

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

**TUESDAY 17 SEPTEMBER 2013
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

1

Committee Members Present:

Councillor J Williamson (Vice-Convenor)
Councillor S Brown
Councillor S Currie
Councillor A Forrest

Other Councillors Present:

Councillor F McAllister

Council Officials Present:

Mrs A Leitch, Chief Executive
Mr A McCrorie, Depute Chief Executive (Resources and People Services)
Ms M Patterson Depute Chief Executive (Partnership and Services for Communities)
Mr T Shearer, Head of Policy & Partnerships
Mr P Vestri, Corporate Policy & Improvement Manager
Ms M Garden, Internal Audit Manager
Mr A Gillespie, Finance Manager
Mr S Allan, Senior Auditor
Ms R Kennedy, Risk Officer

Clerk:

Miss F Currie, Committees Assistant

Visitors Present:

Mr S Reid, KPMG
Ms S Burden, KPMG
Mr B Axon, General Manager, enjoyleisure
Mr G Tait, Accountant, enjoyleisure
Mr B Farnsworth, General Manager, Musselburgh Racecourse (Item 8 only)
Mr D Kennedy, Finance Manager, Musselburgh Racecourse (Item 8 only)

Apologies:

Councillor K McLeod (Convener)
Councillor J Caldwell
Councillor J Goodfellow
Councillor P McLennan

Declarations of Interest:

Councillor Forrest declared an interest, as a member of Musselburgh Joint Racing Committee, in relation to Item 8.

The Chief Executive, Angela Leitch, began by explaining that, due to a last minute submission of apologies, the meeting did not have a quorum under the terms of the Standing Orders. Rather than abandon the meeting altogether, Members agreed to deal with the key business on the agenda and that any decisions taken would go forward to the next meeting of the Committee for formal approval.

1. DRAFT ANNUAL AUDIT REPORT TO MEMBERS OF EAST LoTHIAN COUNCIL AND THE CONTROLLER OF AUDIT - KPMG

KPMG submitted their draft Annual Audit Report to Members of East Lothian Council and the Controller of Audit, which summarised their findings in relation to the audit for year ended 31 March 2013.

The Director KPMG LLP, Stephen Reid, presented the draft report to Members, indicating that it would be finalised following the signing of the Council's financial statement. He focussed on key areas of the report, commenting that the deficit of £2.5 million for 2012-13 was less than anticipated and the level of borrowing, although higher than the previous year, was also less than anticipated. The cost of borrowing remained low. However, East Lothian Council had the highest percentage of debt of all Councils in Scotland and the second highest per head of population.

Mr Reid acknowledged that improvements in financial management and reporting had helped to identify where pressures were heaviest. Despite these positive developments, robust monitoring continued to be necessary to ensure financial management remained on track. He warned that if planned efficiency savings could not be achieved, the utilisation of reserves could not go on forever. He concluded by saying that although good progress had been made over the year, the report included recommendations for further improvements.

In response to questions from Members, Finance Manager, Anthony Gillespie, confirmed that the sum of £0.6 million within the Housing Revenue Account had been transferred from the capital spend budget to the repairs budget following the Council's decision not to proceed with a development of affordable housing.

On the continued use of reserves; Mr Reid indicated that, despite the inherent risks, the Council should do its utmost to progress to a "break-even" position as planned. While it was feasible to use reserves to fund restructuring in the short term this should be done with a view to reducing costs in the mid to longer term. To put off such plans indefinitely would be unsustainable.

Councillor Currie welcomed the report but commented that Members were yet to see the benefits of decisions taken by the Council last October, particularly in relation to the cancellation of capital projects. He suggested that any reductions in expenditure as a result of these decisions could be made clearer in future reports.

Decision

The Committee noted the report.

2. ASSURANCE AND IMPROVEMENT PLAN UPDATE 2013-16

A report was submitted by the Chief Executive to inform the Committee of the Assurance and Improvement Plan Update 2013-16 provide by the Local Area Network (LAN).

Mrs Leitch presented the report which had also been to the Council meeting in June 2013. She indicated that Care Inspectorate Children's Services inspections would take place this autumn, alongside an educational inspection. Although there was some concern about both inspections happening at the same time, preparations were well underway.

There were no questions or comments from Members.

Decision

The Committee welcomed the report and noted that the Chief Executive would keep the Council updated on any inspections and focused work by the Local Area Network and the Auditor.

The Convenor advised Members that the meeting would now deal with items 8 and 7 on the agenda, in that order.

8. MUSSELBURGH JOINT RACING COMMITTEE FINANCIAL STATEMENT 2012/13

A report was submitted by Musselburgh Joint Racing Committee (MJRC) outlining the Racecourse financial statement for 2012-13.

The Musselburgh Racecourse General Manager, Bill Farnsworth, presented the report explaining that the Racecourse had made a profit of £70,000 in 2012/13 which was ahead of expectations. A total of £430,000 had been spent on capital projects and a further £200,000 of work was planned in the current year. This work would ensure that the Racecourse maintained its 5 star VisitScotland status. Future plans included restocking of cash reserves and further development of the business.

Following questions from Councillor Currie, Mr Farnsworth clarified the relationship between the MJRC and the Council. The Minute of Agreement clearly sets out the roles and responsibilities of both the Council and the Lothian Racing Syndicate (LRS) and is subject to review. In operational terms, the business can be considered to run separately from the Council although it is also classed as a committee of the Council and it is not subject to Corporation Tax. The MJRC business accounts form part of the Council's Group accounts and the assets are managed by the MJRC but owned by the Council. They lease the assets from the Council and have a responsibility to maintain them to a certain standard – as seen in the rolling programme of capital projects. Any profits are reinvested in the business and any prize monies are funded from its revenue. Mr Farnsworth indicated that the MJRC did not undertake commercial borrowing at present but could not rule it out in relation to future plans. Any such borrowing would be likely secured against business revenues. He confirmed that Racecourse staff were not Council employees and were therefore not subject to the same restrictions in terms of pay raises and bonuses. A salary review was currently underway.

At the request of Councillor Caldwell, Alex McCrorie, Depute Chief Executive (Resources and People Services), confirmed that the MJRC is not an ALEO (Arms Length Organisation).

The Racecourse Finance Manager, Douglas Kennedy, indicated that the current arrangement of 3 separate bank accounts – for the MJRC, wages and creditors - would shortly be changing to just one account for more efficient day-to-day financial management.

Councillor McAllister asked about future capital projects and the need to apply for appropriate planning consents. Mr Farnsworth acknowledged that, in the past, they had not always got this right. However, he assured Members that future projects would adhere to planning rules.

Decision

The Committee noted the report.

7. ENJOYLEISURE MANAGEMENT REPORT

A report was submitted by enjoyleisure to update elected Members on the current status and progress of Enjoy East Lothian Ltd (enjoyleisure).

The enjoyleisure General Manager, Bill Axon, presented the report outlining the key points: management, value for money and the achievement of Council objectives. Enjoyleisure is governed by 12 non-executive directors and managed on a daily basis by a Management Executive. It is governed by company law and, due to its charitable status, by the Office of the Scottish Charity Regulator (OSCR). Accountant, Graham Tait, took Members through the figures in the financial statement and indicated that this would shortly go before their Annual General Meeting for approval. The figures showed a decrease in the annual surplus – mainly due to an increase in pension investment – and a 10% reduction in Council funding.

In response to questions from Members, Mr Axon acknowledged that a reduction in Council funding and the current economic climate had resulted in challenges for the business. However, membership numbers and casual users had increased in the last year and a draft business strategy, to be discussed by the Board in November, would look at ways to continue delivering and expanding services as efficiently as possible.

Mr Tait confirmed that energy costs were a key consideration and steps were being taken to reduce these where possible. They had employed an external company to advise them on how they might potentially make savings in this area. The firm, UAC, were recommended by West Lothian Leisure Trust. In the meantime, plans were underway to reduce water costs at 3 sports centres and to install solar panels at Dunbar Leisure Pool.

Councillors Currie and Forrest both welcomed the report and wished to congratulate the staff at enjoyleisure on their performance over the year.

Decision

The Committee noted the report and acknowledged the continued success of enjoyleisure in its four years since formation.

The Convenor brought the meeting to a close and indicated that an additional meeting would be scheduled to deal with the remaining agenda items.

Signed

Councillor John Williamson
Vice-Convenor of the Audit and Governance Committee

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 November 2013
BY: Depute Chief Executive – Resources and People Services
SUBJECT: Council Resources Risk Register

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1 PURPOSE

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

The Council Resources Register presented shows only High and Very High Risks as the Council's Risk Strategy defines these risks as those which should be subject to closer scrutiny by the Audit and Governance Committee.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the content of the Council Resources Risk Register.
- 2.2 In doing so, the Audit and Governance Committee is asked to:
 - note that the relevant risks have been identified following appropriate consultation with all risk contacts;
 - recognise that while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Council Resources LRWG and the Head of Council Resources has lead responsibility;
 - note that the significance of each risk is appropriate to the current nature of the risk;
 - note that the total profile of the Council Resources risk can be borne by the Council at this time in relation to the Council's appetite for risk; and,
 - recognise that, although the risks presented are those requiring close monitoring and scrutiny throughout 2013/14, many are in fact longer term risks for Council Resources and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Council's Risk Management Strategy was established following Audit Scotland's 2008/09 review of the Council when it was recommended that: "The implementation of the risk management framework be expedited and target dates established".
- 3.2 Responsibility for Risk Management sits within the Corporate Policy and Improvement unit. The Emergency Planning and Risk Manager, supported by a Risk Officer, has implemented the current Risk Management Strategy and set up both an overarching Corporate Risk Management Group (CRMG) together with LRWGs in service areas.
- 3.3 The LRWGs meet on a regular basis to discuss their Risk Register which is also included as a topic in team meetings. They also feed information to the CRMG; this Group is fundamental to the delivery of risk management throughout the Council and ensures that risk management remains high on the corporate agenda.
- 3.4 All LRWG's were revised following the Senior Management and Service restructure of 2012 resulting in eight Risk Registers/Groups being reduced to seven.
- 3.5 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2.

4 POLICY IMPLICATIONS

- 4.1 In discussing and noting the Council Resources Risk Register the Committee will be affirming the process of embedding risk management principles across the Council in support of the Risk Management Strategy.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – It is the consideration of the Council Resources LRWG that recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Council Resources Risk Register for 2013/14 should be met within the proposed budget allocations for 2013/14. Any unplanned and unbudgeted costs that arise in relation to any of the risks identified will be subject to review by the Council Management Team.
- 6.2 Personnel – There are no immediate implications.
- 6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7 BACKGROUND PAPERS

7.1 Appendix 1 – Council Resources Risk Register

7.2 Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy
DESIGNATION	Risk Officer
CONTACT INFO	01620 827900
DATE	05 September 2013

Council Resources Risk Register

Date reviewed: 11 November 2013

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
CR 1	<p>Welfare reform</p> <p>The UK Government is introducing a range of measures to reform the welfare system and reduce the budget for welfare benefits by at least £11 billion annually. It has been estimated (Scottish Local Government Forum Against Poverty, Sept 2010) that the changes could result in the loss of £8m - £9.5m annually from welfare benefits paid to East Lothian residents.</p> <p>Within the business areas covered by Council Resources, the changes could lead to:</p> <ul style="list-style-type: none"> • Increase in rent arrears from reduced Housing Benefits and possible increase in evictions • increased pressures on rent collection teams • increase in Council Tax arrears and non-payment of Council Tax • increase in Business Rates arrears and non-payment of Business Rates • loss of income the Council currently receives for administering Housing Benefits 	<p>The Council has received several update reports and will continue to be updated.</p> <p>The Council has established a Welfare Reform Task Group to plan for the changes to the welfare system. The Task Group has a detailed action plan to ensure that the Council takes the necessary measures to prepare for the changes to the welfare system.</p> <p>The work of the group has been based around communications; data sharing; training; and migration to the new benefits system such as the establishment of the Scottish Welfare Fund.</p> <p>The Task Group and workstreams are meeting regularly and will continue to report back to the Council Management Team and to the Council.</p>	4	4	16	The Welfare Reform Task Group will continue to implement its action plan to mitigate the impact of welfare reform.	4	3	12	Depute Chief Executive – Resources and People Services	Under constant review.	N/A	

