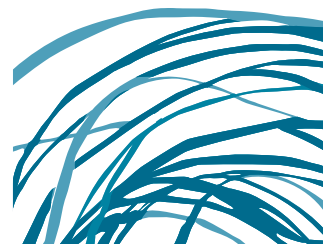
Councils can use internal controls to manage risks

A control is an action taken by management … to manage risk and increase the likelihood that established objectives and goals will be achieved.[4]

8. A council is responsible for having an effective system of internal controls to safeguard public funds and help secure value for money. A system of internal controls has five main components (Exhibit 1).

Exhibit 1
Internal control components
The five main components are interdependent.

Control environment
The overall attitude, awareness and actions of councillors and senior officers to control activities and their importance in the council. This includes the high-level structures, culture and values across the council to provide a basis for carrying out internal controls.

Risk assessment process
Risk assessments should be carried out regularly. By identifying and evaluating risks, the council can assess the need for control activities.

Information systems
Councils use these systems (manual and computerised) to record financial transactions and non-financial data; and maintain accountability for related assets, liabilities and equity.

Control activities
Policies and procedures that senior management apply to ensure that their decisions and instructions are implemented; and risks are mitigated (treated) to achieve their objectives.

Monitoring of activities
Ongoing assessment by management of the control system's performance. Communication helps to monitor progress against the council's objectives.

Source: Financial Reporting Council

9. Control activities help to ensure council policy is applied, and they can generate feedback on whether intended actions were implemented and achieved their desired objectives. They comprise policies that establish what should be done, and procedures to implement these policies. In addition to the component arrangements for handling risk, five control categories are identified in the International Standards on Auditing, regarding the sorts of areas where risks occur:

- Authorisation

  – Officers handle only those processes and transactions that fall within the scope of their role.

- Physical

  – The physical security of assets, including adequate safeguards such as secured access to premises and records.

  – The authorisation for access to computer programs and data files.

  – The periodic counting and comparison with amounts shown on control records (for example, comparing the results of cash, security and inventory counts with accounting records).

- Information processing

  – Allow data to be processed in a specific way.

  – Application controls, which apply to the processing of individual tasks. Examples include checking the arithmetical accuracy of records, and manual follow-up of computer-generated exception reports.

  – General ICT controls, which are policies and procedures relating to many applications, such as controls that restrict access to computer systems which could change financial information without leaving an audit trail.

- Performance reviews

  – Monitoring performance versus budgets, forecasts, and prior period performance; and reviews comparing different data sets.

- Segregation of duties

  – Assigning different people the responsibilities of authorising transactions, recording transactions, and maintaining custody of assets. This is intended to reduce opportunities for someone to both perpetrate and conceal errors or fraud.[5]

10. It is the responsibility of officers to develop, implement and maintain reliable controls. Accounting regulations require a council to review, at least annually, the effectiveness of its system of internal controls. The findings from such a review must be considered by the audit committee (or equivalent) before it approves the council's annual governance statement, which is included in its published annual accounts.[6] The governance statement is where a council reports publicly on the extent to which it complies with its own code of governance, which in turn should be consistent with good governance principles. It should include:

- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the council's code of governance

- reference to, and assessment of, the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment

- an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework

- an agreed action plan showing actions taken, or proposed, to deal with significant governance issues

- reference to how issues raised in the previous year's annual governance statement have been resolved

- a conclusion – a commitment to monitoring implementation as part of the next annual review.

11. A council's external auditor is required to express a separate opinion in their independent auditor's report on whether:

- the information given in the council's annual governance statement is consistent with its financial statements

- the annual governance statement has been prepared in accordance with the *Delivering good governance in local government: framework 2016.*[7]

Risk management helps to safeguard public money

Risk management is about identifying risks; assessing the impact they will have if they come to pass; the likelihood of that happening and making plans to mitigate, or 'treat', those risks.[8]

12. A council needs to understand its risks before it can manage them, and each council will have its own set of local circumstances, risks and challenges. Councils have some risks in common but their level and how they manifest themselves vary from place to place and over time. Risks can arise or change owing to factors such as: changes in the regulatory or operating environment; recruiting new staff and staff turnover; implementing revamped or new information systems; adopting new technologies; and organisational restructuring. Understanding and proactively acting on risks reduces the likelihood of a council being impacted by adverse events; suffering a policy or service failure; or omitting to benefit from opportunities.

13. The impact of risks can be categorised in various ways and here is one approach for illustration:

- **Compliance** – with laws, regulations and good practice.

- **Finance** – risks to the funding available for providing quality services; and to the council's ongoing financial sustainability.

- **People** – risks to employees' health, safety, wellbeing and morale; and to the organisational culture within services and the council overall.

- **Reputation** – risks to a council overall, its values, councillors and officers.

- Change – including risks with major construction projects and a council's organisational transformation plans.

- Impact – including the consequences of bad weather for services, and a council's responsibility to champion and demonstrate good practice concerning its social responsibilities.

14. A council is responsible for having an effective and appropriate risk-management function.[9] A good practice approach consistently integrates planning and risk management at corporate and service levels, and helps a council to:

- set and achieve its strategic objectives

- comply with its legal and policy obligations

- ensure the rigour of its decision-making

- prioritise the allocation and use of its finite resources

- deliver high-quality services.

15. A risk management cycle typically has seven steps (Exhibit 2). An underlying principle is to identify risks and their root causes at the earliest opportunity; assess risks' potential impact; introduce controls to mitigate (treat) those risks; and continually review the council's position.

Exhibit 2
Risk management aspects
There are seven key steps.

1 **Identify** the risks to the council

2 **Assess** the impact of the results

3 **Assess** the likelihood of the risks occurring

4 **Prioritise** all risks, assessing the principal risks

5 **Identify** how controls can be put in place to help mitigate risks

6 **Monitor** risks and the effectiveness of controls

7 **Report** regularly to senior officers and to councillors

Source: Audit Scotland

A council needs to use one or more risk registers
A risk register is a key document which, together with service performance data and financial information, equips senior officers and councillors with an assessment of a set of issues.[10]

16. A risk register supports the identification, assessment and monitoring of risk. It can inform the understanding of trends; drive action planning; and help in sharing good practice across the council. A large, complex organisation like a council is likely to need a strategic, corporate-level risk register; and a more operationally focused risk register for each service and major programme of change or development – such as improvements to the school estate or a major new ICT programme. A risk register can capture where key risks sit and:

- the ownership and responsibility for how each risk will be managed

- the regularity of reports to officers and councillors on the handling of risk

- the basis for periodically updating the council's approach to risk.

17. Once a risk is identified, its significance is assessed in terms of the likelihood of it occurring and, if it occurred, what the consequences would be. Typically, likelihood is categorised on a numerical scale such as one to five, with one being rare and five almost certain. Impact will also be assessed on a similar scale, with one being insignificant and five being severe. Likelihood and impact are multiplied to obtain a single overall risk score between one and 25.

18. Few risks can be avoided altogether but an effective, self-aware risk culture enables councillors and officers consciously to take the right risks in an informed, responsible way. A council that is consistently risk-averse may not be well-placed to benefit from new opportunities. How acceptable a risk is deemed to be will depend on the type of risk involved; may vary among council services; and be influenced by factors such as the sums of money involved, or the potential consequences should the risk materialise.

19. It is for each council to have a clear approach to managing risk and articulating its risk appetite in ways that balance risk and opportunity and reflect the specific and varied nature of risks across different service and policy areas. For example, a council's risk appetite could range between being risk-averse (where the avoidance of risk and uncertainty is a key organisational objective) and risk-hungry (where the council is eager to be innovative and to choose options offering potentially higher rewards, despite greater inherent risk).

20. A council must monitor and control risks. It is important to evaluate each risk's score before and after mitigating action to curb it. Based on a risk's score, there are four options. In picking one, factors to consider include costs, feasibility, probability, and potential impact.

- Terminate – avoid the risk altogether by deciding not to proceed with an activity. For example, if a project is very high-risk, it may be prudent to cancel the project altogether or handle it differently.

- Transfer – to another person or organisation that bears all or part of the risk. This could mean moving some work to a different type of organisation; working in partnership to share the risk; or taking out insurance.

- Mitigate – identify measures to reduce the risk. Risks should be monitored regularly to ensure mitigation measures remain effective.

- Tolerate – it is sometimes appropriate to accept and live with a risk, for instance if the cost of mitigating it exceeds the potential benefits.

Internal controls and risk management are increasingly important

21. The outlook is that reductions in funding for councils may increase financial pressures on them, especially in services that are unprotected by funding dedicated to their sole use – such as road maintenance, waste disposal and 'back-office' functions such as finance, personnel and ICT services.

22. Further savings will become progressively more important to councils' financial sustainability but could be increasingly difficult to achieve.[11] Sound internal controls are therefore essential for ensuring councils can extract the maximum possible value from their budgets within a tolerable level of risk. Risk is often unavoidable, but it always needs managed actively. The rewards in a well-managed situation can outweigh the risks for individuals, councils and for residents.

Councillor checklist 1

Internal controls and risk management

The following questions may help you to think about internal controls and risk management in your council.

Is the answer Yes, Maybe/Partly, or No? Is action required? If so, what action and who by?
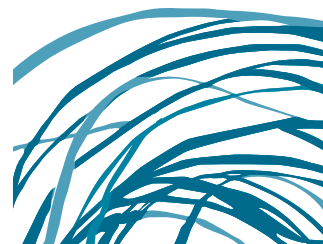
Internal controls

- Do internal controls link with key corporate and service-level risks?

- Do internal controls apply to both financial and non-financial risks?

- Has the council identified the weakest internal controls?

- Are officers improving weak internal controls and minimising the risks they pose?

- Does internal auditing evaluate controls' effectiveness, and report to the audit committee?

- Does the audit committee take appropriate action?

- Does the council publicly review its system of internal controls annually?

Risk management

- Is risk management actively led, supported and promoted by councillors and senior officers?

- Does the council have an up-to-date, corporate-level, risk management strategy?

- Does the corporate risk management strategy address the council's risk appetite?

- Does the council have up-to-date corporate-level and service-related risk registers?

- Is risk management embedded in business practices at both corporate and service levels?

- Does systematic evaluation and prioritisation of risks and opportunities lead to timely action?

- Are key risks and action to mitigate them monitored and reported on throughout the year?

- Do officers' reports to committees cover both financial and non-financial risks?

- Is there sufficient, timely training and ongoing support on controls and risk for you and relevant officers?

Part 2
Weak controls can have serious consequences

There are signs that standards of internal controls may be strained

23. An effective system of internal controls works to prevent foreseeable problems from happening in the first place. When things do go wrong, symptoms of significant weaknesses in controls can include:

- Major financial transactions are not appropriately scrutinised by councillors.

- Fraud is not prevented by the council's internal controls.

- A risk assessment process is absent, where it would ordinarily be expected.

- The council's risk management process does not identify where risk assessment is ineffective, such as a failure to identify a risk of material misstatement in the annual accounts.

- There is an ineffective response to identified significant risks (for example, an absence of controls over such a risk).

- Previously issued financial statements have had to be reissued to correct a material misstatement due to error or fraud.[12]

24. However, developing and implementing an internal control is not cost-free and implementing increasing numbers of controls may not be helpful or sustainable. Consequently, there are balanced judgements to be struck. The challenge is to consolidate only the most suitable controls into systems and operations.

External auditors report their concerns about controls
25. Through their audit reports and plans, councils' external auditors flag concerns about councils' internal controls as a result, for example, of the trend in reduction of finance staff. Recurring weaknesses are becoming apparent with certain types of controls, particularly those relating to:

- information processing controls, such as for key financial systems

- performance reviews, such as making effective use of computer-generated reports that usefully highlight patterns and exceptions

- segregation of duties, including ensuring that a council officer cannot perform both Human Resources (HR) and payroll functions, and so create fictitious employees; and ensuring an officer cannot both make a purchase from a supplier and arrange the payment for it.

26. Case studies in Exhibit 3 (page 16) illustrate a range of situations where:

- controls worked well

- controls were weak, but problems were averted

- weak controls enabled a problem to occur, but corrective action was taken.

The failure of internal controls can cause numerous problems

Public money can be lost

27. Even where a council's controls are theoretically robust, risks can arise if they are implemented weakly (Case study 1). Controls need to be applied:

- consistently – by all relevant parts of the council and its various services

- responsively – in good time, such as when one part of the council relies on being supplied with information by another council function or service

- sustainably – without intermittent interruptions in their use.

Case study 1

Overpayments to current and former employees cost a council £21,000

Between April 2015 and February 2018, the council made over 800 salary overpayments totalling approximately £812,000 to a combination of actual and former employees. An eighth of former employees were still paid after leaving the council, usually due to a delay in a department notifying Payroll Services staff that someone had left. Six overpayments exceeded £10,000 and the highest was £15,500. At the time of the external audit, there were no documented procedures for preventing or recovering payroll overpayments. In March 2018, the council issued a Payroll Overpayment Process Guide, which outlined the steps to recover an overpayment of salaries/wages. In April 2018, in conjunction with HR, Payroll Services also issued procedural guidance to managers on avoiding salary overpayments. By March 2018, the council had:

- Recovered around £351,400 of overpayments, taking an average of 101 days, and written off £21,000.

- Recovered 58 per cent of overpayments from actual employees and 27 per cent from former employees.

Source: Audit Scotland

Exhibit 3
Control activity case studies
There are five categories of control activities.

Control activity	Controls worked well
Authorisation controls	**Authorisation controls**
Officers handle only those processes and transactions that fall within the scope of their role. For example:	Journal entries are raised and approved by different officers, as appropriate. Each journal entry is supported with back-up detail that enables the authoriser to know the journal entry is correct.
• The purchasing manager evidences authorisation of a purchase requisition through their signature. • The head of HR reviews and signs off the payroll before payments are made to employees.	
Physical controls	**Physical controls**
Controls over access to files ensure that data is restricted to authorised users; and only changed if permitted. For example:	An officer's access rights to the council's IT network are automatically removed at midnight on the day s/he leaves the council. The system is linked to leaving dates held in the HR and payroll systems. The same process automatically removes access to third parties who have been granted temporary access to the council network. Additionally, inactive computer accounts are automatically disabled after 30 days.
• Buildings are secured by keycard locks. • Safes are locked routinely. • Fire and burglar alarms are maintained. • Access to computer servers is restricted.	
Information processing controls	**Information processing controls**
Allow specific data to be processed in a specific way. For example:	The council purposely tolerates low reported levels of Blue (disabled parking) Badge misuse because pursuing the return of a badge when its holder dies could be insensitive. Instead, the council's Blue Badge team receives updates on deceased customers through the UK-wide 'Tell Us Once' scheme. A person's badge is cancelled through the national Blue Badge system and the local Parking Unit is informed.
• Application Controls typically apply to the processing of specific types of transactions, such as invoicing customers or paying suppliers. • IT General Controls help ensure the secure, continuing operation of information systems.	
Performance reviews	**Performance reviews**
Allow management to review information to highlight any exceptions. For example:	A comprehensive compliance system produces weekly reports on processing activity and accuracy. Reports detail trends in processing errors detected through the quality procedures in place and they report on bank amendment reviews. Reports are also reviewed monthly by the director and the head of accountancy. This approach allows senior management to identify issues with individuals; spot trends, and target staff training.
• Senior officers regularly use computer-generated reports that show exceptions to normal patterns. • There are regular reviews of debtors. • Actual spend is compared to the original budget.	
Segregation of duties	**Segregation of duties**
Mitigates a risk that people could commit a fraud or error and conceal it. For example:	The council introduced a new computer system that integrated the management of HR, payroll, and financial management functions. The risk of fraud was minimised by consulting internal audit at the design stage, and ensuring that officers could not access multiple parts of the computer system, and so arrange to create and pay a fictitious employee.
• Access to payments and supplier accounts is controlled. • HR staff cannot also access the payroll function.	

Exhibit 3 (continued)

Controls were weak, but problems were averted	Weak controls enabled a problem to occur
Authorisation controls	**Authorisation controls**
Documents setting out the council's financial management and governance arrangements referred to superseded structures and roles. Differences between obsolete written procedures and the processes actually being followed meant that controls were weakened, or not fully complied with. The council brought its Scheme of Delegation into line with its revised structure and strengthened its related controls.	The council approved a new Scheme of Governance including refreshed Financial Regulations. These required purchase orders to contain a contract reference number. Orders for £50,000 or over should be approved by an officer at Head of Service level or above. In one year, 117 orders for £50,000 or over were raised through the council's procurement system. Of these, 73 per cent had neither head of service nor committee approval because of weak application of the control.
Physical controls	**Physical controls**
There was no formal communication process to ensure access to IT systems was removed promptly when an employee left the council. This generated a risk of fraud or manipulation of systems by former employees. Arrangements are now in place that automatically remove access rights to the council IT network at midnight on the day someone leaves the council. This is linked to leaving dates held by HR and the payroll system.	Mobile telephones worth £5,400 were stolen from a council store. The door entry system's code was widely known among employees; fire exits were left open; and the phones were not recorded on the council's asset tagging system on delivery. An internal audit review introduced improved controls, including periodic changes to door entry codes, closing fire doors, regular physical checks of stock, and applying the council's asset tagging system.
Information processing controls	**Information processing controls**
Information from a third party suggested an adviser of a consortium delivering a project had falsified claim evidence. This consisted of emails about client activities, which the adviser could edit. Evidence of eligibility of benefits and identification was tampered with. The investigation by the internal audit section prevented payment on the ineligible claims. The adviser resigned. Controls and evidence standards have been tightened, and consortium supervisors have been trained about tampered evidence.	Confidential tax forms containing personal data on around 900 actual or former employees were sent to the wrong people. The council apologised to affected people, and reported the breach to the Information Commissioner's Office. The internal audit section found procedures had been in place, but human error had occurred. Remedial actions comprised revised procedures with additional quality assurance.
Performance reviews	**Performance reviews**
An exercise to check payroll data with service managers was two years old. Dated and incomplete checks risked undetected payroll errors. Personnel conducted a full verification exercise, but services responded on only 79 per cent of staff. The council further improved its verification of payroll data. Overall, overpayments are now a small percentage of the paybill and are pursued to ensure repayment.	An officer diverted £6,000 of school fund income, triggering an internal audit investigation. The fraud was possible because reconciliations and spot checks on accounts and cash balances were not made. The employee denied theft but admitted failing to bank school fund income. A report was made to the Procurator Fiscal. Regular checks and bank reconciliations, signed off by the headteacher, have been introduced by the council to deter a recurrence.
Segregation of duties	**Segregation of duties**
Five council officers had access to both the HR and payroll areas of the council's computer system, potentially enabling them to create – and pay – a fictitious new employee. The council is undertaking a comprehensive review and implementing a new 'people manager module' to change some HR staff's access permissions to computer systems.	A £1.1 million fraud spanning over five years was detected when year-end procedures found that an invoice for £7,000 lacked supporting evidence. A payment had been made to an officer who could insert fake invoices and suppliers' details. Internal audit and Police Scotland found fundamental control weaknesses. The officer was jailed for over five years. All but £19,000 is being recovered, and controls have been improved to help avoid further anomalous payments.

Source: Audit Scotland

Public money can be lost through corruption or fraud

28. Fraud and corruption can be perpetrated in various ways that can include, for example, fraud or corruption by a council officer or a councillor; a resident attempting to exploit a service; or a fraudster acting alone or in a wider plot. Councils' internal auditing functions routinely share intelligence on actual or potential frauds, enabling them quickly to review the suitability of their own controls. Some councils have teams of officers dedicated to counter-fraud work, and others rely primarily on officers within the internal audit section alone.

29. The National Fraud Initiative (NFI) is a UK-wide, counter-fraud exercise that is conducted every second year and is coordinated in Scotland by Audit Scotland. It uses computerised tools to compare information on people held by different public bodies and on different financial systems. The NFI identifies potential inconsistencies, called 'matches', that suggest potential fraud or error. Examples include matching council tax records to the electoral register, to spot unreported changes affecting a resident's eligibility for a council tax discount.

