Corporate Policy and Strategy Committee

10.00am, Tuesday, 3 December 2013

Corporate and Operational governance – update – referral from Governance, Risk and Best Value Committee

Item number	7.7
Report number	
Wards	All

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	

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Executive summary

Corporate and Operational governance - update

Summary

On 14 November 2013 the Governance, Risk and Best Value Committee considered a report providing an overview of areas of weakness identified by the review and Project Solar; an outline of the planned approach to strengthening critical areas of corporate governance; and an update on progress made in relation to, amongst other things:

- Procurement
- ICT
- internal control framework
- organisational development
- HR regulatory policies
- Performance monitoring
- Programme management
- Risk function

The Governance, Risk and Best Value Committee agreed:

- To note the progress and actions outlined in the report;
- To request that the Director of Corporate Governance provides an update report in September 2014, in particular providing progress procurement, risk and the development of a related training programme ;
- To refer the report to the Corporate Policy and Strategy Committee for its consideration.

Recommendations

That the Corporate Policy and Strategy Committee note the progress and actions outlined in the report.

Measures of success

Not applicable.

Financial impact

Not applicable.

Equalities impact

Not applicable.

Sustainability impact

Not applicable.

Consultation and engagement

Not applicable.

Background reading / external references

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	
Appendices	Report by the Director of Corporate Governance

Governance, Risk and Best Value

10am, Thursday, 14 November 2013

Corporate & operational governance: update

Item number	8.3
Report number	
Wards	

Links

Coalition pledges	P41
Council outcomes	CO25
Single Outcome Agreement	

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EDINBVRGH
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Executive summary

Corporate & operational governance: update

Summary

1.1 The Director of Corporate Governance initiated a root and branch review of all aspects of governance, internal controls and the approach to future financial management following his appointment in September 2011.

1.2 The key objectives of the operational, strategic and programme governance were elements of the governance review ('the review') to ensure the Council had the infrastructure in place to embed critical change objectives, enable the required transformation to deliver efficient and effective services, improve performance, achieve savings and maximise the potential of the public pound.

1.3 A range of internal and external review work was undertaken which highlighted significant legacy issues that required to be addressed to support the Council and its services going forward.

1.4 Separately, serious failings were also identified in the Council's property care and conservation services leading to a significant number of staff disciplinary investigations, Police involvement, a large number of customer complaints, financial issues and the need for a full service re-design. In response to this the Project Solar report ('Project Solar') was commissioned from Deloitte to consider the wider corporate lessons that could be learned from the issues in relation to property care and property conservation and the additional improvement actions that could be put in place to augment the ongoing review.

1.5 This report: provides a corporate overview of the key areas of weakness identified by the review and Project Solar; updates on progress; and outlines the planned approach to continue to strengthen and achieve maturity in critical areas of corporate governance.

1.6 Links to relevant reports and Council decisions covering all elements of the review are provided in the background papers section of the executive summary.

Recommendations

3.1 To consider the progress and actions outlined in the report; and

3.2 To refer the report to Corporate Policy and Strategy Committee for consideration.

Measures of success

Improvements across all areas of corporate and operational governance and the internal control framework.

Financial impact

There are no direct financial impacts as a result of this report.

Equalities impact

There are no equalities impacts as a result of this report.

Sustainability impact

There is no sustainability impact as a result of this report.

Consultation and engagement

Appropriate consultation and engagement will continue to be undertaken as the Corporate Governance directorate plan is implemented.

Background reading / external references

Governance Review

City of Edinburgh Council, 20 September 2012 - Governance Review: Review of Political Management Arrangements and Operational Governance

City of Edinburgh Council, 25 October 2012 - Operational Governance: Contract Standing Orders, Financial Regulations and Guidance for Appointment of Consultants

Governance, Risk and Best Value Committee, 6 November 2012- Operational Governance – Update

City of Edinburgh Council, 22 November 2012 - Operational Governance – Scheme of Delegation to Officers

Corporate Policy and Strategy Committee, 4 December 2012 - Operational Governance – Update

City of Edinburgh Council, 13 December 2012 - Operational Governance – Scheme of Delegation

City of Edinburgh Council, 31 January 2013 - Governance Review: Operational Governance – Information Compliance