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CR 2	<p>Financial pressures:</p> <p>If the council's financial pressures were not to be successfully planned for and managed effectively over the medium to longer term (i.e. the next 3 and possibly up to 7 years), there would be a serious risk of unplanned/ reactive budget realignments with significant adverse impact on availability and quality of both front-line services and required investment in the Council's infrastructure and asset base.</p> <p>Over the medium term it is highly likely that the Council's income will remain static. At the same time it will have specific cost pressures to deal with. These include:</p> <p>(1) demographic change and social-economic pressures - increasing pupil and elderly numbers;</p> <p>(2) general inflationary pressures;</p> <p>(3) specific cost pressures such as the affordability of the increasing number of high-cost individual care packages; and</p> <p>(4) potential financial costs associated with legislative changes such as a number of environmental issues.</p>	<p>The Council has well developed short to medium term financial planning arrangements and financial management arrangements for managing in year budget performance, both of which provide mitigating controls in terms of the immediate financial risk and pressures the Council is faced with.</p> <p>Long-term modelling is deemed to be of little value as the public sector financial environment is unlikely to be stable in other than the short and medium term. Focus is on creating a programme of short and medium term organisational change that can be adapted to match the Councils position as that emerges.</p> <p>The Chief Social Work Officer also has a role to play in overall performance improvement and the identification and management of corporate risk in so far as they relate to social work services.</p>	3	5	15	<p>CMT/Managers continue to follow the financial strategy i.e. cost control/cost minimisation/deliver on agreed savings.</p> <p>Through the Corporate Asset Group, the Council implements the approved Asset Management Strategy and related action plan.</p> <p>CMT to consider a more strategic approach to Procurement and/or a different Procurement Strategy.</p>	3	4	12	<p>Chief Executive</p> <p>Depute Chief Executive – Resources and People Services</p> <p>Head of Council Resources</p>	<p>Action ongoing.</p> <p>Control measures approved by Council, October 2012. Monitoring arrangements will continue to be applied.</p> <p>Risk to be reviewed Dec 2013</p>	N/A	
CR 3	<p>Failure of power and/or cooling in the John Muir House Server Room has the potential to cause major loss of network, application and Internet services for a prolonged period of time as has happened previously. This would have a serious impact on the business of the Council.</p>	<p>Key systems (Email & Social Care) are replicated at Penston House. However access to the Internet and other network services will be severely restricted.</p>	3	5	15	<p>Awaiting budget approval to upgrade power and cooling facilities in the room. To date no budget has been allocated.</p>	2	3	6	Head of Council Resources	Ongoing	N/A	

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CR 4	Breach of Data Protection or other confidentiality requirements through the loss or wrongful transmission of information (including information stored electronically). This could occur through: - private committee reports, minutes or constituent correspondence not being stored or disposed of appropriately; - loss of material during transit; - individuals not being aware of their responsibilities in respect of confidential material; - lack of appropriate facilities for storage or disposal of material; Effects could include: - breach of relevant laws; - breach of duty of care; - harm to individuals; - legal action; - fines; - requirement to pay compensation; - adverse publicity; - damage to the Council's reputation.	Arrangements for secure filing and storage of confidential papers when not in use. Disposal of confidential waste separately from other papers. Internal mail and/or Council Contractor used to transport Private & Confidential materials. Council PCs and laptops do not accept unencrypted external storage devices. Committee documents dealing with sensitive personal information (e.g. criminal convictions) are now issued only in hard copy, not electronically. Checks on licensing sub-committee documents are made by a second clerk when relevant documents are uploaded. Data Compliance Officer is carrying out a programme of data protection health checks. The Data Protection Policy has been approved. Revenues Information Security Procedure in place.	3	4	12	Continual reviewing of arrangements. Maintaining staff awareness through team meetings, briefing sessions and health checks. Online Data Protection Training to be rolled out to all employees over the next year and then repeated every 2 years.	3	3	9	All managers.	Review Annually	N/A	
CR 5	An inability to meet an increase in competing demands from various services due to a lack of a sufficient staff resource could lead to a failure to provide an adequate service.	An ability to employ temporary employees if required. Ongoing monitoring of team workloads.	3	4	12	Liaison with departmental management teams to discuss future work demands and improve service delivery.	3	3	9	Head of Council Resources	Review Annually	N/A	
CR 6	Efficient Workforce Management, VERS, restructures and budget restrictions could result in the service not being able to maintain a level of staff to allow the service currently provided to continue in its present form.	Two way communication between CMT and all employees regarding the impact of change. All VERS decisions were made following business impact assessments, with support given only to those applications with minimum business impact.	3	4	12	CMT to work with managers to redesign services within resources.	2	4	8	Head of Council Resources	August 2014	N/A	
CR 7	Failure to comply with our procurement processes and/or also business failure of key suppliers leads to service failure, poor value for money, fraud, loss of reputation and/or legal action.	Corporate Procurement Strategy and Procedures including pre-qualification of suppliers. Purchase Card Procedures Procurement Improvement Panel (PIP). Reporting to PIP and CMT. Procurement Skills Training. Regular Internal Audits. Controls over New Suppliers. Supplier Finder on Intranet. Close working with legal services, internal audit and departments. Annual Procurement Capability. Assessment in place and action plan progressed.	3	4	12	CMT ensuring improved compliance with existing Procurement Procedures by championing them and taking action when breaches are found. Improved contract management procedures to be put in place. Continue to improve procurement practices with a view to securing an improved PCA score.	2	4	8	Head of Council Resources	Ongoing	N/A	

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CR 8	Council IT systems are compromised by internal employee - causing the loss of a system, virus/trojan infection or loss/disclosure of data. This potentially would have a serious impact on the business of the Council.	<p>Internal IT Systems are protected by antivirus, group policy etc. Employees sign the Acceptable Usage Policy and are party to various HR policies and legislation such as the Data Protection Act and Computer misuse act. Info security awareness, HR and Data Protection training etc is provided for employees. Continue to take regular software and data backups to allow systems and data to be restored, following any failure.</p> <p>Continue and constantly improve security measures. Keep up to date with new and emerging threats. Ensure we purchase secure systems and maintain security throughout the system life cycle.</p> <p>The Council complies with ISO27001 the International standard for Information Security (which sets out a risk based approach to ensure the confidentiality, integrity and availability of Council held information & information systems).</p>	3	4	12	Make Information Security awareness training mandatory for employees' council wide.	2	3	6	Head of Council Resources	December 2013	N/A	
CR 9	Mismanagement of the Council's bank accounts or failure of the Council's bank leads to the Council having no funds available to pay staff or suppliers.	Contract in place with our bank. Daily cash flow forecasting and monitoring of bank accounts. Treasury Strategy approved by ELC. Treasury Management Advisor in place.	2	5	10		2	5	10	Head of Council Resources	Continue with level of risk.	N/A	
CR 10	Council IT systems are compromised by criminal 3rd party (e.g. hacker, terrorism) - causing the loss of a system, virus/trojan infection or loss/disclosure of data. This potentially could have a serious impact on one or more Council services.	<p>Systems are protected from outside world by firewall. All external facing systems are vulnerability tested once a year and extra testing takes place on any change to form or function. Comprehensive change control and IT security measures also in place to ensure confidentiality, integrity and availability of systems. All IT staff are trained in the change control procedure. Info sec awareness training of employees to ensure they are aware of risks. Continue to take regular software and data backups to allow systems and data to be restored, following any failure. Regular awareness training of employees' council wide.</p> <p>Continue and constantly improve security measures. Keep up to date with new and emerging threats. Ensure all IT employees take part in regular training in the change control procedures. Ensure we purchase secure systems and maintain security throughout the system life cycle.</p>	2	5	10	Make Information Security awareness training mandatory for employees' council wide.	1	5	5	Head of Council Resources	December 2013	N/A	

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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		The Council complies with ISO27001 the International standard for Information Security (which sets out a risk based approach to ensure the confidentiality, integrity and availability of Council held information & information systems).											
CR 11	Complete loss of ELC's circuit to the Internet, resulting in no access to external systems which include but not limited to Pecos, SEEMIS (schools management system) external email, home working access etc. This would have a serious impact on the business of the Council.	SLA's in place with supplier. Supplier has resilient backbone in place.	2	5	10	Introduce a second link to Internet from network outwith Haddington.	1	4	4	Head of Council Resources	Review after all corporate sites on new network, expected to be around December 2013.	N/A	
CR 12	Council wide Catastrophic failure of central IT systems (inc Telephony) which could be caused by a fire/flood event, terrorist attack or a major virus. This would have a serious impact on the business of the Council.	IT Disaster Recovery plan in place - backup site for systems identified and core system backup plan created.	2	5	10	Improve and develop disaster recovery plan based on lessons learned from regular testing of existing plan. Ensure IT Staff are trained and know their role in event of a disaster.	1	4	4	Head of Council Resources	December 2013	N/A	
Original date produced (Version 1)		19th December 2011									Risk Score	Overall Rating	
File Name		CH&PM Risk Register									20-25	Very High	
Original Author(s)		Scott Kennedy, Risk Officer									10-19	High	
Current Revision Author(s)		Scott Kennedy, Risk Officer									5-9	Medium	
Version		Date	Author(s)		Notes on Revisions							1-4	Low
1		19/12/2011	S Kennedy		Original Version								
2		31/05/2012	S Kennedy		IT Risks updated by S Buczyn and Register revised following Senior Management Restructure								
3		19/11/2012	S Kennedy		Updated following update of Risk Strategy								
4		Jan-June 2013	S Kennedy		Updated following review of Legal Services Risks.								
5		Feb – May 2013	S Kennedy		H&S transferred to Policy & Partnerships, IT and HR risks updated and Welfare Reform risk added.								
6		June-July 2013	S Kennedy		Revenues & Benefits and Finance Risks updated.								
7		September 2013	S Kennedy		Slight alterations to risks by Head of Council Resources								
8		October 2013	S Kennedy		Welfare Reform Risk updated by Task Group.								

Appendix 2
East Lothian Council
Risk Matrix

Likelihood Description

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

Impact Description

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

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

Key

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

MEETING DATE: 19 November 2013

BY: Depute Chief Executive – Partnership and Services for Communities

SUBJECT: Policy and Partnerships Risk Register

3

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Policy and Partnerships Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Policy and Partnerships Risk Register has been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Policy and Partnerships Local Risk Working Group (LRWG).
- 1.3 The Policy and Partnerships Register presented shows only High and Very High Risks as the Council's Risk Strategy defines these risks as those which should be subject to closer scrutiny by the Audit and Governance Committee.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the content of the Policy and Partnerships Risk Register.
- 2.2 In doing so, the Audit and Governance Committee is asked to:
 - note that the relevant risks have been identified following appropriate consultation with all risk contacts;
 - recognise that while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Policy and Partnerships LRWG and the Head of Policy and Partnerships has lead responsibility;
 - note that the significance of each risk is appropriate to the current nature of the risk;
 - note that the total profile of the Policy and Partnerships risk can be borne by the Council at this time in relation to the Council's appetite for risk; and,
 - recognise that, although the risks presented are those requiring close monitoring and scrutiny throughout 2013/14, many are in fact longer term risks for Policy and Partnerships and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Council's Risk Management Strategy was established following Audit Scotland's 2008/09 review of the Council when it was recommended that: "The implementation of the risk management framework be expedited and target dates established".
- 3.2 Responsibility for Risk Management sits within the Corporate Policy and Improvement unit. The Emergency Planning and Risk Manager, supported by a Risk Officer, has implemented the current Risk Management Strategy and set up both an overarching Corporate Risk Management Group (CRMG) together with LRWGs in service areas.
- 3.3 The LRWGs meet on a regular basis to discuss their Risk Register which is also included as a topic in team meetings. They also feed information to the CRMG; this Group is fundamental to the delivery of risk management throughout the Council and ensures that risk management remains high on the corporate agenda.
- 3.4 All LRWG's were revised following the Senior Management and Service restructure of 2012 resulting in eight Risk Registers/Groups being reduced to seven.
- 3.5 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2.