30. The most recent NFI exercise, on 2016/17, identified £18.6 million of 'outcomes' in Scotland including around £11.9 million among councils (Exhibit 4, page 19).[13] An NFI outcome describes the overall amounts for fraud, overpayments and error that are detected by the NFI exercise and an estimate of future losses that it prevents. Examples include housing benefits being stopped or reduced; council tax discounts being reduced or removed; and 'Blue Badges' for parking being stopped or flagged for future checks. High levels of outcomes could be due to increased fraud and error in the system, better detection of fraud and error or poor internal controls. Once an overpayment has been identified, a council can consider how to recover the money involved. The NFI also has an important deterrent effect that cannot be measured.
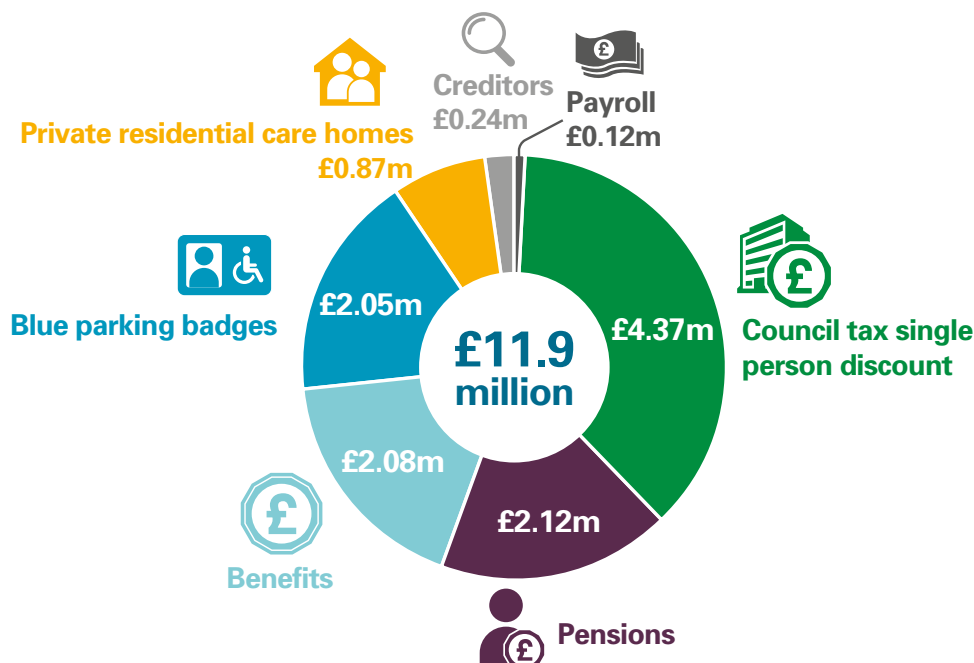
31. Most public bodies take advantage of opportunities provided by the NFI, and Audit Scotland disseminates information on instances of fraud in its quarterly technical bulletins. The frauds they cover have all been facilitated by people exploiting weaknesses in internal controls. Councils could use the NFI and these bulletins to consider promptly whether the same weaknesses apply in their own systems and what the necessary remedial actions may be for them.

32. Councils should ensure they have sufficient capacity in place to prevent frauds; investigate suspicious matches or other problems; and correct errors. It is more cost-effective to invest staff time in deterring or preventing fraud using good internal controls than to take remedial action afterwards. Investigating a fraud can cost a great deal of staff time and prosecuting a fraudster can incur substantial legal costs with no guarantee that the money lost will be recovered. It is for each council to decide how to organise, resource and pursue its fraud work.

Exhibit 4
The results of the 2016/17 National Fraud Initiative in Scottish councils
The NFI identified £11.9 million of 'outcomes' among councils.

Creditors £0.24m

Payroll £0.12m

Private residential care homes £0.87m

Blue parking badges £2.05m

£11.9 million

£4.37m Council tax single person discount

£2.08m Benefits

£2.12m Pensions

These four aspects jointly accounted for 90 per cent of the NFI savings identified in councils

Council tax
People living on their own, or with no countable adults in the household, are eligible for a 25 per cent Single Person Discount.

Pensions
The NFI provides councils that administer pensions with an efficient and effective way of checking that they are paying the right pension to the right people; are not paying pensions to retirees who have died; and take account of people who retired but later returned to work.

Benefits
The NFI helps councils and the UK's Department for Work and Pensions to identify benefit frauds and errors – often caused by undeclared occupational pensions and undeclared public sector employment.

Blue parking badges
People with mobility problems can park for free in certain circumstances. Sometimes, a badge is used or renewed after the badge holder has died. Councils do not always try to recover a deceased person's badge to avoid distressing their family. But councils can ensure a badge is not renewed incorrectly.

These three aspects jointly accounted for ten per cent of the NFI savings identified in councils

Housing
This includes continuing to make payments to a care home for a resident after the person has died.

Creditors
The NFI helps to identify duplicate payments and ensure payments are made only to appropriate creditors.

Payroll
For example, legitimate employees may be in breach of their conditions of service or European Union working time limits; some employees could be working illegally in the UK; a council could inadvertently continue paying a former employee, or overpay a current employee.

Note: Some figures include late outcomes from the 2014/15 NFI work.
Source: Audit Scotland

Weak controls can have many other consequences
33. These can include an impact on:

- confidence in the council's integrity and reliability, including among residents, other public bodies and the council's business partners

- compliance with legislation and regulation, with the potential for costly and time-consuming legal action, such as on public liability matters

- the security of confidential financial, commercial and personal data

- the funding available for providing public services

- specific individuals – for example, if their confidential information is inadvertently published, or their personal safety is jeopardised

- additional external audit work.

Councils have duties to whistleblowers

Whistleblowing is about ensuring that if someone sees something wrong in their workplace, they are able to raise this within their organisation, to a regulator, or wider.
34. The Public Interest Disclosure Act protects employees and other workers who raise concerns about wrongdoing they believe is occurring. An employee must have a genuine and reasonable belief that the wrongdoing is taking place, and also that the disclosure is a matter in the public interest.[14] Where the statutory conditions are met, the employee should be protected from detrimental treatment. Every council should have a whistleblowing policy which complies with the legislation and the Whistleblowing Code of Practice.[15] A council that does not provide a safe whistleblowing route for its officers could discourage employees from raising legitimate concerns, and miss an opportunity to address a problem before it becomes a crisis.

Controls regarding cyber-security are increasingly important
35. Digital technology is becoming central to the way public services are delivered, with scope to improve and transform services and how users interact with public bodies. Citizens' expectations of public bodies' digital services are also rising. However, there is the potential for inadvertent data breaches, and also for malicious cyber-attacks to access and abuse sensitive information on a huge scale. Councils are required to meet high standards of information security and few serious issues have arisen among councils.[16, 17] Nonetheless, effective internal controls on access to information and its uses remain vital. If a council suffered a serious cyber-attack, the impact could be damaging, sustained, and include:

- interruptions to the provision of public services

- exposure of citizens' money and confidential data to theft and abuse

- financial damage to the council and its commercial partners

- costly remedial work to restore and re-secure computer systems.

Councillor checklist 2

Fraud and corruption

The following questions may help you to think about fraud and corruption in your council.

Is the answer Yes, Maybe/Partly, or No? Is action required? If so, what action and who by?

- Does the council have a fraud and corruption strategy for all its business, including its partnerships?
- Have cases of fraud and corruption been identified in each recent year?
- Have there been successful prosecutions for fraud or other criminal behaviour?
- Of the money lost to fraud/corruption, what percentage has been successfully recovered?
- Is the whistleblowing policy monitored for take-up; and are concerns acted upon?
- Are staff and other resources for fraud investigation proportionate to risks that the council faces?
- Are all allegations of fraud or corruption risk-assessed, and investigated accordingly?
- Are fraud alerts and good practice shared among council services in a timely way?
- Are there cost-effective measures for recovering money lost to fraud and corruption?
- Does the council actively take part in the National Fraud Initiative and act on its findings?
- Is comprehensive information on fraud and corruption reported to a relevant committee?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Councillor checklist 3

Consequences of weak controls

The following questions may help you to think about how your council deals with weak controls.

Is the answer Yes, Maybe/Partly, or No? Is action required? If so, what action and who by?

- Which services have been most affected by weak controls, and why?
- Has internal auditing tracked, assessed and reported to a committee on weak controls' impacts?
- Have consequences of weak controls for ongoing service delivery been assessed?
- Could the council do more to anticipate longer-term risk trends, such as cyber-crime?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Controls have practical limitations

36. Since a council constantly evolves, its officers need a programmed approach that updates existing controls and creates new ones as and when required. Internal controls operate within practical constraints, such as when the cost of introducing and enforcing a control would probably outweigh the impact of something going wrong (Exhibit 5).

37. The more senior an officer is, the more authority and opportunity s/he is likely to have for inappropriately overriding well-intentioned controls without being detected. However, the annual audit reports on the 2016/17 external audits of councils found no evidence of inappropriate management override of controls.

Exhibit 5

Internal controls
Numerous factors can limit the system of internal controls.

Relevance/obsolescence
Control-related activities or processes can become irrelevant over time as technologies and business needs change. Changes in key personnel could also cause a control to become obsolete.

Cost
Beyond a certain point, the cost of installing or improving a control could outweigh the benefits likely to be gained from applying it.

Collusion
Two or more officers work together to circumvent existing controls for their own purposes. If officers collude to perpetrate a fraud, typically by overriding management controls, it can be difficult for management to detect it.

Human error
There is always a risk of people making genuine mistakes, including in the operation of control activities themselves. The risk can be exacerbated by factors such as a lack of adequate motivation or training, time pressure, an adverse working environment, or excessive workloads.

Unusual or infrequent transactions
Control activities may be less suited to unusual and/or infrequent types of transactions.

Management override
Many processes have a facility to permit a management override function, so there is a risk that this facility could be abused; for example, by inflating reported figures to boost an officer's reputation.

Source: Financial Reporting Council

Councils' external auditors evaluate their internal controls annually

In determining whether the auditor has identified one or more deficiencies in internal control, the auditor may discuss the relevant facts and circumstances of their findings with the appropriate level of council management. This discussion provides an opportunity to alert management on a timely basis to deficiencies they may not have been aware of.[18]

38. International auditing standards require a council's external auditors to report significant deficiencies in internal controls to its audit committee, regardless of whether the deficiencies have been resolved by council management. This is part of the external auditor's responsibility for assessing the suitability and effectiveness of a council's corporate governance and it includes reporting on whether a council:

- has arrangements to ensure systems of internal control work effectively

- can demonstrate the effectiveness of budgetary controls in communicating accurate and timely financial performance information

- has established appropriate and effective arrangements for preventing and detecting fraud and corruption.[19]

39. Councils have sound, reliable systems of internal control that work well most of the time but can have weaknesses that could be damaging. It is in a council's interest to invest in internal controls that help reduce the risk of problems materialising and safeguard the resources it can devote to public services.

Part 3
Officers and councillors both have important roles

Councillors are ultimately accountable for councils' use of public money

Councillors and council officers have distinct but complementary roles

40. The full council (comprising all elected councillors) is the governing body of the council and determines the council's policy direction. It is ultimately responsible for ensuring that suitable services are delivered by officers. Councillors are elected to determine policy, and the role of officers is to implement these through day-to-day management of services. Officers advise and serve the whole council, and councillors have a right to expect officers to provide them with advice which is expert, impartial and candid.

41. In practice, councillors' responsibilities include:

- oversight of risk and the system of internal controls

- ensuring public money is spent on the council's intended purposes

- protecting public money from misuse, including fraud and corruption

- ensuring public spending is clearly accounted for, and publicly reported on

- scrutinising the council's operation and performance.

Culture and behaviours are important

42. A national code of conduct applies to all councillors. The Ethical Standards in Public Life etc (Scotland) Act 2000 introduced a framework which required Scottish ministers to issue a code of conduct for councillors. The latest version was introduced in July 2018 by the Standards Commission for Scotland. It sets out a range of principles that councillors must follow, including leadership, honesty, objectivity, stewardship and accountability.[20]

43. It is important that:

- full council, cabinet, committee and board meetings are held regularly

- there is trust between councillors and senior officers

- councillors and officers recognise and respect their distinct roles

- a culture of openness to challenge helps councillors and officers to recognise the importance of scrutiny; be open to candid discussions about risks and related controls; and promote this culture across the council and the partnerships it is involved in.

Scrutiny works best when officers provide councillors with timely, good-quality information

44. A council should be transparent about its decisions and the quality of the services it provides, so that the public and the council's partners can be confident it is making informed decisions; and safeguarding public money. This involves the council's leadership being open to scrutiny and accountable for their plans and performance. Every councillor – not just those who sit on the council's audit committee, scrutiny committee, or equivalent committees – has a valuable scrutiny role to play at corporate, local area and electoral ward levels.

45. Officers are responsible for providing committees with timely, good-quality reports that inform transparent decision-making by councillors. If a significant issue arises in a long gap between committee meetings, it may be helpful for officers to provide councillors with additional, intervening briefings on material developments. Similarly, councillors may need to be proactive in seeking out further information from officers to assure themselves that they have sufficient knowledge to hand before making a difficult decision.

46. Good councillor-officer working relationships are vitally important. It is mutually beneficial for councillors and officers, especially those in the corporate management team, to nurture constructive working relationships. Coalition and minority administrations are now more common and bring a different dimension to communication within councils. They may require a more nuanced approach that balances different political interests and involves compromises across party lines.[21]

The audit committee has an important role

47. This committee (or the equivalent committee that performs this role) provides the council with independent assurance on the adequacy of the council's governance arrangements; risk management framework; internal control system; and the integrity of financial and non-financial performance reporting.

48. An audit committee must have clear terms of reference that set out its members' independent role in scrutinising the council's decisions, performance and risks.[22] The Accounts Commission believes that effective, transparent scrutiny is best achieved when the chair of the committee is not a member of the administration. The chair should provide leadership and critical thinking, and work well with other committee members in scrutinising and challenging the council's work and performance. Committee members need the necessary skills and training to do their job, with ongoing support by officers and access to independent advice.

49. The core functions of an audit committee should include:

- Being satisfied that the council's annual governance statement properly reflects the risk environment and any actions required to improve it, and demonstrates how governance helps achieve the council's objectives.

- Considering the effectiveness of the council's risk management arrangements and its control environment.

- Considering the reports and recommendations of external audit and inspection agencies, along with their implications for governance, risk management or control.

- Reviewing the council's financial statements, the external auditor's opinions and reports to councillors.[23]

50. The audit committee's role in relation to internal audit is to:

- oversee its independence, objectivity, performance and professionalism

- support the effectiveness of its auditing processes

- promote its effective use within the council's assurance framework.[24]

Councillor checklist 4

Audit committee

The following questions may help you to think about the audit committee in your council.

Is the answer Yes, Maybe/Partly, or No? Is action required? If so, what action and who by?

- Do audit committee councillors have a clear remit that addresses the latest guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA)?

- Does the chair of the committee manage committee meetings effectively?

- Does the chair routinely liaise with the head of internal audit before committee meetings?

- Do the committee's councillors attend routinely, prepare well and challenge officers appropriately?

- Does the committee approve internal audit's annual workplan and reports?

- Can internal audit report to senior officers and the audit committee without fear or favour?

- Do officers provide committee members with timely, well-written and useful reports?

- Do internal audit reports set out comprehensively and clearly what needs to improve, and how?

- Does the committee endorse and track improvements proposed by internal audit?

- Has the committee identified the top five risks to the council?

- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Councillors should scrutinise risks from partnership working

51. Councils have extensive experience of working closely with diverse organisations. This includes delivering some services through the third and private sectors; and through arm's-length external organisations (ALEOs). It involves partnership working with other public sector bodies such as the NHS and community councils, which have a statutory basis in a council's partnership working too.

52. Changing models of service delivery are bringing more numerous and more complicated partnerships, collaborative ways of working and generating an increasingly complex governance and accountability landscape. On some issues, the centre of gravity in discussion and decision-making is moving away from councils themselves, yet councillors must remain sighted on their duties to their council and their council remains accountable to the local communities it serves.

53. It is therefore increasingly important that councillors and officers have an appropriate level of understanding of their roles and the necessary skills, and are alert to the potential for conflicts of interest. Councillors should expect officers to report to them on the activities, finances and performance of each partnership in achieving its intended outcomes.

Community Planning Partnership ⓘ

54. Community planning is the process by which councils and other public bodies work with local communities, businesses and voluntary groups to plan and deliver better services and improve the lives of residents. The process is led by 32 Community Planning Partnerships (CPPs), each covering a council's geographical area. Governance and accountability arrangements in CPPs are complex given the range of partners involved, all of whom are accountable to different bodies and are not formally accountable to the CPP board.[25] The Local Government in Scotland Act 2003 provided the initial statutory basis for community planning.[26] It aimed to:

- enable public bodies to work together to deal with complex, long-term challenges that a single organisation cannot deal with, for example inequalities in health, employability and levels of crime

- involve local communities more in decisions that affect people's lives.[27]

55. The Community Empowerment (Scotland) Act 2015 introduced new statutory duties for community planning alongside other changes intended to give local people more say in how public services are planned and run.[28] The Scottish Government's statutory guidance on community planning places local communities at the heart of public service delivery and clarifies expectations of CPPs.

56. The act compelled councils to work with their statutory community planning partners to produce a jointly owned Local Outcome Improvement Plan (LOIP). A CPP's board is required to ensure its LOIP focuses on achieving priority outcomes for residents. The act also required each CPP to produce individual Locality Plans for specific communities within the CPP's wider geographical area. These are to reflect the views of local communities; focus on addressing local needs; reduce inequalities; and improve outcomes for a locality's residents. An important function of the CPP's board is to share ownership of the LOIP and Locality Plan(s) and manage their implementation.

> ⓘ
>
> **Community Planning Partnership (CPP)**
>
> A statutory forum for the council, NHS and other public and third sector bodies, such as charities and voluntary groups, to work with local communities to plan and deliver better services.

57. In making tough choices about spending their budgets, councils and their CPP partners should liaise with communities about the sustained impact of decreasing council spending on public services and any opportunities for improving services.[29] Slow progress or insufficient scrutiny of progress by councillors could risk CPP partners, including the council, falling short of their strategic ambitions and adversely affect the public.

58. Having sound controls within the council for community planning matters will reinforce transparent decision-making and support scrutiny of councils by the public. For its part, the council needs suitable internal controls for managing the risks that it may be exposed to. There are particular risk and control issues associated with community asset transfers, in which communities choose to take responsibility for specific land and buildings from the council. Well-intended residents may lack the council's expertise in financial management, property management and service delivery. The council therefore has a responsibility to conduct due diligence work on the community organisation that would assume responsibility for any transferred asset.

Health and social care integration (i)

59. The Public Bodies (Joint Working) (Scotland) Act 2014 aims to ensure that health and social care services are well integrated, so that people receive the care they need at the right time and in the right setting. The reforms affect everyone who receives, delivers and plans health and care services in Scotland. The Act was intended to help shift resources away from the acute hospital system towards preventative and community-based services. However, there is still a lack of agreement about whether this is achievable in practice.

60. The act requires councils and NHS boards to collaborate in new partnerships, known as Integration Authorities (IAs). The size of IAs varies depending on council boundaries. NHS boards have between one and six IAs within their boundary.[30] Of the 31 IAs in Scotland, 30 are Integration Joint Boards (IJBs) and in Highland the NHS board and council each lead integrated services. Clackmannanshire and Stirling councils have created a single IA with NHS Forth Valley. A report produced by Audit Scotland in November 2018 found that:

- numerous IAs have had leadership changes in the past few years

- there is significant variation in the role and remuneration of IAs' chief officers (COs) and chief financial officers (CFOs)

- there is evidence of a lack of support services for IAs, in relation to HR, finance, legal advice, improvement, and strategic commissioning. This will limit the progress that they are able to make

- cultural differences between partner organisations are proving to be a barrier to achieving collaborative working.[31]

61. An IJB is a separate legal entity that is responsible for strategic planning and commissioning of health and social care services across a partnership's area. Membership of the IJB comprises a mix of voting and non-voting members. It includes elected members from the council; non-executive directors from the NHS; and representatives from service users, carers and the voluntary sector. The IJB must appoint a chief officer and finance officer (who may also be chief officer).

Integration authority (IA)

A partnership between a council and the NHS to ensure health and social care services are well integrated, so that people receive the care they need at the right time and in the right setting.

Integration Joint Board (IJB)

A separate legal entity, responsible for strategic planning and commissioning of the wide range of health and social care services across the partnership's geographical area.

A short guide to the integration of health and social care services in Scotland (⊕) April 2018

Health and social care integration – update on progress (⊕) November 2018

62. A council and NHS board delegate budgets to the IJB, which decides how to use this funding to achieve its objectives. The IJB directs the NHS board and council to deliver public services. In 2017/18, IAs directed £8.9 billion of health and social care resources. IJBs directed £8.3 billion of this, money previously managed separately by councils and NHS boards. In total, 29 per cent (£2.4 billion) of IJB funding was allocated from councils and £5.9 billion (71 per cent) from the NHS.[32]

63. The scale and complexity of ongoing organisational change; significant financial and demographic pressures; and the level of resources involved make it imperative that councils, NHS boards and IAs have rigorous systems of risk management and internal control. It is important that risk management and assurance arrangements apply across IAs and their health and social care partners so that risks from delegated services are regularly monitored.

64. With partnership working increasing in scope and complexity, the corresponding nature of evolving controls may itself pose a risk to effective oversight and scrutiny by councillors and a council's senior officers. A councillor who sits on an IJB needs to be clear about the expectations of their role and alert to scope for conflicts of interest between their council and its partners.

