East Lothian
Council

MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE

TUESDAY 19 JANUARY 2016
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON

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Committee Members Present:
Councillor K McLeod (Convener)
Councillor S Brown
Councillor J Caldwell
Councillor S Currie
Councillor A Forrest
Councillor J Goodfellow
Councillor F McAllister
Councillor J Williamson

Other Councillors Present:
Councillor J McMillan

Council Officials Present:
Mr A McCrorie, Depute Chief Executive - Resources and People Services
Ms M Patterson, Depute Chief Executive – Communities and Partnerships
Mr J Lamond, Head of Council Resources
Mr R Montgomery, Head of Infrastructure
Mr T Shearer, Head of Communities & Partnerships
Ms S Saunders, Head of Children's Wellbeing
Mr P Vestri, Service Manager – Corporate Policy and Improvement
Ms S Fortune, Service Manager – Business Finance
Mr S Pryde, Principal Amenity Officer
Mr S Kennedy, Emergency Planning and Risk Officer
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor

Visitors Present:
Mr A Shaw, KPMG LLP
Ms L Nelson, KPMG LLP

Clerk:
Ms F Currie

Apologies:
None

Declarations of Interest:
None

1. **MINUTES OF THE AUDIT & GOVERNANCE COMMITTEE MEETING HELD ON 1 DECEMBER 2015 FOR APPROVAL**

The minutes of the Committee's meeting on 1 December 2015 were approved.

2. **ELC AUDIT STRATEGY REVIEW AND PLAN**

A report was submitted by KPMG to update the Committee on the 2015-16 audit Strategy review and plan.

Andy Shaw, Engagement Director, and Laura Nelson, Audit-in-Charge, presented the report outlining the scope and purpose of the audit, the significant risks and other focus areas, the audit approach and the timeline and reporting arrangements.

In response to questions from Members, Mr Shaw confirmed that the annual audit report would contain KPMG's opinion on the truth and fairness of the financial position as set out by the Council and that this would include a view on the length of the capital plan. He also clarified the risks and liabilities in relation to the pension fund.

Jim Lamond, Head of Council Resources, responded to a question from Councillor Brown on the forecast capital underspend of £2.4m in 2015/16 and slippage of £2m to be carried into 2016/17.

Councillor John McMillan raised questions around best value, sustainability of Scottish Government funding and the effect on the Council's ability to meet its statutory duties. Mr Shaw indicated that the audit looks at the financial sustainability of the Council and, if the forecast showed a significant deficit, the auditors would then look to factors including Scottish Government funding. He stated that if the Council appeared likely to breach its statutory responsibilities this would be brought to the attention of the Committee, the Council and the Scottish Government. However, Mr Shaw said that he was not aware of any occasion when the Council had failed to achieve its statutory duties.

Decision

The Committee agreed to note the contents of the report.

3. **INFRASTRUCTURE RISK REGISTER**

A report was submitted by the Chief Executive to present to the Committee the Infrastructure Risk Register for discussion, comment and noting.

Scott Kennedy, Emergency Planning and Risk Officer, presented the report drawing Members' attention to the standard matrix used to evaluate risk and to the Register which included 6 'high', 25 'medium' and 12 'low' risks. He explained that the document presented to the Committee detailed only the 'medium' and 'high' risks, as the low risks were already being successfully managed.

Stuart Pryde, Principal Amenity Officer, responded to a number of questions from Members on the issue of burial headstones. He advised that a rolling programme of inspections and remedial work was already underway to make safe many of the older

headstones. This work would continue over the next 4 – 5 years and, in the meantime, it was felt that the risk was at a manageable level. Mr Pryde explained that, for future sites, new headstones would include a reinforced slab but it was not possible to do this for older burial sites due to their topography. He confirmed that financial contributions were sought from families where replacement headstones were requested and clarified the arrangements in place for the upkeep of older churchyards. He also confirmed that a charge was now levied for new headstones and the money used to fund the work on older stones.

In response to questions from Councillor McAllister, Mr Pryde advised that the responsibility for the maintenance of Fisherrow Harbour lay with the Musselburgh Common Good Committee and that a survey was being undertaken to identify what work required to be done on the structures. The timing and cost of this work would be a matter for the Common Good Committee.

Decision

The Committee agreed to note the report and, in doing so, note that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk
- the total profile of the Infrastructure risk can be borne by the Council at this time in relation to the Council's appetite for risk
- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Infrastructure and are likely to be a feature of the risk register over a number of years.

4. 2015/16 COUNCIL IMPROVEMENT PLAN MONITORING REPORT

A report was submitted by the Depute Chief Executive – Resources and People Services to present to the Committee the 2015/16 Council Improvement Plan six-month monitoring report.

Paolo Vestri, Service Manager – Corporate Policy and Improvement, presented the report outlining progress made in completed the eight actions in the Improvement Plan since the Plan was adopted in August 2015. He advised Members that the outstanding actions would be completed by March 2016.

Decision

The Committee agreed to note the progress in achieving the Council Improvement Plan as detailed in the monitoring report.

5. ANNUAL WORK PLAN 2015/16

The Annual Work Plan 2015/16 was submitted to the Committee for information.

Mr Vestri presented the work plan inviting Members to note the reports proposed for future meetings.

In response to a question from Councillor Currie, Mr Vestri confirmed that the Audit Scotland report on Health & Social Care had been published and would be presented

to the next meeting of the Committee. However, there were no plans for any further reports on Health & Social Care to be added to the work plan. Mr Lamond added that issues relating to scrutiny of Health & Social Care budgets would be a matter for the Integration Joint Board's Audit & Risk Committee.

Decision

The Committee agreed to note the contents of the Annual Work Plan.

6. INTERNAL AUDIT REPORT – RISK MANAGEMENT

A report was submitted by the Depute Chief Executive - Resources and People Services to inform the Committee of the recently issued audit report on Risk Management.

Ms Garden presented the report, summarising the areas where controls were met, those with scope for improvement and the recommendations contained in the Action Plan which had been agreed by Management.

Responding to a question from Councillor Currie, Ms Garden explained that within a Risk Register a residual risk score should only be reduced where the planned control measures were new and were likely to be put in place. She further advised that a risk appetite statement would assist in articulating the level of risk the Council is prepared to tolerate or accept.

Councillor Currie stated that while the current Risk Register format generally served its purpose and the level of detail was suitable, he suggested that it would be helpful to add a category showing the potential implications of a failure to manage or mitigate a particular risk.

Mr Vestri indicated that the Corporate Risk Register review would consider these issues and the revised document, including the strategy and risk appetite statement, would be put to the Audit & Governance Committee for consideration.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

7. INTERNAL AUDIT REPORT – PAYMENTS TO THIRD SECTOR ORGANISATIONS

A report was submitted by the Depute Chief Executive - Resources and People Services to inform the Committee of the recently issued audit report on Payments to Third Sector Organisations.

Ms Garden presented the report, advising members of the main purpose and scope of the audit and outlining the findings and recommendations all of which had been agreed by Management.

In response to questions from Members, Ms Garden clarified matters relating to duplicate creditors and the lack of regular reviews.

Tom Shearer, Head of Communities and Partnerships, advised Members that the Council was moving towards a more consolidated approach to the management of grant awards. He said that, following a previous review of community grants, arrangements had been put in place to regularly review Community Partnership awards and all applications to be considered by Cabinet would, in future, be consolidated into a single report.

Councillor Currie welcomed the report and thanked Mr Shearer for his comments. He underlined the importance of regularly reviewing all grant awards to ensure that outcomes were being met and to help organisations to avoid potential difficulties.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

8. INTERNAL AUDIT REPORT – OUT OF AUTHORITY PLACEMENTS

A report was submitted by the Depute Chief Executive - Resources and People Services to inform the Committee of the recently issued audit report on Out of Authority Placements.