4 POLICY IMPLICATIONS

- 4.1 In discussing and noting the Policy and Partnerships Risk Register the Committee will be affirming the process of embedding risk management principles across the Council in support of the Risk Management Strategy.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – It is the consideration of the Policy and Partnerships LRWG that recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Policy and Partnerships Risk Register for 2013/14 should be met within the proposed budget allocations for 2013/14. Any unplanned and unbudgeted costs that arise in relation to any of the risks identified will be subject to review by the Council Management Team.
- 6.2 Personnel – There are no immediate implications.
- 6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7 BACKGROUND PAPERS

7.1 Appendix 1 – Policy and Partnerships Risk Register

7.2 Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy
DESIGNATION	Risk Officer
CONTACT INFO	01620 827900
DATE	05 September 2013

Policy and Partnerships Risk Register

Date reviewed: 11 November 2013

Risk ID No.	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
P&P 1	<p>Major failure of IT systems (inc Telephony)</p> <ul style="list-style-type: none"> • Unable to deliver services; • Data unable to be inputted onto databases; • Activation of Business Continuity plan including Tunstall divert; • Manual procedures for the Registration of Births, Deaths and Marriages. 	<p>Test business continuity plan and ensure realistic. Business continuity plan improved and developed based on lessons learned from test environment. Ensure software updated regularly Regular meetings with IT staff to ensure that they are aware of business needs. 3rd party provider support and BC plans held (Tunstall/FER/IRBS). Manual procedures in place to support service provision. Alternative backup solutions identified where possible - e.g. Tunstall divert, ARC 2nd server etc. Staff procedure up to date and staff trained and aware of outcomes and controls.</p>	3	4	12	3 rd Party BC plan talk through to be achieved by December 2013.	3	3	9	All Customer Service Managers	December 2013		
P&P 2	<p>Breach of Data Protection or other confidentiality requirements through the loss or wrongful transmission of information (including information stored electronically). This could occur through:</p> <ul style="list-style-type: none"> - private committee reports, minutes or constituent correspondence not being stored or disposed of appropriately; - loss of material during transit; - individuals not being aware of their responsibilities in respect of confidential material; - lack of appropriate facilities for storage or disposal of material; - unauthorised publication of photographs of children. <p>Effects could include:</p> <ul style="list-style-type: none"> - breach of relevant laws; - breach of duty of care; - harm to individuals; - legal action; - fines; - requirement to pay compensation; - adverse publicity; - damage to the Council's reputation. 	<p>Arrangements for secure filing and storage of confidential papers when not in use. Disposal of confidential waste separately from other papers. Internal mail and/or Council Contractor used to transport Private & Confidential materials. Council PCs and laptops don't accept unencrypted external storage devices. Committee documents dealing with sensitive personal information (e.g. criminal convictions) are now issued only in hard copy, not electronically. Checks on licensing sub-committee documents are made by a second clerk when documents are uploaded. Employees who post web content aware of Data Protection issues. Data Compliance Officer is carrying out programme of awareness raising. We ensure that printed materials are checked with Graphics department and published through Council Print Unit. We have a permissions procedure for use of photographs of children. We have acces+C10s restrictions in Aspireview so that employees can only see material relevant to their work. We have Newspaper Licensing and Copyright Licensing permissions in place which are renewed annually.</p>	3	4	12	Continual reviewing of arrangements. Maintaining staff awareness through team meetings and briefing sessions.	3	3	9	All managers	Review Annually		

Risk ID No.	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
P&P 3	<p>Insufficient resources and resources not aligned to business current and future objectives leading to an:</p> <ul style="list-style-type: none"> Inability to sustain service in the short, medium, long term – long term staff absences Inability to develop service and staff i.e. skills/knowledge Inability to meet stakeholder and customer demand Legislative changes without matches resources i.e. Tell us Once/Welfare Reform Ineffective Knowledge management 	<p>Business planning and highlighting of resource requirements. Shared services with Midlothian realising a level of income potential. Current processes reviewed in line with added value outcomes. PDR meetings to maximise performance. Sickness absence monitoring and absence management and counselling. Locum posts now identified within Local Area Offices. Closure monitoring on RIVO in relation to staff experiences/stress. Analyse performance data routinely and thoroughly and use date for planning. Improved Induction Process for new staff. Staff training on CSPQ. Incidents report on RIVO and risk assessment completed. Professional Registration Qualification offered to all staff. Clear PI's identified across team. Knowledge' software deployed within key areas. Software fit for purpose and staff trained to extract, interpret and apply knowledge. PRD used effectively and Training underway. Current income streams reviewed and increased in line with inflation.</p>	4	3	12	<p>Explore further business opportunities to maximise use of resources and achieve income potential. Encourage back office stakeholders to improve processes to achieve added value. Improve performance reporting and analysis. Consider sustainability, WorkSmart options - resulting reduction in non staff costs. Consider future knowledge and skills through business planning and pull into PRD. Address stress Audit outcomes through HGIOC. Consider business resource needs throughout F2F service ensuring adequate resource to meet needs of training and staff development from changing service. Welfare Reform and Tell Us Once. Monitor and evaluate the uptake and usage of 'Knowledge' software Consider further roll out of software and skills required to extract, interpret and apply.</p>	3	3	9	All Customer Service Managers	Face to Face Review due to complete Sept 2013 PRD to be revised 11/13 – 03/14		<ul style="list-style-type: none"> Review of Customer Service - Service Plan for 2013/2014 Face to Face Service Review – November 2012 - September 2013 PRD's carried out for all staff November 2012 – March 2013 and associated action plan carried out thereafter Registration income charges increased from 01/04/13
P&P 4	<p>A failure to administer security and control of visitors could result in:</p> <ul style="list-style-type: none"> Breach of security Theft Malicious damage Threat to staff safety 	<p>Signing in/out procedures for visitors/contractors in existence in main buildings. Employees are clear of procedures and requirements to sign in/out visitors and contractors. Restrictions on permissions on staff ID cards on a building by building basis. Parking permits for ELC staff and visitor permits (JMH). Use of security protected data sticks. Passwords on PC's, telephones and laptops.</p>	3	4	12	<p>Review current procedures to gauge effectiveness and refresh.</p>	2	4	8	All Customer Service Managers	December 2013		
P&P 5	<p>Failure to implement adequate H&S controls and to comply with H&S legislation could result in poor performance, diminution of service and could also result in injury to employees or the public leading to possible insurance claims and reputational damage to the Council.</p>	<p>Safety policy and training in place and accessible to all employees. Management arrangements & procedures and specialist staff also in place.</p>	3	4	12	<p>The ELC H&S Safety Management System is in operation and controls are monitored through cross departmental auditing, inspections and RIVO data analysis to identify control and risk issues. Reporting quarterly to Cmtte ensures scrutiny by management and trades unions.</p> <p>Review performance and feedback, refresh and update guidance and training as required. Take performance mgmt and / or disciplinary proceedings forward where individual non-compliance occurs.</p>	2	3	6	Corporate Health & Safety Advisor	Under Continual Review.		

Risk ID No.	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
P&P 6	Occupational Health - failure to adequately monitor and manage the health surveillance regime could lead to intervention from the H&S Executive.	Occupational Health and Physiotherapy partner contractors operate to specification set by Council.	4	3	12	Monitor the use of health surveillance in those areas requiring this. Monitor contract performance and standards compliance, hold monthly contractor review meetings	2	3	6	Corporate Health & Safety Advisor HR Performance & Business Support Manager	Under Continual Review.		
P&P 7	Inadequate Risk assessment resulting in ELC being unaware of risks and exposing employees and the public to dangers or systems/procedures causing ill health. This in turn could lead to increased sickness absence within the Council and possible impacts to service delivery.	Independent checks carried out by internal H&S Safety Management System and the audit regime within it. RIVO is being used to store risk assessments within some areas but is not being used consistently.	3	4	12	Comply with the ELC H&S Safety Management System, reporting quarterly to the BOD/CMT and annually to the Chief Executive. Provide cross-departmental audit results according to the audit programme. Risk assessments consistently recorded on Rivo with findings shared with employees.	2	3	6	Corporate Health & Safety Advisor	Under Continual Review.		
P&P 8	Health & Safety governance is not consistent across all services in terms of: <ul style="list-style-type: none"> The policies/practices in place Performance monitoring Statutory compliance This leaves the Council more open to accidents, incidents and litigation and makes any audits around these challenging.	Health & Safety Policy, Guidance and Approved Guidelines in place.	3	4	12	Revised H&S Policy, Management Arrangements and procedures being developed. Performance monitoring framework being developed in-line with new Management arrangements. KPI's identified for CMT to monitor H&S Performance against, including monitoring statutory compliance.	2	3	6	Corporate Health & Safety Advisor	Under Continual Review.		
P&P 9	A fire, flood or theft at any one of our buildings could result in the loss or damage to our irreplaceable heritage assets e.g. archives, museum objects, paintings and/or all other assets held within these premises.	Service disaster plans for Museums and Archives. Emergency planning procedures in place and regularly tested. Staff training relating to fire drills and security procedures. The new archive store at the John Gray Centre was designed to be fire resistant for a long period of time. Alarm systems and CCTV systems in place for some museums and libraries. Business continuity planning exercises. An inventory has been completed on the Councils paintings which has allowed recording of values, locations and conservation needs and is in accordance with the Councils Museums Collections Policy. Accreditation governing the quality of care for collections and museum buildings received from the Museums Association.	2	5	10	Incorporating the correct fire and security systems in any new builds. Seek to maintain regular accreditation from the Museums Association subject to ongoing process of renewal.	2	5	10	Cultural Services Manager PO Libraries PO Arts PO Museums	As and when new builds become operational.	11, 14	Business continuity plan records

Risk ID No.	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
P&P 10	Failure to implement a Safe Driving at Work (SDAW) Policy and Guidance to ensure that the Council meets current Health & Safety guidelines and the Corporate Manslaughter and Corporate Homicide Act 2007 could result in the Council facing a significant fine and/or legal action if a serious road accident were to take place involving any driving operation undertaken by employees or Elected Members using personal, Council or hired vehicles, as well as any volunteers, agency workers or other authorised parties driving Council fleet vehicles, in connection with Council business.	A SDAW Group was set up to create a SDAW Policy and a Guidance Manual which are currently being reviewed before being submitted for approval. Following this they will be implemented to ensure that safe driving principles are embedded across the Council.	2	5	10	<p>Implementation of Policy and Guidance.</p> <p>Continued meetings of the Safe Driving at Work Group and their continual review of Policy and Guidance.</p> <p>Council vehicles used in the course of Council activities are properly maintained and fit-for-purpose. All Council vehicles are maintained in accordance with the VOSA publication "Guide to Maintaining Roadworthiness". Employees are to submit on request their MOT certificate (VT20), for vehicles over 3 years old, for inspection to ensure Grey Fleet vehicles are properly maintained.</p> <p>Arrangements in place to ensure the reporting and recording of all accidents and incidents arising from work related driving.</p> <p>Arrangements in place to identify and implement remedial actions following road traffic accidents.</p>	2	3	6	SDAW Group	December 2013		
P&P 11	Loss or damage due to fire, explosion, storm, flood, malicious damage, loss of utility supply <ul style="list-style-type: none"> Inability to access office accommodation, equipment, data Damage to equipment Inability to retrieve data Serious injury to staff/members of public 	Business continuity planning - including alternative premises identified. Regular testing of Business continuity planning, including Tunstall divert for Contact Centre. Equipment, maintenance contracts kept up to date and in good working order. Regular fire drills carried out, H&S workplace inspections and Risk Assessments. Staff trained in aspects relating to good working practices and Business Continuity.	2	5	10	Set work plan of future BC exercises and include in Business plan. Audit whether discussions on staff meeting Agenda. Review training records.	2	3	6	All Customer Service Managers	Ongoing but reviewed constantly		

Risk ID No.	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review	
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			L	I	L x I		L	I	L x I					
P&P 12	A failure in Community Response processes resulting in: <ul style="list-style-type: none"> Serious injury to customers Fatality of customers Loss in confidence by stakeholders/partners/customer Financial loss due to liability claims HSE involvement 	Staff recruited for key qualifications, skills & attributes. Continual training and staff development. Monitor performance and service provision e.g. call monitoring. Staff training aligned to good practice, industry standards and agreed service delivery levels. Solo Operating risk assessment and working procedure in place.	2	5	10	Maintain Solo Operating Risk Assessment. Maintain highly skilled staff base through continual review and assessment e.g. PRD's. Encourage inclusive communication with staff. Lessons learned report from incidents arising. Ongoing development with closer working between colleagues and stakeholders. Develop existing solo operating procedures further to align to Business Continuity Plan to ensure Service Delivery with only one member of staff on duty.	1	4	4	Contact Centre Manager	Ongoing but reviewed constantly	5	Community Response staff brief issued weekly. Regular one to one meetings between staff and Community Response Line-managers. Industry standards built into service plan. Service review and improvements on the back of received Corporate Feedback. Use of quarterly reporting to stakeholders to monitor staff performance and service standards. Annual review of Solo Operating Risk Assessment and working procedure.	
Original date produced (Version 1)	22nd June 2012										Risk Score	Overall Rating		
File Name	Policy and Partnerships Risk Register										20-25	Very High		
Original Author(s)	Scott Kennedy, Risk Officer										10-19	High		
Current Revision Author(s)	Scott Kennedy, Risk Officer										5-9	Medium		
Version	Date	Author(s)	Notes on Revisions										1-4	Low
1	22/06/2012	S Kennedy	Original Version - Combining parts of former CEO, Environment and Community Wellbeing Risk Registers											
2	19/11/2012	S Kennedy	Updated following update to Risk Strategy											
3	March – August 2013	S Kennedy	Health & Safety Risks added and Communications, Economic Development and Healthy Living Risks Reviewed Customer Services Risks updated and merged. Community Development and Cultural Services Risks updated.											
4	August 2013	S Kennedy	Corporate Policy & Improvement Risks and Health & Safety Risks updated.											

Appendix 2
East Lothian Council
Risk Matrix

Likelihood Description

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

Impact Description

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

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

Key

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

MEETING DATE: 19 November 2013

BY: Chief Executive

SUBJECT: 2013/14 Council Improvement Plan Monitoring Report

4

1 PURPOSE

- 1.1 To present the 2013/14 Council Improvement Plan six-month monitoring report to the Audit and Governance Committee.

2 RECOMMENDATIONS

- 2.1 That Audit and Governance Committee notes the progress in achieving the Council Improvement Plan as detailed in the monitoring report (Appendix 1).