Arm's-length external organisations ⓘ
65. These organisations (ALEOs) have been established by many councils to deliver services traditionally provided by a council itself, such as leisure centres and parks. Councillors have a leadership role in the options appraisal process that makes the case for establishing an ALEO at the outset. For example:

- Have officers provided councillors with all the information they need to make informed decisions about risks and benefits?

- Is the risk of failure so high that risks are better managed in-house?

- Are the likely benefits of options other than ALEOs outweighed by their implementation costs?

- Are there opportunities to share risks and benefits with partner bodies?[33]

66. ALEOs can bring financial and operational benefits, with more potential for innovation but also considerable risks. Once an ALEO is operating, councillors need to oversee its financial and service performance; financial sustainability; associated risks; and seek assurance from council officers that suitable controls are in place for managing these risks. Risks include a potential conflict of interest where a councillor sits on an ALEO's board, especially should it encounter financial difficulties.

67. Oversight, accountability and good management are essential. In managing their links with ALEOs, councils should continue to apply the statutory code of practice on Following the Public Pound and annually review the governance arrangements for its links with major ALEOs.[34] It is also councillors' responsibility to decide whether an ALEO remains the optimum way of providing a service or whether there are other valid options, such as bringing a service back in-house.

ⓘ

Arm's-length external organisation (ALEO)

A separate organisation that is established by a council to provide services on its behalf.

Councils' use of arm's-length organisations ⬇ May 2018

City region and growth deals ⓘ

68. These are agreements between the UK Government, Scottish Government, and councils' other regional partners. They are intended to help deliver long-term strategies that improve regional economies. Each deal is specific to its region and can include measures relating to issues such as housing, transport, infrastructure and culture. They provide regions with the opportunity to set their own priorities and decide where to target investment, through programmes agreed among a deal's partners. In return, the UK Government and Scottish Government contribute funding for Scotland's six City Region deals (Exhibit 6). Deals differ in their stage of development and funding arrangements.

69. Some councils participating in city region or growth deals may risk gaps between their income and spending in future years, which could threaten their financial sustainability if risks are not managed carefully. So it is important for councillors to:

- ensure their council has clear, effective governance arrangements that underpin partnership working with other organisations in the deal – whether they are in the public, private or third sectors

- ensure council officers are managing suitable internal controls that help to identify and manage risk

- scrutinise the impact of borrowing on their council's revenue expenditure commitments, such as the costs and durations of loan repayments.

ⓘ

City region deal

An agreement between the UK Government, Scottish Government and one or more councils to invest in cities and their regions.

Exhibit 6
City region deals and growth deals
There are deals across Scotland.

Geography	Deal type	Participating Scottish councils
Aberdeen City	City region deal	Aberdeen City, Aberdeenshire
Argyll and Bute	Growth deal	Argyll and Bute
Ayrshire	Growth deal	East Ayrshire, North Ayrshire, South Ayrshire
Borderlands	Growth deal	Dumfries and Galloway, Scottish Borders
Edinburgh and South-East Scotland	City region deal	East Lothian, City of Edinburgh, Fife, Midlothian, Scottish Borders, West Lothian
Falkirk	Growth deal	Falkirk
Glasgow City	City region deal	East Dunbartonshire, East Renfrewshire, Glasgow City, Inverclyde, North Lanarkshire, Renfrewshire, South Lanarkshire, West Dunbartonshire
Inverness and Highland	City region deal	Highland
Islands	Growth deal	Eilean Siar (Western Isles), Orkney, Shetland
Moray	Growth deal	Moray
Stirling and Clackmannanshire	City region deal	Clackmannanshire, Stirling
Tay Cities	City region deal	Angus, Dundee City, Fife, Perth and Kinross

Note: Fife Council and Scottish Borders Council are each involved in two deals. Three English councils are also involved in the Borderlands growth deal: Carlisle City Council, Cumbria County Council and Northumberland County Council.
Source: Scottish Government, City region deals, Growth deals

Councillor checklist 5

Partnership working

The following questions may help you to think about partnership working in your council.

Is the answer Yes, Maybe/Partly, or No? Is action required? If so, what action and who by?

- Do the council's governance and internal controls mitigate partnerships' risks to the council?
- Does the council have risk registers concerning its various partnerships?
- What resources (such as staff, buildings and money) does the council contribute to partnerships?
- Does each partnership have a clear purpose and explicit, outcome-based objectives?
- Are governance arrangements for each partnership clear, documented and fit for purpose?
- Does the council apply the code of practice on 'Following the Public Pound' to each arm's-length external organisation?
- Does the council have sound reasons for having a representative on a partnership's board?
- If you sit on a partnership's board, do you appreciate what is required of you and the linked risks?
- Is there good-quality, transparent and publicly accessible performance information?
- Are concerns about risks posed by partnerships escalated suitably within the council?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Councils need to invest in councillors' personal development

70. One of the Accounts Commission's strategic audit priorities is that councillors and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.[35] The Scottish public has high expectations of councillors and officers and how well they should conduct themselves in undertaking their council duties. They should meet those expectations by ensuring that their conduct is consistently above reproach.[36] The Accounts Commission has published a number of reports that could be useful to councillors, including:

- *Roles and working relationships: are you getting it right?* ⊕, 2010; and *Follow-up messages for councils* ⊕ in 2016.

- *Arm's-length external organisations (ALEOs): are you getting it right?* ⊕, 2011.

- *Social work in Scotland* ⊕, September 2016.

71. Following a local government election, a good induction process is valuable for all councillors. Some councillors may need additional, tailored support on a specific topic or skill, such as their role on an audit committee or planning committee; their position as a board member of an IJB or ALEO; the type of finance involved; or the potential impact of a decision on a group of service clients.

72. Councillors need sustained, ongoing continuing professional development (CPD) that builds on their knowledge and experience; is tailored to their roles; and relates to the expertise they need for making transparent, defensible decisions about safeguarding public money. Long-serving councillors can also benefit from investing time and effort in their ongoing CPD, not least because technology, the council's operating environment, its financial situation and the risks it faces all evolve constantly. Councillors should be involved in developing their council's CPD programme so that it best meets their future needs.

Councillor checklist 6

Councillors' continuing personal development

The following questions may help you to think about the personal development opportunities in your council.

Is the answer Yes, Maybe/Partly, or No? Is action required? If so, what action and who by?

- After the last election, was the general induction programme for councillors successful?
- Do officers give you good support on knowledge topics (such as internal controls)?
- Do officers give you good support on personal skills (such as chairing meetings)?
- Do you fully understand your roles and duties at council, cabinet, committee and ward levels?
- Have you made good use of the Improvement Service's support and publications?
- Do you have a personalised CPD programme?
- Do you actively participate in, and benefit from, the support made available to you?
- Do officers monitor and understand councillors' take-up of training and development?
- Where you do not engage fully in training and development, how could officers help more?
- Does CPD for councillors help you to be effective in your governance and scrutiny roles?

Officers are responsible for delivering council policy and managing services

73. Each council must have these four 'statutory officers', who all have specific duties and discharge their role as part of their wider responsibilities in the council:

- Head of paid service[37]

- Chief financial officer [38]

- Monitoring officer [39]

- Chief social work officer.[40]

74. These officers have an important, independent role in promoting and enforcing good governance; ensuring councils comply with legislation; overseeing the council's key controls; managing risk, and ensuring the delivery of council services. Statutory officers must have sufficient influence and experience to undertake their roles. Cohesive, effective corporate management depends on postholders in these roles having the necessary status and capacity within their council.

75. To ensure that councillors are clear on the purpose of these roles, a council's scheme(s) of delegation should set out what they involve and why they are important. The role of statutory officers should feature in induction schemes for all newly elected councillors. Councillors and committees should know when to seek assurance from these officers so that their council operates legally and responsibly.[41]

Head of paid service

76. This officer, usually called the chief executive, is responsible to councillors for the staffing and smooth running of the council and for ensuring the work of its various services is coordinated. S/he must ensure the other statutory officers have sufficient influence and scope to conduct their roles. For example, this could mean them being in, or attending, the corporate management team.

77. Councillors and the chief executive may need to balance the benefits of including all statutory officers as full members of the corporate management team against the potential merits of a slimmer, potentially cheaper, management structure – but one that may risk appearing to devalue the role of certain officers or complicate lines of communication among officers and councillors.

78. The chief executive has a complex, multi-faceted role that blends relatively clear accountability to councillors for the operational management of the workforce and service delivery with an important involvement in diverse partnership working over which s/he will have influence but perhaps limited direct authority. This situation provides some context to the council's need for a dynamic, evolving approach to risk management and the linked controls which are necessary.

Chief financial officer

79. The chief financial officer (CFO) has a key role to play in balancing control and compliance with value creation and performance. Better value for money releases resources that can be recycled into higher priorities without increasing taxation. Helping to secure positive social outcomes within affordable funding therefore lies at the heart of the CFO's role.[42]

80. The CFO (often called the Section 95 or s95 officer) underpins sound corporate management and ideally sits on the corporate management team. To deliver on their responsibilities, the CFO must manage a finance function that is sufficiently resourced and professionally qualified (Exhibit 7).

Exhibit 7
The role of the chief financial officer
The postholder is responsible for the proper administration of the council's finances.

In a public service organisation
the chief financial officer:

is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.	must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy.	must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded always and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities
the chief financial officer:

must lead and direct a finance function that is resourced to be fit for purpose.	must be professionally qualified and suitably experienced.

Source: Chartered Institute of Public Finance and Accountancy

81. The Local Authority Accounts (Scotland) Regulations 2014 impose responsibilities on the CFO about accounting records and supporting information; control systems; and annual accounts – which, in Scotland, include the financial statements and annual governance statement.[43] Also, the CFO needs to assure themself and councillors that decisions made by the council will be affordable. In practice, many of the CFO's day-to-day responsibilities are delegated or outsourced but the CFO should retain oversight and overall control, and have sufficient access to the corporate management team.

82. The CFO helps to safeguard public money by:

- Applying strong controls in all areas of financial management, risk management and asset control.

- Implementing effective systems of internal control that include standing financial instructions, operating manuals, and compliance with codes of practice to secure probity.

- Ensuring that the council has effective arrangements for internal auditing of the control environment and systems of internal control, as required by professional standards in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.[44]

- Promoting arrangements to identify and manage key business risks, including safeguarding assets, risk mitigation and insurance.

- Applying discipline in financial management, including appropriate segregation of duties.

- Implementing suitable measures to prevent and detect fraud and corruption.

- Ensuring that any partnership arrangements are underpinned by clear and well-documented internal controls.[45]

Monitoring officer

83. In essence, the monitoring officer (MO) ensures that the council operates properly. Their work includes reporting on the legality of matters; on potential maladministration; and the conduct of councillors and officers. The MO should contribute to the promotion and maintenance of high standards of conduct by providing advice and support to councillors on the interpretation and application of the Councillors' Code of Conduct.[46] Councillors and senior officers should send clear signals to the workforce about how people should behave and interact.

84. The Accounts Commission has found through its Best Value work that in some cases the MO role can be undermined because of a lack of trust and respect between councillors and officers.[47] It may be difficult for the MO to challenge the behaviours of senior officers or councillors. The MO might need to judge carefully both how to act and when, since intercepting potential problems quickly can help prevent, deter or resolve unhelpful behaviour before they become more serious.[48]

Chief social work officer

85. This officer (CSWO) must be a qualified social worker; registered with the Scottish Social Services Council; and of sufficient seniority and experience in both the strategic and operational management of social work services.[49] Often, a CSWO is also responsible for the delivery of services such as adult social care, children's services or criminal justice social work. The CSWO provides officers and councillors with professional advice on social work and social care services, and discharges specific duties on the council's behalf.[50, 51, 52]

86. The CSWO's role has diversified significantly in recent years, and is becoming more difficult to fulfil within integrated partnership arrangements. A council's partnership with the NHS is typically through an Integration Joint Board which oversees the delivery of integrated health and social care services, and carries risks that include financial matters and risks to the health and wellbeing of service clients. In health and social care, an important control can be oversight of permission to access information on vulnerable people, and in which circumstances. Such risks require corresponding internal controls within the council. Councillors need to ensure that the CSWO has the status, capacity and access (to other statutory officers and councillors) to enable them to fulfil their statutory responsibilities to the council effectively.

Chief education officer

87. There is currently no legal requirement for councils to have a post named the chief education officer because the relevant legislation has not been implemented.[53] Nonetheless, many councils have an officer who is their lead officer for their education service, called the director of education or similar, either as part of the corporate management team or perhaps at a lower level where large departments span multiple services.

88. With education typically accounting for a large share of a council's expenditure, it is important for the head of the education service to not only have a strong professional knowledge of education but also a solid understanding of financial management; to liaise closely with the corporate finance function; and have oversight of the large share of the service's budget that is delegated to individual schools.

89. In addition, some Scottish Government funding streams are outwith the core local government finance settlement and are allocated to councils for specific purposes. For example, the Scottish Government's budget for 2019/20 includes £62.0 million of Attainment Scotland Fund to provide councils and schools with additional means to provide targeted literacy, numeracy, and health and wellbeing support for children and young people in greatest need.[54]

90. The chief education officer has responsibility for the education service having rigorous internal controls. These could include processes for ensuring that changes in staffing are passed quickly and accurately to the corporate payroll function, and that schools operate within the education service's scheme of devolved school management. Should controls at school or service-level go awry and result in money being defrauded or misspent, there is the potential for substantial consequences for numerous schoolchildren; shortfalls in compliance with national requirements; and reduced funds available for spending by other council services.

Officers who manage a service need to understand its inherent risks

91. Officers require a thorough understanding of how a service is provided; what its costs are; who the service users and other stakeholders are; and exercise ownership of the internal controls that regulate business management of the service and its associated risks.

92. Depending on their role and position in the council, officers may need a suitable level of understanding of finance, risks and controls. Council services need a joined-up approach both vertically – so that an individual service and overall corporate management share the same perspective on risk – and horizontally – so that different services across the council follow the same overall approach to risk.

93. However, there are indications from the independent external audit of councils that incremental budget cuts over successive years, combined with recruitment challenges, may have eroded the capacity of councils' back-office functions – including aspects such as financial management and risk management. This could make financial management riskier and underline the importance of sound controls being in place to contain and manage these risks.

Councillor checklist 7

Statutory officers and chief education officer

The following questions may help you think about the statutory officers and chief education officer.

Is the answer Yes, Maybe/Partly, or No? Is action required? If so, what action and who by?

- Are the roles of these officers clearly set out in the council's governance documents?
- Do these officers sit on the corporate management team, or have ready access to it?
- Are these officers sufficiently resourced to discharge their roles and responsibilities?
- Do these officers have the influence needed for ensuring the council operates effectively?
- Do councillors and committees understand how and when to consult these officers?
- Do these officers give helpful, timely, impartial support to councillors and other officers?
- Do these officers have a constructive relationship with the senior management team?
- Do you have confidence in your council's key officers?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Internal auditing helps evaluate and improve how well things work

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps a council to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.[55]

94. Audit and scrutiny are both important, but their distinction can be unclear. Generally, scrutiny asks whether the council is doing the right thing, and it questions policy proposals and the performance and quality of services. Audit examines the regularity of governance and financial management, including how well the council has applied its resources to achieve its objectives.

95. Accounting regulations compel councils to operate a professional and objective internal auditing service.[56] The service brings a valuable, independent scrutiny activity. Its remit can extend beyond the council to scrutiny of the council's involvement in partnerships and alternative service delivery models, such as ALEOs. The CFO must secure and support internal auditing arrangements and ensure that the council's audit committee (or the committee with this role) receives the advice and information necessary for both functions to operate effectively.[57] There are four main types of internal auditing work (Exhibit 8, page 39).

96. Key features are that internal auditing:

- operates independently of the day-to-day running of the council

- provides a service to all levels of the council

- objectively assesses operations' effectiveness, efficiency and value for money

- forms an integral part of the framework of business controls.

97. It is important for the officer who leads the internal auditing function to have unrestricted, 'open door' access to the chief executive. This enables internal auditing staff to bring problems directly to the attention of the council's most senior officer, if necessary. In addition, the arrangement equips the chief executive with objective, independent information on the operation of the council and an early warning system regarding potentially serious issues. However, it is not necessary for the chief executive to be the line manager of the head of internal auditing.

98. Internal and external audit have different but complementary roles. A council's external auditor is appointed by the Accounts Commission and is wholly independent of the council. By contrast, a council appoints its own internal auditing function, which may be provided by:

- An in-house function serving one council – which is still the norm.

- An in-house function serving two or more councils – Aberdeen City and Aberdeenshire; Clackmannanshire and Falkirk; Midlothian and Scottish Borders.

- Co-sourcing – where an in-house team is supplemented by a private firm.

- A private firm appointed by the council – no Scottish councils at present.

- In addition to these arrangements, Glasgow City Council provides services to several organisations.

Exhibit 8
Types of internal auditing work
The work helps to safeguard public money, as illustrated by this sample of scenarios.

Type	Explanation	Scenario
Systems	This is the review and evaluation of the manual and computer systems by which an organisation regulates and controls its activities. The internal audit section would evaluate the design of controls to conclude on their effectiveness and efficiency; and test their application to ensure users have been following procedures as intended.	Internal audit reported to the audit committee before, during and after a major new computer system was introduced to integrate previously disjointed systems. This approach gave assurance on the new computer system's controls from an early stage.
Contracts	This can involve a review of any area of activity regarding a high-value and potentially high-risk contract, such as for care-at-home services or the construction of a new building.	Internal audit reported to the audit committee on the council's compliance with legislation; national guidance; council policy and internal controls regarding the procurement of a new nursery school.
Investigations	Internal audit can be called on to investigate internal or external fraud, operational losses, breaches of security, or where customers have raised serious concerns with senior management. Other investigation work includes due diligence assessments.	Internal audit supplemented its annual summary report on fraud to the audit committee with a report that focused on a serious case of corruption. Internal audit recommended the upgrading of preventative controls in future.
Regularity or compliance	Inspection is the continuous, periodic examination of procedures and transactions to ensure they comply with an established set of instructions. This type of internal auditing does not necessarily consider the appropriateness of procedures, simply that they are followed.	Internal audit reported to the audit committee on the system for paying grants to local community bodies, including the extent to which claimants and officers followed proper procedures and claimants submitted valid or falsified evidence. Internal audit identified scope for strengthening controls in future.

Source: Audit Scotland, Financial Reporting Council

99. Internal auditing is an important link in a council's system of internal control. The purpose, authority and responsibility of internal auditing may be defined in its Audit Charter.[58] It must provide an annual opinion on the state of the council's arrangements in relation to governance, risk management and internal control. It may also carry out advisory and consulting work, where the aim is to support management in improving systems and controls.

100. Internal auditors in the public sector follow the Public Sector Internal Audit Standards (PSIAS), which have been mandatory since 2013. The scope and volume of internal auditing activity in a council is a matter for its management and those responsible for its governance.[59] However, the PSIAS require that the head of internal auditing communicates its plans and resource requirements, including significant interim changes, to senior management for review and approval. A council must assess the efficiency and effectiveness of its internal auditing service, and the findings should be considered by the audit committee as part of its annual review of internal controls.

101. The head of internal auditing must communicate the impact of resource limitations. Where s/he believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of 'the board' – which, in a council, is normally the audit committee or its equivalent (Exhibit 9).

Exhibit 9
Recommended audit committee practice for effective internal audit oversight.

The audit committee has a range of responsibilities
✓ Take responsibility for the provision of internal audit, including how it is provided.
✓ Assess and approve the internal audit charter (terms of reference) and review it regularly.
✓ Ensure a close working relationship with the head of internal audit.
✓ Assess the resourcing of the internal audit function.
✓ Monitor the quality of internal audit work, whether in-house or externally sourced.
✓ Evaluate, approve and regularly review the risk-based annual internal audit plan.
✓ Oversee the relationship between internal audit and centralised, corporate risk monitoring.
✓ Ensure the collective assurance roles of internal audit, other internal assurance providers and external audit, are coordinated and optimised.
✓ Assess internal audit findings and the breadth and depth of internal audit reports.
✓ Monitor management's implementation of internal audit's recommendations.

Source: CIPFA and others

102. The internal auditing function can find itself operating in a challenging organisational environment. It is vital for it to be independent of activities it examines, so that it can give impartial, unbiased judgements to councillors. However, there are benefits from internal auditing advising on building in suitable systems and controls at a project's outset. There are risks that internal auditing:

- lacks the staffing capacity it needs – in the context of councils becoming more complex and especially in small or remote councils, where staff recruitment and retention may be more challenging

- lacks a credible voice in the council – perhaps through the head of internal auditing not being able to express concerns directly to the chief executive or audit committee, or in an organisational culture reluctant to hear bad news

- lacks impact when it escalates its concerns – such as when high priority recommendations are not being implemented wholly and promptly.