City of Edinburgh Council, 2 May 2013 - Governance – Operational Governance Framework and Webcasting Protocol

Internal control framework

Governance, Risk and Best Value Committee, 6 December 2012 - Audit Scotland – Review of Internal Controls 2011/12

Governance, Risk and Best Value Committee, 25 April 2013 - Audit Scotland – Review of Internal Controls 2011/12 – progress update

Governance, Risk and Best Value Committee, 20 June 2013 - Audit Scotland – Review of Internal Controls 2012/13

Governance, Risk and Best Value Committee, 20 June 2013 - Review of internal financial controls, anti-fraud, anti-bribery and anti-corruption arrangements – progress update

Internal audit and risk

City of Edinburgh Council, 22 November 2012 - Internal Audit and Risk Management - Service Delivery

Governance, Risk and Best Value Committee, 23 May 2013 - Internal Audit Co-Source Update

Governance, Risk and Best Value Committee, 10 October 2013 - Internal Audit Co-Source Update - Report by the Director of Corporate Governance

Report

Corporate & operational governance: update

1. Background

1.1 The Director of Corporate Governance initiated a root and branch review of all aspects of governance, internal controls and the approach to future financial management following his appointment in September 2011.

1.2 The key objectives of the operational, strategic and programme governance were elements of the governance review ('the review') to ensure the Council had the infrastructure in place to embed critical change objectives, enable the required transformation to deliver efficient and effective services, improve performance, achieve savings and maximise the potential of the public pound.

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1.4 Separately, serious failings were also identified in the Council's property care and conservation services leading to a significant number of staff disciplinary investigations, Police involvement, a large number of customer complaints, financial issues and the need for a full service re-design. In response to this the Project Solar report ('Project Solar') was commissioned from Deloitte to consider the wider corporate lessons that could be learned from the issues in relation to property care and property conservation and the additional improvement actions that could be put in place to augment the ongoing review.

1.5 This report: provides a corporate overview of the key areas of weakness identified by the review and Project Solar; updates on progress; and outlines the planned approach to continue to strengthen and achieve maturity in critical areas of corporate governance.

1.6 Links to relevant reports and Council decisions covering all elements of the review are provided in the background papers section of the executive summary.

2. Main report

Governance review

2.1 On completion of scoping, internal and external review work and the findings of Project Solar, the Director of Corporate Governance, in his capacity as Monitoring Officer, met with the Corporate Management Team ('CMT') in May 2012. This meeting provided a detailed outline of issues and risks, and an overview of the internal control framework. In particular, it highlighted the

pressing need for focused improvement and development work to mitigate risk, provide assurance, and embed new ways of working to drive service improvement and create a culture of public confidence in how the Council operates. The following key areas were identified and prioritised for review and development: corporate oversight; compliance, risk and governance; and internal audit.

2.2 CMT committed to a range of actions in relation to the review and the approach was agreed by Council on 23 August 2012. This included support for the vital improvements proposed by the Director of Corporate Governance outlined within an extensive transformation, action and implementation plan. Based on the key development areas, these were sub-divided into the following improvement themes:

2.2.1 Corporate oversight:

2.2.1.1 Procurement;

2.2.1.2 Information and communication technology ('ICT');

2.2.1.3 Internal control framework;

2.2.1.4 Organisational development;

2.2.1.5 HR regulatory policies;

2.2.1.6 Performance monitoring;

2.2.1.7 Complaints; and

2.2.1.8 Programme Management.

2.2.2 Compliance, Risk and Governance:

2.2.2.1 Risk function; and

2.2.2.2 Information compliance.

2.2.3 Internal audit.

Corporate oversight

Procurement

2.2.4 On 19 January 2012, the Council agreed to retain procurement strategy and delivery functions in-house. The Director of Corporate Governance immediately initiated a transformation programme and a private sector contractor was appointed to commence work in May 2012.

2.2.5 Project Solar highlighted a range of capability, capacity and compliance issues in relation to all aspects of procurement processes. To address these and other areas of concern the key objectives of the agreed approach to work with a private sector contractor were to enhance the capability of the Council's in-house function, develop knowledge and transfer of skills to embed appropriate levels of expertise and compliance, and to assist in the delivery of savings.