3 BACKGROUND

- 3.1 The 2013/14 Council Improvement Plan was approved by Council on 25th June 2013. The action points in the Plan are primarily drawn from the results of the How Good is Our Council? (HGIOC) self-evaluation carried out by all services and the Corporate Governance self-evaluation (reported to Audit & Governance Committee, 11th June 2013). The results of the 2013 Employee Engagement Survey have also been taken into account. The Plan also contains relevant improvement points and actions from Audit Scotland's Overview of Local Government in Scotland, Audit Scotland's Annual Report to Members and the Shared Risk Assessment prepared by the Local Area Network.
- 3.2 The 2013/14 Council Improvement Plan outlines the actions that the Council as a whole will be undertaking at a council-wide level. Improvement points from HGIOC and other sources relating to specific Council services are not contained within the Plan as they are dealt with in Service and Business Plans.
- 3.3 One of the four objectives of the Council Plan 2012-2017 is: *Growing the capacity of our Council to deliver excellent services as effectively and efficiently as possible within our limited resources.* All the improvement points in the 2012/13 Plan will contribute to growing the capacity of the Council to

meet this outcome. Also, the Plan supports the Council's improvement programme based around the following four key elements:

- Services built around people and communities
- Effective, efficient and excellent services
- Working together to achieve outcomes
- Prioritising prevention and promoting equality

3.4 The six month monitoring report (Appendix 1) outlines progress with implementing the 21 action points in the Improvement Plan.

4 POLICY IMPLICATIONS

4.1 The 2013/14 Council Improvement Plan will assist the Council in demonstrating that it is achieving Best Value. It will provide the necessary focus to improve key areas of the Council at a corporate level, thus aiding delivery of the Council Plan. Moreover, it will support East Lothian Council in its constant striving for continuous improvement, to continue improving the quality and delivery of its services and to meet the Council Plan objective: *Growing the capacity of our Council to deliver excellent services as effectively and efficiently as possible within our limited resources.*'

5 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – none.

6.2 Personnel – none directly, although certain actions within the Plan are likely to require the commitment of staff resources.

6.3 Other – none.

7 BACKGROUND PAPERS

7.1 Council Improvement Plan; report to Council, 25th June 2012

7.2 Appendix 1: 2013/14 Council Improvement Plan Monitoring Report

AUTHOR'S NAME	Paolo Vestri
DESIGNATION	Corporate Policy and Improvement Manager
CONTACT INFO	pvestri@eastlothian.gov.uk 01620 827320
DATE	7 th November 2013

Appendix 1: 2013/14 Council Improvement Plan Monitoring Report

2013/14 Council Improvement Plan

We deliver excellent services as effectively and efficiently as possible

	ACTION	LEAD SERVICE	TIMESCALE	Update (November 2013)
1	Develop toolkit for self-evaluation of strategic partnerships	Policy and Partnerships	March 2014	The Toolkit will be based on the Improvement Service's Community Planning Partnership self-evaluation toolkit. The East Lothian Partnership will undertake a self-evaluation supported by the Improvement Service in autumn 2014. The toolkit could be used to evaluate other partnerships, including Area Partnerships
2	Review consultation strategy with view to ensuring that service users' views about quality of services is measured and used effectively	Policy and Partnerships	March 2014	This is an on-going piece of work
3	Roll out CPD for elected members and continue to support elected member and senior management development	Council Resources	Sept 2013 / Mar 2014	Five elected members have signed up for the CPD A management development course leading to a Chartered Institute of Management Level 5 qualification is being offered to all senior managers
4	Hold training session for elected members on new Standing Orders including session on Members Conduct delivered by the Standards Commission	Council Resources	Oct 2013	A briefing session on the Councillors' Code of Conduct will be conducted by the Standards Commission (10 th Dec 2013)
5	Training for Audit & Governance Co and PPR Co members	Council Resources	Oct 2013	Two provisional dates for the day's training were not suitable for members. A new date for a ½ day's training sessions, 21 st Jan 2013, has been set; pending confirmation from CIPFA

6	Induction programme for all members of new Community Planning Partnerships, including elected members	Policy and Partnerships	Oct 2013	An induction session was held for all East Lothian Partnership members in June 2013. A handbook on the role of members of the Partnership has been prepared and will be circulated to all Partnership members
7	Review and revise the Improvement Framework and make more effective use of benchmarking, develop guidance and training on the use of benchmarking, Best Value reviews and options appraisal	Policy and Partnerships	Nov 2013/ Mar 2014	The Improvement Framework is being reviewed and will include guidance on benchmarking and carrying out Best Value Reviews
8	Focused work with Local Area Network (LAN) on an agreed programme of self-evaluation for improvement	Policy and Partnerships	Mar 2014	Local Area Network members have participated as 'critical friends' in the Council's How Good is Our Council? peer review sessions led by the Chief Executive A focused audit of Education shared services is being carried out by members of the LAN The Council Management Team has quarterly meetings with the Local Area Network
9	Implement programme of action to respond to the results of the Employee Engagement Survey	Policy and Partnerships	Nov 2013	See 13 below
10	Review Whistleblowing Policy and publicise to all staff	Internal Audit	Oct 2013	The policy has been reviewed and the list of contacts will be updated once the re-structuring of Council services has been completed and the revised policy will be communicated to staff
11	Introduce Combined Impact Assessment and process for monitoring the needs of minority and vulnerable groups	Policy and Partnerships	Aug 2013/ Mar 2014	The framework for conducting Combined Impact Assessments has been finalised and is being rolled out amongst services
12	Review People Strategy including the how the values from the East Lothian Way are disseminated to staff	Policy and Partnerships	Oct 2013	See 13 below

13	Develop Workforce Development Plan (including supporting internal jobs market, management of change, leadership development and succession planning)	Policy and Partnerships	Nov 2013	A draft Workforce Development Plan has been prepared and an Action / Work Plan detailing how the Plan will be carried out is being prepared. The Plan directly respond to the issues raised in the Employee Engagement Survey and includes an action to refresh how the East Lothian Way is being used and disseminated
14	Review and further develop How Good is Our Council? (HGIOC) self-evaluation, including involvement of stakeholders	Policy and Partnerships	Jan 2014	HGIOC has been reviewed and new guidance including stakeholder involvement is to be issued in December
15	Review service planning guidance and develop 3-year service plans	Policy and Partnerships	Dec 2013	New Service planning guidance for 3-year service plans will be issued in the new year
16	Review staff communications	Policy and Partnerships	Nov 2014	Staff communications is being reviewed alongside the Workforce Development Plan
17	Prepare and implement Records Management Plan setting out arrangements for management and retention of records in line with requirements of the Public Records (Scotland) Act 2011	Council Resources	May 2014	Work is progressing on all the 14 elements of the Records Management Plan, some of which have been completed already. The full plan is due to be completed by May 2014 and will then be the basis for a 5-year improvement model on this area of activity across the organisation. Some improvements are being implemented as they are discovered rather than waiting for formal introduction, but on the whole the process is moving onwards to bring about improvement to the Records Management provision and efficiency across the entire Council
18	Complete review of Standing Orders and Schemes of Administration and Delegation	Council Resources	June 2013	Completed with a report to Council, August 2013
19	Develop a methodology for systematically reviewing and updating corporate policies	Council Resources	Jan 2013	Work to commence
20	Review and further strengthen the Council's	Council	Dec 2013	In accordance with agreed actions arising from the

	financial management process	Resources		annual audit process, a number of improvements have now been implemented e.g. introduction of a new Efficiency Progress Rating that supplements the existing Financial Risk Rating
21	Focused work with the Local Area Network and external auditors as part of an agreed programme of external audit to meet the financial challenges faced by the Council	Council Resources	Mar 2014	The Council's external auditors have completed their audit of the 2012/13 accounts and associated work and reported to Council and have reported positive findings to Council within their Annual Report to Members

REPORT TO: Audit and Governance Committee

MEETING DATE: 19 November 2013

BY: Depute Chief Executive - Resources & People Services

SUBJECT: Treasury Management Strategy Statement & Annual
Investment Strategy – Mid-year Review 2013/14

5

1 PURPOSE

- 1.1 To update the Committee on Treasury Management activity during the first half of 2013/14.

2 RECOMMENDATIONS

- 2.1 The Committee are asked to note the content of the report
- 2.2 The Committee are also asked to note that a report on 2012/13 Treasury Management has been lodged in the Members' Library.

3 BACKGROUND

- 3.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in a way which takes account of risk and return.
- 3.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 3.3 Specialist Treasury Management advice is provided to the Council on a contractual basis by Sector. This service includes daily market updates and regular review meetings. Operational decisions are made by the

Corporate Finance Manager in accordance with the approved Treasury Management Strategy, in consultation with the Head of Council Resources and after considering the advice provided by Sector.

3.4 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the 2013/14 financial year to 30 September 2013;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy approved by the Council on 26th February 2013;
- A review of the Council's borrowing strategy for 2013/14
- A review of the Council's investment activity for 2013/14;

Extract from Sector's Economic update

3.5 During 2013/14 economic indicators suggested that the UK economy is recovering, albeit from a low level. After avoiding recession in the first quarter of 2013, with a 0.3% quarterly expansion the economy grew 0.7% in Q2. There have been signs of renewed vigour in household spending in the summer, with a further pick-up in retail sales, mortgages, house prices and new car registrations.

3.6 The strengthening in economic growth appears to have supported the labour market, with employment rising at a modest pace and strong enough to reduce the level of unemployment further. With respect to pay growth, excluding bonuses, earnings rose by just 1.0% y/y, well below the rate of inflation at 2.7% in August, causing continuing pressure on household's disposable income.

3.7 The Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and sharpened the incentives for banks to extend more business funding, particularly to small and medium size enterprises. To date, the mortgage market still appears to have been the biggest beneficiary from the scheme, with mortgage interest rates falling further to new lows. Together with the Government's Help to Buy scheme, which provides equity loans to credit-constrained borrowers, this is helping to boost demand in the housing market. Mortgage approvals by high street banks have risen as have house prices, although they are still well down from the boom years pre 2008.

3.8 Turning to the fiscal situation, the public borrowing figures continued to be distorted by a number of one-off factors. On an underlying basis, borrowing in Q2 started to come down, but only slowly, as Government expenditure cuts took effect and economic growth started to show through in a small increase in tax receipts. The 2013 Spending Review, covering only 2015/16, made no changes to the headline Government spending plan. CPI inflation (MPC target of 2.0%), fell marginally from a peak of 2.9% in June to 2.7% in August. The Bank of England expects inflation to fall back to 2.0% in 2015.

3.9 Tensions in the Eurozone eased over the second quarter, but there remained a number of triggers for a renewed flare-up. Economic survey data improved consistently over the first half of the year, pointing to a return to growth in Q2, so ending six quarters of Eurozone recession.

Economic Outlook for the next six months of 2013/14

3.10 Economic forecasting remains difficult with so many external influences weighing on the UK. Volatility in bond yields is likely during 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds. Downside risks to UK gilt yields and PWLB rates include a return to weak economic growth in the US, UK and China causing major disappointment to investor and market expectations, continuing concerns in the Eurozone and geopolitical risks such as the current situation in Syria.

3.11 There are also a number of upside risks for UK gilt yields and PWLB rates, especially longer term PWLB rates. These risks include UK inflation being significantly higher than in the wider EU and US, increased investor confidence causing a further flow of funds out of bonds into equities, a reversal of Quantitative Easing (QE) in the UK and further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt.

3.12 The overall balance of risks to economic recovery in the UK is now weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last, and it remains exposed to vulnerabilities in a number of key areas.

Interest rate forecasts

3.13 The following table shows Sector's forecast for interest rates:

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
5yr PWLB rate	2.50%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%
10yr PWLB rate	3.70%	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
25yr PWLB rate	4.40%	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%
50yr PWLB rate	4.50%	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.30%

Review of the Treasury Management Strategy Statement and Annual Investment Strategy

3.14 There are no policy changes to the Treasury Management Strategy Statement (TMSS) approved by the Council on 26th February 2013. No changes are required to the prudential indicators approved in the TMSS and approved prudential indicators have been complied with during the first six months of 2013/14.

Borrowing Update

3.15 During the first 6 months of 2013/14 borrowing decisions were taken in accordance with the approved strategy. The Council continued to take advantage of short term borrowing from other public sector bodies at rates below bank base rate which provided a pragmatic solution to managing cash flow. At the same time the need to safeguard against rising PWLB rates resulted in some longer term borrowing. No debt restructuring was undertaken during the period covered by this report.

3.16 During the first 6 months of 2013, the following new PWLB loans were taken out:

Date of Borrowing	Principal	Maturity	Interest Rate
24/4/2013	£1m	49 years	3.96%
24/4/2013	£2m	19	3.6%

3.17 One PWLB loan matured during the period and was repaid:

Date repaid	Principal	Maturity	Interest rate
24/9/13	£10m	5 years	3.09%

3.18 The following short term loans were taken from other public sector bodies:

Date of borrowing	Lender	Amount	Interest rate	Repayment Date
5/8/13	Derbyshire CC	£5m	0.4%	5/2/14
5/8/13	Worcestershire CC	£5m	0.3%	5/11/13
5/8/13	Merseyside ITA	£5m	0.4%	5/2/14
24/9/13	City of Edinburgh	£10m	0.5%	24/12/13
30/9/13	Kensington & Chelsea	£5m	0.38%	28/2/14

3.19 The following short term loans matured and were repaid:

Date of borrowing	Lender	Amount	Interest rate	Date repaid
22/1/13	Swansea CC	£3m	0.32%	22/4/13
28/1/13	Northumberland CC	£2m	0.32%	29/4/13
14/12/12	Surrey Heath BC	£1.5m	0.4%	14/6/13
30/10/12	Ealing	£2m	0.4%	30/7/13

Investment Update

3.20 Investment decisions during the first 6 months of 2013/14 were taken in accordance with the approved strategy. There were no new investments during the period and surplus cash balances were held in the Council's bank account.