Ms Garden presented the report, summarising the areas where controls were met, those with scope for improvement and the recommendations contained in the Action Plan which had been approved by Management.

Councillor Currie commended the report, noting that the recommendations contained in the Action Plan had either been completed or were due for completion within the next couple of months. He commented that this was particularly welcome in an area where the nature of the work, e.g. child protection, meant that it was often necessary to take action first and deal with procedural matters later.

Sharon Saunders, Head of Children's Wellbeing, stated that where processes related to children's vulnerability and risk it was essential that placements were arranged quickly. She acknowledged that, while the nature of the situation meant that sometimes information was recorded in retrospect, there were improvements that could be made in how placements were recorded both on and off the Framework.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

9. INTERNAL AUDIT REPORT – NATIONAL FRAUD INITIATIVE

A report was submitted by the Depute Chief Executive - Resources and People Services to inform the Committee of the work undertaken on the 2014/15 National Fraud Initiative (NFI).

Ms Garden presented the report, outlining the background and scope of the data matching exercise and reminding Members that data matches did not in themselves indicate fraud but rather identify cases which may require further investigation. She

advised that 204 investigations had been completed to date and the remainder would be done shortly.

Ms Garden responded to a number of questions on matches relating to payroll, housing tenants, blue badges/disabled parking bays and Council Tax. She confirmed that investigations on 11 of the 27 'Housing to Housing' matches remained outstanding but that these would be concluded by the end of March. She agreed to provide a further report to the Committee when this work was complete.

Mr Shaw commented that this was a good quality report and should be used to drive forward actions by Management and to ensure that the issues identified don't reoccur. Ms Garden agreed to the addition of an Action Plan for future reports.

Councillor Currie suggested that the presentation of Internal Audit's follow up report would provide the Committee with the opportunity to discuss wider issues such as disabled parking bays and how to encourage individuals to claim the benefits to which they are entitled, e.g. the Council Tax single person discount.

Decision

The Committee agreed to note the contents of the report.

10. INTERNAL AUDIT REPORT – PERFORMANCE INDICATORS 2014/15

A report was submitted by the Depute Chief Executive - Resources and People Services informing the Committee of the recently issued audit report on Performance Indicators.

Ms Garden presented the report, advising members of the main purpose and scope of the audit and outlining the findings and Action Plan.

Responding to a question from Councillor Currie, Ms Garden advised that the audit had looked at 5 specific areas and she could only give assurances on these areas. However, she confirmed that the recommendations in the Action Plan, all of which had been agreed by Management, would apply to all Service areas.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

11. INTERNAL AUDIT PROGRESS REPORT 2015/16

A report was submitted by the Depute Chief Executive - Resources and People Services informing the Committee of Internal Audit's progress against the annual audit plan for 2015/16.

Ms Garden presented the report which had been prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan.

Councillor McAllister commended the work of Internal Audit and in particular the detail and quality of their reports. Councillor Goodfellow echoed his comments.

Decision

The Committee agreed to note the contents of the Internal Audit Progress Report 2015/16.

Signed   ....

        Councillor Kenny McLeod
        Convener of the Audit and Governance Committee

KPMG

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East Lothian Council

Interim management report and audit status summary

For the year ending 31 March 2016

10 March 2016

For Audit and Governance Committee consideration on 22 March 2016

Contents

About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the *Code*").

This report is for the benefit of East Lothian Council ("the Council") and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the introduction and responsibilities section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Andy Shaw, who is the engagement leader for our services to the Council, telephone 0131 527 6673 email: andrew.shaw@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Alex Sanderson, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6720 or email to alex.sanderson@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Russell Frith, Assistant Auditor General, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

Introduction

Purpose of document

In line with our audit strategy we have completed an interim audit. Key activities performed were the testing of a selection of system controls and holding discussions with management to update our understanding and our assessment of the key risks and audit focus areas.

This report provides the audit and governance committee with an update on:

■ significant risks and other focus areas (page three to six); and

■ the results of the control framework testing, encompassing overarching governance and systems controls (pages seven to nine).

Significant risks and other focus areas in relation to the audit of the financial statements

The significant risks identified are:

■ fraud risk from income recognition;

■ fraud risk from management override of controls;

■ operational assets valuation; and

■ financial position.

The other focus areas identified are:

■ transport infrastructure assets;

■ provisions; and

■ retirement benefits.

Wider scope responsibilities: audit dimensions

As introduced in the audit strategy document, we consider the Code of Audit Practice 2016 audit dimensions during the audit. The audit dimensions are financial sustainability, financial management, governance and transparency and value for money. From the interim audit we consider the following matters warrant consideration under the wider scope audit dimensions:

Financial sustainability and *financial management* – uncertainty over future funding and the need for robust medium to long term financial forecasting. We will extend our audit work in respect of the "financial position" risk to address this and set out our findings in the annual audit report.

Governance and transparency – following the formation of the East Lothian Integration Joint Board there are new governance arrangements within the Council, which we will consider and set out our findings with regards to adequacy of in the annual audit report. In addition, the Audit Scotland assessment of the Council's public performance reporting ('PPR') highlighted some areas for further information to be provided. We will consider progress with PPR reporting and set out our findings in the annual audit report.

We outline below the significant risks and audit focus areas included within the audit strategy document, together with an update from the interim audit.

RISK	WHY	UPDATE FROM STRATEGY
Fraud risk from management override of controls	Professional standards require us to communicate the fraud risk from management override of controls as a significant risk; as management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any risks specific to the Council in respect of management override of controls.	We performed controls testing over expenditure, journal entries, bank reconciliations, budget monitoring and general IT controls. The results of the testing are set out on page six onwards. We did not identify instances where management override of control had occurred. Substantive procedures will be performed during the year end audit, including testing journal entries throughout the year, assessing accounting estimates and significant transactions that are outside the organisation's normal course of business, or are otherwise unusual.
Financial position	The Council is operating in a challenging economic environment, with funding reductions and increasing expenditure pressures. The 2015-16 budget was approved by the Council in February 2014 with the grant received from the Scottish Government rising from £170 million to £173 million. At the end of December 2015, management is forecasting an underspend against budget of £3.7 million, from the previously forecast underspend of £1.9 million at quarter one. More than £1.2 million underspend to the continuation of the staff savings which had been identified in 2014-15, reflecting tighter control on staff turnover and recruitment. Overall it is now expected that most service areas, with the exception of Adult and Children's Wellbeing, will deliver within approved budget levels. Adult Wellbeing is reporting a significant movement from the previous reported underspend of £0.5 million at quarter two to a budgeted overspend of £0.7 million (2.0%) at the end of December.	We performed controls testing over the budgeting process, including the monitoring of budgets and daily download reports throughout the year. Discussion with management confirms that the financial sustainability of the Council remains a challenge, with grant funding cuts of 4% confirmed for 2016-17. At the final audit we will perform substantive analytical procedures over income and expenditure comparing the final position to budget. We will also understand management's plans and strategies to manage the business within future funding allocations. We will consider the medium to long term financial forecasting. We will consider management's capital monitoring reports and provide commentary on the progress of the capital budget and impact on the capital limits and associated borrowing during the year.