2.2.6 Following a decision not to extend the contract with the initial provider, EY were later appointed to work as an integrated part of the Council's commercial and procurement unit ('CPU') to support the achievement of savings by directorates through a range of commercial excellence activity.

2.2.7 The combined team have delivered a range of benefits and savings for the Council including:

2.2.7.1 a refreshed CPU structure with investment in training and recruitment of specialist resources;

2.2.7.2 an increase in the level of the Council's procurement capability assessment from 51% to 59% in one year;

2.2.7.3 greater levels of compliance and control council-wide;

2.2.7.4 preparation and verification of a new contract register to be reported to committee enhancing transparency and providing visibility of third party spend;

2.2.7.5 approximately £5.1m of savings identified thus far for 2013/14 against a target of £9m; and

2.2.7.6 proposals identified to date are anticipated to contribute £11.4m against a planned savings of £17m in 2014/2015. At present the £15.8m target for 2014/15 is achievable, in addition to procurement savings assumed in service budgets.

2.2.8 Contract standing orders are currently being revised and will be presented to Council for consideration in December 2013. A procurement handbook for all staff is also being completed. These elements of compliance with the Council's procurement framework and rules will be included in mandatory training for new and identified key staff.

2.2.9 The delivery of savings and how they are accounted for will be the subject of a more detailed report to Finance and Resources Committee on 28 November 2013.

2.3 ICT

2.3.1 A range of scoping and engagement work was undertaken in 2012 to assess the existing ICT strategy and capabilities. This was designed to respond to and address evidence that there was no clear vision for how the use of technology would support the Council to achieve its future aims. In addition, there have been a range of reported internal control weaknesses where ICT systems did not adequately enable and support critical business and financial processes.

2.3.2 In December 2012, the Council approved a report confirming that existing ICT arrangements were largely out-dated and did not reflect the Council's current strategies, objectives and evolving needs. This assessment concluded that to support effective service delivery and the attainment of best value it was critical to progress transformation in this area to ensure a customer centric, easy to use,

solutions focused approach that could evolve with the development of customer needs and behaviours, enabling all key Council services.

2.3.3 In early 2013, an ICT and Digital transformation programme (ICT&D) was established to deliver this change in approach. The Council on 7 February 2013 agreed investment for ICT&D of £6.75m over a 5-year period. In addition, the customer services improvement programme included £3.10m for ICT improvements.

2.3.4 The investment rationale is centred on the vision for ICT&D to ensure that going forward ICT provision in the council is transformed to be a comprehensive, responsive, cost effective and high quality service that is both Council business and customer driven. The most recent update on ICT&D was considered by the former Finance and Budget Committee on 19 September 2013. Detailed information on deliverables achieved under the new arrangements set out was confirming that ICT&D was both on schedule and ahead of budget in delivering this significant transformational change.

2.3.5 One workstream of ICT&D defined a new corporate ICT and Digital strategy for the Council. This has been built and developed on the extensive consultation work in 2012, with further refinement in 2013, to engage with the Council's customers to agree the ICT and digital vision as 'Empowered Edinburgh: a city empowered by ICT and digital.' The strategy has attracted significant attention from public sector bodies due to its focus on engagement and outcomes rather than technology. The strategy, and associated first wave implementation plan are due to be launched in December 2013 following consideration by the Corporate Policy and Strategy Committee.