3.21 East Lothian Council Common Good funds and Charitable Trust funds are managed in two separate portfolios by an external investment management company, Investec. At 30th September 2013, the East Lothian Charitable Trust portfolio was valued at £2.68m while the Common Good portfolio was valued at £2.735m.

4 POLICY IMPLICATIONS

4.1 There are no direct policy implications associated with this report however the Council's treasury management activity is determined by the policy framework set out in the approved Treasury Management Strategy.

5 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – There are no direct financial implications associated with this report however the Council's Treasury Management activity clearly has a significant impact on the management of the Council's financial resources.

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 Treasury Management Strategy 2013/14 to 2015/16 – East Lothian Council 26 February 2013

AUTHOR'S NAME	Kirsten Maguire
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CONTACT INFO	01620 827750 kmaguire@eastlothian.gov.uk
DATE	7 th November 2013

REPORT TO: Audit and Governance Committee

MEETING DATE: 19 November 2013

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Electronic Document and Records Management System (EDRMS)

6

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on the Electronic Document and Records Management System (EDRMS).

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 A review of EDRMS was undertaken as part of the audit plan for 2012/13.
- 3.2 The objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	5 September 2013

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
ELECTRONIC DOCUMENT AND RECORDS MANAGEMENT SYSTEM (EDRMS)**

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2012/13, a review was undertaken of the Electronic Document and Records Management System (EDRMS). A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- An Information and Records Management Policy is in place, which provides a framework for the creation and management of records within the Council.
- There is adequate separation of duties – the responsibility for managing user access controls within EDRMS is assigned to specific members of staff.
- Users with access to sensitive or confidential information are required to sign an Access and Confidentiality Agreement prior to access being granted to EDRMS – the Agreement clearly outlines employees' responsibilities in respect of confidentiality.
- An adequate audit trail exists of all tasks undertaken on EDRMS.

1.3 Areas with Scope for Improvement

- For users who were granted access to EDRMS during the implementation stage, there was a lack of evidence to demonstrate that access levels granted were appropriate to the individual user's roles and responsibilities. *Risk – inappropriate access levels may be granted.*
- There was a failure to ensure that all documents had been properly imported on to EDRMS during the implementation stage. *Risk – information held may be incomplete.*
- The batch processing of documents during the scanning process requires review – the batch header sheets in use fail to fully capture all key information required to ensure the completeness of documents scanned. *Risk – errors may occur and remain undetected.*
- For records held on EDRMS, retention periods have yet to be set up on the system. *Risk – failure to ensure effective records management.*

1.4 Summary

Our review of EDRMS identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

**Mala Garden
Internal Audit Manager**

August 2013

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.3	Management should ensure that procedures are drawn up covering key aspects of the use of EDRMS, including the scanning and indexing of documents, to ensure that a consistent approach is adopted throughout the Council.	Medium	Project Manager EDRMS	Agreed – will explore the possibility of guidance being issued, where processes are similar.		Ongoing
3.2.2	For all employees granted access to EDRMS during the implementation stage, evidence should be held to demonstrate that the access levels granted are appropriate to the employees' roles and responsibilities.	Medium	Project Manager EDRMS	Agreed		In Place
3.2.4	Management should explore the possibility of introducing a stage within the EDRMS process to inform System Administrators of employees changing positions within the Council.	Medium	HR Manager Operational Services	Agreed – HR to explore the possibility of building an additional stage within EDRMS when processing staff changing positions within the Council.		Ongoing

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.2	Management should explore the possibility of exception reports being produced, which may assist in identifying inappropriate user activity.	Medium	Project Manager EDRMS	Agreed – will explore with system provider.		Ongoing
3.4.1	Management should ensure that all failed documents have now been correctly transferred on to EDRMS.	Medium	Project Manager EDRMS	Agreed		Ongoing
3.4.2	<p>Management should ensure that the batch header includes an additional box to record the total number of pages to be scanned in each batch.</p> <p>For each batch, a reconciliation should be carried out between the number of physical copies recorded on the batch header and the number of scanned pages recorded on EDRMS.</p> <p>Management should ensure that the 'checked by' box on the batch header is fully completed – the batch header should be retained as evidence of checks being carried out.</p>	Medium	Project Manager EDRMS	Agreed – batch header will be changed to reflect this.		Ongoing

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.3	Management should ensure that all scanned documents are indexed – where documents do not relate to HR processes these should be assigned to the correct area and a clear audit trail should exist.	Medium	Project Manager EDRMS	Agreed – current practice of dealing with scanned, but un-indexed documents to be reviewed.		Ongoing
3.5.1	Management should ensure that retention periods are applied to all records held on EDRMS – these should be consistent with the Council’s agreed retention schedules.	Medium	Records Manager/Project Manager EDRMS	Agreed		Ongoing
3.6.1	For all areas where EDRMS has been implemented, a training needs analysis should be undertaken to identify gaps in the training provided to staff – all training needs identified should be addressed.	Medium	Project Manager EDRMS	Agreed		Ongoing

GRADING OF RECOMMENDATIONS

To assist Management in using our reports, our recommendations are categorised according to their level of priority as follows:

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

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 November 2013
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Gifts and Hospitality Policy

7

1 PURPOSE

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

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 As part of the audit plan for 2013/14, we have undertaken a review of the arrangements in place for dealing with offers of Gifts and Hospitality. The audit has focused specifically on the Gifts and Hospitality Policy relating to Council employees.
- 3.2 The objective of the audit was to review the adequacy and effectiveness of the Council's 'Acceptance by Employees of offers of Gifts and Hospitality Policy'.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	5 September 2013

EAST LoTHIAN COUNCIL – INTERNAL AUDIT GIFTS AND HOSPITALITY POLICY

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2013/14, a review was undertaken of the arrangements in place for dealing with offers of Gifts and Hospitality. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- The Council has in place an 'Acceptance by Employees of offers of Gifts and Hospitality Policy'. The Policy was approved by Council in August 2009.
- The Gifts and Hospitality Policy is available on the Council's intranet.
- The induction pack provided to new employees includes reference to the acceptance of gifts and hospitality.

1.3 Areas with Scope for Improvement

- The Council's 'Acceptance by Employees of offers of Gifts and Hospitality Policy' requires review to reflect changes in legislation – the Policy has not been updated following the introduction of the Bribery Act 2010. *Risk – failure to reflect changes in legislation.*
- The declaration form currently in place requires review – the form does not facilitate the recording of key information including the date the form was completed, the reasons for accepting hospitality or the relationship with the person offering gifts or hospitality. *Risk – lack of openness and transparency.*
- The Gifts and Hospitality Policy in place relates specifically to the acceptance of offers of gifts and hospitality – no arrangements are currently in place for the recording of offers of gifts and hospitality that are declined. *Risk – lack of transparency in respect of offers of gifts and hospitality declined.*
- While arrangements are in place for employees to complete a declaration form in line with Council Policy, no corporate register is maintained to provide a comprehensive record of all offers of gifts and hospitality. *Risk – failure to ensure effective monitoring of gifts and hospitality.*
- While reminders are being issued to staff in some areas, a consistent approach is not being adopted across the Council to raise awareness of the Gifts and Hospitality Policy in place. *Risk – employees may be accepting inappropriate gifts and hospitality.*
- There is a lack of adequate monitoring and reporting arrangements in place in respect of gifts and hospitality. *Risk – failure to demonstrate compliance with the Policy.*

1.4 Summary

Our review of the Council's Gifts and Hospitality Policy has identified a need to review the adequacy and effectiveness of the arrangements in place. Detailed findings and Internal Audit's recommendation are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

September 2013

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
GIFTS AND HOSPITALITY POLICY**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
4.1.1	In view of Internal Audit's findings, Management should review the adequacy and effectiveness of the Council's 'Acceptance by Employees of offers of Gifts and Hospitality Policy'.	Medium	Depute Chief Executive – Partnership and Services for Communities	Agreed		March 2014

GRADING OF RECOMMENDATIONS

To assist Management in using our reports, our recommendations are categorised according to their level of priority as follows:

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

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 November 2013
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Payments to Scottish Water

8

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Payments to Scottish Water.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Payments to Scottish Water.

3 BACKGROUND

- 3.1 A review of Payments to Scottish Water was undertaken as part of the audit plan for 2013/14.
- 3.2 The main objective of the audit was to ensure that the internal controls in place for administering Payments to Scottish Water were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	5 September 2013

EAST LOTHIAN COUNCIL – INTERNAL AUDIT PAYMENTS TO SCOTTISH WATER

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of Payments to Scottish Water was carried out as part of the Audit Plan for 2013/14. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Checks are in place to ensure that billing system parameters for water and sewerage charges are correctly entered on the Capita system prior to Council Tax bills being produced.
- Mandatory water charge reductions are correctly applied to taxpayers' accounts in accordance with legislation.
- Systems are in place to ensure that key information from the Capita system is correctly updated for water and sewerage charges to enable payment calculations to be carried out.
- Adequate arrangements are in place to ensure that payments to Scottish Water are properly authorised and submitted by the due date.
- Adequate documentation is in place to support the total number of properties used in the payment calculations.
- Procedures are in place to ensure that the collection fees due to the Council are correctly calculated and are properly deducted from the payments made to Scottish Water.

1.3 Areas with Scope for Improvement

- There was a lack of adequate documentation in place to support the adjustments being made in the payment calculations for costs raised. *Risk – inappropriate adjustments may be made.*
- The current checking arrangements in place to ensure that payments made to Scottish Water are accurate and complete require review. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Our review of Payments to Scottish Water identified areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

September 2013

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
PAYMENTS TO SCOTTISH WATER**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.3	Management should ensure that appropriate documentation is held to support the adjustments being made in the payment calculations for costs raised.	Medium	Revenues Manager	Agreed Formal supportive documentation to be sought.		December 2013
3.4.4	All Scottish Water payment calculations should be checked for accuracy and completeness by a person independent of processing.	Medium	Head of Council Resources	Under discussion		Ongoing

GRADING OF RECOMMENDATIONS

To assist Management in using our reports, our recommendations are categorised according to their level of priority as follows:

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

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 November 2013
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Tyne Esk LEADER Programme

9

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on the Tyne Esk LEADER Programme.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for the Tyne Esk LEADER Programme.

3 BACKGROUND

- 3.1 A review of the Tyne Esk LEADER Programme was undertaken as part of the audit plan for 2013/14.
- 3.2 The Tyne Esk LEADER Programme is part of the Scottish Rural Development Programme (SRDP) aimed at promoting economic and community development within rural areas in East Lothian and Midlothian.
- 3.3 The objective of the audit was to establish if assurance could be placed on the adequacy and effectiveness of the internal controls in place for administering the Tyne Esk LEADER Programme.
- 3.4 We note that during 2012/13 Audit Scotland carried out a review of LEADER projects throughout Scotland. The findings from the review identified significant concerns in a number of areas including the quality of financial appraisal and eligibility checking by Local Action Groups (LAGS) when approving projects and claims, the quality of file documentation in support of project approvals being generally poor and the existing framework supporting the LEADER scheme not being fit for purpose.

- 3.5 In light of the Audit Scotland findings, the Scottish Government has requested that all LAGS carry out a review of their live projects. We note that at the time of our audit, the LEADER Project Officer was in the process of carrying out this review. East Lothian Council (as lead partner for the Tyne Esk LEADER Programme) was required to submit its findings from the review to the Scottish Government.
- 3.6 We further note that a Scottish Government monitoring visit was carried out in May 2013 during which 10 Tyne Esk LEADER project files were reviewed. A number of issues were identified during the monitoring visit and an action plan was drawn up by the LEADER Project Officer to address these. As part of their overall findings, the Scottish Government recognised that there had been changes to staff since their previous monitoring visit and that this had resulted in a positive change in procedures.
- 3.7 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	5 September 2013

EAST LOTHIAN COUNCIL – INTERNAL AUDIT TYNE ESK LEADER PROGRAMME

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the audit plan we have undertaken a review of the internal controls in place for the administration of the Tyne Esk LEADER (Liaison Entre Actions de Developpement de l'Economie Rurale) Programme. This report covers audit work undertaken for the LEADER financial years 2011/12 and 2012/13.

1.2 Areas where Expected Controls were Met

- For the grant claims reviewed, we found that the total grants paid to applicants were consistent with the LEADER grant amounts approved.
- Grant payments made had been correctly recorded in the quarterly returns submitted to the Scottish Government.
- Appropriate arrangements are in place to ensure that monitoring visits are carried out prior to the payment of the final grant claim – a copy of the Project Monitoring Form was held on file.