103. External and internal auditors liaise on their respective audit roles. The external auditor considers the extent to which s/he can rely on the work of internal audit. This cooperation aims to promote good working relationships, and to minimise unnecessary duplication of effort.

Councillor checklist 8

Internal auditing function

The following questions may help you to think about internal auditing in your council.

Is the answer Yes, Maybe/Partly, or No? Is action required? If so, what action and who by?

- Does internal auditing (IA) follow Public Sector Internal Audit Standards and other reputable guidance?
- Is IA objective; free from undue influence; and independent in its thinking, work and reports?
- Is IA suitably located in the council's structure?
- Is IA sufficiently resourced to recruit, retain and develop the staff it requires?
- Is IA free of operational responsibilities that could risk compromising its independence?
- Is IA's work aligned with the council's strategies, objectives and risks?
- Does IA give senior officers and councillors clear, timely, objective, risk-based assurance?
- Does the head of IA have unrestricted access to the chief executive?
- Does the head of IA give committees the information they need to make informed decisions?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Endnotes
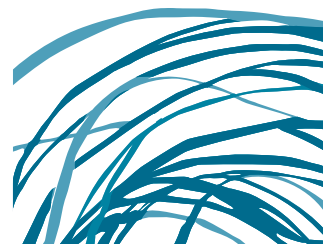
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11 *Local government in Scotland: Financial overview 2017/18* ⬇, Accounts Commission, November 2018.

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29 *Local government in Scotland: Challenges and performance 2018* ⬇, Accounts Commission, April 2018.

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31 *Health and social care integration: update on progress* ⬇, Accounts Commission and Auditor General, November 2018.

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33 *Councils' use of arm's-length organisations* ⬇, Accounts Commission, May 2018.

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Appendix
Summary of checklists for councillors
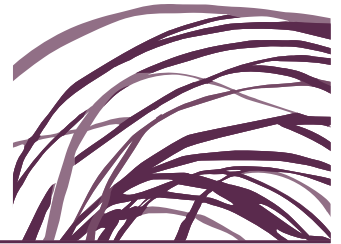
The following questions may help you to think about internal controls and risk management in your council.

Is the answer Yes, Maybe/Partly, or No? Is action required? If so, what action and who by?

Checklist 1. Internal controls and risk management
- Do internal controls link with key corporate and service-level risks?
- Do internal controls apply to both financial and non-financial risks?
- Has the council identified the weakest internal controls?
- Are officers improving weak internal controls and minimising the risks they pose?
- Does internal auditing evaluate controls' effectiveness, and report to the audit committee?
- Does the audit committee take appropriate action?
- Does the council publicly review its system of internal controls annually?
- Is risk management actively led, supported and promoted by councillors and senior officers?
- Does the council have an up-to-date, corporate-level, risk management strategy?
- Does the corporate risk management strategy address the council's risk appetite?
- Does the council have up-to-date corporate-level and service-related risk registers?
- Is risk management embedded in business practices at both corporate and service levels?
- Does systematic evaluation and prioritisation of risks and opportunities lead to timely action?
- Are key risks and action to mitigate them monitored and reported on throughout the year?
- Do officers' reports to committees cover both financial and non-financial risks?
- Is there sufficient, timely training and ongoing support for you and relevant officers?

Checklist 2. Fraud and corruption
- Does the council have a fraud and corruption strategy for all its business, including its partnerships?
- Have cases of fraud and corruption been identified in each recent year?
- Have there been successful prosecutions for fraud or other criminal behaviour?
- Of the money lost to fraud/corruption, what percentage has been successfully recovered?
- Is the whistleblowing policy monitored for take-up; and are concerns acted upon?
- Are staff and other resources for fraud investigation proportionate to risks that the council faces?
- Are all allegations of fraud or corruption risk-assessed, and investigated accordingly?
- Are fraud alerts and good practice shared among council services in a timely way?
- Are there cost-effective measures for recovering money lost to fraud and corruption?
- Does the council actively take part in the National Fraud Initiative and act on its findings?
- Is comprehensive information on fraud and corruption reported to a relevant committee?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 3. Consequences of weak controls
- Which services have been most affected by weak controls, and why?
- Has internal auditing tracked, assessed and reported to a committee on weak controls' impacts?
- Have consequences of weak controls for ongoing service delivery been assessed?
- Could the council do more to anticipate longer-term risk trends, such as cyber-crime?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 4. Audit committee
- Do audit committee councillors have a clear remit that addresses the latest guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA)?
- Does the chair of the committee manage committee meetings effectively?
- Does the chair routinely liaise with the head of internal audit before committee meetings?
- Do the committee's councillors attend routinely, prepare well and challenge officers appropriately?
- Does the committee approve internal audit's annual workplan and reports?
- Can internal audit report to senior officers and the audit committee without fear or favour?
- Do officers provide committee members with timely, well-written and useful reports?
- Do internal audit reports set out comprehensively and clearly what needs to improve, and how?
- Does the committee endorse and track improvements proposed by internal auditing?
- Has the committee identified the top five risks to the council?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 5. Partnership working
- Do the council's governance and internal controls mitigate partnerships' risks to the council?
- Does the council have risk registers concerning its various partnerships?
- What resources (such as staff, buildings and money) does the council contribute to partnerships?
- Does each partnership have a clear purpose and explicit, outcome-based objectives?
- Are governance arrangements for each partnership clear, documented and fit for purpose?
- Does the council apply the code of practice on 'Following the Public Pound' to each arm's-length external organisation?
- Does the council have sound reasons for having a representative on a partnership's board?
- If you sit on a partnership's board, do you appreciate what is required of you and the linked risks?
- Is there good-quality, transparent and publicly accessible performance information?
- Are concerns about risks posed by partnerships escalated suitably within the council?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 6. Councillors' continuing personal development
- After the last election, was the general induction programme for councillors successful?
- Do officers give you good support on knowledge topics (such as internal controls)?
- Do officers give you good support on personal skills (such as chairing meetings)?
- Do you fully understand your roles and duties at council, cabinet, committee and ward levels?
- Have you made good use of the Improvement Service's support and publications?
- Do you have a personalised CPD programme?
- Do you actively participate in, and benefit from, the support made available to you?
- Do officers monitor and understand councillors' take-up of training and development?
- Where you do not engage fully in training and development, how could officers help more?
- Does CPD for councillors help you to be effective in your governance and scrutiny roles?

Checklist 7. Statutory officers and chief education officer

- Are the roles of these officers clearly set out in the council's governance documents?
- Do these officers sit on the corporate management team, or have ready access to it?
- Are these officers sufficiently resourced to discharge their roles and responsibilities?
- Do these officers have the influence needed for ensuring the council operates effectively?
- Do councillors and committees understand how and when to consult these officers?
- Do these officers give helpful, timely, impartial support to councillors and other officers?
- Do these officers have a constructive relationship with the senior management team?
- Do you have confidence in your council's key officers?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 8. Internal auditing function

- Does internal auditing (IA) follow Public Sector Internal Audit Standards and other reputable guidance?
- Is IA objective; free from undue influence; and independent in its thinking, work and reports?
- Is IA suitably located in the council's structure?
- Is IA sufficiently resourced to recruit, retain and develop the staff it requires?
- Is IA free of operational responsibilities that could risk compromising its independence?
- Is IA's work aligned with the council's strategies, objectives and risks?
- Does IA give senior officers and councillors clear, timely, objective, risk-based assurance?
- Does the head of IA have unrestricted access to the chief executive?
- Does the head of IA give committees the information they need to make informed decisions?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Safeguarding public money: are you getting it right?

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To: **Audit, Risk and Scrutiny Board**

On: **26 August 2019**

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Report by: **Director of Finance and Resources**

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Heading: **Absence Statistics – 2019/20 - 26 March 2019 to 24 June 2019**

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1. Summary

1.1 The purpose of this report is to advise the Audit, Risk and Scrutiny Board of the absence statistics for the period 26 March 2019 to 24 June 2019. The report details the absence statistics by service and by category of staff.

1.2 The report provides information in relation to absence targets and how services have performed against them. An analysis of the reasons for absence has also been compiled and details are included within the report. Information is also provided on supporting attendance activity and the costs of sick pay.

2. Recommendations

2.1 It is recommended that the Board notes the content of this report and that this report reflects the absence statistics for the period 26 March 2019 to 24 June 2019.

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3. Background

3.1 The Scrutiny Board agreed that absence levels will be reported on a quarterly basis. It was agreed that the report will include the following information relating to supporting attendance: -

- Absence statistics broken down by service and category of staff.
- Reasons for absence broken down by service and category of staff.
- Progress made by services in relation to their supporting attendance action plans.

4. Absence Statistics - Ending 24 June 2019

4.1 Service and Council overall absence performance for the quarters are detailed in the table below. In line with the reporting requirements for Scottish Councils, absence is expressed as a number of work days lost per full time equivalent (FTE) employee.

Service/Area	Quarter Ending June 2017	Quarter Ending Sept. 2017	Quarter Ending Dec. 2017	Quarter Ending March 2018	Quarter Ending June 2018	Quarter Ending Sept. 2018	Quarter Ending Dec. 2018	Quarter Ending March 2019	Quarter Ending June 2019
Chief Executive's Services	1.78	2.90	2.16	2.78	1.57	1.05	2.18	2.12	2.6
Children's Services	2.07	1.35	2.74	2.71	2.13	1.29	2.97	2.78	2.56
Environment & Infrastructure	3.67	3.28	4.33	4.49	3.75	3.18	4.51	3.53	3.22
Finance and Resources	2.29	2.16	2.20	2.59	2.56	2.62	2.78	2.42	2.49
Communities, Housing and Planning	1.73	2.40	2.63	1.88	2.04	2.72	2.61	2.36	2.55
Health and Social Care Partnership	3.06	3.88	5.13	4.34	4.02	4.64	4.64	4.13	4.64
Council Overall	2.54	2.32	3.32	3.23	2.80	2.36	3.43	3.05	2.97
Council Overall targets	1.79	1.79	2.69	2.69	1.79	1.79	2.69	2.69	2.40

5. Analysis and Trends - Ending 24 June 2019

5.1 The number of days lost per FTE employee due to absence is as follows: -

Quarter ended	Days lost per FTE	Quarter ended	Days lost per FTE	Variance
June 2017	2.54	June 2018	2.80	+0.26
September 2017	2.32	September 2018	2.36	+0.04
December 2017	3.32	December 2018	3.43	+0.11
March 2018	3.23	March 2019	3.05	-0.18
June 2018	2.80	June 2019	2.97	+0.17

5.2   The following tables detail the percentage absence levels by employee category for the quarter ending 24 June 2019 namely: overall, teachers and local government employees.

Overall Days Lost Per FTE Employee

Quarter Ending	2015/16	2016/17	2017/18	2018/19	2019/20
June	2.18	2.46	2.54	2.80	2.97
September	1.96	2.12	2.32	2.36	
December	2.64	2.93	3.32	3.43	
March	2.70	2.68	3.23	3.05	

Days Lost Per FTE Teacher

Quarter Ending	2015/16	2016/17	2017/18	2018/19	2019/20
June	1.50	1.28	1.60	1.87	1.95
September	0.75	0.61	0.79	0.71	
December	2.12	1.77	2.07	1.96	
March	2.01	1.71	2.24	1.87	

Days Lost Per FTE
Local Government Employee

2015/16 — **2016/17** — **2017/18** — **2018/19** — **2019/20**

Quarter Ending	2015/16	2016/17	2017/18	2018/19	2019/20
June	2.38	2.80	2.80	3.09	3.28
September	2.31	2.59	2.79	2.96	
December	2.80	3.26	3.70	3.92	
March	2.92	2.97	3.53	3.44	

6.   Absence Targets Analysis: ending 24 June 2019.

6.1   The Council has recorded an overall absence rate of 2.97 days lost per FTE employee, which is 0.57 days **above** the target figure of 2.4 days.

In addition, the Teacher absence level of 1.95 days lost per FTE employee is 0.41 **above** the target of 1.54 days.

Local Government employee absence level of 3.28 days lost per FTE employee is 1.36 days **above** the target of 1.92 days.

7.   Reasons for Absence overview

7.1   The illness categories with the highest level of absence, compared to the same quarter in the previous year are as follows:

Quarter Ending	Illness categories
June 2018	Psychological (non-work related) Musculoskeletal and Joint Disorders
June 2019	Psychological (non-work related) Musculoskeletal and Joint Disorders

7.2   To address Psychological (non-work related) absences the Council provide a range of support services that employees can be referred to at an early stage for assistance. 'timefortalking', the Council's employee counselling service provider, continues to be utilised. The service operates a flexible approach to appointments offering telephone consultations in the early mornings or evenings as well as throughout the day and face to face sessions at their offices in Paisley.

The consistent presenting issues to the service relating to Psychological (non-work related) include;

- Loss/Bereavement
- Stress/anxiety/panic
- Depression/Self-worth
- Family Relationships (which has been the top presenting issue)

If an employee suggests to their manager that they are experiencing Psychological (non-work related) issues, then they should be provided with the timefortalking service information.

In addition to this, the Council continues to deliver Mindfulness Courses and Mental Health First Aider courses. Training for both courses has been undertaken over the past 6 months as part of our development of preventative approach to employee well-being.

HR and OD are working with the counselling service to provide other types of training which can be delivered, for example personal resilience.
There are also Council policies, guidance and training to assist managers and employees that are specific to stress related issues.

HR and OD continue to promote the NHS Choose Life team, who offer safeTalk and ASIST on suicide awareness and prevention.

HR and OD continue to work with our NHS colleagues to promote the "doing well" service which helps people with depression and low moods.

7.3   In relation to addressing musculoskeletal and joint disorders the Council offers a physiotherapy service through the Council's Occupational Health Provider, and this service can be accessed by all employees.

As part of the Council's Health and Safety Management system, occupations which include manual handling activities as part of the role, the task risk assessments are reviewed on an ongoing basis to ensure that safe working practices are maintained.

HR and OD continue to investigate the practical options for further training and interventions available that may reduce the impact of musculoskeletal and joint disorders.

A successful pilot programme of providing a physiotherapy service specifically to Environment and Infrastructure based at the Underwood Rd depot has resulted in the service being made a permanent feature. This involves the physiotherapist being onsite 2 days per month and is a blend of fixed appointments and drop in sessions.

Environment and Infrastructure have undertaken a review programme of all existing employees training, this includes manual handling, and are starting a refresher programme with the road workers.

8. Supporting Attendance Activity

8.1 Recent and planned actions to improve absence performance include the following: -

- HR operational teams continue to work closely with service's management teams on supporting attendance activity, HR operational teams continue to proactively contact and support managers who have absence cases of 2 to 4 weeks in duration, to monitor action taken to date and proposed next steps. This approach has been very successful in assisting and supporting employees back to work, particularly those who have been on restricted duties.

- Within the Renfrewshire Health and Social Care Partnership, both the Council and NHS HR teams have presented statistics and held interactive sessions that allowed managers the opportunity to discuss and share good practice. Further training has taken place with the operational managers.

- A review of the current supporting attendance policies covering all staff, including teachers continues. Meetings have taken place with the respective trades unions to ensure this is a fully collaborative process.

- Continued delivery of supporting attendance training at a corporate level for managers, with the provision of tailored training for managers and employees at a service level on request; Most recently within Environmental and Infrastructure.

- Ongoing health promotion activities aimed at raising employee awareness of health issues continue.

- HR have introduced a supportive call back service, across all services. An HR Adviser contacts employees when they report their absence due to sickness and ensures that they are being supported properly throughout the absence. The HR Adviser also contacts the employee's line manager to ensure the correct process is being followed and that all support mechanisms have been offered. This additional support is fully endorsed by the Trades Unions.

- HR and the Businessworld teams work to improve the absence information available to managers and to streamline supporting attendance related processes to facilitate prompt absence reporting, recording and updating of relevant systems;

- Meetings continue with Directors and their management teams to discuss their service's supporting attendance performance.

Implications of this Report

1   **Financial Implications** - Improvement in attendance impacts on the financial costs of absence.

2   **HR and Organisational Development Implications** - HR and Organisational Development Practitioners will continue to work with service managers and consult with the Trade Unions, on the implementation of the Supporting Attendance at Work Policy and Guidance and initiatives detailed in this report.

3   **Community Planning**

     Children and Young People - none.

     Jobs and the Economy - none.

     Community care, health and wellbeing - provides for continuous improvement in health and attendance.

     Safer and Stronger - provides for improved service performance across the Council.

     Greener - none.

     Empowering our Communities - none.

4   **Legal Implications** - none.

5   **Property/Asset Implications** - none.

6   **Information Technology Implications** - none.

7   **Equality and Human Rights Implications** - none.

8   **Health and Safety Implications** - it is integral to the Council's aim of securing the health and well-being of employees.

9   **Procurement Implications** - none.

10   **Risk Implications** - Without continued effective supporting attendance focus, there is a risk that sickness absence levels will adversely impact on the Council both financially and in terms of service delivery. Consequently, supporting attendance activities are monitored via the Corporate Risk Register.

11   **Privacy Impact Implications** - none.

12. **Cosla Policy Position –** none

13. **Climate Risk** - none

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List of Background Papers - none.

The contact officer within the service is Steven Fanning, Principal HR and OD Adviser, telephone 0141 618 7284, e-mail steven.fanning@renfrewshire.gov.uk

Author: Steven Fanning, Principal HR and OD Adviser,
Finance and Resources,
telephone 0141 618 7284,
e-mail steven.fanning@renfrewshire.gov.uk

Renfrewshire Council

To:	**Audit, Risk & Scrutiny Board**
On:	**26 August 2019**

Report by: Director of Finance & Resources

Heading: **AUDIT, RISK & SCRUTINY BOARD ANNUAL REPORT 2018/19**

1   **Summary**

1.1   The annual report highlights the issues considered by the Board during the period August 2018 to May 2019 when the Audit, Risk & Scrutiny Board met six times. The report is submitted to the Board in terms of the Council's Code of Corporate Governance.

1.2   Scrutiny enables members to review decisions, policies and performance that affect the Council and helps to ensure that the services and policies meet the Council's aims and standards. The scrutiny process not only provides a means of reviewing the Council's own services but enables examination of services provided by other organisations on issues causing public concern.

1.3   During the course of the year members looked at various subjects, including annual reports from other bodies and considered reports from the chief internal auditor and other audit-related matters.

2   **Recommendation**

2.1   That the Audit, Risk & Scrutiny Board annual report 2018/19 be noted.

1

3   **Annual Programme of Reviews**

3.1   The Board undertakes reviews by examining a subject through consideration of evidence from Council officers, other organisations and service users. Once all the evidence has been collected, the lead officer prepares a report on the Board's behalf outlining the findings and recommendations and following approval by the Board, the report is submitted to the Council for consideration.

3.2   Three of the reviews from the 2017/18 programme were completed during the 2018/19 programme, namely: fly-tipping in the countryside and known fly-tipping spots; housing repairs by Council and outside contractors; and the newly introduced speed limit in Brookfield (A761) and a report on the reserve topic of Japanese Knotweed was submitted to the Board on 25 September 2018.

3.3   At the meeting of the Board held on 27 August 2017 the following reviews were agreed:

        • Bus deregulation and its effect on transport services in Renfrewshire;
        • Maintenance of multi-occupancy accommodation; and
        • The effectiveness of Fair Trade.

3.4   The review on bus deregulation and its effect on transport services in Renfrewshire was originally to be to be taken forward by Lead Officer Peter McCulloch, Adult Services Manager, Renfrewshire Health & Social Care Partnership. The initial scoping report was submitted to the Board on 27 August 2018. However, the Lead Officer was seconded to another post and had to withdraw from the review. A new Lead Officer has been identified, and the review is now underway.

3.5   The Annual programme 2019/20 is the subject of a separate report on the agenda for this meeting.

4   **Training**

4.1   In line with national guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the implementation of audit committee principles in Scottish local authorities, briefings on audit and risk-related matters is provided to members of the Board. During the period covered by this report, Board members agreed and commenced a programme of briefings which included: understanding financial statements; accounting and scrutiny issues at Northamptonshire Council; and the role of Internal Audit.

2

5 **Audit and Related Matters**

5.1 <u>Audit of Accounts</u> - The Board at the meeting held on 25 September 2018 considered a report relative to the audit of the Council's 2017/18 accounts. The report outlined Audit Scotland's findings and it was noted that in order to comply with the Local Authority Accounts (Scotland) Regulations 2014 the audited financial statements would be presented to the Council for approval at its meeting on 27 September 2018.