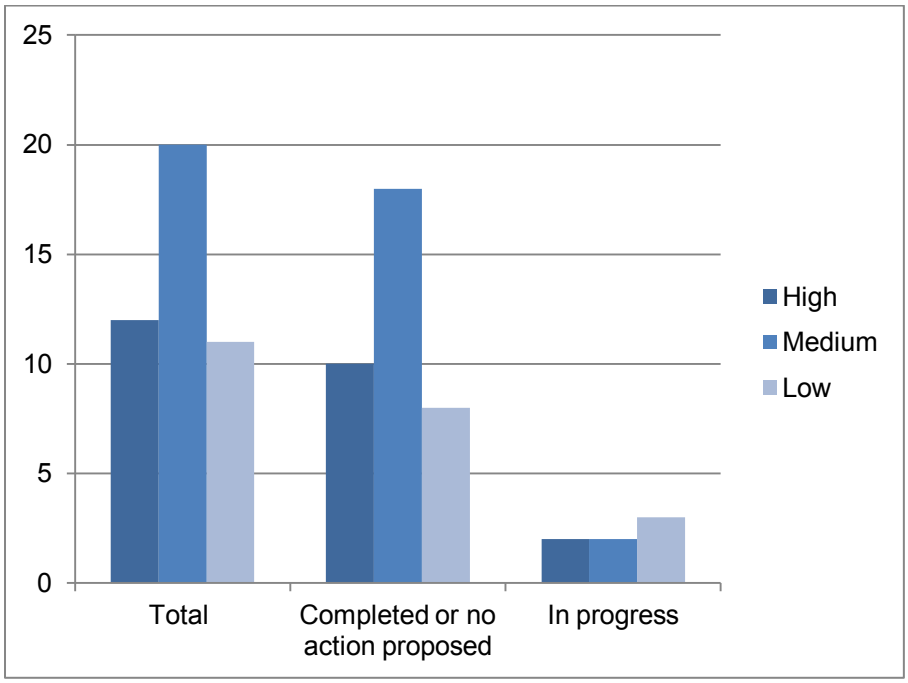
2.4 Internal control framework

2.4.1 The Director of Corporate Governance identified a range of inherent and fundamental weaknesses in some areas of the Council's internal controls. An independent review of internal controls was commissioned from KPMG to assess the internal control environment at that stage and identify key improvement actions.

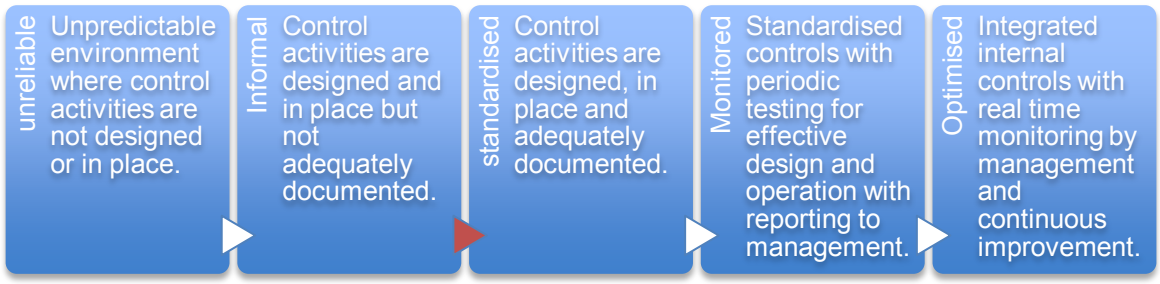
2.4.2 KPMG confirmed that there were a number of significant areas of risk that required to be addressed. In addition, findings from Project Solar [also] highlighted areas of corporate weakness and subsequently Audit Scotland [also] made recommendations to enhance the robustness of the internal control framework in its 2011/2012 and 2012/2013 annual review reports.

2.4.3 Following consideration of the respective reports' findings, a comprehensive action plan was developed. This identified the improvement actions required, the responsible officers and associated timescales for implementation. Progress has been regularly reported to the Governance, Risk and Best Value Committee (GRBV).

2.4.4 Progress has been monitored closely and most high-risk areas identified by both KPMG and Audit Scotland have been addressed with a full current profile of implementation illustrated below.



2.4.5 There is a continued commitment to sustain and significantly improve the level of internal control in the Council. The initial work undertaken and outlined above largely focused on addressing key risk areas identified by KPMG.



2.4.6 To provide the Council with a more complete picture of improvement and progress, the maturity model above will be used to determine progress against agreed outcomes and objectives. To support this further external assessment is being commissioned to confirm the current improved state and devise a further programme of improvements. This will include setting a clear vision of internal controls that achieve the optimum level of granularity, clear roles and responsibilities at all levels in the Council and ensuring, where appropriate, service area ownership and assurance is in place.

2.4.7 The outcome of the assessment will be reported to GRBV with an overview of the second phase action and implementation plan.

2.5 Organisational development

2.5.1 The review highlighted that a council-wide, cohesive approach to future change would provide a range of benefits going forward. A new focus on organisational development is the most appropriate supporting mechanism for the range of areas being developed to plan and support a Council-wide approach to continue to become more efficient and effective. The corporate governance directorate structure has been adjusted in the last twelve months to focus on development of an organisational development strategy.