Key

Significant audit risk	Other focus area

RISK / FOCUS AREA	WHY	UPDATE FROM STRATEGY
Operational assets valuation	Under the Code and IFRS, property, plant and equipment ("PPE") is required to be held on the balance sheet at fair value. In order to comply with these accounting requirements, Council assets are subject to rolling valuations, with operational assets being subject to valuation in 2015-16. The value of operational assets as at 31 March 2015 was approximately £342 million, therefore the revaluation is likely to be significant.	Substantive procedures will be performed during the year end audit. We will review the accounting treatment of the valuations to verify appropriate recognition and disclosure in the financial statements and review the fixed asset register and consider the completeness of assets revalued. We will audit the valuations, integrating a KPMG valuation specialist to challenge the valuation assumptions.
Fraud risk from income recognition	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We consider the fraud risk from recognition of other income to be significant. Other income relates primarily to sales or service income, and therefore we consider there to be potential judgement in recognising this income.	Controls testing over higher level controls and sales invoicing is set out on page seven. We will also consider the results of internal audit's review of other income once completed. Substantive procedures will be performed during the year end audit. We will consider each source of income and analyse results against budgets and forecasts, performing substantive analytical procedures and tests of details.
Retirement benefits	The Council accounts for its participation in the Lothian Pension Fund in accordance with IAS 19 *Retirement benefits*, using a valuation report prepared by actuarial consultants. The Council's actuaries use membership data and a number of assumptions in their calculations based on market conditions at the year end, including a discount rate to derive the anticipated future liabilities back to the year end date and assumptions on future salary increases. IAS 19 requires the discount rate to be set by reference to yields on high quality (i.e. AA) corporate bonds of equivalent term to the liabilities. The determination of the retirement benefit obligation is inherently judgemental and there is a financial statement risk as a result.	All audit procedures will be performed during our year end audit. Prior to the fieldwork we will request the agreed assumptions from management to facilitate consideration and benchmarking by our internal actuaries.

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FOCUS AREA	WHY	UPDATE FROM STRATEGY
Transport Infrastructure Assets	The 2016-17 Code will adopt requirements of the Code on transport infrastructure assets ("the transport code"), which requires measurement of these assets on a depreciated replacement cost basis. This will represent a change in accounting policy from 1 April 2016 and require retrospective restatement. Local authorities are advised to have implemented a robust project plan through 2015-16 to ensure preparedness for the requirements of the 2016-17 Code.	We will consider the Council's plan to meet the requirements of the transport code, including assessing the completeness of information for an opening balance sheet during our year end audit. We will evaluate the extent to which management is prepared for the change in accounting policy.
Provisions	Whilst the Council does not operate landfill sites, coal mines or other sites which carry significant obligations for rectification, there is one Council-owned former landfill site and one present private operation. There is sector-wide consideration of such operations, including assessment of financial stability of operators, following the liquidation of a coal mine operator in another local authority area. Further analysis is required by management to identify potential exposure and ensure appropriate monitoring procedures are in place. Following a European Court of Justice ruling in May 2014, employers are required to pay holiday pay to staff at a rate commensurate with any commission or over time that they regularly earn, instead of at their basic pay level. Following legal advice, management implemented this process for holiday pay. Management is awaiting the outcome of recent legal proceedings to consider if there is a contingent liability that requires disclosure as at 31 March 2016. There are a small number of equal pay claims outstanding, which management anticipates will be settled by the year end. Management accrued £90,000 in 2014-15 to cover these claims and will need to adjust this for any amounts paid and assess any outstanding claims.	We discussed the holiday pay, equal pay and landfill site provisions with management. Based on these discussions, the previous year's audit work and our current understanding, we do not expect these areas to have a material impact on the financial statements. We will remain alert to any legislative changes and consider the Council's position in detail as part of our year end procedures. We have requested that management prepares a paper outlining its positon in respect of these areas, to be considered during our year end audit. We will challenge and assess the judgements applied as at the year end and review recognition of any provisions or disclosures of contingent liabilities.

Overarching and supporting governance arrangements remain primarily unchanged and provide a solid framework for decision-making. The work of internal audit continues to provide assurance over the key risks identified in the corporate register, while the Risk Information Management System is used to monitor and manage risks on an ongoing basis.

Test	Description	Results
Organisational policies	We reviewed new and updated policies and confirmed they were made available to staff. The whistleblowing policy, disciplinary procedure for non-teaching staff and gifts and hospitality guidance have all been updated recently. We reviewed a number of policies and found the content to be appropriate and the policies to be easily accessible to employees on the intranet.	Satisfactory - no exceptions.
Registers of interests	Separate registers of interest exist for chief officers and elected members. Members are required to declare relevant interests during meetings if appropriate. We reviewed these registers of interests to confirm that all registers are up to date, and will verify if related party transactions are appropriately disclosed in the financial statements during year end procedures. As the process to update the registers of interest takes place in January to February, one was outstanding during our interim audit. We will review this as part of year end procedures.	Satisfactory - no exceptions.
Procurement policy	We reviewed the procurement policy for reasonableness and confirmed that payment cannot be made to new suppliers without authorisation from procurement. Internal audit is conducting a review of procurement processes and we will consider the finding of this report once complete.	Satisfactory - this policy has been updated and appears in line with best practice, however initial concerns have been raised by internal audit that this policy is not being followed by all. We consider there may be scope for improvement in implementing this policy, and will consider this further once the internal audit report is complete.
Corporate risk register	A corporate risk register is in place and is supported by service level risk registers. We reviewed the corporate risk register alongside the minutes of the audit and governance committee in 2015-16 to verify that the risk register is frequently reviewed. Risk registers are produced and maintained on spreadsheets, and management intends for these to be maintained on the Aspireview performance system. Management has progressed with the plan in 2015-16 and one service risk register is now in Aspireview, with the remainder to be migrated by the end of the 2016 calendar year.	Satisfactory - no exceptions.
Internal audit	We reviewed the reports of internal audit as presented to the audit and governance committee to consider if there are further risks associated with key business processes. We will continue to consider internal audit findings are the audit progresses and place reliance where appropriate.	Satisfactory. No additional risk areas identified through review.

Test	Description	Results
Charitable trusts	All charitable trust funds registered with the Office of the Scottish Charity Regulator ("OSCR") will require an audit. In the prior year, the Council had one registered charity, the Dr Bruce Fund. Management reviewed other charitable funds and confirmed with OSCR that no other funds require an audit. No changes have been identified during 2015-16.	Satisfactory - we will audit the financial statements of the Dr Bruce Fund for the year ending 31 March 2016, in July 2016. This will be reported to the Council's audit and governance committee.
National Fraud Initiative (NFI)	We submitted a return to Audit Scotland in February 2016, assessing management's participation in the NFI against Audit Scotland criteria. The process is led by internal audit, which takes an active role in investigating matches. There was timely reporting to management and the Audit and Governance Committee on NFI outcomes.	Satisfactory - overall engagement with NFI is good, no exceptions identified.
Integration of health and social care	The Integration Joint Board ("IJB") has met regularly since establishment in June 2015. An audit and risk committee has been established, and has met twice to discuss governance, finance and audit arrangements. Strategic plans are required to be submitted to Scottish Ministers by 1 April 2016. A shadow strategic planning group has been implemented and a strategic plan drafted. Consultation on the draft strategic plan was completed in February 2016. First year financial statements will be required to be prepared for the IJB, in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16, the Local Authority Accounts (Scotland) Regulations and any other guidance need to be met. Council management is discussing with the IJB chief finance officer responsibilities for the preparation of these financial statements.	Satisfactory - we will audit the financial statements of the IJB for the year ending 31 March 2016, in July 2016. We will report to the September audit and risk committee of the IJB, along with reporting progress to the Council's audit and governance committee.

Where an audit objective has a controls approach, we updated our understanding of accounting and reporting activities over each significant account, identified and tested key financial controls. We evaluated the design and implementation of these controls and, where appropriate, tested the operating effectiveness. Our audit does not seek to test all transactions or controls established by management; testing of the design and operation of key financial controls is for the purposes of the financial statements audit only.