5.2 <u>Annual Internal Audit Plan 2019/20</u> – The Board at the meeting held on 18 March 2018 agreed a risk-based audit plan for 2019/20. The plan considered the outcomes of the internal corporate and service risk identification and evaluation processes, and the current business environment. In addition to undertaking work which would provide assurance on the robustness of key internal controls, the plan sought to reflect the key priorities and challenges for the Council. Progress on the 2019/20 annual audit plan and summaries on the findings and conclusions of each audit assignment are reported to the Board on a quarterly basis.

5.3 <u>Audit Scotland Annual Audit Plan 2018/19</u> – The Board at the meeting held on 21 January 2019 considered a report which outlined Audit Scotland's approach to the audit of the 2018/19 financial statements of the Council and the charities it controlled to assess whether they provided a true and fair view of the financial position of the Council, and whether they had been prepared in accordance with proper accounting practice. The plan outlined the responsibilities of Audit Scotland and the Council, their assessment of key challenges and risks and the approach and timetable for completion of the audit.

5.4 <u>Strategic, Corporate and Service Risks</u> – The Board at the meeting held on 5 November 2018 considered the Strategic, Corporate and Service Risks and Risk Management mid-year plans for each service of the Council and reported that no new risks had emerged that were not anticipated as part of the process to revise the risk register earlier in the year and the overall risk profile remained unchanged. At the meeting held on 28 May 2019, the Board considered the annual report for the Strategic, Corporate and Service Risks and Risk Management plans which were effective from 1 April 2019. Each service identified risks for ongoing monitoring and review and identified planned management actions to prevent and/or mitigate those risks.

5.5 <u>Risk Management Annual Report</u> – The Board at the meeting held on 28 May 2019, considered a report which outlined the corporate risk management activity that had taken place during 2018/19 in relation to the Council's risk management arrangements and strategic risk management objectives. The report provided an overview of key achievements for corporate-led risk management activity during 2018/19 and gave assurance to internal and external stakeholders of the adequacy and effectiveness of risk-management arrangements applied during 2018/19.

In addition, at its meeting held on 5 November 2019 the Board considered a report relative to a review of 'Risk Matters' - the Council's combined risk management policy and strategy. The report highlighted that risk management arrangements were well established and robust and continued to reflect good practice, was aligned to recognised standards; and took account of learning though benchmarking with other public sector organisations.

5.6   Accounts Commission and Audit Scotland Reports – during the period covered by this report, the Board considered reports concerning early learning and childcare; findings from the audit of the 2017/18 Council statements, annual accounts, Common Goods and Charities and other audit activity; the national fraud initiative; Council's use of Arm's Length Organisations; and an audit of housing and council tax benefit risk assessment and housing benefit performance audit 2017/18 annual update report. Each report highlighted key points and the Council position where available. The Local Government in Scotland Performance and Challenges 2017/18 annual report was considered at the Board's meeting held on 27 August 2018, and the 2018/19 report was considered at the meeting of the Board held on 28 May 2019.

The Board at the meeting held on 28 May 2019 also considered Audit Scotland's Management Report for Renfrewshire Council which identified key issues over the course of 2018/19. The report contained a summary of Audit Scotland's findings and outlined management action to address the issues raised.

A report was submitted to the Board on 27 August 2018 which updated Members on the Council response to the "Report of the Independent Inquiry into the Construction of Edinburgh Schools" and Audit Scotland's 2016/17 Audit of "The City of Edinburgh Council - Report on Edinburgh Schools". The report advised on the implications of Audit Scotland's 2016/17 audit of the City of Edinburgh Council report on Edinburgh schools. The report outlined the steps taken by this Council to address the Inquiry recommendations.

A report was submitted to the Board on 25 September 2019 relative to the impact made by the Accounts Commission and Auditor General for Scotland's performance audit "Maintaining Scotland's Roads: A follow-up report" which was published in 2016. The update report outlined the recommendations arising from the report and summarised the implications for Renfrewshire with a progress update as to how each of the recommendations had been taken forward.

5.7   Annual Complaints 2017/18 – The Board at the meeting held on 18 March 2019 considered a report which detailed complaints received by the Council during 2017/18 and how this information had been used to ensure that the Council delivered high quality, efficient and responsive services. A summary was included of the numbers and types of complaints received, responded to within timescales, customer satisfaction monitoring and key complaint areas including what was being done to address the issues raised. The report advised that there had been a decline in the number of

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complaints the Council had received from 6364 for 2016/17 to 6098 in 2017/18 and the report identified how the information provided in complaints had been used to improve services.

5.8   Corporate Governance – The Board at the meeting held on 18 March 2019 considered a report which reviewed the Council's Local Code of Corporate Governance and provided evidence of how the Council complied with the code. The report advised that the code placed emphasis on relationships and behaviours between elected members and senior management; performance reporting; and council and service level plans. The code also reflected the increased importance placed by the Council on self-assessment and activities involving scrutiny of services. It also linked in with the Best Value criteria where governance and accountability were key elements against which the Council was assessed.

In addition, the Board considered a report at the meeting held on 28 May 2019 which contained the annual governance statement for 2018/19 which took account of the Internal Audit Annual Report and Director's evaluation of the operation of the governance arrangements within each service area.

Both reports demonstrated that strong governance arrangements were in place within the Council and that Councillors and Officers were working together to lead and manage the Council in order to provide vital public services.

5.9   Internal Audit Annual Report 2018/19 - The Board at the meeting held on 28 May 2019 considered the annual report on the activities of the Council's Internal Audit section during 2018/19, which detailed internal audit activity, purpose, authority and responsibility as well as performance relative to its plan. The annual report also provided an annual audit opinion of the overall adequacy and effectiveness of the Council's internal control environment and included details of significant risk exposures, control issues and other matters that could be used to inform the governance statement.

5.10   Local Government Benchmarking Framework Indicator Profile 2017/18 – The Board at the meeting held on 18 March 2019 considered a report which intimated that the Council had a robust performance management framework in place which ensured that performance was monitored by corporate and service level management teams and scrutinised by elected members. The report set out the mechanisms by which the monitoring of Council services was undertaken and provided key messages for the Council from the 2017/18 indicator profile against each of the 70 indicators. The report provided detailed information relating to the performance of similar councils which had been placed into 'family groups' with Renfrewshire and provided further context on performance across the broad service areas for elected members' scrutiny.

5.11   Internal Audit Findings – The Board considered quarterly reports on the findings of internal audit in terms of national guidance produced by CIPFA on the implementation of audit committee principles in Scottish local authorities, in line with which internal audit submitted regular reports on the findings of audit work to the Board based on the work of internal audit and detailing the key issues arising.

5.12   Internal Audit and Counter Fraud Progress and Performance – The Board considered regular reports which detailed progress and performance in terms of delivery of the audit plans for the internal audit and counter fraud teams. The Director of Finance & Resources had set annual targets to demonstrate continuous improvement. In terms of counter fraud, due to the diverse nature of fraud referrals, no formal performance targets had been established and the outcomes from investigations were monitored on a regular basis by management.

5.13   Absence Statistics - The Board considered quarterly reports on absence returns with the statistics broken down by service and category of staff, including information relative to absence targets and how services had performed against them. Information was also provided on supporting attendance activity and the costs of sick pay.

5.14   Summary of Outstanding Internal Audit Recommendations – The Board at the meeting held on 28 May 2019 considered a report in relation to follow up work to ensure internal Audit recommendations had been implemented. The report provided an update position in respect of recommendations not implemented by service management by their due date.

5.15   Records Management Plan Update – the Board at the meeting held on 21 January 2019 considered a report which detailed the annual review of the Council's Records Management Plan (RMP) to guide continual improvement of its record keeping. The report noted that the RMP not only offered compliance with the Public Records (Scotland) Act 2011 but also aimed to guide improvements in record keeping for the overall betterment of the Council and its work. The report advised that continual auditing and assessing of the RMP was an important element of its successful implementation and annual reports were an important part of that.

6   **Annual Reports by other Bodies**

6.1   Scottish Public Services Ombudsman (SPSO) – Annual Report 2018/18 – The Board at the meeting held on 21 January 2019 considered a report which highlighted that Local Government remained the sector about which the SPSO received most complaints being 29% of the SPSO's total caseload for 2017/18 with the NHS again receiving the second highest number 28%. The report highlighted that information received separately from the SPSO indicated that the number of complaints received relative to Renfrewshire was 48 compared with 47 in 2016/17. During the period covered by the report the SPSO determined 48 complaints against the Council. Received and determined numbers did not tally as complaints determined included cases carried forward from previous years. Of the 48

complaints determined during the period, four were investigated; three were fully upheld; and one was not upheld.

6.2 <u>Commission for Ethical Standards in Public Life in Scotland: Annual Report 2017/18</u> – The Board at the meeting held on 21 January 2019 considered a report which detailed the work of the Commissioner during the year, provided details of the investigation of complaints about the conduct of councillors, members of devolved public bodies, MSPs and scrutiny of Scotland's ministerial public appointments process. The report advised that the Commission had experienced an increase in activity on public appointments but that this had been balanced by a reduction of approximately 25% in the number of complaints received about the conduct of councillors or members of public bodies. The largest category of complaints related to misconduct on individual applications.

Nationally during 2017/18 the Commissioner received 146 complaints compared with 174 in 2016/17. No specific figures for Renfrewshire Council were included in the report. However, information had been received separately from the Commissioner that, during the period covered by the report one complaint had been received against a Renfrewshire councillor compared with four in 2016/17.

6.3 <u>Scottish Information Commissioner Annual Report 2017/18</u> – The Board at its meeting held on 21 January 2019 considered a report which intimated that the Freedom of Information (Scotland) Act 2002 (FOISA) created a general right to obtain information from any designated Scottish public authority subject to limited exemptions. The annual report explored the performance of the Office of the Scottish Information Commissioner across the year and how FOISA could 'add demonstrable value to public services' within Scotland. It was noted that there had been a total of 507 appeals to the Commissioner in 2017/18. Renfrewshire Council had three appeals submitted to the Commissioner, two of which were upheld, and one case was closed without requirement for a decision as the issue was resolved with the applicant.

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Implications of the Report

1. Financial – none

2. HR & Organisational Development – none

3. Community Planning – none

4. Legal – none

5. Property/Assets – none

6. Information Technology – none

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7. Equality & Human Rights

(a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. Health & Safety – none

9. Procurement – none

10.   Risk – none

11.   Privacy Impact – none

12.   Cosla Policy Position – not applicable

13.   Climate Risk - none

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Author: Carol MacDonald, Senior Committee Services Officer,
          Finance & Resources. Tel: 0141 618 596
          email: carol.macdonald@renfrewshire.gov.uk

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![Renfrewshire Council logo]

To:	**Audit, Risk & Scrutiny**
Board On:	**26 August 2019**

Report by:	**Director of Finance & Resources**

Heading:	**AUDIT, RISK & SCRUTINY BOARD ANNUAL PROGRAMME - 2019/20**

1 Summary

1.1 In terms of the guidelines for its operation, the Audit, Risk & Scrutiny Board prepares an annual programme which may include consideration of routine reports, as well as areas of specific investigation. A lead officer is appointed by the Chief Executive for each investigation.

1.2 Each year it has been the practice that members of the Board are asked to suggest topics for investigation and to provide information in relation to why the investigation should be undertaken and the anticipated outcome. A report is thereafter submitted to the Board outlining the suggestions received in order that the Board can agree its annual programme.

1.3 This report highlights the issues in terms of the number of reviews the Board can reasonably undertake and updates Members on the progress of the Annual Programme for 2018/19.

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2 Recommendations

2.1 That as detailed in paragraphs 4.1 and 4.2, reviews of bus deregulation and its effect on transport services in Renfrewshire; maintenance of multi-occupancy accommodation; the effectiveness of Fair Trade; and conversion of grassed areas to parking form the Board's 2019/20 Annual Programme.

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3   **Background**

3.1   The guidelines for the Board's operation suggest that in relation to (a) scrutiny of service delivery and performance and (b) monitoring and reviewing service delivery, performance, policies and practices, the Board may select particular areas for investigation as part of its annual programme, thereafter making recommendations to the Council. In relation to the Council's role in community leadership, the guidelines recognise that this is not clear cut and requires to be considered carefully to ensure that the respective functions and responsibilities of other public bodies are not compromised but that the Board allows the Council to provide a forum for an informed public debate on these issues.

3.2   Investigations are generally scheduled to be considered over at least five meetings, but this is dependent upon the availability of witnesses and whether the Board wishes to hear further evidence. The Board previously agreed that, given the level of business before it, there be no more than two investigations on an agenda to allow sufficient consideration to be given to each and to prevent meetings continuing into the afternoon. However, additional meetings can be held if required in terms of the Council's procedural standing orders.

3.3   Three of the reviews from the 2017/18 programme were completed during the 2018/19 programme, namely: fly-tipping in the countryside and known fly-tipping spots; housing repairs by Council and outside contractors; and the newly introduced speed limit in Brookfield (A761) and a report on the reserve topic of Japanese Knotweed was submitted to the Board on 25 September 2018.

3.4   At the Audit, Risk & Scrutiny Board meeting held on 27 August 2017, it was agreed that the following reviews be included in the 2018/19 programme:

       • bus deregulation and its effect on transport services in Renfrewshire;
       • maintenance of multi-occupancy accommodation; and
       • the effectiveness of Fair Trade.

3.5   A review on bus deregulation and its effect on transport services in Renfrewshire was originally to be to be taken forward by Lead Officer Peter McCulloch, Adult Services Manager, Renfrewshire Health & Social Care Partnership as part of the 2017/18 Annual Programme. The initial scoping report was submitted to the Board on 27 August 2018. However, the Lead Officer was seconded to another post and had to withdraw from the review. A new Lead Officer was identified, and the review is now underway as part of the 2018/19 programme.

3.6   At the Audit, Risk & Scrutiny Board held on 6 November 2018, it was agreed that the 2018/19 programme also include an investigation of conversion of grassed areas to parking which it was anticipated would commence in August 2019.

3.7   An invitation to submit suggestions for areas of investigation for the 2019/20 annual programme was sent to Members in May 2019. No suggestions for the programme were received.

4   **Progress of Annual Programme 2018/19**

4.1   Three of the reviews have just commenced and their scoping reports were considered at the meeting of the Board held on 28 May 2019 namely:

- Bus deregulation and its effect on transport services in Renfrewshire;
- Maintenance of multi-occupancy accommodation; and
- The effectiveness of Fair Trade.

4.2   These reviews together with the review of the conversion of grassed areas to parking review form the Board's 2019/20 Annual Programme, unless members wish to consider other areas for review.

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Implications of the Report

1. **Financial** – none

2. **HR & Organisational Development** – none

3. **Community Planning** – none

4. **Legal** – none

5. **Property/Assets** – none

6. **Information Technology** – none

7. Equality & Human Rights
(a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety** – none

9. **Procurement** – none

10. **Risk** – none

11. **Privacy Impact** – none

12. **Cosla Policy Position** – not applicable

13. **Climate Risk** - none

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Author: Carol MacDonald, Senior Committee Services Officer, Finance & Resources
               Tel: 0141 618 5967   Email: carol.macdonald@renfrewshire.gov.uk

To: Audit, Risk and Scrutiny Board

On: 26 August 2019

Report by: Lead Officer

Heading: **Review of Bus Deregulation and Effect on Transport Services in Renfrewshire**

1. **Summary**

1.1 The Audit, Risk and Scrutiny Board of 28 May 2019 agreed the purpose and scope of a review on bus deregulation and the effect on transport services within Renfrewshire. This report provides an update on progress and information which has been prepared for the Board to date.

2. **Recommendations**

2.1 It is recommended that the Board:

(i) Notes progress of the review;

(ii) Notes the information presented at this stage of the review;

(iii) Notes the next steps of the review.

3. **Background**

3.1 The report approved by the Board on 28 May 2019 set out the context for the review and steps to be undertaken. The first stage is consideration of relevant

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legislation and information available on the delivery of bus services at local and national levels.

4   Progress to Date

4.1   The Lead Officer has progressed the first stage of the review in accordance with the scope approved by the Board. The outcomes of this stage are presented within this report and referenced accordingly.

4.2   To inform this stage of the review, the Lead Officer has held discussions with McGill's Buses, Strathclyde Partnership for Transport (SPT) and Bus Users Scotland. Discussions with community representatives and stakeholders such as Unite Trade Union are anticipated to be held as the review progresses.

5   Bus Services in Scotland

5.1   A general understanding of the provision of bus services in Scotland is helpful in setting a context for the review.   Key points are summarised below:-

- The majority of bus services in Scotland are provided on a commercial basis by privately owned operators. The major exception is Lothian Buses, which remains in public ownership but acts as a commercial body.

- Bus operators are subject to regulation to ensure vehicles meet safety and environmental standards, operators and their drivers are suitably qualified, services are operated punctually and that appropriate passenger information is available.

- This regulation is overseen by the Traffic Commissioner for Scotland, an independent statutory regulator, with the support of the Driver and Vehicle Standards Agency, part of the UK Department for Transport.

- Transport Scotland subsidises a proportion of the overall costs of the bus network through a Bus Service Operators Grant (BSOG) and the national concessionary bus travel scheme (NCT).

- Services that would not otherwise be viable receive additional financial support from local transport authorities (in Renfrewshire, SPT) to meet social needs in line with their local transport strategies and plans.

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6   Legislation

Existing Legislation

6.1   The Transport Act 1985 introduced the deregulated market within the British bus industry and remains the central legislation today. Under the provisions of the Act regional transport authorities have limited scope in delivery of services[1]:-

- Subsidy of bus services deemed socially necessary that cannot be provided on a commercial basis;

- Provision of infrastructure, for example bus stops, lanes and passenger information;

- Authority to create Statutory Quality Partnerships and Bus Quality Contracts.

6.2   Quality Partnerships involve an agreement between a local authority, regional transport authority and bus operators which seek to deliver improvements securing better services – for example improved infrastructure or vehicle service improvements. A Statutory Quality Bus Partnership was introduced for Paisley Town Centre in 2011 and has now lapsed.

6.3   Quality contracts involve a more formal arrangement where the authority prepares a scheme which identifies the scope, standard and facilities required to deliver services in a specific area. The authority then grants an operator an exclusive right to run services in that area. To date no quality contract schemes have been implemented[2].

Emerging Legislation

6.4   The Transport (Scotland) Bill was published by the Scottish Government in June 2018 and proposes changes to the powers available to local transport authorities to provide and regulate bus services. In summary, these are:-

- Provision of services by local authorities
- Bus Service Improvement Partnerships (BSIPS)
- Local Service Franchises
- Information relating to services

6.5   The most significant changes within the Bill relate to provision of the services by local authorities and information relating to services. In particular, the Bill

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[1] Scottish Parliament (2018) Transport (Scotland) Bill: Buses, SPICe Briefing, p6
[2] Transport Scotland (2017) 'Local Bus Services in Scotland – Improving the Framework for Delivery', p20

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introduces powers to allow a transport authority to provide local bus services. In addition, powers are proposed to allow an authority to seek information from operators on services where these are to be varied or cancelled, providing an opportunity for alternatives to be considered.

6.6   The proposals for BSIPS and Local Service Franchising introduce updated models of quality partnerships and quality contracts to support authorities in working with operators to improve service provision. This includes for example, new powers to consider frequency and fares as part of partnerships.

6.7   It should be noted that the proposed powers identified above are subject to a number of tests and criteria. The Transport (Scotland) Bill is currently being considered by the Scottish Parliament and members should be aware that provisions for new powers may change in this context.

7   Bus Services in Scotland - Key Trends

7.1   Understanding current trends in relation to bus services in Scotland is also important in providing a context for the review. *Scottish Transport Statistics*[3] provides detail in relation to several key indices including journeys, fares and operating costs.

7.2   Headline figures include:-

- 74% of all public transport journeys in Scotland were made by bus in 2017/18 (388M). This compares with 19% for rail. A third of bus journeys were made under the NCT scheme.

- The general trend of patronage is one of decline. The number of bus journeys has decreased by 1.5% from 2017/18 and by 8% over the last 5 years, with a drop of 20% from peak in 2007/8.

- Operator revenue totalled £684M in 2017/18, a decrease of 2% on the previous year. Passenger fares provide 56% of revenue, with the remainder from local/central government funding. Adjusting for inflation, revenue is 5% less than 5 years ago.

- Fares have increased by 11% in real terms (adjusting for the effects of inflation) the last 5 years. During the same period, central/local government funding has decreased by 11%.

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[3] Transport Scotland (2019) Scottish Transport Statistics No. 37, 2018 Edition, p56-59

7.3   A report by KPMG for Confederation of Passenger Transport (Scotland)[4] suggests that there are a number of factors contributing to decline in passenger numbers. These include increasing car ownership, changing employment patterns (working from home, flexible hours, self employment) and growth in online services and home delivery options.

7.4   Alternatives to bus travel, for example improved rail services, an increased number of taxi licences and trips by cycle, are also considered to contribute to a decline in patronage. Traffic congestion which impacts upon journey times is also considered to be a significant factor.