2.5.2 PwC have recently advised on development of an initial organisational development strategy and project plan that will be implemented as a key element of the high performing workforce objective ('high performing workforce objective') within the corporate governance directorate plan.

2.5.3 Both elements are being developed in more detail at present and will cover a range of critical areas including: strategy; transformation; workforce planning; leadership and employee engagement.

2.5.4 The proposed organisational development strategy and implementation plan will be reported in detail to the Finance and Resources Committee early in 2014.

2.6 HR regulatory policies

2.6.1 In line with the review of operational governance, an assessment of all HR regulatory policy requirements has been undertaken and a full range of policies re-drafted in the last year.

2.6.2 To support this, improvements in induction and training processes are being undertaken in line with the high performing workforce objective. This will increase awareness and embed HR regulatory policies with a focus to strengthen compliance and promote a shift in culture.

2.6.3 A full report on this area will be considered by the Finance and Resources Committee on 28 November 2013 and thereafter at GRBV on 19 December 2013.

2.7 Performance monitoring

2.7.1 The Council adopted its first performance framework in 2005 and this was periodically updated largely to reflect organisational and governance changes. Project Solar findings highlighted weaknesses in development, monitoring, reporting and scrutiny of key performance indicators.

2.7.2 As a critical element of the review a fully revised performance framework was agreed by Council, following consultation and engagement, in October 2012. The revised framework fully accommodated the political, partnership and operational pledges and outcomes, and the Council's overall responsibility for delivering a wide range of services to customers in Edinburgh.

2.7.3 The Council is focused on developing a strong performance management culture which aims to increase transparency, scrutiny and support effective corporate risk management. Performance management is led by CMT with reports considered and challenged on a monthly basis. All directorates are required to demonstrate that they have effective and systematic performance management and review arrangements to track performance and improvement actions against the pledges, outcomes and priorities within the strategic plan.

2.7.4 New reporting arrangements for performance information were agreed by the Council on 24 October 2013. Executive committees will scrutinise information for their areas in detail with a bi-annual focus on Council performance at the Corporate Policy and Strategy Committee supporting further development of peer review and challenge.

2.7.5 Further improvement and development work is now underway to revise and refresh performance measures to more effectively align with the strategic and directorate plans. Performance reporting will also be enhanced with additional information on trends and tolerance highlighting areas where proposed actions may not be achieving the anticipated impact.

2.7.6 Future developments to enhance this process include implementation of business intelligence software (IBM Cognos) to provide a full range of regularly updated performance information from a dashboard on all Council ipads from December 2013. In addition, scoping work is being undertaken to identify next steps to move towards a suite of management information for the Council drawing together the following elements:

2.7.6.1 financial planning and monitoring;

2.7.6.2 project and programme management;

2.7.6.3 people and performance;

2.7.6.4 performance reporting, dashboard and scorecards;

2.7.6.5 risk management; and

2.7.6.6 business intelligence and analysis.

2.8 Complaints

2.8.1 Handling complaints, as well as being a key component of good customer service can provide management information, support effective scrutiny and lead to service improvements. The consideration and handling of complaints received in relation to property care and property conservation identified a range of improvement actions that have now been taken forward council-wide.

2.8.2 Working in partnership with the Scottish Public Services Ombudsman ('SPSO') the Council has been developing a consistent and standardised approach to complaints handling. The Council's complaints procedure was revised to ensure compliance with both SPSO and Audit Scotland guidance. A complaints action

team, with representation from all service areas, led the adaptation and implementation of the new procedure.

2.8.3 Confirmation has been received that the Council's procedure is fully compliant with SPSO expectations and the new procedure was launched on 25 March 2013.

2.8.4 Complaints data is now collated and analysed each month with performance information and reported monthly to CMT. Complaints performance reports will be published quarterly and the first public report will be considered by the Corporate Policy and Strategy Committee in December 2013.

2.9 Programme management

2.9.1 The Finance and Resources committee considered a report on the governance of major projects on 7 June 2011. To ensure effective governance and programme management it was agreed that a range of actions would be undertaken including setting up a dedicated Corporate Programme Office ('CPO').