1.3 Areas with Scope for Improvement

- A number of anomalies were identified in the processing and payment of LEADER grant claims. *Risk – inappropriate payments may be made.*
- There was a lack of adequate segregation of duties – our review highlighted that final grant claims were being checked by a person independent of processing, however no similar arrangements were in place for checking interim claims. *Risk – errors and omissions may occur and remain undetected.*
- The governance arrangements operating in respect of the Tyne Esk LEADER Programme require review – we found that there was a risk of potential conflicts of interest arising, particularly where LAG (Local Action Group) members were connected to organisations that had been awarded significant amounts of LEADER funding. *Risk – favouritism and bias may occur.*
- Grant claims submitted by one applicant had been approved for payment, although the claims contained items of expenditure that had not been specified in the project application. *Risk – grant claims paid may relate to ineligible expenditure.*

1.4 Summary

Our review of the internal controls surrounding the Tyne Esk LEADER Programme has identified some areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

September 2013

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
TYNE ESK LEADER PROGRAMME**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that appropriate arrangements are in place for the processing and payment of all LEADER grant claims.	Medium	Economic Development Manager	All systems reviewed, improved where appropriate and subject to ongoing review.		In Place
3.1.3	Management should ensure that grant payments are only made for items specified and approved in the project application and which are eligible for LEADER funding.	Medium	Economic Development Manager	Agreed – review of all current files almost completed (August 2013).		December 2013
3.1.4	Management should ensure that grant payments are only made where there is evidence of procurement guidance being complied with and of appropriate quotes or estimates being obtained.	Medium	Economic Development Manager	Agreed – files pertinent to current projects (payments made from October 2012) reviewed, contacted where necessary and to be followed up as required.		December 2013

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	Management should ensure that adequate segregation of duties exist in respect of the processing and checking of all grant claims.	Medium	Economic Development Manager	Agreed – all files receiving second check from LEADER Project Officer.		In Place
3.3.1	Management should ensure that appropriate checks are carried out on the accuracy and completeness of amounts claimed from the Scottish Government.	Medium	Economic Development Manager	All systems reviewed, improved where appropriate and subject to ongoing review. Full reconciliation of income and expenditure recently undertaken with ongoing review.		In Place
3.3.2	To ensure compliance with the SLA (Service Level Agreement), all quarterly claims should be submitted to the Scottish Government within 20 working days of the end of the quarter.	Low	Economic Development Manager	Email submission within 20 working days and finalised and agreed claim form submitted thereafter. As per ELC financial framework.		In Place

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.1	A review of the governance arrangements operating in respect of the Tyne Esk LEADER Programme should be undertaken – the review should ensure that appropriate Corporate Governance arrangements are in place and that conflicts of interest do not arise.	High	Economic Development Manager	All systems reviewed, improved where appropriate and subject to ongoing review. Conflicts of interest are noted in the minute of the LAG meeting and form signed, LAG member also not involved in decision-making and recorded thus. A range of protocols will be developed for new funding regime whereby LAG members will be asked to consider their position either with LAG or applicant body and to consider withdrawal from one or either of their commitments until no potential for the appearance of favouritism or bias continues.	LAG meeting planned for October 2013 will be the last assessment meeting.	Implementation for new funding programme, 2014-20.

GRADING OF RECOMMENDATIONS

To assist Management in using our reports, our recommendations are categorised according to their level of priority as follows:

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

REPORT TO: Audit and Governance Committee

MEETING DATE: 19 November 2013

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Statutory Performance Indicators
2012/13

10

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Statutory Performance Indicators 2012/13.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Statutory Performance Indicators 2012/13.

3 BACKGROUND

- 3.1 In 2012/13 the Council reported on 25 Statutory Performance Indicators and as part of the audit plan we reviewed a sample of five indicators.
- 3.2 The main objective of the review was to ensure that adequate arrangements were in place for the preparation and reporting of Statutory Performance Indicators and that the information produced was accurate and complete.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	5 September 2013

**EAST LoTHIAN COUNCIL – INTERNAL AUDIT
STATUTORY PERFORMANCE INDICATORS – 2012/13**

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2013/14, a review was undertaken of the arrangements in place for the preparation and reporting of Statutory Performance Indicators.

1.2 Areas where expected controls were met

- The Council has adequate arrangements in place to ensure that it complies with its obligations in respect of Statutory Performance Indicators.
- Departments were issued with detailed guidance on the preparation and submission of performance information.

1.3 Areas with Scope for Improvement

- Sickness Absence – there was a failure to ensure that a consistent approach was used for calculating both Full Time Equivalent employees and Full Time Equivalent sick days. *Risk – reported figures may be inaccurate.*
- Asset Management – for the sample of cases examined, condition surveys of operational buildings had not been undertaken within the last five years, although desk top reviews had been carried out for buildings where specific work had been undertaken. *Risk – information held may be out of date.*
- Home Care/Home Helps – there was no evidence of a verification checklist being completed for this SPI to confirm that the information produced was accurate and complete. Anomalies were identified in the reports produced for this indicator – the reports were subsequently corrected and resubmitted by the department. *Risk – reported figures may be inaccurate.*
- Managing Tenancy Changes – there was a lack of checking procedures in place to ensure that the information produced was accurate and complete – an error was identified in the calculation of this SPI. *Risk – reported figures may be inaccurate.*

1.4 Summary

Our review of Statutory Performance Indicators identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

**Mala Garden
Internal Audit Manager**

September 2013

**EAST LoTHIAN COUNCIL – INTERNAL AUDIT
STATUTORY PERFORMANCE INDICATORS – 2012/13**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.1	<p><u>Sickness Absence</u></p> <p>Management should ensure that a clear audit trail exists – all relevant reports supporting the Performance Indicator figures should be retained by the department for audit purposes.</p> <p>Management should ensure that a consistent approach is used for calculating both Full Time Equivalent employees and Full Time Equivalent sick days.</p>	Medium	Performance and Business Support Manager	<p>All reports required to produce the SPI are retained.</p> <p>Liaise with IT to determine whether further support can be provided to alter the Access database which generates the SPI.</p>	<p>Until such times that the Access database system can be modified.</p>	<p>In Place</p> <p>March 2014</p>
3.5.1	<p><u>Asset Management</u></p> <p>Management should ensure that assessments of operational buildings for condition are undertaken every five years.</p>	Medium	Building Surveyor	<p>The guidance is unclear regarding Condition Survey “assessments” – the guidance refers to assessments not surveys. However, a rolling programme of re-survey of assets will be implemented over a five year period.</p>		2014 - 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.1	<p><u>Home Care/Home Helps</u></p> <p>Management should ensure that reports being produced for this Statutory Performance Indicator are in accordance with the SPI definition.</p> <p>Management should ensure that a verification checklist is completed and that checks are carried out by a person independent of the preparer, but sufficiently familiar with the data being presented to identify any errors.</p>	Medium	Information Systems Manager	<p>Agreed – the errors in the report design are now corrected and the revised report will be in place for future years.</p> <p>Agreed</p>		<p>In Place</p> <p>March 2014</p>
3.7.1	<p><u>Managing Tenancy Changes</u></p> <p>The SPI figures produced by Financial Services should be checked for accuracy and completeness by a person independent of the preparer.</p>	Medium	Head of Council Resources	Under discussion		Ongoing

GRADING OF RECOMMENDATIONS

To assist Management in using our reports, our recommendations are categorised according to their level of priority as follows:

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

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 November 2013
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Follow-up Reports

11

1 PURPOSE

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

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the findings of Internal Audit's follow-up work on Pathway Residential Unit for Young People, Prestonpans Infant School, Debtors, Non-Domestic Rates – Liability, Council Tax – Refunds and How Good is Our Council (HGIOC).

3 BACKGROUND

- 3.1 As part of the audit plan for 2013/14 Internal Audit has followed up the recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. Our findings are detailed below.

Pathway Residential Unit for Young People

- 3.2 Internal Audit's report on Pathway Residential Unit for Young People was issued in September 2011. Our follow-up review has identified that all 16 recommendations made have been fully implemented.

Prestonpans Infant School

- 3.3 Internal Audit's report on Prestonpans Infant School was issued in September 2012. Our follow-up review has identified that all 9 recommendations made have been fully implemented.

Debtors

- 3.4 Internal Audit's report on Debtors was issued in March 2011. Our follow-up review has identified that of the 21 recommendations made, 17 have been fully implemented, 3 have been partly implemented and 1 is currently outstanding. The recommendations that are partly implemented and the recommendation which is currently outstanding are detailed in Appendix 1, together with Management's response.

Non-Domestic Rates – Liability

- 3.5 Internal Audit's report on Non-Domestic Rates – Liability was issued in June 2012. Our follow-up review has identified that of the 6 recommendations made, 4 have been fully implemented, 1 has been partly implemented and 1 is currently outstanding. The recommendation that is partly implemented and the recommendation that is currently outstanding are detailed in Appendix 1, together with Management's response.

Council Tax – Refunds

- 3.6 Internal Audit's report on Council Tax – Refunds was issued in June 2012. Our follow-up review has identified that of the 12 recommendations accepted by Management, 11 have been fully implemented and 1 has been partly implemented. The recommendation that is partly implemented is detailed in Appendix 1, together with Management's response.

How Good is Our Council (HGIOC)

- 3.7 Internal Audit's report on How Good is Our Council (HGIOC) was issued in November 2011. Our follow-up review has identified that of the 16 recommendations made, progress has been made in implementing 13 recommendations, 1 has been partly implemented and 2 have now been superseded. The recommendation that is partly implemented is detailed in Appendix 1, together with Management's response.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	5 September 2013

Appendix 1

DEBTORS

Our follow-up review has identified that of the 21 recommendations made, 17 have been fully implemented, 3 have been partly implemented and 1 is currently outstanding. The recommendations that are partly implemented and the recommendation that is currently outstanding are detailed below, together with Management's response.

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT RESPONSE	REVISED DATE OF COMPLETION
3.7.1	Periodic reports detailing all cancellations, credit notes, write-offs and suppressions should be produced. The reports should be reviewed by a person independent of processing to ensure that all actions taken are valid.	Corporate Finance Manager	Partly implemented While reports are being produced by staff they are not being reviewed by the Manager. Sample checks will be carried out by senior staff in future.	September 2013
3.11.3	Reports of all approved write-offs below £10,000 should be submitted to the Members' Library on a quarterly basis.	Revenues Manager	Partly implemented Retrospective report required to bring Members' Library up to date. Reports to be submitted to the Members' Library on a quarterly basis, providing approvals have been done within the relevant quarter.	December 2013

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT RESPONSE	REVISED DATE OF COMPLETION
3.11.5	VAT should be reclaimed on bad debts written off in line with HMRC guidance.	Corporate Finance Manager	Not material as most recent write offs have either not had VAT or have been outwith the timescale for reclaiming VAT. In future, write offs will be reviewed to look for opportunities to reclaim VAT.	Ongoing
3.13.1	<p>Departments should be provided with management information on debts outstanding in their area.</p> <p>Departments should be advised to review persistent bad payers – consideration should be given to withdrawing credit facilities and/or making alternative arrangements for payment e.g. payment in advance.</p>	Corporate Finance Manager	<p>Partly implemented</p> <p>Management information is provided to some departments e.g. Estates but agreed that it is not routinely provided to all.</p> <p>Intention to develop regular standard reporting but it has not yet been possible within current resources.</p>	Ongoing

NON-DOMESTIC RATES – LIABILITY

Our follow-up review has identified that of the 6 recommendations made, 4 have been fully implemented, 1 has been partly implemented and 1 is currently outstanding. The recommendation that is partly implemented and the recommendation that is currently outstanding are detailed below, together with Management's response.

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT RESPONSE	REVISED DATE OF COMPLETION
3.4.1	Adequate monitoring arrangements should be put in place to ensure that Small Business Bonus Scheme Relief is properly applied.	Debt Management & Business Rates Team Leader	Bi-annual sample check will be carried out. Checks to be done at the end of March and the end of September.	September 2013
3.4.7	The existing procedures in place for awarding discretionary rates relief should be reviewed.	Revenues Manager	Partly implemented New policy is being drafted.	March 2014

COUNCIL TAX – REFUNDS

Our follow-up review has identified that of the 12 recommendations accepted by Management, 11 have been fully implemented and 1 has been partly implemented. The recommendation that is partly implemented is detailed below, together with Management's response.

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT RESPONSE	REVISED DATE OF COMPLETION
3.1.1	The existing procedures in place should be updated to reflect all key stages in the Council Tax refund process.	Council Tax Team Leader	Partly implemented Additional procedure notes have been issued to staff, however Nimbus has yet to be updated.	November 2013

HOW GOOD IS OUR COUNCIL (HGIOC)

Our follow-up review has identified that of the 16 recommendations made, progress has been made in implementing 13 recommendations, 2 recommendations have been superseded and 1 has been partly implemented. The recommendation that is partly implemented is detailed below, together with Management's response.