7.5   While the report notes that price/quality of services play a role in patronage, alternatives to bus travel are considered to have the most significant impact. The latter is particularly relevant in the Glasgow and Clyde Valley region, where an extensive rail network is a strong alternative.

8   Deregulation – Research

8.1   A review of available information has included research papers and academic reports. A brief summary is provided below, although it should be noted that the topic is complex and subject to a range of differing views.

8.2   A number of academic commentators suggest that the initial key impact of deregulation was increased competition between operators, as they sought to gain a foothold in the market. Reports from Strathclyde and Napier Universities[5] [6] highlight 'bus wars' and fierce competition which led to an increase in supply in the short term, but often a duplication of services. The reports suggest that this led to issues with congestion and a subsequent impact on air quality.

8.3   The Napier University report suggests that a subsequent impact was a period of contraction, with a series of mergers and acquisition between companies, leading to a small number of larger operators providing services. The report suggests that this has led to a situation where reduced competition exists, in contrast to the original spirit of legislation.

8.4   A further impact is that of innovation. The KPMG report identified in paragraph 7.3 above suggests that the introduction of technology such as contactless payments and real time information has been utilised by operators to influence customer behaviour and stimulate demand for services.

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[4] KPMG (2017) 'Trends in Scottish Bus Patronage: Report to CPT (Scotland)'
[5] Farrington John and Mackay Tony (1987) 'Bus Regulation in Scotland: A Review of the First Six Months, Strathclyde University, p67-69
[6] Cowie, Jonathan (2018) 'The Scottish Bus Industry – Just a Bunch of Profiteering Opportunists?, Napier University p1-2.

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8.5 A report by community interest company Transport for Quality of Life[7] suggests that an impact of deregulation has been to reduce the ability to deliver bus services which meet social and environmental needs. This is based on their view that bus networks operated are based on demand and income generation. It should be noted however that such an approach appears to remain even where services are provided by a municipally owned company such as Lothian Buses.[8]

8.6 A key conclusion from both the Napier University and KPMG reports is that to arrest the decline in bus patronage, debate on the delivery of services requires to reach beyond regulation and consider policies and initiatives which would support public transport, improving services and in turn the attractiveness of bus as a sustainable transport mode.

9 Next Steps

9.1 In line with the scope approved by the Board of 28 May 2019, the next stage of the review will focus on considering the perspectives of the regional transport authority (SPT) and commercial bus operators. In this context, members will receive evidence from SPT and McGill's Buses at the Board meeting of 23 September 2019.

9.2 The Council's Director of Environment and Infrastructure Services, with responsibility for transport, will also be invited to the meeting.

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Implications of the Report

1.   **Financial** - None

2.   **HR & Organisational Development** - None

3.   **Community/Council Planning –** None

4.   **Legal** - None

5.   **Property/Assets** - None

6.   **Information Technology** - None

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[7] TfQL (2016) 'Building a World Class Bus System for Britain', TfQL, London.

[8] McKenzie, Jamie (2019) 'Bus Passengers Angered As Lothian Announce Cut in Service', Edinburgh Evening News, 10 June.

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7.   **Equality & Human Rights** - None

      (a)   The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8.   **Health & Safety** - None

9.   **Procurement** - None

10.   **Risk** - None

11.   **Privacy Impact** - None

12.   **Cosla Policy Position** - None

13.   **Climate Risk** - none

List of Background Papers

   a) none

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Author: Jamie Mackie
          Place Making Team Leader, Communities, Housing and Planning Services

          Tel. 0141 618 7841, email: jamie.mackie@renfrewshire.gov.uk

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To: **Audit, Risk and Scrutiny Board**

On: **26th August 2019**

Report by: **Lead Officer**

Heading: **The Effectiveness of Fair Trade within Renfrewshire**

1.   Summary

1.1.   At its meeting on 28th May 2019, the Audit, Risk and Scrutiny Board agreed to the recommendations and review programme outlined in respect of providing an informed, evidence-based review on the effectiveness of Fair Trade within Renfrewshire.

1.2.   The following report outlines the progress made by the Lead Officer in terms of taking forward the review since the last meeting on 28th May 2019. The previous report stated that meetings would take place with Local Authorities and partners. The key areas of progress have included:

- A knowledge sharing exercise with the officer in East Dunbartonshire Council responsible for fair trade, a local authority highly regarded in the area of fair trade.

- Meeting with the business manager at Just Trading Scotland, a fair trade importer based in Paisley to discuss the key questions relating to the purpose of this review.

2   Recommendations

2.1   It is recommended that the Audit, Risk and Scrutiny Board notes the progress of the review;

3   Progress

Fair Trade in East Dunbartonshire Council

3.1   A knowledge sharing exercise was held with an officer in East Dunbartonshire Council responsible for fair trade to help share working practices and to highlight potential areas of improvement within Renfrewshire.

3.2   Prior to the introduction of the International Fair Trade Charter, East Dunbartonshire Council took steps to try and embed Fair Trade within the authority were possible. At a meeting in November 2016, a motion was raised to support the principles of Fair Trade that received unanimous support. The local authority stated that they support the principles of Fair Trade, and as a consumer, the promotion and purchase of Fair Trade goods as part of their commitment to sustainable development.

3.3   East Dunbartonshire Council agreed to investigate options to implement the following:

1) To offer Fair Trade goods - for example products carrying the Fairtrade Mark wherever possible and available, when catering for Council meetings and functions.

2) To implement Fair Trade through our procurement processes and those of our suppliers wherever possible.

3) To appoint a named Council representative to support the work of the East Dunbartonshire Fairtrade Steering Group and to make other staff and resources available as and when appropriate and available.

4) To promote Fair Trade issues and practices among local business, commercial and other organisations.

5) To support the Group's communication plan.

6) To share best practice with regard to Fair Trade and sustainable development with other public bodies, stakeholders and partners.

7) To work with the Steering Group to ensure that East Dunbartonshire continues to meet and exceed the requirements necessary to maintain its status as a Fairtrade Zone.

3.4   East Dunbartonshire have confirmed that all of the above actions have been implemented, as detailed in the communications plan attached as appendix 1 to this report.

3.5   It is anticipated that further investigation within this review will determine if any of the measures introduced within East Dunbartonshire could be implemented within Renfrewshire.

Just Trading Scotland (JTS)

3.6   JTS are a fair trade importer based in Paisley and a registered Scottish charity. Its objectives are to provide developing world producers with an expanded market for their goods, while at the same time educating children and consumers in the UK about smallholder farmers in the developing world. To date, they have informed over 20,000 school children and 10,000 adults about fair trade and sustainable farming.

3.7   A meeting was held with the business manager at Just Trading Scotland to understand fully the process of fair trade and the associated benefits.

3.8   The key areas covered were those highlighted in the initial scoping paper as being the key purpose of the review.

3.9   The individual questions and responses are listed below:

a.   **Understand what motivates people to purchase fair trade products?**

Shops selling Traidcraft products publicise that people are motivated to help the producers, but also that their customers feel

that they are doing the right thing. Many organisations such as schools and church groups undertake the 90kg rice challenge for this reason as the benefits to rice producers are well documented.

b. **Ensure that fair trade in Renfrewshire benefits the producer at source?**

JTS deal direct with Turqle trading in South Africa. Turqle trading have confidence that the producer at source is benefiting from products purchased in Renfrewshire and from products traded from Renfrewshire to other areas of the UK.

c. **Understand the processes in place to monitor the effectiveness of fair trade within Renfrewshire?**

Monitoring the effectiveness of fair trade is very difficult to undertake as there are no existing benchmarks that can be used year on year. One option is by monitoring the value of purchases from producers such as Traidcraft. Other options include the quantity of available items that include the Fairtrade Mark. The Fairtrade Mark is a registered certification label for products sourced from producers in developing countries. The Mark is used only on products certified in accordance with Fairtrade Standards and on promotional materials to encourage people to buy Fairtrade products.

JTS are currently investigating options that would allow sales made within Renfrewshire to collated year on year. This would allow comparisons to be run with benchmarks and future targets being set. Renfrewshire Council could do likewise to monitor how much is spent on fair trade products and encourage schools to increase their uptake of fair trade products in their school menu's.

JTS are in the audit stage of obtaining World Fair Trade Organisation (WFTO) membership. WFTO membership ensures that registered organisations are improving their ethical performance. Members must show continuous improvement over time, with measurable advances in the way their organisation operates. Compliance with the Standard is assessed by various means, including the Self Assessment Report, the Peer Visit and the Monitoring Audit.

d. **Understand how fair trade is promoted within schools?**

At present, very little proactive promotion is undertaken by Renfrewshire Council within its schools. It is largely left to individual schools to engage with fair trade organisations. This is typically undertaken by a teacher with a keen interest, rather than being incorporated into the curriculum. Just Trading Scotland would be fully supportive of Renfrewshire signing up to each school undertaking the 90kg rice challenge. If successful, the programme could be rolled out to other authorities in Scotland and further afield.

A structured approach to fair trade led by a nominated officer would provide the emphasis and focus to promote fair trade within Renfrewshire schools. Renfrewshire Council became one of the first Local Authorities in the UK to formally adopt the International Fair Trade Charter. The signing of the charter is the first step in ensuring that fair trade has the support of the authority. The next step is to engage with schools and the community in its promotion.

e.   **Determine if the current processes in place for the purchase and distribution of fair trade goods is the most efficient, both for the end producer and the customer?**

JTS provide a wide range of fair trade goods online using a customer account, over the phone and through email. Their online shop has a dedicated 90kg rice challenge for organisations to sign up to and receive all the required goods and information to run a successful campaign. Other options, such as Amazon Marketplace have been trialled in the past but was not deemed to be cost effective due to their charges to JTS.

JTS also provide to retailers in Renfrewshire and beyond. This ensures that JTS can purchase in bulk and pass on the savings to the independent retailers that would not have the same purchasing power or the quantity of sales to allow for bespoke orders to be sent from the producers.

f.   **Identify if there are other ways to deliver fair trade to ensure best value, whilst ensuring that the correct people are benefiting. This could include investigating if the current process of purchasing from numerous countries and**

spreading the wealth is the most beneficial, or, focus on a single country?

It would be difficult for Renfrewshire to be prescriptive about what countries organisations should focus on. By selecting an individual country it may be easier to see the impact on that country, however, one country would not provide the range of products required to keep customers.

4   Inviting Individual Responses

4.1   A questionnaire will be issued on 9th August 2019 to Renfrewshire Council staff asking a number of questions, for example:

- Do you purchase fair trade?
- Why you purchase fair trade?
- What would make you more likely to purchase Fair Trade products?
- Do you think there is a good selection of Fair Trade products available in Renfrewshire?
- Do you know where to go to purchase Fair Trade products?
- Do you think Renfrewshire Council's towns should all be Fair Trade Towns?
- Do you think Fair Trade should be taught in Schools in Renfrewshire?
- Do you think Renfrewshire Council should purchase Fair Trade products where possible?
- Do you think Renfrewshire Council does enough to promote Fair Trade?

4.2   Once the findings of the survey have been collated, it is proposed that the survey shall be presented to the Fair Trade Steering Group for further discussion.

4.3   As per the scoping paper, further investigations and discussions shall take place with other Local Authorities, Renfrewshire Councils Leader and partners including Rainbow Turtle, Scottish Fair Trade Forum and Fair Trade Scotland. The findings shall be presented to future meetings of this board.

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Implications of the Report

1.   **Financial** *- none*

2.   **HR & Organisational Development** *- none*

3.   **Community Planning**

4.   **Legal** *- none*

5.   **Property/Assets** *– none*

6.   **Information Technology** *- none*

7.   **Equality & Human Rights**

   a)   The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8.   **Health & Safety** *- none*

9.   **Procurement** *- none*

10.   **Risk** *- none*

11.   **Privacy Impact** *- none*

12.   **Cosla Policy Position** – not applicable.

13.   **Climate Risk** - none

_____

Author: Craig Doogan
   0141 618 6198
   Craig.Doogan@renfrewshire.gov.uk

Appendix 1

EAST DUNBARTONSHIRE FAIR TRADE STEERING GROUP – COMMUNICATIONS PLAN – 2017-19

1. KEY MESSAGES

Fair Trade is about decent working conditions and fair terms of trade for farmers and workers. It encourages sustainable production techniques and protection for the environment. It contributes to the sustainability of supply chains. The Fairtrade Mark gives consumers guarantees about the product so they can make an informed decision about their purchase.

1. The East Dunbartonshire Fair Trade Steering Group supports all fair trade, not just farmers in the Fairtrade system, so it supports a raising of social, economic and environmental standards in all supply chains both locally and globally.
2. East Dunbartonshire was one of the first areas to gain Fairtrade Zone status in 2007 and has held Fairtrade Zone status continually since then - the only area in Scotland to achieve continual zone status for so long.
3. It has pioneered new initiatives, such as the Fairtrade Cotton Schoolwear Campaign, the Nurseries Campaign and Themed Menus in Schools. These have been rolled out nationally.
4. It is well supported by the Council, something the Fairtrade Foundation praised "we were particularly impressed by the excellent and continuing relationship with the Council and their active involvement locally and nationally encouraging fair trade food procurement in schools".
5. Fair Trade is supported throughout all geographical areas of East Dunbartonshire, being particularly strong in schools and churches. The Coach House at Balmore was established in 1980 and was one of the first supporters of Fair Trade in Scotland.

2. KEY PEOPLE INVOLVED

Alongside the members of the East Dunbartonshire Fair Trade Steering Group

- Lenzie Fairtrade Group
- Bearsden and Milngavie Fairtrade Group
- Milton of Campsie Parish Church Justice and Peace Group (Founding Group)
- The Balmore Trust

The Group also operates a Nursery Group and a Schools Group to support Fair Trade in Teaching and Learning. Nursery Group led by Tracy Mitchell, Schools Group led by Angela Oakley

The Group works closely with the Scottish Fair Trade Forum. One member is also on the Board of the Forum and another is the Forum's Volunteers Schools Advisor. The Forum offers advice and support.

3. METHODS OF COMMUNICATION

- Local newspapers (Kirkintilloch Herald, Bishopbriggs Herald, Milngavie and Bearsden Herald)
- Local radio
- Meetings and events
- Email bulletins
- Magazines, newsletters and flyers (e.g. EDC Edit but also of other partners e.g. EDVA quarterly newsletter)
- Websites (EDC plus those of partners)
- Social media (facebook and twitter)

4. ACTION PLAN

Date	Milestone / Event / Task	Target Group	Communication Method	Purpose / Key Messages
January 2017	Update Council website with new Fair Trade Motion		Council Website	Awareness of Council commitment to Fair Trade
Ongoing	Continue to update and share posts from other organisations on Facebook		Social Media	Raise awareness of fair trade amongst a wider audience
Ongoing	New school mergers (Auchinairn/Woodhill & St. Agatha's/St. Flannan's) and ongoing consideration of fair trade school uniforms		Emails, meetings, newsletters.	Raise awareness and encourage take up of fair trade school uniforms.
Ongoing	Steering Group to secure another flagship employer		Press Release/Social Media	Raise Awareness and uptake of Fair Trade with business sector
2 February	Fairtrade nursery group meets in Hillhead Primary			
End February 2017	Article about Fair Trade in East Dunbartonshire Council 'You and Your Community' newsletter. Update community grant guidance to refer to sustainable development.	Community groups and General Public	EDC Website and email to community groups.	Raise Awareness and uptake of Fair Trade with community groups. Seek new members of steering group and offer to talk

Date	Activity	Media	Message
27 February – 12 March 2017	*Fair Trade Fortnight* *Activity will be Put Fairtrade in your Break. Don't feed Exploitation* *Event packs and special resources are available from the Fairtrade Foundation.* *http://schools.fairtrade.org.uk/*	*Press Release/Social Media*	*Fair Trade Fortnight* *Activity will be Put Fairtrade in your Break. Don't feed Exploitation* to community groups about Fair Trade.
Early March 2017	Celebrate Fair trade zone renewal for East Dunbartonshire	Press Release/Social Media	Ten years of fair trade status
1 March	Gavin's Mill opening	Council Facebook and Social Media	
2 March	Photo opportunity in Lairdsland School dining area with P6 pupils in the afternoon at 1:15. Fair Trade stalls in Southbank receptions on March 2nd 12-1 Marina, 1.30-2.30 Southbank House and 2.30-3.30 Campus Building. Brommhill Stall (8 March over lunch in canteen) following week.	Press Release/Social Media Internal email bulletin for stalls in Southbank.	Put Fairtrade in your Break. Don't feed Exploitation. During Fairtrade Fortnight this year we are being encouraged to choose Fairtrade items for our Breaks. As well as tea and coffee, this may include cakes, biscuits and sweets made with Fairtrade ingredients and we should also think about fairly traded fruit from countries where farmers may struggle to provide life's necessities for their families.
Saturday 11 March	'Time to put Fairtrade in your Break' event by Lenzie Group. Lenzie Fairtrade Group is organising a coffee morning devoted to the theme of putting Fairtrade into our Break which will take place on	Press Release/Social Media	Put Fairtrade in your Break. Don't feed Exploitation

Date	Activity		Format	Key Messages
	Saturday 11 March from 10 - 12 in Lenzie Union Parish Church Hall. As well as a range of Fairtrade coffee blends to taste, there will be plenty of home baked "Fairtrade Break" items to try as well as the ever popular "smoothie bike". There will also be lots of activities for children to help them understand the Fairtrade message in a fun and enjoyable way. Admission charge will be £2 per adult and £1 per school age child.			
13 May 2017	World Fair Trade Day		Press Release/Social Media	A worldwide festival of events celebrating Fair Trade as a tangible contribution to the fight against poverty and exploitation, climate change and the economic crises.
TBC in 2017	Closure of the Coach House and ensuring its work continues.		TBC	Celebrate achievements and plans for future.
TBC in 2017	Council to affiliate with Electronics Watch		Press Release / Social Media	First Council in Scotland to affiliate? Highlight progress re fair trade in Council procurement (e.g. laptop rollout)
24-30 April 2017	Fashion Revolution Week			Ethical clothes production
Summer 2017	Fair Trade presence at Kirkintilloch Canal Festival		Press Release/Social Media	5 Key Messages
Summer 2017	Fair Trade presence at town Gala Days		Press Release/Social Media	5 Key Messages
TBC in 2017	Directory of Fair Trade ED retailers	Steering Group members to add retailers to ED asset map: http://www.east	TBC in 2017 (funding for leaflet)	Directory of Fair Trade ED retailers Encourage people to buy Fair

			Trade products from local shops. Raise awareness in businesses of the ethos of Fair Trade including the Fair Trade premium and the effect on local communities in developing countries.
			dunassets.org.uk/
September 2017	Autumn Event	Press Release/Social Media	5 Key Messages
February 2018	Fairtrade Fortnight	Press Release/Social Media	5 Key Messages
May 2018	World Fair Trade Day	Press Release/Social Media	A worldwide festival of events celebrating Fair Trade as a tangible contribution to the fight against poverty and exploitation, climate change and the economic crises.
Summer 2018	Fair Trade presence at Kirkintilloch Canal Festival	Press Release/Social Media	5 Key Messages
Summer 2018	Fair Trade presence at town Gala Days	Press Release/Social Media	5 Key Messages
September 2018	Autumn event	Press Release/Social Media	5 Key Messages
December 2018	Fair Trade Zone renewal		Celebrate Achievements

Renfrewshire Council

TO: **AUDIT, RISK & SCRUTINY POLICY BOARD**

ON: **26TH AUGUST 2019**

REPORT BY: LEAD OFFICER

HEADING: **MAINTENANCE OF MULTI OCCUPANCY ACCOMMODATION (MIXED TENURE BUILDINGS)**

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1. SUMMARY

1.1 This Report updates progress on the review entitled "Maintenance of Multi Occupancy Accommodation" as agreed as part of the Audit, Risk and Scrutiny Board's annual programme of activity for 2019/20.

1.2 Meetings have taken place with Officers from Communities, Housing and Planning Services and Legal Services to gather their thoughts and opinions on the maintenance process of multi-occupancy accommodation within Renfrewshire.

1.3 Benchmarking with North Lanarkshire Council has taken place. North Lanarkshire Council have a similar mix of housing stock as Renfrewshire Council and the purpose was to gain an understanding of their maintenance processes to discuss benchmarking standards and to explore examples of best practice.

1.4 A Scottish Parliament working group review of the Maintenance of Tenement Scheme Property has recently been undertaken by a cross party group of MSPs. The Final Recommendations Report was published in June 2019 and a copy is attached as Appendix 5.

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2. RECOMMENDATIONS

It is recommended that the Audit, Risk & Scrutiny Board:

2.1   Notes the content of the report as outlined at paragraph 4.1;

2.2   Agrees the next steps for the review process;

2.3   Agrees to request the attendance of relevant Council Officers to the meeting of the Audit, Risk & Scrutiny Board on 23rd September 2019.