2.9.2 During 2011 the Council had variable programme and project management arrangements with competing projects and delivery challenges in a range of high profile areas. In addition, there was evidence that within this culture project slippage was a concern in capital projects, and programmes were not always effectively assessed for financial or deliverability risks at the appropriate stages.

2.9.3 In February 2012, the former Policy and Strategy Committee agreed the new senior management structure for the Corporate Governance directorate and this included the creation of the CPO to lead, promote and support corporate working on programme and project management.

2.9.4 The CPO was launched thereafter and has successfully brought together oversight and assurance of all major Council capital, transformation and internal improvement programmes. The following key areas have been developed to support corporate monitoring and oversight of programmes and projects:

2.9.4.1 assurance review process for major projects with a programme of reviews underway. Feedback indicates that projects are benefiting from the support and challenge provided through this process;

2.9.4.2 effective and regular reporting is now in place for the portfolio of major projects;

2.9.4.3 the corporate governance transformation programme ('the programme') has been fully scoped and is now being managed as a comprehensive programme of change delivering significant service improvements and cost savings; and

2.9.4.4 the programme, project and change management community has been established bringing together staff from across the Council to share learning and experience.

Compliance, Risk and Governance

2.10 Risk function

2.10.1 The Director of Corporate Governance highlighted underlying concerns regarding risk management arrangements and in early 2012 commissioned an external assessment of the Council's risk function. The objectives of the assessment were to evaluate the maturity of the existing risk framework, compare risk management practices against best practice and identify opportunities to improve the effectiveness, alignment and ownership of risk management across the Council.

2.10.2 The findings of the review by EY supported the internal view that the existing risk function was not adequate for an organisation of the size, nature and complexity of the Council. The assessment also confirmed that the existing risk management practices were operating at a basic level, with a pressing need to improve visibility, accountability and transparency across a range of areas.

2.10.3 In August 2013, PwC commenced a project with the Council to re-design the Council's risk management arrangements to ensure these are fit for purpose, fully integrated into Council business activities and that risk is integral to decision making going forward. A project plan has been agreed that will provide a newly designed risk management structure applied consistently across the Council for implementation from March 2014.

2.10.4 The project focuses on 7 key objectives:

2.10.4.1 risk universe – capturing all risks across the Council to determine the Council's risk profile, key areas of risk and how are these being monitored;

2.10.4.2 risk framework – agreement of a clear risk management policy, applied consistently across the Council setting out clear roles and responsibilities to promote transparency and accountability;

2.10.4.3 risk appetite – defining what risks are tolerable for the Council, when it is not considered reasonable to take certain risks and ensure decisions are made consistently;

2.10.4.4 governance – creation of a governance structure that supports the framework, reflects clear reporting lines and promotes the visibility of risks across the Council;

2.10.4.5 management information – provision of management information to help inform decision making e.g. new risks, risk trends, actions not yet implemented and future horizon scanning;

2.10.4.6 embedding risk culture – training programme to support risk management, inclusion of risk in PRD objectives and training on the importance and value of risk, governance and compliance linked to the

promotion of risk management behaviours and how these should be demonstrated.

2.10.4.7 embedding risk into daily practice – ensuring a link into the Council's outcomes, objectives, strategic planning and performance management arrangements to ensure risk is part of day to day awareness and activity.

2.10.5 The project has made good progress to date including:

2.10.5.1 completion of revised risk management framework for approval by Corporate Policy and Strategy Committee in December 2013 and a guidance manual to support the framework;

2.10.5.2 collation of all current risk registers with gaps identified for completion by end December 2013;

2.10.5.3 revision of and improvement to risk registers, scoring, guidance on mitigating controls and appropriate actions;

2.10.5.4 working closely with all directorates and management teams to define risk reporting requirements and revise reporting templates;

2.10.5.5 creation of a new governance framework; and

2.10.5.6 tailoring risk management software (Covalent) to align with the new framework and support significantly improved management responses.

2.10.6 Significant additional risk management activity is planned before implementation is underway in March 2014. This includes:

2.10.6.1 uploading all new risk information and registers to Covalent;

2.10.6.2 working closely with communications and organisational development to develop a project plan to roll out and embed revised and enhanced risk management arrangements, in particular training and risk management behaviours;

2.10.6.3 introducing effective risk reporting to all service and directorate management teams, CMT and GRBV on the risk profile of the Council to support and influence decision making;

2.10.6.4 introduction of a new risk management steering group to meet monthly to drive improvements, awareness and behaviours; and

2.10.6.5 enhanced focus on internal controls and closer links with corporate governance, compliance and governance projects.