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT RESPONSE	REVISED DATE OF COMPLETION
2.5.4	Management should ensure that all individual questions with a low score lead to appropriate improvement/action points. All improvement/action points should be reflected in the relevant Service or Unit Business Plans.	Board of Directors	<p>Partly implemented</p> <p>The latest review of HGIOC deals with this issue in detail and includes the following recommendations:</p> <ul style="list-style-type: none">• Heads of Service should set expectations with Managers that improvements identified through HGIOC are included in service plans.• Heads of Service should set expectations with Managers that improvement actions are transparent; with outcomes (or otherwise) communicated widely to staff.	March 2014

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 November 2013
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Housing Repairs and Maintenance

12

1 PURPOSE

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

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 A review of Housing Repairs and Maintenance was undertaken as part of the audit plan for 2013/14.
- 3.2 The main objective of the audit was to ensure that the internal controls in place for Housing Repairs and Maintenance were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	7 November 2013

EAST LOTHIAN COUNCIL – INTERNAL AUDIT HOUSING REPAIRS AND MAINTENANCE

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2013/14, a review was undertaken of Housing Repairs and Maintenance. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- The Council has a Housing Repairs and Maintenance Policy in place – the Policy was approved by Cabinet in 2008.
- Adequate arrangements are in place to ensure that housing repairs are restricted where a right to buy application has been submitted to the Council.

1.3 Areas with Scope for Improvement

- There was a lack of adequate procedures in place covering key aspects of housing repairs and maintenance. *Risk – failure to adopt a consistent approach.*
- There was a failure to ensure that information held on the Orchard system was accurate and complete. *Risk – errors and omissions may remain undetected.*
- In some cases, repairs had been incorrectly classified on the Orchard system. *Risk – failure to identify rechargeable repairs.*
- For non-emergency rechargeable repairs, there was a failure to ensure that tenants were provided with an estimate of the cost of works, prior to work being undertaken. *Risk – disputes and disagreements may arise.*
- The procedures in place for raising invoices for rechargeable repairs require review – in a number of cases, there were significant delays in the raising of invoices and in some cases no invoices had been raised. *Risk – loss of income to the Council.*
- Invoices issued to tenants for rechargeable repairs failed to provide a detailed breakdown of the costs being charged. *Risk – errors and omissions may remain undetected.*
- The procedures in place for recharging work carried out to communal areas are considered inadequate – private owners were not being recharged for their share of the works costs. *Risk – failure to recover all sums due to the Council.*
- The existing arrangements in place for the recording and authorisation of variations require review. *Risk – unauthorised work may be undertaken.*

1.4 Summary

Our review of Housing Repairs and Maintenance identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

November 2013

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
HOUSING REPAIRS AND MAINTENANCE**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.2	Management should ensure that detailed procedures are in place to provide guidance to staff on key aspects of housing repairs and maintenance.	Medium	Property Maintenance Manager	Agreed Management to review procedural arrangements to support the delivery of the Council's repairs and maintenance policy and support officers to ensure their consistent implementation.		Detailed implementation arrangements to be confirmed following the Housing Repairs service review.
3.1.3	Management should review the existing tenants' guide to the repairs and maintenance policy to ensure that it clearly sets out the procedures that should apply for rechargeable repairs.	Medium	Property Maintenance Manager	Agreed Clarification of rechargeable repairs and communication arrangements with customers in this respect to be reviewed and updated.		Detailed implementation arrangements to be confirmed following the Housing Repairs service review.

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	<p>Management should ensure that all information entered on to the Orchard system is accurate and complete.</p> <p>The existing practice of entering tenants' names in the 'reported by' section, for repairs not reported by tenants should cease with immediate effect.</p> <p>Management should review the practice whereby work that may fall within planned maintenance is currently being undertaken as part of responsive repairs.</p> <p>Management should ensure that the Council's Corporate Procurement Procedures are being complied with where work is undertaken by external contractors.</p>	Medium	Property Maintenance Manager	Agreed		<p>Ongoing</p> <p>Immediate</p> <p>Ongoing</p> <p>Ongoing</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.1	Management should ensure that for non-emergency rechargeable repairs, the tenant is provided with an estimate of the repair costs and the tenant's approval is obtained prior to the work being undertaken.	Medium	Property Maintenance Manager	Agreed Management to explore options to provide estimated costs and secure mandated authority for works to be carried out prior to undertaking, potentially subjected to practical de-minimis levels.		Detailed implementation arrangements to be confirmed following the Housing Repairs service review.
3.3.2	Management should ensure that all reported repairs are correctly classified on the Orchard system.	Medium	Property Maintenance Manager	Agreed		Ongoing
3.3.3	Management should ensure that invoices are raised promptly for all completed rechargeable repair work.	Medium	Property Maintenance Manager	Agreed Management to review procedural arrangements to ensure that invoices are accurate, sufficiently detailed and promptly raised.		Detailed implementation arrangements to be confirmed following the Housing Repairs service review.

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.4	For all repairs to communal areas, appropriate mechanisms should be put in place to ensure that private owners are recharged for their share of the works cost.	Medium	Property Maintenance Manager	<p>Agreed</p> <p>Management to explore the appropriate systems use of allocating repairs against communal block addresses and determine a suitable process to ensure that private tenants are recharged for their share of the cost of the work undertaken.</p>		Detailed implementation arrangements to be confirmed following the Housing Repairs service review.
3.3.5	Management should ensure that all invoices raised for rechargeable repairs provide a detailed breakdown of the costs being charged.	Medium	Property Maintenance Manager	<p>Agreed</p> <p>Management to review procedural arrangements to ensure that invoices are accurate, sufficiently detailed and promptly raised.</p>		Detailed implementation arrangements to be confirmed following the Housing Repairs service review.

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.6	Management should ensure that invoices issued to tenants accurately reflect the work carried out.	Medium	Property Maintenance Manager	Agreed Management to review procedural arrangements to ensure that invoices are accurate, sufficiently detailed and promptly raised.		Detailed implementation arrangements to be confirmed following the Housing Repairs service review.
3.4.1	Management should review the existing arrangements in place for the recording and authorisation of variations.	Medium	Property Maintenance Manager	Agreed Management to explore practical options that satisfy sound governance principles but at the same time deliver sensible customer service levels and efficient ways of working. Consideration to be given to digital and mobile approaches to instruction and completion of work as well as appropriate breakdown of works instruction, particularly in regard to void properties.		Detailed implementation arrangements to be confirmed following the Housing Repairs service review.

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.1	Consideration should be given to reviewing the current Schedule of Rates used for charging repairs work.	Medium	Property Maintenance Manager	Agreed		Detailed implementation arrangements to be confirmed following the Housing Repairs service review.

Grading of Recommendations

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

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

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 November 2013
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Licensing

13

1 PURPOSE

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

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 A review of Licensing was undertaken as part of the audit plan for 2013/14.
- 3.2 The main objective of the audit was to ensure that the internal controls in place for administering the Licensing process were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	7 November 2013

EAST LOTHIAN COUNCIL – INTERNAL AUDIT LICENSING

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of the Licensing process was undertaken as part of the Audit Plan for 2013/14. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- An independent Licensing Board has been established with responsibility for issuing and reviewing alcohol and gambling licences in accordance with legislation.
- The Council has a Licensing Sub-Committee in place that deals with the issue and review of all other licences.
- Appropriate guidance and information is available on the Council's website to assist applicants with their licence applications.
- Adequate documentation is in place to support licence applications granted.
- Arrangements are in place to ensure that licence fees are set in accordance with legislation.

1.3 Areas with Scope for Improvement

- The existing practice of backdating licence applications that are received late requires review. *Risk – failure to comply with legislation.*
- There was a failure to ensure that fee details recorded on application forms and guidance notes were up to date. *Risk – incorrect payments may be made.*
- There was a lack of a clear audit trail to support licence fees received by the Council. *Risk – errors or irregularities may occur and remain undetected.*
- The Northgate system is not being used to its full potential – the licensing register functionality is not being utilised and all licensing information is not currently being recorded on the system. *Risk – information held may be incomplete or inaccurate.*
- The information contained in the alcohol register in respect of premises licences requires review. *Risk – failure to comply with legislation.*
- No reconciliations are carried out between licence fee income collected through the Income Management System and income recorded on the Great Plains general ledger. *Risk – errors or irregularities may occur and remain undetected.*

1.4 Summary

Our review of the Licensing process identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

November 2013

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
LICENSING**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.3	Management should review and amend the Scheme of Delegation which forms part of the Statement of Principles, to ensure that it accurately reflects the provisions of the Gambling Act 2005.	Medium	Corporate Legal Adviser	Agreed – the Scheme of Delegation will be amended to remove ambiguity.		December 2013
3.2.1	All application forms should be reviewed to ensure that they have the facility for recording the date of completion by the applicant.	Medium	Corporate Legal Adviser		Yes – the date of completion is not required and is irrelevant. In any event some of the forms are prescribed by statute and cannot be reviewed or amended.	

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1 (cont)	Management should ensure that all information held on the Council's website is accurate and complete.	Medium	Corporate Legal Adviser	Agreed – the website information will be thoroughly reviewed to ensure accuracy and thereafter regular checks will be undertaken every 3 months.		December 2013
3.2.3	Management should review the existing practice in place for recording licence information. Consideration should be given to recording and scanning all licensing information on the Northgate system.	Medium	Corporate Legal Adviser	Agreed – this will be undertaken for all new applications and a programme will be established for scanning all information relating to existing licences.		Ongoing – back scanning by June 2014.
3.3.1	Monitoring should be undertaken of licences that are due to expire. Consideration should be given to issuing renewal reminder letters to all licence holders prior to the expiry date of the licence.	Medium	Corporate Legal Adviser	Agreed – monitoring will be undertaken. Agreed – the costs and time involved will be explored and balanced against the benefit to the applicants/Police.		Ongoing March 2014

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.1 (cont)	<p>Where a renewal application form is not submitted by the due date, notification should be provided to the licence holder and Police Scotland that the licence has expired.</p> <p>The existing practice of backdating late licence applications requires review.</p>	Medium	Corporate Legal Adviser	<p>Agreed</p> <p>Agreed</p>		<p>March 2014</p> <p>January 2014</p>
3.4.1	<p>Consideration should be given to fully utilising the licensing register functionality of the existing Northgate system.</p> <p>The licensing register should be regularly updated to reflect changes which include removing surrendered or revoked licences.</p>	Medium	Corporate Legal Adviser	<p>Agreed – this will be undertaken once the work to enable online applications is complete and an upgrade to the software has been installed.</p> <p>Agreed – this work will be undertaken.</p>		<p>September 2014</p> <p>Ongoing</p>
3.4.2	<p>Consideration should be given to making all licensing registers readily accessible for inspection by members of the public via the Council’s website.</p>	Low	Corporate Legal Adviser	<p>Agreed – we will move towards making them available on the website but this is not a risk for the service at the moment.</p>		September 2014

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.3	<p>Management should ensure that the information held on the alcohol register in respect of premises licences is in accordance with legislation.</p> <p>A review should be carried out of all licence registers to ensure compliance with legislation.</p>	Medium	Corporate Legal Adviser	<p>Agreed – the alcohol register will be updated.</p> <p>Agreed – a review will be carried out.</p>		<p>June 2014</p> <p>June 2014</p>
3.5.2	<p>All key documentation in respect of licences should refer applicants to the fee list held on the Council’s website, thereby avoiding the need to record and annually update the fee rates on the actual application forms and guidance notes.</p> <p>The fee list on the Council’s website should be updated timeously to reflect the revised fee rates.</p>	Medium	Corporate Legal Adviser	<p>Agreed – this work will be undertaken.</p> <p>Agreed – task already undertaken and will be regularly reviewed.</p>		<p>March 2014</p> <p>Ongoing</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.3	Appropriate checks should be carried out to ensure that all licence applications are accompanied by the correct fee.	Medium	Corporate Legal Adviser / Customer Services Manager	Agreed – applications are received both at customer services desks and directly. We will assist in the training of customer services staff in this regard.		Ongoing
3.6.1	<p>For all licence fees received, the name of the payee should be entered on the daily reports from the Income Management System to ensure a clear audit trail exists for each individual licence fee received.</p> <p>Management should remove the duplicate entries from the daily reports generated from the Income Management System.</p> <p>Regular reconciliations should be carried out between the fee income recorded by the Licensing Service and fees received through the Income Management System.</p>	Medium	<p>Corporate Legal Adviser</p> <p>Systems Development Officer</p> <p>Corporate Legal Adviser</p>	<p>Agreed – reconciliation sheets from the customer services desks with the name of the payee will be attached to the reports from the Income Management System.</p> <p>Agreed</p> <p>Agreed – this will be undertaken weekly and any anomalies resolved.</p>		<p>January 2014</p> <p>In Place</p> <p>January 2014</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.2	<p>Regular reconciliations should be carried out between the fee income collected through the Income Management System and the amounts posted to the general ledger.</p> <p>Management should ensure that staff members within the Licensing Section are given access to Great Plains to enable BACS payments to be identified and to allow reconciliations to be carried out.</p>	Medium	Corporate Legal Adviser	Agreed		January 2014

Grading of Recommendations

To assist Management in using our reports, our recommendations are categorised according to their level of priority as follows:

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

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 November 2013
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Pencaitland Primary School

14

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Pencaitland Primary School.