3. KEY POINTS

3.1   The key points to date in the review of maintenance of multi-occupancy accommodation (mixed tenure buildings) include:

There is a variety of legislation which covers repairs in mixed tenure properties. The Tenements (Scotland) Act 2004 aims to ensure that tenement buildings have a scheme for management and maintenance as part of ensuring that they are kept in good repair. The Act sets out a Tenement Management Scheme which applies where the title deeds of all flats in the tenement either do not deal with particular issues in the Tenement Management Scheme or are inconsistent. In most mixed-tenure or multi-occupancy blocks where not all of the flats or units are owned by the Council, the Tenement Management Scheme will apply at least in part to maintenance and repair matters as there will be Council properties which have never been sold as individual flats or commercial premises and so not all of the title deeds will deal with management and repair issues. Where the Tenement Management Scheme applies, it sets up a decision-making structure that should make it easier for owners to reach decisions to enable them to carry out repairs and maintenance. In most cases, this will mean that common repairs can be carried out with the agreement of the majority of owners.   However, whilst in certain circumstances matters can be taken to the sheriff court, the Act does not put in place any mechanism for mediation for resolution of disputes between owners.

A Working Group report of cross party MSPs on Maintenance of Tenement Scheme Property was published in June 2019 – Final Recommendations Report and contained three main recommendations:

1. Building Inspections - The "scheme property" of all tenements should be inspected every five years and a report prepared that will be publicly available to existing or prospective owners and tenants, neighbours and policy makers.

2. Establishing compulsory owners' associations - The group continues to believe that owners' associations are an essential element of tenement maintenance by providing leadership, effective decision-making processes and the ability of

groups to enter into contracts.

3. Establishment of Building Reserve Funds - The core of the original proposals was that Building Reserve Funds (BRF) should be held in a specially established national or regional level fund, in the form of a social investment fund. Safe Deposits Scotland was used as an example, but a Credit Union structure could equally be suitable. However, it is accepted that some residents' associations will already have, or will want to establish and control, their own building maintenance accounts. Comparing the two, it is felt that a central fund has many advantages over an owners' association-held fund.

The majority of this report's proposals require legislative action. Some may simply require secondary legislation and could be introduced relatively quickly; whilst other proposals – those which are more straightforward – might be included in related legislation dealing with, for example, planning, finance or energy.

4.   NEXT STEPS

4.1   At the next meeting on 23rd September 2019, senior officers of the Council will be invited to attend to discuss the maintenance process of multi-occupancy accommodation (mixed tenure buildings) within Renfrewshire which will assist the Board in reaching conclusions on the review.

4.3   The Lead Officer will meet with a Housing Association and a Tenant and Residents Association to gather their thoughts and opinions on the maintenance process of multi-occupancy accommodation within Renfrewshire. Tenant and Residents Associations have been on summer recess with scheduled meetings planned for September 2019.

5.   BACKGROUND

5.1   Renfrewshire Council has 2,848 mixed tenure or multi-occupancy properties which the Council as Local Authority retains an interest in. The tenure split and numbers are contained below:

Tenure Split	No of Blocks	%
50/50	760	26.7%
Full Council	685	24.1%
Majority	701	24.6%
Minority	702	24.6%
Grand Total	**2848**	**100%**

5.2   There is a variety of legislation which covers repairs in mixed tenure properties, including:

o   Tenements (Scotland) Act 2004

    o Housing (Scotland) Act 1987 and 2006
    o Environmental Protection Act 1990
    o Building (Scotland) Act 2003
    o The Private Housing (Tenancies) (Scotland) Act 2016
    o Title Conditions (Scotland) Act 2003
    o Property Factors (Scotland) Act 2011
    o Repairing Standard 2016 (amended 2006 Act)

5.3 Tenements (Scotland) Act 2004

5.3.1 The primary legislation in relation to repairs to strategic parts in respect of flatted buildings which are common property is the Tenements (Scotland) Act 2004. Although it is called the Tenements (Scotland) Act 2004, the law affects every owner (home, business or shop) in a building which is divided horizontally into two or more flats (i.e. flats on different floors) at least two of which are in separate ownership.

5.3.2 The Act aims to ensure that all tenements have a scheme for management and maintenance so as to help ensure that the communally-owned parts of buildings, , are kept in good repair. It sets up a default decision-making structure in the Tenement Management Scheme that applies to many of the main structural parts of the building which are referred to in the Act as "scheme property", where the title deeds to the properties in the tenement building do not all deal with a particular issue or are inconsistent: this should make it easier for owners to reach decisions to enable them to carry out repairs and maintenance. Where the Tenement Management Scheme is applicable, in most cases, this will mean that common repairs can be carried out with the agreement of the majority of owners. However, whilst the Tenements (Scotland) Act provides that in certain circumstances where there are disputes court actions can be raised in the sheriff court, the Act does not put in place any mechanism for mediation for resolution of disputes between owners.

5.3.3 Who is responsible for what?

- Individual responsibility - Anything serving only one flat, including the door from the stair, its windows and the inside of walls, floors and ceilings to the halfway point with the next property. Generally speaking, owners are solely responsible for all repairs and maintenance to their own flat.

- Mutual or user responsibility – "Mutual" property is anything used by two or more flats, including the close stairs, close stair windows, chimneystacks, service cables, pipes. Where the Tenement Management Scheme applies, repairs to these mutual parts of the building should be paid for equally by all who use that part – unless their Title Deeds say otherwise.

- Common responsibility - This is an important part of the law. It outlines all the parts of the building where maintenance is paid for by all owners. These usually include in tenement buildings part-owned by the Council: the roof, the foundations and external walls, and also and any other part of the property which the Title Deeds set out as being the property of two or more owners. It is important to note that where the

Tenement Management Scheme is applicable to maintenance of a tenement building's roof, paying for roof repairs is basically the responsibility of every owner in the building – this is unless the Deeds completely provide for maintenance otherwise.

5.4 **Consultation Process for maintenance and repair of Multi-Occupancy Accommodation (mixed tenure properties).**

5.4.1 Renfrewshire Council will not generally carry out repairs or improvements without consulting other owners within the building first. Where its decision-making provisions apply, the Tenements (Scotland) Act 2004 allows the Council to carry out common repairs to scheme property if a majority of the relevant owners agree to the work. However, Renfrewshire Council will also intervene where emergency common repairs are required, particularly where a repair directly affects a council-owned property. Other more general repairs that are reported by owners or tenants in a block will be assessed and prioritised.   Details are contained at Appendix 3 for the owners' responsibility for common repairs.

5.4.2 Renfrewshire Council has 2,848 mixed tenure/ multi-occupancyproperties. Annually, there are around 1000-1500 repair jobs raised for mixed tenure/multi-occupancy properties.

5.4.3 Renfrewshire Council or their appointed Contractor carry out all repair and maintenance in mixed tenure accommodation. Renfrewshire Council do not carry out these works as a factor. If a repair is an emergency then the Council would carry out the works as another owner and bill the owners. For routine repairs and maintenance, quotes are sent to owners to indicate if they are willing to pay their share. There is a 28-day period for the tenant to inform Renfrewshire Council of their decision.

5.4.4 Generally, there is one vote per unit / dwelling. The voting rights are contained within a properties' title deeds or, where applicable, under the Tenements (Scotland) Act. Where the Tenement Management Scheme applies, a unit could have greater voting rights if their floor space is significantly greater than the smallest unit in the block. A majority agreement in the scheme decision is required for the maintenance or repairs to proceed.

5.4.5 Around one third of jobs do not go ahead as there is no majority agreement with tenants. Anecdotally, this is due to maintenance / repair costs and a lack of funds by owners. Around 20-50 owners in mixed tenure properties progress with completing the repair works themselves and invoicing Renfrewshire Council on completion.

5.4.6 As part of consultation process, grant assistance up to 50% for Capital Works is available subject to benefits received by tenants. Utility funding (Energy Efficiency) up to 100% can be provided for insulation works with tenant only paying £150.

5.4.7 Renfrewshire Council tenants have the right to have some small urgent repairs carried out within a given timescale. This is called the 'Right to Repair' scheme. The

scheme covers certain repairs costing less than £350, known as 'qualifying' repairs. Further details of this are contained at Appendix 4 of this report.

5.5 **Benchmarking of other Local Authorities**

Benchmarking took place with North Lanarkshire Council in July 2019 who have similar mix of housing stock to Renfrewshire to gain an understanding of their maintenance processes; providing benchmarking standards and to explore examples of best practice.

Question	Response
What is the Consultation process with private, landlords, households, HAs etc for essential repairs/maintenance?	North Lanarkshire carry out all repair/maintenance/capital as another owner in the block. We do not carry out these works as a factor. If a repair is an emergency then we would carry out the works as another owner and bill the owners. For routine repairs and maintenance, a mandate is sent to owners to indicate if they are willing to pay their share.
What is the Voting allowance per unit/dwelling?	In terms of housing each social housing property would have 1 vote.
What is the Disputes Process when a majority decision for repairs has not been reached?	If an agreement is not reached then works do not progress. It is expected that the building element would fall further into disrepair and the council would use its legislative powers e.g. defective buildings or buildings below tolerable standard, to force through the works and recoup the associated costs.
Is there any Financial assistance for householders from Council?	If it is a large repair or a capital programme work, then the owners would get a 50% grant as standard or a 75% grant if the meet qualifying criteria e.g. benefits etc. Owners can also get up to a 5-year payment plan at no interest to pay their share of the costs.
What improvements have been made in recent years to improve the process for North Lanarkshire Council and those in mixed tenure ownership properties.	North Lanarkshire have recently allowed private landlords to have a 2-year payment plan if they own a single property. If the invoice amount is over £3000 landlords can get 3-year payment plan.

Implications of the Report

1. **Financial** – None

2. **HR & Organisational Development** – None

3. **Community Planning –** None

4. **Legal** - None

5. **Property/Assets** – None

6. **Information Technology** - None

7. **Equality & Human Rights** - The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website

8. **Health & Safety** – All work undertaken is assessed under appropriate Health and Safety legislation.

9. **Procurement** – All procurement legislation is adhered to when items are procured for this project.

10. **Risk** – None

11. **Privacy Impact** – None

12. **Cosla Policy Position** – None

13. **Climate Risk** - none

List of Background Papers

   a) Audit Risk & Scrutiny Board Programme approved 29th May 2019
   b) Tenements (Scotland) Act 2004
   c) Common Repairs and Property Management

Author: Lead Officer – Dorothy Kerr, Service Coordination Manager, Environment & Infrastructure

Email: dorothy.kerr@renfrewshire.gov.uk

Date	Action
28th May 2019	Review Commences
26th August 2019	Review Continues
23rd September 2019	Review Continues
4th November 2019	Review Continues
20th January 2020	Draft Report to Board
16th March 2020	Final Report to Board
7th May 2020	Final Report to Council

Terms of Review

"Both Council tenants and private residents are losing out because all parties can't agree on regular maintenance and upgrading contacts. Council tenants find their property is left to last whether or not private tenants are involved and have agreed an upgrade of the property. Minor repairs don't get done because all parties won't agree the work is necessary or the cost is fair. Because of this disagreement, properties don't get maintained, become run down, lose value and don't attract good tenants. This then brings down the whole area. Private tenants believe they are being asked to pay over the odds for maintenance work by Council employees etc."

The expected outcome of the review is as follows: "Find a way forward by which all parties agree to any maintenance or upgrading work. There will always be the odd resident who won't agree to the work but they should have to bow to the majority. Perhaps problem properties should be "factored" by a third party. Factors can then use their knowledge base and go to outside contractors for quotes (perhaps something private tenants don't feel capable of doing themselves). Help should be offered to private tenants where it can be shown that they genuinely do not have the finances to pay for the work"

Owners' responsibilities for common repairs

All homeowners are responsible for repairs and maintenance to their property.
However, if you live in a flat, tenement or apartment block, you will also be responsible for helping to maintain and repair common areas of your building.

What are common areas?

When you buy a flat you take on rights and responsibilities for the common structure of the whole building.

These common parts are jointly owned with other owners in the building and may include:
- foundations and outside walls
- chimneys, stacks and vents
- the close and staircase
- bin stores and back courts
- the roof
- gutters, downpipes and drainage system
- door entry system
- common paths

Who is responsible for common repairs?

If common areas of your building need to be repaired, every owner must pay a share of any common charges for works and services.

Your title deeds normally tell you about your rights and responsibilities for your own property and for your shared responsibility for the whole building. They may also detail your proportional share of common costs and your obligations to manage and maintain the building jointly with the other owners. If all of the flats in a building do not have the same conditions set out in their deeds, you should get advice from a solicitor or refer to legislation under the **Tenements (Scotland) Act 2004**.

You may decide that the easiest way to handle maintenance and repairs is to hire a property manager or factor to take care of it for you. However, you may decide to self-manage the building, meaning that you and your co-owners would carry out any management work directly.

Property that is jointly owned with the council

Because of the high level of right-to-buy sales in Renfrewshire, around 80% of the council's flatted housing is now in buildings which are jointly owned with private homeowners. Co-operation and participation from all owners are therefore essential in securing common repairs and improvements in these buildings.

The council will not carry out repairs or improvements without consulting other owners within the building first. However, the Tenements (Scotland) Act 2004 allows us to carry out common repairs if a majority of owners agree to the work. We will also intervene where emergency common repairs are required, particularly where a repair directly affects a council-owned property. Other more general repairs that are reported by owners or tenants in a block will be assessed and prioritised. Please note that some jobs may have to be

deferred due to budget restrictions.

You can download our leaflet, Common Repairs and Property Management, which explains how the council can help where it jointly owns property in a building.
Regrettably, grants for common repairs works are generally no longer available from the council. However, owners may receive grant assistance as part of Council led major investment works carried out in mixed tenure block properties.

Right to Repair

Renfrewshire Council tenants have the right to have some small urgent repairs carried out within a given timescale. This is called the 'Right to Repair' scheme.

The scheme covers certain repairs costing less than £350, known as 'qualifying' repairs. Details of 'qualifying' repairs and their response timescales are listed in the table. The timescales shown are the maximum period in working days from the day after you report a qualifying repair or inspection (excluding weekends and public holidays).

Qualifying Repair	Days to complete
Blocked flue to open fire or boiler	1
Blocked or leaking foul drains, soil stacks, or toilet pans where there is no other toilet in the house	1
Blocked sink, bath or drain	1
Loss of electric power	1
Partial loss of electric power	3
Insecure external window, door or lock	1
Unsafe access path or step	1
Significant leaks or flooding from water or heating pipes, tanks or cisterns	1
Loss or partial loss of gas supply	1
Loss or partial loss of space or water heating where no alternative heating is available	1
Toilet not flushing where there is no other toilet in the house	1
Unsafe power or lighting socket, or electrical fitting	1
Loss of water supply	1
Partial loss of water supply	3
Loose or detached banister or hand rail	3
Unsafe timber flooring or stair treads	3
Mechanical extractor fan in internal kitchen or bathroom not working	7

When you report a repair, we will let you know whether it is the Council's responsibility and whether it is a qualifying repair under the Right to Repair scheme.

If the repair does qualify under the scheme, we will tell you the time allowed to carry out the repair and explain your rights under the Right to Repair scheme, including the process for using an alternative contractor. We will also make arrangements with you to get into your home to carry out the repair.

Working Group on Maintenance of Tenement Scheme Property

Final Recommendations Report

rics.org

Foreword

Housing affects all of us. After all, we all have to live somewhere.

But it gets precious little attention in the media unless things go wrong.

As someone who used to work in the media I have always thought that's a real shame.

One time when something went wrong was in June 2000.

Christine Foster, an Australian, was working in an Edinburgh city centre pub when masonry fell from the roof, through an awning, and hit her. She died from serious head injuries. She was just 26.

Christine's father, Michael, called on the government to lay down tougher regulations to help ensure safer construction in Scotland.

Very little has happened since to ensure that buildings, such as the one involved in that tragic case, are maintained properly; evidenced by recent figures from the City of Edinburgh Council that indicated over 20 reported incidents of falling masonry every month.

We know from the most recent housing condition survey that 68% of all dwellings have some degree of disrepair. Disrepair to critical elements stood at 50%, while 28% of dwellings had some instance of urgent disrepair, and 5% had some extensive disrepair. These figures have not moved in a year.

Nearly a fifth of all our housing is pre-1919 – that's 467,000 homes – and 68% of those have disrepair to critical elements, and 36% have critical and urgent repair needs.

This is why MSPs of all parties started to discuss the issue of tenement maintenance over a year ago.

We decided to set up a working group of ourselves and experts in the field to come up with proposals for government.

Ben Macpherson MSP was its first convenor, before his promotion to being a government minister, and then I took over the role.

I led a debate in the parliament on this issue last May, and the Housing Minister, Kevin Stewart MSP, agreed that a review should be carried out of relevant existing legislation, and of how tenement housing in Scotland could potentially be better maintained and enhanced.

Our proposals are challenging, but it is vital that government acts on them.

They won't be universally popular, but taking action now is the right thing to do.

Graham Simpson MSP

Commentary from MSPs

Alex Cole-Hamilton MSP

" Housing is of the utmost importance in every constituency. I have been fortunate enough to have experienced living in a variety of property types, including in flats for over sixteen years; but I have also been unfortunate, as have others, in trying to have necessary common repairs carried out. As policymakers, it is our duty to concentrate our minds on building integrity, property repairs, upgrades and the dire need for safety checks. To this day, however, there remains no mechanism by which to ensure the maintenance of tenements is carried out to the appropriate standard. The result of this being that it is left to individuals to sort out the works themselves. This is something I come across in my own constituency, is utterly unjust, and cannot continue.

I am really glad that this whole process has been done on a cross-party basis. The group is encouraging as it can be a stimulus for showing the Scottish Government what can actually be done with Scotland's tenement housing stock. I hope that the Scottish Government will take this opportunity to support our proposals and act swiftly to preserve our built world. "

Daniel Johnson MSP

" Tenements define a large part of the housing landscape in south Edinburgh, as they do across large swathes of the city. I don't think there is any doubt that they form part of the essential character of the city that make it so appealing to residents and tourists alike. That's why the issue of maintenance is so important. Constituents continue to contact me regarding essential repair work that needs to be carried out but which, for any number of reasons, is proving difficult to organise. Those conversations make one thing crystal clear to me. The current situation cannot continue. Simply put, as it stands right now there is no requisite mechanism to organise works to maintain tenements to the necessary standard. Too often it is left to individuals to try and organise works, and sometimes be left severely out of pocket in the process. We need a system that protects the fabric of this city and that works for local residents.

It's why being part of the working group, on a cross-party basis, has been so important. I hope that the work of the group will lead to real and positive change for my constituents and those living in tenements across the city. "

John Mason MSP

" My own constituency of Shettleston in the East End of Glasgow includes many tenements – both of traditional sandstone and of post-war construction. Those under the management of housing associations are generally in good shape and regularly maintained. However, those in private ownership are a real mix. Some are well looked after; but others have no factor and residents cannot agree amongst themselves to get repair work done; still others do have factors, but they are powerless to carry out maintenance in the face of owners' unwillingness or inability to pay. The estate where I myself live consists of 270 flats which won an award when they had a major refurbishment about 1990, but virtually no maintenance has happened since then. Our properties are gradually deteriorating, and the factor seems powerless to do anything. I carried out a survey of the owners, but few seemed to feel there was any problem. Something has to change.

I am delighted that we have been able to carry out this work on a cross-party basis. Any element of compulsion on owners could prove to be unpopular. But somewhere along the line, we need to grasp the nettle. "

Andy Wightman MSP

" Around two-thirds of dwellings in Edinburgh are flatted, and it is inevitable that when I meet constituents our conversations turn to the deteriorating quality of tenement properties. But we used to do things a little better. Until the early 1980s, the council used to inspect tenement property across the city. Regrettably, however, the systems we had to ensure proper refurbishment and maintenance have been lost.

With appropriate care and preservation, tenements that have dominated our urban environments for over a century, should be maintained for many more centuries. They are a fundamental part of our public realm and should be treated as such. Yet, this debate has for too long been framed by private interests that have triggered a decline in the upkeep of our shared property and public infrastructure.

As legislators, we need to review the highly unsatisfactory state of affairs that confronts far too many people on a daily basis. This is a welcome publication and I commend the efforts that the Working Group have made to improve our tenements. It is now up to the Scottish Government to respond to these proposals and support our joint call to preserve our built environment. "

areas, and then recovers the expenditure from non-contributing owners subsequently.

The Group are also aware of local pilot schemes – such as the Traditional Buildings Health Check (TBHC), delivered by Stirling City Heritage Trust. BEFS understand the evaluation after five years to be positive and the project is continuing. As such, this Working Group believe the pilot, and other similar schemes, should be rolled out nationally.