2.10.7 The success of the project is dependent on the implementation of the framework and continued buy in from senior management to endorse key messages on the importance of risk management viewing this as a day to day activity closely aligned to the Council's outcomes, strategic plan and service priorities.

2.11 Information compliance

2.11.1 Compliance with freedom of information legislation has been challenging for the Council with requests for information increasing in volume and complexity. FOI requests increased by over 20% in total due to public concerns surrounding property conservation and care. Nevertheless, the establishment of a new centralised Records and Information Compliance Unit within the Governance Service, revised processes, and the introduction of a new case management system have helped to improve overall performance with over 90% of requests answered within statutory timescales, an improvement of 17% since December 2012.

2.11.2 To demonstrate the Council's commitment to openness and transparency, responses to requests for information are routinely published on the Council website. As part of this process, the Council worked closely with the Office of the Scottish Information Commissioner to pro-actively publish redacted versions of the Project Power and Project Solar reports commissioned from Deloitte into historic allegations made against previous property services in the Council. These documents are currently being reviewed to determine if more information can now be released into the public domain.

2.11.3 The Council has also been the subject of a number of significant information breaches which have been reported to the Information Commissioner's Office ('ICO'), the regulatory body with responsibility for enforcing the Data Protection Act 1998. Corrective actions and positive engagement with the ICO have resulted in improved provision and arrangements for data protection compliance within the Council, as well as helping to ensure that the Council did not receive a civil monetary penalty for non-compliance.

2.11.4 As highlighted in the Deloitte reports, the need for effective and consistent record keeping is a key element in providing efficient services for customers. The Records and Information Compliance Unit has worked closely with the new Shared Repairs Service in embedding effective records management, and continues to assist the Property Conservation Service in addressing record keeping legacy issues.

2.11.5 To ensure that the Council continues to respond positively to the demands of information management and compliance, an information governance strategy is being developed to help the Council manage its information efficiently, appropriately and lawfully. This will be led by the Information Council who will provide strategic ownership and support in developing an information governance framework. The framework will consist of policies, standards, guidance and tools, and details about how they will be implemented and assured. The vision is to embed a culture of confidence and responsibility across the Council in managing information to provide a consistent and better service for customers. An information governance maturity model will be used to determine progress against the strategy.

Internal audit

2.12 The findings of an external review by EY in early 2012 confirmed concerns that the existing audit activity was not sufficiently focused on high-risk areas and was not adequate for a complex organisation of the size and nature of the Council. Project Solar also reported that the internal audit function required greater influence and the authority to report directly to the Council's Monitoring Officer, the Chief Executive and CMT. The combined effect of the reports made a fundamental review of the service a critical priority.

2.13 On 22 November 2012 the Council approved the appointment of PwC as co-source partners in the delivery of internal audit and risk services for a 3-year period and the service plan was signed with an effective date of 1 April 2013, the start of the financial year.

2.14 The initial phase of the 3-year contract has focused on improving the authority and influence of internal audit and ensuring management and elected members have greater visibility of assurance in key risk areas. This included the development of an audit plan which focuses on scrutinising the high-risk areas of the Council.

2.15 One of the key aspects of the contract is to increase the capability of the internal audit team to ensure that each team member is appropriately trained in internal audit best practice to provide the best service to the Council. This journey of personal development for all staff has started through delivery of a number of sessions on effective internal auditing including planning, completion and follow-ups, and the development of a training programme for each staff member.

2.16 Key service improvements and deliverables that have been achieved by the combined team over the 6 month period include:

2.16.1 introduction of risk and control matrices for planning and management of audits;

2.16.2 development of appropriate definitions for risk findings as 'critical', 'high', 'medium' and 'low' to ensure clarity, consistency and transparency for management;

2.16.3 development of defined procedures for escalation of critical and high risk issues to CMT and GRBV to improve the authority and influence of internal audit;

2.16.4 development of defined procedures for escalation of issues to CMT and GRBV where no follow-up actions have been taken by management ensuring effective oversight and assurance of risk;

2.16.5 introduction of a new audit charter to define roles and responsibilities in relation to internal audit across the Council and to set management expectations;

2.16.6 realignment of the audit year with the Council financial year;

2.16.7 development of a 6-month audit programme linked to risk management to improve the effectiveness of internal audit; and

2.16.8 upgraded audit management software to support more efficient processes.