Test	Description	Results
Exception reporting and authorisation of payroll	We reviewed two months' CAL variance reports and control sheets to confirm evidence of investigation and explanation of variances. These were also checked for appropriate levels of review and approval.	Satisfactory - no exceptions.
Sales invoicing	We reviewed system access for people within the sundry debtors team compared to other users to ensure only authorised users can raise sales invoices.	Satisfactory - no exceptions.
Journals authorisation	The authorisation control over journals was implemented in 2013-14, and continues to be operational. A random sample of journals is reviewed from each journals folder by the service manager – business finance. During the interim audit testing we reviewed a random sample of journals from each folder to verify they have been appropriately reviewed and approved.	Satisfactory - this control, as designed, is implemented and is operating effectively. We have previously discussed with management further scope for improvement to the control to enhance the risk based nature of the review.
Budget monitoring	Performance against budget is monitored on a regular basis through various measures, including daily and monthly 'management reporter' reports, quarterly business group reports and regular discussions with budget holders and involvement of members. Our testing confirmed that budget monitoring arrangements are designed, implemented and operating effectively.	Satisfactory - no exceptions.
Expenditure payment run	We reviewed five payment runs to verify they were appropriately prepared and reviewed.	Satisfactory - no exceptions.
Bank reconciliations	In prior year reporting to the audit and governance committee we identified that bank reconciliations were not prepared in line with the Council's stated policy of six weeks in arrears. Significant improvement was made in the timeliness of preparation in 2015-16, with bank reconciliations prepared in line with policy. In line with this timetable, the December 2015 bank reconciliation was prepared in February 2016. We reviewed two months' bank reconciliations to ensure these were appropriately prepared and reviewed.	Satisfactory - minor administrative weaknesses were identified over review of bank reconciliations. We have discussed with management that bank reconciliations should be reviewed in a timely manner, and signed and dated as such.

Test	Description	Results
General IT controls	Within the Dynamic Great Plains (DGP), NDR Capita and Chris 21 systems, we test the operation of general IT controls to obtain comfort that they are operating effectively and can not be circumvented through human error or deliberate manipulation. Password controls were found to be designed, implemented and operating effectively. There is an IT security policy which is detailed and available to staff on the Council's intranet. We tested whether: ■ programme changes were authorised and appropriately tested; ■ user access was authorised over starters, leavers and amendments; and ■ appropriate users were assigned super user access.	Satisfactory - no exceptions.

Appendices

Timeline and reporting

✓
11 NOVEMBER
Audit planning meeting, identification of key audit areas and agreement of audit logistics.

✓
18 JANUARY
Presentation of Audit Strategy to Audit and Governance Committee

✓
29 FEBRUARY
Submit NFI questionnaire

22 MARCH
Presentation of interim findings to Audit and Governance Committee

APRIL
Update meeting with management prior to year end audit

SEPTEMBER
Presentation of KPMG reporting documents to Audit and Governance Committee

| Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct |

2015

2016

15 FEBRUARY
Start of interim fieldwork
✓

JUNE
Review of grant claims

20 JUNE
Final audit fieldwork commences.

SEPTEMBER
Financial statements signed by the Council. Audit opinion and WGA signed by KPMG.

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The contacts at KPMG in connection with this report are:

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East Lothian Council

REPORT TO: Audit and Governance Committee

MEETING DATE: 22 March 2016

BY: Chief Executive

SUBJECT: Development Risk Register

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1 PURPOSE

1.1 To present to the Audit and Governance Committee the Development Risk Register (Appendix 1) for discussion, comment and noting.

1.2 The Development Risk Register 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 Development Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

2.1 It is recommended that the Audit and Governance Committee notes the Development Risk Register and in doing so, the Committee is asked to note that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk

- the total profile of the Development risk can be borne by the Council at this time in relation to the Council's appetite for risk

- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Development and are likely to be a feature of the risk register over a number of years

3 BACKGROUND

3.1 The Risk Register has been compiled by the Development LRWG. All risks have been evaluated using the standard (5x5) risk matrix which involves multiplying the likelihood of occurrence of a risk (scored 1-5) by

its potential impact (scored 1-5). This produces an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).

3.2 The Council's response in relation to adverse risk or its risk appetite is such that:

- Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;

- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;

- Medium risk is tolerable with control measures that are cost effective;

- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

3.3 The current Development Risk Register includes 13 High risks, 33 Medium risks and 9 Low Risks. As per the Council's Risk Strategy only Very High and High risks are being reported to the Committee.

3.4 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2 for information.

4 POLICY IMPLICATIONS

4.1 In noting this report the Council will be ensuring that risk management principles, as detailed in the Corporate Risk Management Strategy are embedded across the Council.

5 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 Development Local Risk Working Group that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Register for the year ahead should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Corporate Management Team.

6.2 Personnel – There are no immediate implications.

6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7   BACKGROUND PAPERS

7.1   Appendix 1 – Development Risk Register
7.2   Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy	
	Paolo Vestri	
DESIGNATION	Emergency Planning and Risk Officer	
	Service Manager - Corporate Policy and Improvement	
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	pvestri@eastlothian.gov.uk	01620 827320
DATE	10 March 2016	

Development Risk Register

Date reviewed: 10th March 2016

Risk ID	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	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
D 1	Increase in fuel poverty due to a variety of factors: - Increase in fuel prices - Impact of welfare reform - Changing householder economic/financial situation This will make it difficult to meet the Scottish Government's target to eradicate fuel poverty by 2016 and is likely to place additional pressure on existing services.	Home Energy Efficiency Programme for Scotland: Area Based Scheme (HEEPS:ABS) in place, delivering: • External wall insulation project • Hard to treat cavity wall insulation project • Prestonpans health check project Energy advice and fuel debt support in place. Increasing energy efficiency standards in council housing stock. Meet EESH by 2020.	5	3	15	Improve knowledge of the levels, extent and nature of fuel poverty and target resources to the worst affected areas. HEEPS: ABS allocation awarded for 2015-16. Programme will deliver insulation measures to the worst affected areas to include • Energy efficiency and fuel poverty advice measures to improve health outcomes • Insulation measures to traditional properties in off gas areas Complete programme for removal and replacement of solid fuel systems for ELC properties. Review strategic approach through production of new Local Housing Strategy.	4	3	12	Service Manager – Economic Development & Strategic Investment (EDSI)	2015/16 programme due to complete at the end of March 2016 (currently 98% complete). Bid for 2016/17 for grant fund for private sector properties to be submitted by March 2016. 90% Complete March 2017	6, 10	Risk refreshed by Service Manager February 2016.
D 2	Supply of affordable housing is outstripped by need and demand impacting on rising numbers on the Councils Housing Register and increased risk of arising Homeless applications. Insufficient land in control of affordable housing providers due to limited amount of Council owned land and difficulty in competing on the open market to purchase land due to high land prices. Much of the land in East Lothian is tied up in options to private housing developers, leading to an inability to control provision of new affordable housing and reliance on planning policy for affordable housing to deliver land. Government Resource Planning Assumptions (RPAs) for 2016/17 programme are due to be announced early March 2016 with additional resources have been made available for 2015/16. The Scottish Government recently announced an increase in their subsidy targets which will help with the delivery of social rented housing. Registered Social Landlords (RSLs) will now need to carry out capacity studies to determine what this means for them. The Council is also eligible for an increase in unit subsidy and will need time to determine the impact this may have for its own new build programme.	The Council continues to pursue opportunities to acquire land/bring forward private projects for affordable housing. Research completed into intermediate housing tenures The Council continues deliver and to discuss with RSLs and other organisations non-social rent affordable housing models without grant.	5	3	15	Site purchased by HRA from General Services Increased 2015/16 – 2016/17 funding from the Scottish Government. Review underway of S75 co-ordination. Aim to secure greater project management control and delivery of Strategic Sites. Work with SESplan authorities and Government to examine planning policies to positively influence the delivery of appropriate affordable housing through private housing development. Contribute to and influence independent review of planning system Contribute to and influence Scottish Government land reform review Identify alternative delivery models and engage with partners to deliver.	4	3	12	Head of Development Service Manager - EDSI	March 2016 March 2016 December 2017 May 2016 March 2017 September 2016	9	Risk refreshed by Service Manager December 2015.