Finally, the Working Group recommends the introduction of these recommendations is supported by fiscal initiatives – such as repairs having VAT parity with new build.

The role of grants and loans

Regardless of owners adopting better financial planning for repairs, there are always going to be situations where the cost of repairs is greater than the owner can afford and where there is too little equity in the property to enable loans to be obtained. Where equity is available, there is a role for financial institutions to lend – including the Building Reserve Global Fund. Other solutions requiring public finance will include:

- missing shares
- outright grant
- mortgage to rent.

These cases where repairs are uneconomic will occur both singly, according to owner circumstances, and spatially. There will be whole streets where property values will be too low to make repairs economic. Housing Action Areas for improvement or demolition will be the answer in some areas.

Energy efficiency

It is recognised that one of the most immediate, and effective, ways to improve energy efficiency is to keep a building repaired.

The proposals in this report are designed to support that aim. However, armed with improved organisational capabilities and with repairs under control, owners will be in a better position to consider communal energy efficiency schemes such as external wall insulation and the installation of renewables.

Tenements are physically well suited to such measures which could even work across whole terraces or developments providing benefits of scale. This is also why it is important to find ways for owners' associations to work together on jointly procured projects. Furthermore, this could go some way to assisting the Scottish Government reach its ambitious energy efficiency and climate change targets.

Definitions

Throughout this report are references to "tenements", and "scheme property", or words to that effect.

For clarity, the report considers a "tenement" as defined in section 26 of the Tenements (Scotland) Act 2004; namely a building or part of a building which comprises at least two related flats which are, or are designed to be, in separate ownership and are divided from each other horizontally. A tenement can include both commercial and residential properties.

Furthermore, the working group used the definition of "scheme property" in rule 1.2 of the Tenement Management Scheme in schedule 1 to the 2004 Act. Broadly, this means the parts of the building owned in common, such as the close; and other key parts, such as the roof and external walls.

Explanatory note on recommendations

The recommendations are interlinked. While each recommendation has its own benefits, the required transformative change to improve the fabric of Scotland's tenement property can only arise through the implementation of all three.

Whilst Government should introduce policies rewarding "best practice", the three recommendations will require legislative change which should, ideally, be carried through the parliamentary stages concurrently. It is possible, however, to introduce recommendations around Building Reserve Funds and five yearly inspections prior to the owners' associations; but that approach could weaken the drive for improved maintenance.

The recommendations contained within the report have arisen through cross-party working and extensive stakeholder engagement. They are broad, and the working group specifies where further detailed investigation is required for issues of detail.

Existing support

In addition to the 2004 Act, the group recognises the benefits and contributions to the issue from existing policy, pilot schemes and funding, such as the Equity Loan Scheme; which is currently available in some, but not all, local authority areas.

Furthermore, any council in Scotland is able to use its "missing shares"[1] powers when one or more owners are unwilling or unable to pay; the owner cannot be found; or it is unreasonable to ask an owner to pay for communal maintenance. In these instances, the council pays for the owner's share of the cost of the required maintenance works to the shared communal

[1] Introduced by Section 50 of the Housing (Scotland) Act 2006

Recommendations

1. Building inspections

The "scheme property" of all tenements should be inspected every five years and a report prepared that will be publicly available to existing or prospective owners and tenants, neighbours and policy makers.

This will allow them to see what condition each building is in, how much expenditure is required to bring it up to standard if it is defective, and what needs to be done by way of ongoing maintenance.

Inspections should be undertaken by qualified building professionals; specifically;

• a chartered building surveyor (MRICS – through building surveying pathway), or

• a qualified architect (member of RIAS or recognised professional body in the UK e.g. RIBA)

These professionals should be members of their respective bodies and:

• have appropriate training and experience;

• be regulated by a professional body with appropriate professional indemnity insurance (PII);

• abide by a code of professional conduct;

• have a mandatory commitment to Continuous Professional Development (CPD); and

• have access to redress/ombudsman.

A training or accreditation scheme could be developed for suitably experienced people who are not chartered building surveyors or architects in the future. However, the aforementioned requirements are essential to ensure professional standards and public safety, and should be mandatory.

For 'A' listed buildings, the professional should be accredited in accordance with a recognised conservation accreditation scheme through RICS or RIAS.

Inspection procedure and content

Once appointed by the owners' association, the professional should arrange a pre-site visit to advise on the inspection requirements – such as access to roofs and concealed parts – and to make other necessary arrangements.

The appointed professional should inspect in the tenement in accordance with the relevant British Standard Guide (BS 7913:2013). The roof must be inspected – either physically or with a drone. If energy efficiency and fire safety measures are included as "Scheme Property" in the title deeds, then their inspection would be included in the survey.

In future, there is scope for the inspecting professionals to provide advice on the installation of energy efficiency improvement measures, or fire safety measures that comply with legislation or Government policy.

Maintenance should be managed, professional inspections undertaken, and reports prepared in accordance with BS 7913:2013, Annexe B, pp 31-33 "Conservation Manuals, Logbooks and Five-yearly Inspections".

The form and layout of the Inspection Report should be as set out in BS 7913:2013, with further investigations and works prescribed under the following categories:

1. Immediate
2. Urgent
3. Necessary
4. Desirable
5. No reportable defect.

As per home report practice, the qualified property professional will share a draft inspection report with the owners' association for review and discussion. Following agreement, by the owners' association and the professional, the report will be considered "approved".

Following approval, all home owners will receive a copy of the report – either hard or electronic copy.

The report will contain the inspection conclusions, provide indicative costings for remedial work and any grants available for such works.

The professional must never recommend specific contractors to undertake recommended or advised works.

Inspection reporting and recording

The report will be a live document, updated on a regular basis by the owners' association (acting as a log book), and will be held on a national, online register, and publicly accessible without charge.

The Scottish Land Information Service (ScotLIS) should present all tenement inspection reports. However, further exploration on details of the online register is required.

The content of the tenement inspection report will supplement the information contained within Home Reports, by providing vital intelligence for any prospective purchaser of a tenement unit.

Accordingly, the tenement inspection report should be linked to the Home Report; this will require legislative change and should be subject to further public and professional consultation – particularly on the effect of existing practices and procedure.

The production of an updated inspection report should take place at minimum intervals of five years.

Enforcement

Enforcement of inspection reports could be a complex task given the number of tenements in Scotland.

Production and 'uploading' of the tenement inspection report should provide sufficient notification of inspections being carried out.

Furthermore, given the reports will be linked to the home report, anyone wishing to sell their property within a tenement will be unable to do so without a tenement inspection report.

The group, therefore, recommends that after a transitional period, a tenement flat or building cannot be sold or let without the existence of a tenement inspection report.

2. Establishing compulsory owners' associations

In our Interim Report in January 2019, the group initially recommended that a revised version of the Tenement Management Scheme (TMS (B)) – as described in the Scottish Law Commission Report on the Law of the Tenement (Scot Law Com No 162, 1998) – would provide a suitable model to establish an owners' association as a corporate body.

On reflection, however, we think that we should have more clearly defined "Owners' Associations" in that report, as there are considerable differences between what is proposed and associations as they exist now.

The group continues to believe that owners' associations are an essential element of tenement maintenance by providing leadership, effective decision-making processes and the ability of groups to enter into contracts.

There are, however, complex policy and technical issues in introducing legislation to set up the owners' association model, primarily because of the interaction with the property titles i.e. the legal terms under which ownership is held.

There are also Human Rights issues that need to be investigated. The group did not see these as insurmountable difficulties, but recommend that this issue is referred to the Scottish Law Commission for further development because the details in the legislation need to be right.

Current owners' associations	Enhanced owners' associations	Impact of proposals
No legal personality[2]	Legal personality	Greater protection for owners who might otherwise be held individually responsible for the whole group's debts. Can enter into contracts as a legal person – at present, a building professional or contractor would contract with each individual owner.
	Annual meeting mechanism	Provisions prevent absent or apathetic owners holding up repairs.
Control exerted on a step by step basis	Control exerted over development of an annual repair plan and budget. Empowered manager with agreed delegation	One set of decision-making makes property management easier, more effective and more efficient. This should result in lower admin costs being paid by owners.
	Manager has power to pursue non-paying owners	Analysis of owners' stories suggests that fewer than 1 in 10 owners are willing to pursue other owners through the courts with the result that necessary repairs are not tackled, property conditions worsen, and social cohesion within the tenement is adversely affected.

[2]This excludes the small number of Owners' Associations that have been established under the Development Management Scheme (DMS), which has been available since 2009, but in practice is only used in new larger developments.

It is therefore suggested that if individual owners' associations are to be permitted to hold funds, this should be subject to strict safeguards, such as:
- no investment allowed beyond straightforward interest-bearing accounts; and
- these should only be permissible in developments where there is a fully accredited and registered property factor in management with control of the account.

The group agreed that the Building Reserve Fund (BRF) could be used for maintenance – as defined in Schedule 1 of the 2004 Act – including repairs and replacement, the installation of insulation, cleaning, painting and other routine works, gardening, the day to day running of a tenement and the reinstatement of a part (but not most) of the tenement.

Further work is required to establish the central parameters of this fund:
- how withdrawals from the fund are governed;
- how the fund would manage investment in order for it to grow in line with increasing repair costs;
- in what circumstances it could make loans to contributing owners to allow them to proceed with repairs where savings are not sufficient to cover identified repairs; and
- the ability of the fund to offer other member services; for example, block common insurance policies, owner-manager indemnity insurance, and escrow accounts.

Recommendation

Finance professionals should be convened to develop the fund structure and practice. This could include professionals within the banking and finance industries, representatives from Credit Unions, other existing deposit schemes, and housing association finance officers.

BRF contributions

Statutory guidelines should set out the minimum payment each building needs put into a BRF every year. The guidelines should be based on the assessed repair risk for that type of building and extent of common responsibility. There should be a transparent points system based on, for example, the:
- age of the building;
- number of individual units;
- presence of communal facilities (lifts, large areas of landscaping, roads etc); and
- building type.

Most of these factors can be ascertained from Registers of Scotland (RoS) and cross-checked at the first sale by the chartered surveyor carrying out a Home Report.

It is proposed that research should be conducted to assess the impact of these factors on repair costs and to propose a suitable points system. Further research will also be required to identify what the initial minimum contribution should be and how it should be rated across the points system. It is anticipated that the initial minimum contribution should be set by Scottish Ministers.

Central or local government should have powers to vary the contribution levels to ensure they rise in line with repair costs and to gradually increase contributions both as owners become accustomed to saving, and as funds become more important in valuing properties.

Consultation will be required to determine whether the power to vary contribution levels would be more appropriately held at national or local level.

In all cases, however, owners' associations should have the ability to make contributions in excess of the statutory figure if the owner's association wishes to do so.

Interaction between owners' association and BRF

Individual owner's contributions to the BRF should be set according to the provisions of the titles or default tenement law in terms of the 2004 Act (TMS) – if these require each owner to pay equal shares for common repairs then each owner will pay an equal contribution to the BRF.

However, the control of the fund will be exerted through the owners' association, once established, and subject to its decision-making procedure.

Owners' associations should not have powers to spend outside the communally owned building and grounds. However, the drafting of the legislation should empower owners' associations to work with others in the locality to be able to carry out, for example, back court improvements within a street block; or to allow a more efficient and effective programme of repairs to, for example, a wider group of buildings.

The working group believe that in instances where an owners' association cannot be established, or an existing owners' association fails, compulsory factoring would be the fall-back position.

This could be triggered by owners through, for example, appealing to the First Tier Tribunal (FTT) or by the local authority as enforcement action.

Compulsory factoring will be a more onerous task than standard property management as the manager will be working with a group of owners who cannot work together; there will be no system of delegations and no forward planning.

As such, standard management should certainly cost less than compulsory factoring. This is in itself will be an incentive to owners to work together effectively.

Recommendation

The group recommends that the Scottish Law Commission is asked to consider the introduction of compulsory Owners' Associations in tenements.

3. Establishment of Building Reserve Funds

The core of the original proposals was that Building Reserve Funds (BRF) should be held in a specially established national or regional level fund, in the form of a social investment fund. Safe Deposits Scotland was used as an example, but a Credit Union structure could equally be suitable.

However, it is accepted that some residents' associations will already have, or will want to establish and control, their own building maintenance accounts.

Comparing the two, it is felt that a central fund has many advantages over an owners' association-held fund.

	Central Fund	Owners' Association-held Fund
BRF could be set up without having an owners' association	Yes	No
Accountability / governance and control	Good	Harder to prevent fraud and misuse
Protection against owners' association going defunct	Good	Potential for loss
Central recording of contributions/ transparency	Good	Poor
Ability to invest funds	Relatively safe with professional management. Regulation possible.	
Ability to make loans to owners whose funds are insufficient for required repairs	Possible	
Ability to ensure use for long-term maintenance	Good	
Ability to ensure funds are heritable (transmittable to next and subsequent generations of owners)	Good	

Introduction timetable

It is estimated that a 10 year time scale is required to introduce all the legislation discussed. This takes into account the 4-5 year period where the Scottish Law Commission examine and consult on the owners' association proposals. However, it is not necessary to wait until this part of the process is complete to introduce legislation covering the other proposals.

Ideally, the proposed central fund to hold the BRF contributions would be in place by the time a DMS is made compulsory for new-build tenements, and therefore also be compulsory for such developments from that time. This would effectively create a pilot phase for wider introduction of BRFs on a phased basis.

The introduction of mandatory inspections may also require phasing in, or adequate lead in time, in order to allow testing of software or expanding the pool of people qualified to undertake property inspections.

This relatively lengthy period will also allow the property market to come to terms with the impact of the proposals, which will reduce any negative impact of a greater consideration of repair condition in property values. A degree of culture change could also be expected to occur as repair conditions take a much higher prominence in the news and through consultation over proposals.

Given this time period, and critical state of many tenements in Scotland, the group recommends the extension of pilots and schemes to a national level for those exemplifying best practice.

Year	Legislative Activity	Research activity	Policy Development Activity
2019	Report launched and debated in Parliament		
2019			Conference to gather and collate queries to aid investigation into challenges and assist planning
2020		Finance professionals' investigation into BRF and Social Investment Funds.	Scottish Law Commission instructed to commence investigation on Owners' Associations in Tenements (4/5 year initiative)
2020			Inspection process and procedures planned
2020	Public Consultation launched on less complex legislative provisions		
2020		Safe Deposit Scotland (or other suitable body) asked to prepare pilot / trial of BRF	
2021	Less complex legislative provisions, including making DMS and BRF compulsory in new buildings		
2021	Pilot launched – voluntary developments to undertake inspections, owners' association and BRF		
2023-2024	Act written – revisions influenced by information from SLC and Pilot		
2025	Act put to Parliament with phased implementation inclusions		
2026			Questions about establishment of owners' associations, property inspections and BRFs added to landlord registration documents, and Home Reports etc

Complexity of legislation

The majority of this report's proposals require legislative action. Some may simply require secondary legislation and could be introduced relatively quickly; whilst other proposals – those which are more straightforward – might be included in related legislation dealing with, for example, planning, finance or energy.

As suggested above, the legislation introducing compulsory owners' associations is likely to take the longest as the interaction with existing title provisions needs to be carefully investigated.

The following diagram shows the degree of complexity of the proposals made in this and previous papers with the most easily introduced provisions at the top and the most complex at the bottom.

It is important to note that the all of these recommendations can, and do, exist voluntarily. Before any legislation is made, it is possible that owners may wish to pursue actioning these proposals. We would urge the Scottish Government to recognise these actions as "best practice" and provide incentives and reward for groups of owners who take measures to improve their scheme property.

Legislative action	
Introduced by secondary legislation	Amendments to TMS[3]: • Add DPCs and dormer windows and to "scheme property" • Add installation of renewable car charging ports to "maintenance" (as per insulation) • Redefine "Duty to Maintain" to include safety matters • Amend definition of "majority" in a vote so that a tied vote is deemed to be in favour of action. • Remove requirement of maintenance accounts to be interest bearing
	Shares by RV and Feu Duty value to be abolished and TMS provisions substituted.
	Amend "Missing Shares" legislation within the Housing (Scotland) Act 2006 making a tied vote decision opening up local authority powers.
	Register of owners contact details
	DMS compulsory in new buildings[4]
	Amend Home Reports to include reference to tenement inspections etc
	Compulsory tenement inspections
Most complex legislation	Compulsory BRF
	Compulsory owners associations

[3] With the exception of the removal of the requirement for maintenance accounts to be interest bearing, all the proposed changes to the TMS were discussed in the interim report. We have recently become aware that owner groups are having great difficulty in setting up bank accounts. Partly this is because the legislation requires owner groups to use interest bearing accounts and partly because of money laundering regulations.

[4] As the DMS has already been legislated for, it would be relatively simple to make it compulsory for specified new buildings, although clearly this would require consultation.

Further research and actions

This report recommends further action and research is undertaken on various aspects of the proposal. These include:

- Scottish Law Commission to research into Tenement Management Schemes.
- Use of ScotLIS as the holder of all tenement inspection reports.
- Connection between the Home Report and Tenement Inspection Report.
- Inclusion of advice on the installation of energy efficiency and fire safety measures in the Tenement Inspection Report.
- Research should be conducted into the establishment and parameters of BRFs, and an assessment of the impact of the proposed points system.
- Further research into required to identify what the initial minimum BRF contribution should be, how it should be rated across the points system, and whether local authorities should have powers to vary local contributions.
- Government should recognise "best practice" and provide incentives and reward for groups of owners who take measures to improve their scheme property.

Explanatory note and further information

This report provides an overview of the final recommendations agreed by the Working Group.

The Working Group's Interim Report, further views and information on the legislative amends, and how the recommendations were reached can be found at:
www.befs.org.uk/policy-topics/buildings-maintenance-2/

Tenements are the most common house type in all occupation

Tenements account for 584,000 properties in Scotland – equating to **24%** of Scotland's total housing stock

Pre-1919 tenements account for **7%** of Scotland's total housing stock – the fourth most common property [of all types and ages]

29% of tenements were built pre-1919 [equating to 7% of all housing stock in Scotland]

68% of all pre-1919 dwellings have Critical Disrepair [Scottish Average: 50%]

36% of all pre-1919 dwellings have Critical and Urgent disrepair [Scottish Average: 24%]

5% of all pre-1919 dwellings have Critical, Urgent & Extensive disrepair [Scottish Average: 2%]

Paying for common repairs or maintenance causes most disputes in tenements

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Key dates

November 2017: Graham Simpson MSP hosted a parliamentary reception regarding RICS tenement health check.

January 2018: the Scottish Parliament debated Ben Macpherson MSP's motion on Maintenance of Tenement Communal Property, which included the proposal for a cross party working group on the subject.

March 2018: Inaugural meeting of the Scottish Parliamentary Working Group on Tenement Maintenance, with Convenor and Vice-Convenors appointed.

May 2018: the issue of tenement maintenance was progressed in a Scottish Parliament debate on a motion on the inadequacy of existing legislation in dealing with the condition of Scotland's tenement housing stock and a vote in favour of a review of the relevant legislation.

August 2018: Scottish Federation of Housing Associations organised a visit to the offices of Dunedin Canmore for members of the working group. This included a short tour of tenements undergoing repairs in Edinburgh and learning about the challenges housing associations face in handling maintenance in tenements where they are not the majority owner.

January 2019: Interim report of the Scottish Parliamentary Working Group on Tenement Maintenance published.

January 2019: March 2019: Stakeholder and Public Consultation on interim report recommendations.

June 2019: Full recommendations report published.

Members of Scottish Parliament
Graham Simpson MSP, Convener
Daniel Johnson MSP, Vice Convener
Andy Wightman MSP, Vice Convener
Stuart McMillan MSP
Maureen Watt MSP
Jeremy Balfour MSP
Gordon Lindhurst MSP
John Mason MSP
Stuart McMillan MSP

Individuals and organisations
BEFS, Secretariat
RICS, Secretariat
Scottish Federation of Housing Associations
Glasgow and West of Scotland Forum of Housing Associations
Property Managers Association Scotland
Tenement Action Group
RIAS
Scottish Association of Landlords
Citizens Advice Scotland
City of Edinburgh Council
Existing Homes Alliance
Professor Douglas Robertson
Dr Andrew Steven
Andrew Milne MRICS

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Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

Americas

Latin America
ricsamericalatina@rics.org

North America
ricsamericas@rics.org

Asia Pacific

Australasia
australasia@rics.org

Greater China (Hong Kong)
ricshk@rics.org

Greater China (Shanghai)
ricschina@rics.org

Japan
ricsjapan@rics.org

South Asia
ricsindia@rics.org

Southeast Asia
sea@rics.org

EMEA

Africa
ricsafrica@rics.org

Europe
ricseurope@rics.org

Ireland
ricsireland@rics.org

Middle East
ricsmiddleeast@rics.org

United Kingdom RICS HQ
contactrics@rics.org

rics.org