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 A review of Pencaitland Primary School was undertaken as part of the audit plan for 2013/14.
- 3.2 The main objective of the audit was to ensure that the internal controls in place at Pencaitland Primary School were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	7 November 2013

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
PENCAITLAND PRIMARY SCHOOL**

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls operating at Pencaitland Primary School was carried out as part of the Audit Plan for 2013/14. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Appropriate arrangements are in place for the administration and management of School Fund income and expenditure.
- All purchase card transactions are supported by adequate documentation.
- Effective purchase card security procedures are in place.
- A clear audit trail exists for all purchases made by the School – purchases are supported by purchase orders and suppliers' invoices.
- The systems in place for the checking and receipting of purchase invoices are considered satisfactory.
- For goods ordered through the Pecos system, adequate procedures are in place for the ordering, authorising and receipting of purchases.
- The School operates a commitment spreadsheet to monitor the committed expenditure.
- Adequate procedures are in place for budget monitoring – the overall financial position of the School is regularly reviewed.
- Adequate arrangements are in place for the collection, recording and banking of all income received.

1.3 Areas with Scope for Improvement

- At present only one member of staff has been trained and is responsible for undertaking key tasks relating to income and banking. *Risk – lack of adequate cover for staff absences.*
- The arrangements for maintaining an up to date inventory of assets require review. *Risk – non-compliance with the Financial Procedures for Schools.*

1.4 Summary

Our review of Pencaitland Primary School has identified that internal controls in place are operating satisfactorily. Detailed findings are contained in our main Audit Report.

**Mala Garden
Internal Audit Manager**

November 2013

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
PENCAITLAND PRIMARY SCHOOL**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.3	<p>Receipts should be issued to parents for cash payments in accordance with the Financial Procedures for Schools.</p> <p>Remittance slips completed by parents should be retained as evidence of payments being received.</p>	Medium	Head Teacher	Agreed		November 2013
3.4.6	Management should ensure that adequate cover is in place for income and banking duties.	Medium	Head Teacher	Agreed		November 2013
3.6.7	Management should ensure that a valid VAT invoice/receipt is retained for all VAT reclaimed on purchases.	Medium	Head Teacher	Agreed		In Place
3.9.1	Management should ensure that an up to date inventory of assets is maintained in compliance with the Financial Procedures for Schools.	Medium	Head Teacher	Agreed		March 2014

Grading of Recommendations

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

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

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 November 2013
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Insurance and Claims

15

1 PURPOSE

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

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 A review of Insurance and Claims was undertaken as part of the audit plan for 2013/14.
- 3.2 The main objective of the audit was to ensure that the internal controls in place for Insurance and Claims were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	7 November 2013

EAST LOTHIAN COUNCIL – INTERNAL AUDIT INSURANCE AND CLAIMS

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2013/14, a review was undertaken of Insurance and Claims. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- An insurance manual is in place, which provides guidance on insurance arrangements and includes a summary of the main classes of insurance cover held by the Council.
- The Council uses the Figtree system for the administration of insurances and detailed procedures are available for the processing of claims.
- A clear audit trail exists of all claims received and processed by the Council.
- Adequate arrangements are in place to avoid conflicts of interest when processing claims.

1.3 Areas with Scope for Improvement

- The register of insurance policies requires review – the existing register does not contain all key information in respect of insurance policies held by the Council. *Risk – information may be incomplete and out of date.*
- There were delays in updating all key information relating to settled claims on the Figtree system. *Risk – information held may be incomplete.*
- There was a lack of segregation of duties in respect of checking settled claims. *Risk – errors and irregularities may occur and remain undetected.*
- There was a lack of evidence to confirm that reconciliations were being carried out between the fees charged by the external claims handler and the total number of claims handled. *Risk – errors and omissions may occur and remain undetected.*
- The arrangements in place for notifying the insurance section of key service and operational changes require review. *Risk – changes which may impact on the Council's insurance arrangements are not properly communicated.*
- There was a lack of detailed information to enable the insurance section to effectively monitor the client fund account held by the Council's external claims handler. *Risk – failure to reconcile all amounts paid.*

1.4 Summary

Our review of Insurance and Claims identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

November 2013

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
INSURANCE AND CLAIMS**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that an up to date version of the insurance manual is available on the Council's intranet.	Low	Corporate Finance Manager	Agreed		In Place
3.2.1	Management should review the existing register of insurance policies held on Figtree, with a view to ensuring that it is comprehensive and up to date.	Medium	Corporate Finance Manager	Agreed		March 2014
3.2.2	Management should review the current arrangements for holding original insurance policy documentation.	Medium	Corporate Finance Manager	Agreed		March 2014
3.3.2	Management should ensure that all key information relating to settled claims is recorded on the Figtree system and that the cases are closed timeously.	Medium	Corporate Finance Manager	Agreed – steps are being put in place to close cases and record information on Figtree by the end of 2013/14. In addition, we are exploring the possibility of using EDRMS to manage workflows.		March 2014

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3	<p>The 'quality review and checked by' section of the Quality Assurance Checklist should be completed by a person independent of processing the claim.</p> <p>Management should ensure that all relevant documentation is completed and held on file for claims settled by the Council's external claims handler.</p>	Medium	Corporate Finance Manager	Agreed – sample checks to be carried out by the Corporate Finance Manager.		November 2013
3.4.1	For all insurance claims settled in-house, a member of staff independent of the claims handler should check settlement details – evidence of this check should be retained.	Medium	Corporate Finance Manager	Agreed – sample checks to be carried out by the Corporate Finance Manager.		November 2013
3.4.2	<p>The Council should ensure that the external claims handler provides regular statements from the client fund account showing all entries made including the opening balance and the closing balance for each period.</p> <p>Insurance staff should check the accuracy and completeness of the client fund account details provided.</p>	Medium	Corporate Finance Manager	Agreed		In Place

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.3	Management should ensure that payments to the external claims handler for settled claims are only made using the client fund account currently in place.	Medium	Corporate Finance Manager	Agreed		November 2013
3.4.4	On an annual basis, a reconciliation should be carried out between the fees charged by the external claims handler and the total number of claims handled on behalf of the Council – evidence of the reconciliation should be retained.	Medium	Corporate Finance Manager	Agreed		November 2013
3.5.1	Regular reports highlighting insurance claim trends should be provided to Senior Management.	Medium	Corporate Finance Manager	Agreed		March 2014
3.6.1	All external risk management reviews should be provided to Senior Management to enable any improvement action points to be addressed.	Medium	Corporate Finance Manager	Agreed		November 2013

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.2	<p>Management should ensure that key service and operational changes that may impact on the Council's insurance arrangements are properly communicated to the insurance section.</p> <p>The Corporate Finance Manager should review the renewal questionnaire completed by the insurance and claims officer to ensure that it contains all relevant information – evidence of this review should be held on file.</p>	Medium	<p>Depute Chief Executive – Resources & People Services / CMT</p> <p>Corporate Finance Manager</p>	<p>Agreed</p> <p>Agreed</p>		<p>November 2013</p> <p>April 2014</p>

Grading of Recommendations

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

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

REPORT TO: Audit and Governance Committee

MEETING DATE: 19 November 2013

BY: Depute Chief Executive – Resources & People Services

16

SUBJECT: Internal Audit Progress Report 2013/14

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit's progress against the annual audit plan for 2013/14.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Internal Audit Progress Report 2013/14.

3 BACKGROUND

- 3.1 The Council's external auditors, in their Interim Management report of April 2013, recommended that Internal Audit should present to the Audit and Governance Committee regular progress reports against the annual audit plan, to support the Committee in their remit to evaluate Internal Audit's work and identify where reports are outstanding.
- 3.2 The progress made to date is outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	7 November 2013

INTERNAL AUDIT PROGRESS REPORT 2013/14

AUDITABLE AREAS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Gifts and Hospitality Policy	We will review the arrangements in place within departments for compliance with the Council's Policy on Acceptance by Employees of offers of Gifts and Hospitality.	August 2013	Completed
Tyne Esk LEADER Programme	A review will be undertaken of the systems and processes in place for administering the Tyne Esk LEADER Programme.	August 2013	Completed
Review of Statutory Performance Indicators	Internal Audit will review the systems in place for the preparation and reporting of Statutory Performance Indicators.	August 2013	Completed
Payments to Scottish Water	The Council is required by law to bill and collect Scottish Water charges along with Council Tax. We will examine the controls in place in respect of payments made by the Council to Scottish Water.	August 2013	Completed
Review of Previous Years' Work	Internal Audit will review the outcome of our previous years' work to ensure recommendations have been actioned as agreed and that risks accepted by management have been properly managed.	August 2013	Completed
Law and Licensing	We will examine the internal controls in place surrounding the receipt of licence fees.	October 2013	Completed

AUDITABLE AREAS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Schools Audit	We will examine the financial procedures in place at one school to ensure that internal controls are operating effectively.	October 2013	Completed
Insurance and Claims	The Council's insurance arrangements will be reviewed, including the processing of and accounting for claims.	October 2013	Completed
Housing Repairs and Maintenance	The audit will review the arrangements in place for repairs and maintenance carried out by the Council's Property Maintenance section.	October 2013	Completed
Contracts Audit	We will review contracts awarded by the Council to ensure compliance with Standing Orders and Corporate Procurement Procedures.	October 2013	In Progress
East Lothian Investments Ltd	We will examine the internal controls and procedures operating within East Lothian Investments Ltd.	December 2013	
Mobile Payment Devices	We will review the internal controls in place for the use of mobile chip and PIN payment devices recently introduced by the Council's Revenues section.	December 2013	
Residential Units for Young People	We will examine the IT arrangements operating within the Council's Residential Units for Young People to ensure compliance with Council policies and procedures.	December 2013	

AUDITABLE AREAS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Welfare Reform	We will review the arrangements in place within the Council for the administration of the Scottish Welfare Fund.	December 2013	
National Fraud Initiative	Internal Audit participates in the National Fraud Initiative, which is coordinated for Scottish Local Authorities by Audit Scotland. This initiative seeks to identify potential frauds and overpayments by matching data held within the Council to that held by other bodies.	December 2013	
Housing Allocations	We will review the arrangements in place for Housing Allocations to ensure compliance with the Council's Policy.	February 2014	
Modernisation Programme	We will review the Modernisation/Extensions (Existing Stock) Programme which forms part of the Council's Housing Capital Investment Plan.	February 2014	
Community Care Finance Unit (CCFU)	We will examine the operating arrangements in place for the delivery of services currently undertaken by the CCFU.	February 2014	
Review of Previous Years' Work	Internal Audit will review the outcome of our previous years' work to ensure recommendations have been actioned as agreed and that risks accepted by management have been properly managed.	February 2014	
Creditors	The Council spends significant sums on goods and services. We will review the ordering, receipting and payment procedures in place.	April 2014	

AUDITABLE AREAS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Housing Revenue Account	We will examine the controls in place for reconciliations undertaken in respect of the Housing Revenue Account.	April 2014	
Journal Processing	We will review the arrangements in place for the authorisation and processing of journal entries.	April 2014	
Trading Operations	The Council has a number of trading operations and we will review the arrangements in place to ensure compliance with statutory requirements.	April 2014	
Procurement – Scheme of Delegation	We will examine the scheme of delegation to ensure that all procurement activity is undertaken by relevant officers with delegated authority.	April 2014	

Audit and Governance Committee Annual Work Plan 2013/14

Date	Internal Audit Reports	External Audit Reports	Accounts Commission/ Audit Scotland reports	Governance	Risk
19/11/13	<i>Electronic Document and Records Management System</i> <i>Gifts and Hospitality Policy</i> <i>Tyne Esk LEADER Programme</i> <i>Statutory Performance Indicators</i> <i>Payments to Scottish Water Follow-up Report</i> <i>Internal Audit Progress Report 2013/14</i> Housing Repairs and Maintenance Licensing Pencaitland Primary School Insurance and Claims Internal Audit Progress Report 2013/14			<i>Council Improvement Plan 2013/14 Monitoring Report</i> 2013/14 Mid Year Treasury Management Report	<i>Policy and Partnership Service Risk Register</i> <i>Council Resources Service Risk Register</i>

NB The reports in italics are those carried over from the September agenda.

21/01/14	Contracts Audit East Lothian Investments Ltd Mobile Payment Devices Residential Units for Young People Scottish Welfare Fund National Fraud Initiative Internal Audit Progress Report 2013/14	Presentation of Audit Strategy and Plan: Interim report	Managing early departures from the Scottish public sector: Report by the Accounts Commission	Efficient Workforce Management Update	
18/03/14	Housing Allocations Modernisation Programme Community Care Finance Unit (CCFU) Follow-up Report Internal Audit Plan 2014/15 Internal Audit Progress Report 2013/14	Presentation of Audit Strategy and Plan Auditor's Interim Report			
20/05/14	Creditors Housing Revenue Account Journal Processing Trading Operations Procurement – Scheme of Delegation Controls Assurance Statement 2013/14 Internal Audit Progress			2014 Corporate Governance Self-evaluation/ Annual Governance Statement	Corporate Risk Register

	Report 2013/14				
15/07/14				Draft 2013/14 Annual Accounts	