Risk ID	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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D 3	Failure to Manage Solid Fuel safety on all Solid Fuel Installations in ELC Housing Properties leading to potential CO poisoning of tenants and increased risk of house fires with potential risk of prosecution. Chimneys are generally in poor condition and ELC are unable to control fuels being burnt in solid fuel appliances.	Programme of Solid Fuel Servicing exists. Heating replacements to energy efficient, low carbon alternative fuels are available and being installed with available RHPP /RHI funding but implementation is difficult. Servicing contractor in place for removal and replacement of solid fuel systems.	3	5	15	Programme for removal and replacement of solid fuel systems has begun.	2	5	10	Service Managers - Engineering Services & Building Standards (ESBS) & Community Housing	April 2016	7,9	Risk refreshed January 2016. Refreshed Feb'15 - risk score increased from 12 to 15 and residual score from 0 to 10.
D 4	Failure to comply with Public Buildings Statutory Electrical Testing may expose the Council to legal proceedings, financial loss, service reduction, damage to its reputation and potential injury/loss of life of public building users. Failure to make sufficient finance available to carry out testing and implement recommendations may result in all of the above.	Performance will be monitored through the Condition SPIs, Asset Performance monitoring and regular Electrical Test results. Funding required from limited Property Renewals budget to address identified remedial works in public buildings. Full PAT testing programme currently in place for all public buildings. Contractors' reports reviewed on ongoing basis.	3	5	15	Accelerating programme for testing. Testing and remedial works regime in place for all public buildings.	2	4	8	Service Manager –ESBS	March 2017	7	Risk Refreshed February 2016 by Head of Service and residual risk score reduced from 10 to 8.
D 5	Financial constraints placed on the Council could lead to the Building Standards Team not being able to maintain a level of staff that is adequately qualified, trained and competent to carry out the Building Standards duties of verification, enforcement, licensing etc. to the targets expected BSD's new performance framework. This could impact on service levels and result in an audit by the BSD that could lead to the Council losing the verification role. A service review was carried out February 2015 following which posts were advertised but unable to be filled.	Monitoring of workload to fee income, performance to staffing levels and project complexity to staff abilities and training. Involvement with the Local Authority Building Standards Scotland (LABSS) and the BSD to influence delivery of the new performance framework of 9 performance outcomes and a risk based inspection regime for Reasonable Inquiry to deliver compliance with the building regulations. Preparation of the Building Standards Team and review of its resources to align with the requirements and implementation of the new performance framework. Agency support staff in place.	3	4	12	Measure impact of BSD's new performance framework, workload, employee costs for appraisal of warrants, acceptance of completion certificates and enforcement duties for varying project size and complexity to compare against fee income. Thereafter, carry out a further Service Review to take into account all factors and so determine optimum staffing levels. Service Manager currently working on this with HR.	2	4	8	Service Manager –ESBS	March 2017	7	Risk refreshed January 2016. Risk Refreshed November 2014 and residual risk score reduced from 12 to 8.
D 6	Higher enforcement workload in terms of dangerous buildings for Officers due to various reasons (including increasing instances of severe weather and owners unable to maintain their properties) resulting in increased risk to members of the public.	Climatic and financial factors are outwith East Lothian Council's control. No contractual obligation for staff to provide an out of hours dangerous buildings service which therefore relies on the goodwill of the BS Manager and two Principal BS Surveyors to provide cover outwith office hours. Agency support staff in place.	3	4	12	Service Review underway to consider : • the appointment of an enforcement surveyor; • The provision of an arrangement to cover for dangerous buildings callouts out-with office hours. Out of Hours services currently being reviewed. Service Review to be carried out, taking into account all factors and to determine optimum staffing levels. Service Manager currently working on this with HR.	2	4	8	Service Manager –ESBS	March 2017	7	Risk Refreshed January 2016. Risk Refreshed February 2015 with current score reduced from 15 to 12 and residual score from 10 to 8.

Risk ID	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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D 7	Failure to obtain adequate funding for Property Repairs and Renewals could have the possible consequence of a failure of building elements with the risk of closure or enforcement by Statutory or Regulatory authorities.

Although budgets have not reduced (approved budget Feb'16), prices are increasing and adoption of new facilities e.g. school extensions mean a real term reduction in resource and availability. | Annual update of programme of works based on Condition, Suitability and Statutory Compliance assessments to inform budget requirement. | 3 | 4 | 12 | Ensure Condition and other data is maintained up to date to inform the planned delivery of works required to ensure buildings comply with statutory and legal requirements and are maintained in good condition. | 2 | 4 | 8 | Service Manager –ESBS | Rolling Programme in place. | 7 | Risk refreshed January 2016.

Current Risk scores reduced from 16 to 12 February 2015. |
| D 8 | Asset data for operational properties is not current resulting in insufficient information to prioritise planned investment in buildings and potential risk to occupants, contractors and members of the public at risk from failure of building elements or systems. | Limited annual desktop updates carried out on existing data informed by feedback from maintenance team. | 3 | 4 | 12 | Allocate resources, internal or external, as required to undertake comprehensive 5 yearly reviews. | 2 | 4 | 8 | Service Manager –ESBS | Rolling Programme in place. | 7 | Risk Refreshed January 2016. |
| D 9 | Unsuccessful recruitment to the post of Schools Estate Planning Officer places additional pressure on the Service Manager and the Schools Estates Team, to maintain the functions of the service meantime.

The pressures and constraints arising could lead to delays in responding to planning applications for housing developments and consequent risk of appeal by applicants. | S75 Policy and process in development.

Team roles and responsibilities identified and the Service is still covering the activities with a reduced resource. | 3 | 4 | 12 | Regular monitoring of planning applications and responses. Programme resource to respond to strategic site infrastructure requirements as part of the planning process.

Review focus of Schools Estate Planning Officer post and seek to recruit again. The timing of recruitment and the nature of the post will need to be reviewed in the light of the likely retiral of the PPP Manager/Schools Estate Team Manager during 2016.

Review underway of S75 co-ordination. Aim to secure greater project management control and delivery of Strategic Sites. | 2 | 4 | 8 | Service Manager - Strategic Asset & Capital Plan Mgmt | June 2016 | 9, 10 | Risk refreshed February 2016 by Service Manager. Further review to take place April 2016 with a view to recruitment by June 2016. |
| D 10 | Risk to uncertainty with forward planning for the expansion of the school estate, where school capacities may be breached earlier than anticipated. | School roll projections are reviewed against school capacities. School expansion programme prepared and costed to inform Capital Plan.

Changes in established roll projections are highlighted to Education if school capacities are projected to be breached and strategy for managing risk agreed if no provision or budget is in place for school expansion. | 3 | 4 | 12 | Scheduled meetings with Education where the baseline demographic information and the impact of development on school rolls and capacities are reviewed.

Review underway of S75 co-ordination. | 2 | 4 | 8 | Service Manager - Strategic Asset & Capital Plan Mgmt | June 2016 | 9.10 | New risk added February 2015 by Service Manager and further reviewed February 2016. |
| D 11 | A major outbreak of food poisoning or a public health incident could result in serious illness or fatalities to the public. If such an incident is not adequately responded to this could:
• allow the outbreak or incident to remain unidentified or continue for longer than necessary
• impact on public and business | Appointment, development and retention of sufficient authorised officers to regulate food businesses through a food safety inspection programme including enforcement action where controls are known to have broken down or have been breached including sampling. | 2 | 5 | 10 | Staffing structure revised to deliver on a routine basis, with an enhanced capability to respond in emergencies to satisfy the requirements of the Service. | 2 | 4 | 8 | Environmental Health Service Manager | September 2016 | 1, 5, 7 | Risk refreshed November 2015 with residual score reduced from 10 to 8. |