2.17 Update reports have been provided regularly to GRBV on the transformation of the internal audit function and links to these are provided in the background papers section of the executive summary.

Corporate governance 2013 - 2017

2.18 The Council's strategic plan for 2012-2017 sets out 5 outcomes needed to fulfil our vision that Edinburgh is a thriving, successful and sustainable capital city. These outcomes reflect priorities across all Council services and corporate governance leads specifically on ensuring 'the Council is an effective and efficient organisation and a great place to work.'

2.19 A new directorate plan for corporate governance has been created for consideration by the Council in December 2013 outlining 8 high level objectives of: reputation; risk management; customer experience; total budget; high performing workforce; ICT transformation; welfare reform and culture and sport. The objectives are set out in more detail in appendix one.

2.20 Each element of the review outlined within this report is included as a project within the scope of one of the plan's objectives as follows:

2.20.1 Risk management:

2.20.1.1 deliver and embed strengthened risk management;

2.20.1.2 further improve management of financial risks and enhance internal controls;

2.20.1.3 enhance capabilities, profile and influence of internal audit;

2.20.1.4 develop and embed improved information governance arrangements; and

2.20.1.5 provide greater assurance, transparency and co-ordination of major capital and change programmes;

2.20.2 Total budget:

2.20.2.1 achieve commercial benefits and deliver value in procurement; and

2.20.2.2 support good decision-making through the provision of high quality, meaningful financial management information.

2.20.3 High performing workforce:

2.20.3.1 deliver and embed HR policies.

2.20.4 ICT transformation:

2.20.4.1 develop and implement management information systems.

2.21 This will ensure a continued focus on transformation, assurance and robust governance. Working with all service areas, it is anticipated that the implementation of the directorate plan and the programme will continue to drive and sustain improvement, as well as embedding a culture of best practice. Crucially, it will provide clear lines of leadership, responsibility and accountability.

3. Recommendations

3.1 To consider the progress and actions outlined in the report; and

3.2 To refer the report to Corporate Policy and Strategy Committee for consideration.

Alastair D Maclean

Director of Corporate Governance

Links

Coalition pledges	P41 – take firm action to resolve issues surrounding the Council's property services.
Council outcomes	CO25 – The Council has efficient and effective services that deliver on objectives.
Single Outcome Agreement	
Appendices	Appendix one: Corporate Governance priorities 2012 - 2017

Corporate Governance Priorities for 2012-17

The Council is an efficient and effective organisation and a great place to work

By 2017 we will have…

- Enhanced ***customer experience*** by ensuring our services are of ***high quality*** and ***easy to access***
- Improved ***risk management*** across the Council
- Visibly enhanced our city's ***cultural and sporting future***
- Developed our ***reputation*** and ensured customers have a ***positive perception*** of the Council

Reputation	Influence and support all areas of the organisation to identify and manage the reputational impact of their decisions.
Total Budget	Deliver financial certainty by securing a balanced budget. Transform procurement practices and service provision to deliver commercial benefits.
High performing workforce	Ensure the Council has a motivated workforce of high performing, highly skilled, flexible people delivering our core values, utilising modern technology.
Welfare Reform	Respond effectively to the challenges presented by Welfare Reform in Edinburgh .
Risk Management	Promote risk management, ensuring Council services are provided within legal and regulatory requirements, and support efficient, visible and democratic decision making.
Customer Experience	Focus on understanding our customers needs in order to deliver outcomes that matter to them. Encourage channel shift and improve access to services designed around those needs.
ICT Transformation	Transform the Council's ICT and Digital platform, to better support the many stakeholders who depend on our ICT in their daily lives. Ensure ICT services are business and customer driven.
Visibly enhanced culture and sport	Ensure Edinburgh continues to be a leading cultural city - which attracts, develops and retains talent, where culture, sport and celebratory events thrive and make our city a great place to live and visit.