Risk ID	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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	confidence within East Lothian. • cause a reputational risk for the Council if the incident response was unsatisfactory • attract significant media interest (local & national). • result in a public enquiry/formal investigation into the incident which would impact on the deployment of Council resources to carry out day to day work. • cause a significant increase in workload as any enquiry/investigation could run for several years. • cause third party insurance claims to be made against the Council.	The business plan and inspection process are reviewed annually. Established major/ incident response arrangements with NHS Lothian. There is a rigorous monitoring of water supplies. Service delivery is conducted by trained and competent Environmental Health Officers and Food Safety Officers. The Council has a major incident plan which may be activated.											
D 12	Failing to respond satisfactorily to a major incident, death or serious personal injury in local businesses and organisations under the Council's Health &Safety enforcement regime could result in reputational risk to the Council. There could be • Allow the occurrence to remain unidentified or continue for longer than necessary giving further risk to life and limb if a situation remains unresolved • impact on public and business confidence within East Lothian. • cause a reputational risk for the Council if the incident response was unsatisfactory • attract significant media interest (local & national). • result in a public enquiry/formal investigation into the incident which would impact on the deployment of Council resources to carry out day to day work. • cause third party insurance claims to be made against the Council.	Appointment, development and retention of sufficient authorised inspectors to investigate incidents and regulate duty holders through health & safety inspection and intervention programmes. Associated enforcement action is taken where it is identified that controls have broken down or have been breached. Enforcement is conducted by trained and competent Environmental Health Officers with ongoing CPD requirements. The business plan and inspection process are reviewed annually. Specialist knowledge and expertise may be sought from partners including HSE if appropriate.	2	5	10	Staffing structure devised to deliver on a routine basis, with an enhanced capability to respond in emergencies to satisfy the requirements of the Service.	2	4	8	Environmental Health Service Manager	September 2017	1, 5,7	Risk refreshed January 2016.
D 13	Failure to comply with statutory Water & Air Hygiene monitoring and testing may expose the Council to legal proceedings, financial loss, service reduction, damage to its reputation and potential injury or loss of life to building users through Legionella. Failure to make sufficient finance available to carry out testing and implement recommendations may result in the above. Now sharing framework agreement for Advanced Procurement for Universities & Colleges (APUC) giving us a further means of procurement to enable further works to take place and reduce the risk.	Performance will be monitored through risk assessment and regular Inspection and testing. Funding required from the limited Property Renewals budget to address identified remedial works in public buildings. Existing contractors risk assessments and reporting being reviewed on ongoing basis.	2	5	10	Extend programme for risk assessment, maintenance and testing to cover all buildings on a risk basis now that APUC Framework is in place. Transition of Housing Management areas to new Housing Asset team.	2	4	8	Service Manager –ESBS	March 2017 March 2016	7	Risk refreshed January 2016. Risk Refreshed February 2015 with current score reduced from 15 to 10 and residual score from 10 to 8.

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			L	I	L x I		L	I	L x I				
	Original date produced (V1)	6th May 2014										**Risk Score**	**Overall Rating**
	File Name	Development Risk Register										**20-25**	**Very High**
	Original Author(s)	Scott Kennedy, Risk Officer										**10-19**	**High**
	Current Revision Author(s)	Scott Kennedy, Risk Officer										**5-9**	**Medium**
												1-4	**Low**

Version	Date	Author(s)	Notes on Revisions	
1	06/05/2014	S Kennedy	Former Housing and Environment Risk Register altered to become the Development Risk Register with risks transferred in and out following realignment.	Original Version
2	28/10/2014	S Kennedy	Testing & Regulation Risks updated	
3	November and December 2014	S Kennedy	Economic Development & Strategic Investment Risk Updated along with Planning Risks and Engineering Services & Building Standards Risks	
4	January-February 2015	S Kennedy	Trading Standards and Environmental Health Partnership risks refreshed along with Strategic Asset & Capital Plan Management risks. Further refresh of Engineering Services & Building Standards and Economic Development & Strategic Investment Risk Risks. Final review undertaken by Head of Development 24-2-15.	
5	December 2015 – January 2016	S Kennedy	Environmental Health, Economic Development & Strategic Investment, Engineering Standards & Building Services and Planning risks refreshed.	
6	February 2016	S Kennedy	Review and refresh by Head of Development.	

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				
Likelihood	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

East Lothian Council

REPORT TO: Audit and Governance Committee

MEETING DATE: 22 March 2016

4

BY: Chief Executive

SUBJECT: Communities and Partnerships Risk Register

1   PURPOSE

1.1   To present to the Audit and Governance Committee the Communities and Partnerships Risk Register (Appendix 1) for discussion, comment and noting.

1.2   The Communities 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 Communities and Partnerships Local Risk Working Group (LRWG).

2   RECOMMENDATIONS

2.1   It is recommended that the Audit and Governance Committee notes the Communities and Partnerships Risk Register and in doing so, the Committee is asked to note that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk

- the total profile of the Communities and Partnerships risk can be borne by the Council at this time in relation to the Council's appetite for risk

- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Communities and Partnerships and are likely to be a feature of the risk register over a number of years

3   BACKGROUND

3.1   The Risk Register has been compiled by the Communities and Partnerships LRWG. All risks have been evaluated using the standard (5x5) risk matrix which involves multiplying the likelihood of occurrence of

a risk (scored 1-5) by its potential impact (scored 1-5). This produces an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).

3.2 The Council's response in relation to adverse risk or its risk appetite is such that:

- Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;

- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;

- Medium risk is tolerable with control measures that are cost effective;

- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

3.3 The current Communities and Partnerships Risk Register includes 1 Very High risk, 5 High risks, 36 Medium risks and 18 Low Risks. As per the Council's Risk Strategy only the Very High and High risks are being reported to the Committee.

3.4 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2 for information.

4   POLICY IMPLICATIONS

4.1 In noting this report the Council will be ensuring that risk management principles, as detailed in the Corporate Risk Management Strategy are embedded across the Council.

5   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 Communities and Partnerships Local Risk Working Group that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Register for the year ahead should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Corporate Management Team.

6.2 Personnel – There are no immediate implications.

6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7   BACKGROUND PAPERS

7.1   Appendix 1 – Communities and Partnerships Risk Register

7.2   Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy	
	Paolo Vestri	
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	Service Manager - Corporate Policy and Improvement	
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	pvestri@eastlothian.gov.uk	01620 827320
DATE	10 March 2016	

Risk ID	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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C&P 1	Abolition of priority need in 2012 placed an obligation on the council to accept re-housing responsibility for an additional c. 300 homeless cases per year. These are mostly single people seeking 1 bed roomed size accommodation. The legislation also placed an obligation for the provision and funding of temporary accommodation until that responsibility is delivered. This has placed considerable pressure on the Community Housing Service and has increased Homeless demand, particularly for smaller sized properties. Shortage of temporary homeless accommodation could result in an inability to accommodate those in need. There is also the risk of the breach of Unsuitable Accommodation Orders due to a shortage of family sized temporary accommodation.	Housing Options preventative approach to provision of advice. Increasing use of private rented sector via Rent Guarantee Scheme to prevent/ deal with homelessness. B+B accommodation used for single people at capacity. Additional properties for temporary accommodation commissioned through Private Sector Leasing contract with Orchard and Shipman. Continued monitoring of Registered Social Landlord nomination process (new build and routine turnover). Private Sector Leasing to help increase supply of temporary accommodation. New Allocation Policy reduced offers for Homeless applicants to 1 to encourage throughput in temp accommodation. Housing Access team established to co-ordinate delivery of ELC's Housing Options advice service, including statutory homelessness duties. Private Sector lets promoted via Local pad portal through Housing Options approach.	5	4	20	Continue new build activity to increase housing stock. Open Market Acquisitions to increase supply, targeting smaller sized properties in the western part of the county, where demand highest. Explore potential to further increase supply of Private Sector Landlord accommodation during 2015-16. Cabinet report on recommended actions to address pressures relating to a lack of affordable housing supply to be produced. Increased temporary accommodation and review of allocations targets will assist. Exploring flat-share model to increase options for single persons. Housing Options advice service to be rolled out via area housing teams in 2016/17. Scottish Government funding for staff training to support Housing Options.	4	4	16	Service Manager – Community Housing	Ongoing year on year. December 2016 March 2016 May 2016 July 2016 October 2016	9, 10	Risk refreshed February 2016 with current risk score increased from 16 to 20 and residual score increased from 12 to 16. Risk refreshed February 2015 to combine risks together and reduce overall risk score from 20 to 16.
C&P 2	Insufficient resources and resources not aligned to business current and future objectives could result in: • 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 • Significant period of change with workforce not flexible enough to meet the timeframe of expectations All of the above would result in the Council being unable to meet customer expectations resulting in reputational damage and poor publicity.	Business planning and highlighting of resource requirements. Partnership working with Midlothian realising a level of income potential. Explore further business opportunities to maximise use of resources and achieve income potential. Current processes reviewed in line with added value outcomes. Sickness absence monitoring and absence management/counselling. Locum posts in Local Area offices and extended bank of generic casuals. Closure monitoring on RIVO in relation to staff experiences/stress and take appropriate action through HGIOC. Analyse performance data routinely and thoroughly and use for planning. Improved Induction Process. 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 evaluated and fit for purpose and staff trained to extract, interpret and apply knowledge. Current income streams reviewed and	5	3	15	Payment Review to be carried out by Council Tax team with input from Customer Services. Service reviews and recommendations thereof to be implemented. Introduce business impact assessment to highlight initial and ongoing resourcing of changes in services.	4	3	12	Service Manager – Customer Services	March 2016	1,2,3,4,5,6,7 10	Risk refreshed by Service Manager November 2015. Risk reviewed by CSMT February 2015 Risk Control measures refreshed May 2014 to include library services. Risk rating increased due to significant period of change.

Risk ID	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				
		increased in line with inflation. Alternative funding opportunities to meet resource pressures such as Tell Us Once and Welfare Reform considered. Face2Face service review progressed making better use of community based resources. Programme of Service Reviews ongoing.											
C&P 3	The high number of specialist roles/skills within a small team means that for example service reviews, budget restrictions, long-term absence, cessation of contract etc. would compromise service delivery. There is a risk that staff absence could result in loss of capacity, skills and experience to undertake key roles and require to deliver key tasks.	Individuals encouraged to work jointly, where appropriate. Project team approach to some areas of work. Staff encouraged to have detailed work plans. External support brought in if required. Employees have the ability to work from home. Continue to Identify critical 'specialist' work and contingency measures such as cross-training, shadowing, alternative 'backup' provision and support arrangements.	4	3	12	Service review involving all aspects of the Corporate Policy & Improvement team including Organisational Development, Performance Management and Communications is being undertaken.	3	3	9	Service Manager CP&I	September 2016	N/A	New risk created by Service Manager CP&I February 2015 and further refreshed January 2016.
C&P 4	Welfare Reform impacts. Under-occupancy charge (known as 'Bedroom tax') has resulted in some increased rent arrears. The DWP Welfare Reform agenda has had a negative impact on the use of the private sector for single people between 25 and 35. The impact of the introduction of the "bed-room" tax and the council's action to mitigate this by increased transfer activity into small house sizes also reduces housing availability for those homeless cases benefitting from the legislative change.	Discretionary Housing Payments (DHPs) being made to mitigate against losses due to 'Bedroom Tax'. DHP payments via Scottish Govt offering some mitigation.	4	3	12	Longer term impact of future status of Under-occupancy charge uncertain; Smith Commission outcomes to be confirmed. Fife Council's flat-sharing model being considered on a pilot basis in East Lothian to provide an alternative option to young single people.	3	3	9	Depute Chief Executive – Partnerships & Community Services Service Manager - Community Housing	March 2016 July 2016	9, 10	Risk refreshed by Service Manager – Community Housing February 2016.
C&P 5	Our houses are required to meet the Scottish Housing Quality Standard by April 2015. Delivery of the Standard is a significant contribution to the achievement of several of the National Outcomes the Scottish Government aims to achieve. The Scottish Housing Regulator (SHR) is monitoring progress towards achieving the target by end March 2015 and failure to clearly demonstrate good progress may involve intervention by the SHR on the management of stock quality. Failure to deliver on the SHQS would also lead to loss of reputation to the Council as a service provider and the largest landlord in East Lothian.	Annual monitoring and reporting to SHR (via the Social Housing Charter) and Audit Scotland. Annual Housing Capital Investment Programme review. The Capital Programme funds planned programmes of work has been targeted at meeting the requirements of the SHQS. Keystone software system now in place ensuring robust information held on the condition of Council housing stock. Meetings take place fortnightly with Service Manager - Property Maintenance and monthly with Head of Service. New Housing Asset Management Team established to oversee delivery of modernisation, adaptation and new build programmes although these are not permanent posts thus creating a risk of temporary staff/turnover.	3	4	12	Housing Asset Management Strategy to be developed during 2016. Programme targeted to address failures 2015/16. Date validation checks of information to be held on Keystone. Rolling programme of stock condition surveys required to keep data up to date.	2	4	8	Service Manager - Community Housing	October 2016 March 2016 March 2016 2016 onwards	9	Risk refreshed by Service Manager February 2016.

Risk ID	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	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
		Monthly monitoring and reporting as part of Balanced Scorecard. Continued investment in targeted capital programme works. Keeping SHR regularly updated on progress towards meeting the SHQS. Keystone informs future planning of annual programme of modernisation work.											
C&P 6	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. While if H&S governance is not consistent across all services in terms of: • The policies/practices in place • Performance monitoring • Statutory compliance This leaves the Council more open to accidents, incidents and litigation and makes audits around these challenging.	Safety policy and training in place and accessible to all employees. Management arrangements & procedures and specialist staff also in place. The ELC H&S Safety Management System is in operation and H&S controls are monitored through cross departmental auditing, inspections and RIVO data analysis to identify control and risk issues. Reporting quarterly to JH&S Committee ensures scrutiny by management and trades unions. Health & Safety Policy, Guidance and Approved Guidelines in place.	3	4	12	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. 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	Service Manager – CP&I Corporate Health & Safety Advisor (Partnership)	March 2016		Two risks reviewed and combined to form this one risk by Service Manager CP&I February 2015 and refreshed January 2016

Original date produced (Version 1)	06 May 2014				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	May/June 2014	S Kennedy	Former Policy and Partnerships Risk Register altered to become the Communities and Partnerships Risk Register with risks transferred in and out following realignment.			
2	November/December 2014	S Kennedy	Community Partnerships, CP&I (Occupational Development, Health & Safety, Policy & Customer Feedback Risks refreshed)			
3	February 2015	S Kennedy	CP&I (EP, BC &RM) risks updated and all CP&I risks reviewed by Service Manager and Customer Services Risks reviewed by Service Manager. Community Housing Risks updated by Service Manager. Final review undertaken by Head of Service with minor changes made.			
4	November 2015	S Kennedy	Customer Service and Community Partnerships Risks updated by managers.			
5	January 2016	S Kennedy	Corporate Policy & Improvement Risks Reviewed			
6	February 2016	S Kennedy	Community Housing Risks Reviewed.			

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				
Likelihood	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

East Lothian
Council

REPORT TO: Audit and Governance Committee

MEETING DATE: 22 March 2016

BY: Chief Executive

5

SUBJECT: Council Resources Risk Register

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).

2 RECOMMENDATIONS

2.1 It is recommended that the Audit and Governance Committee notes the Council Resources Risk Register and in doing so, the Committee is asked to note that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk

- the total profile of the Council Resources risk can be borne by the Council at this time in relation to the Council's appetite for risk

- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Council Resources and are likely to be a feature of the risk register over a number of years

3 BACKGROUND

3.1 The Risk Register has been compiled by the Council Resources LRWG. All risks have been evaluated using the standard (5x5) risk matrix which involves multiplying the likelihood of occurrence of a risk (scored 1-5) by

its potential impact (scored 1-5). This produces an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).

3.2   The Council's response in relation to adverse risk or its risk appetite is such that:

- Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;

- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;

- Medium risk is tolerable with control measures that are cost effective;

- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

3.3   The current Council Resources Risk Register includes 1 Very High risk, 8 High risks, 26 Medium risks and 12 Low Risks. As per the Council's Risk Strategy only the Very High and High risks are being reported to the Committee.

3.4   A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2 for information.

4   POLICY IMPLICATIONS

4.1   In noting this report the Council will be ensuring that risk management principles, as detailed in the Corporate Risk Management Strategy are embedded across the Council.

5   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 Local Risk Working Group that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Register for the year ahead should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Corporate Management Team.

6.2   Personnel – There are no immediate implications.

6.3   Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7   BACKGROUND PAPERS

7.1   Appendix 1 – Council Resources Risk Register

7.2   Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy	
	Paolo Vestri	
DESIGNATION	Emergency Planning and Risk Officer	
	Service Manager - Corporate Policy and Improvement	
CONTACT INFO	skennedy@eastlothian.gov.uk	01620 827900
	pvestri@eastlothian.gov.uk	01620 827320
DATE	10 March 2016	

Date reviewed: 10 March 2016

Risk ID	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	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
CR 1	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. A recent breach of security (November 2015) has highlighted that we are at heightened risk at this moment in time and HMG are classing the risk as severe which could result in loss of PSN connection or fines from the Information Commissioner. At the time of this update (Dec-15) the Council's Corporate Internet pipe was under a DDOS attack and has been for 5 days. This is a Scotland wide issues which is affecting all LA's and highlights the risk faced at this time.	Systems are protected from outside world by firewall (the corporate firewall hardware was renewed in October 2014). All external facing systems are vulnerability tested once a year and extra testing takes place on any change to form or function. Security logs are reviewed daily by IT staff. 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. 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. 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). Keep security hardware and software up to date to mitigate risk. Continual vulnerability testing. Continual review of security systems to ensure they are still capable of controlling new and emerging threats. Security systems are patched regularly every 3 months and reviewed to see if hardware fit for purpose.	4	5	20	Following the recent breach the Council is planning a programme of Information Security Awareness sessions within all schools. Acceptable use policy for all ELC employees is to be refreshed during 2016 and all employees will be expected to sign.	3	5	15	Head of Council Resources	December 2016 July 2016		Risk refreshed December 2015 with Current score increased from 15 to 20 and residual from 12 to 15 due to recent breach. Risk refreshed November 2014. Current Risk Score increased from 10 to 15 and Residual Risk score increased from 5 to 12 due to heightened risk.

Risk ID	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	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
CR 2	**Welfare reform** The UK Government is continuing to introduce a range of measures to reform the welfare system and reduce the budget for welfare benefits. It is expected that East Lothian residents will continue to experience financial detriment as a result of ongoing changes. The rollout of Universal Credit in East Lothian started in April 2015. Whilst the volumes of new cases hasn't been as high as initially expected, the workload created by this change has been significant and has so far been managed within existing resource. The current working arrangements may not be sustainable once volumes match JCP/DWP projections and it is predicted that considerable investment in additional staffing resource will be required. The DWP will introduce its Full 'Digital' Universal Credit service in East Lothian on 23rd March 2016. This will see UC payment extended to all eligible claimants/households and will increase the live UC caseload significantly. It is anticipated that new claims to legacy benefits will be closed once claimants begin their transition to UC; Migration to Universal Credit of existing HB cases is expected to follow from July 2018. When full implementation of Universal Credit has been achieved (expected to be by 2018/19), it is estimated that the Council's Rent Income team would have to collect an additional £8.3m per annum from claimants whose rent is currently paid direct to their rent account by housing benefit. A reform which continues to pose a significant risk to rent collection is the removal of the spare room subsidy from those claiming housing benefit and under occupying their homes. This reform is also known as the 'bedroom tax'. Whilst this has been mitigated by funding made available by the Scottish Government there is a risk that this funding may still be inadequate for alleviating Housing related hardship and may not be sustainable in the longer term. Following the publication of the Smith Report recommendations the Scottish Government is considering how it may use its devolved powers provided for within the Scotland Bill (yet to be enacted). The outcome of these deliberations will introduce Scottish flexibilities to the delivery of UC in Scotland. Within the business areas covered by Council Resources, further changes could	The Council has received several update reports and will continue to be updated. 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. Up until now 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. However, the focus of the group will change as welfare reform evolves further. The Task Group and its work stream sub groups are continuing to meet regularly and will continue to report back to the Council Management Team and to the Council. The Benefit Service is continuing to make full use of additional Discretionary Housing Payment, (DHP) funding to mitigate for the impact of the removal of the spare room subsidy and other forms of housing related hardship wherever possible. An impact analysis report (UC on rent collection) has been produced and has been considered by Senior Management. The Welfare Reform Task Group, Welfare Reform Reference Group and Welfare Reform Liaison Group will all continue to implement their action plans to mitigate the impact of welfare reform. The Benefit Service will continue to monitor it's DHP expenditure and will regularly report the extent of any potential overspend to the CMT & Elected Members. Revenues & Benefits Services engage in meetings between other colleagues and DWP/Job Centre Plus staff to ensure a managed transition to Universal Credit is achieved. Castle Rock HA providing personal budgeting support for East Lothian UC claimants. Approval was given in December 2015 for additional staffing resource within the Rent Income team to help manage the impact of UC on rent collection. 0.5FTE with immediate effect and provision made to increase establishment by 1 additional FTE in 2016/17 and 1 additional FTE in 2017/18, subject to management review. Recruitment has been ongoing to maintain	4	4	16	Both the Revenues and Benefits Services will monitor the progress of the Scotland Bill recommendations and will engage in any consultation relating to its findings on further devolution of welfare.	4	4	16	Depute Chief Executive – Resources and People Services	Under constant review.	9	Risk refreshed by Service Managers – Revenues & Benefits March 2016.

Risk ID	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	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
	lead to: • Increase in rent arrears from reduced assistance with Housing costs 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 • continued loss of income the Council currently receives for administering Housing Benefits • an overspend of DHP if/when the Scottish Government fail to fully reimburse the Council for its expenditure relating to mitigation of the spare room subsidy. • Increasing footfall/demand for sign-posting, help and advice from customers who are required to claim Universal Credit and confused about which agency provides assistance with housing costs. Efficient Workforce Management, restructures, budget restrictions and DWP/Scottish Government cuts could result in both the Revenues and Benefits services not being able to maintain levels of staff to allow the services currently provided to continue in their present form.	current benefits establishment. Promotion of ELC 'Right Benefit Campaign' objectives to maximise opportunity to qualify for FERIS incentive payments (to offset HB admin subsidy reductions).											
CR 3	Council IT systems are compromised by the actions of an 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. A recent breach of security (November 2015) has highlighted that we are at heightened risk at this moment in time and HMG are classing the risk as severe which could result in loss of PSN connection or fines from the Information Commissioner.	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. 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. 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). Continuous review and upgrading of security systems to ensure they are still capable of controlling new and emerging threats.	4	4	16	Following the recent breach the Council planned a programme of Information Security Awareness training sessions within all schools as part of "in service" training. Several sessions have already been delivered by the Data Protection Compliance Officer and IT as part of a rolling programme that will be completed in May. The schools themselves are to cascade training to whoever has not been able to attend a session and are to instruct their staff to complete the compulsory online training module. Acceptable use policy for all ELC employees is to be refreshed during 2016 and all employees will be accepted to resign.	3	3	9	Head of Council Resources	May 2016 June 2016 July 2016	N/A	Risk refreshed December 2015 with Current score increased from 12 to 16 due to recent breaches. Risk refreshed November 2014 and Residual Risk Score increased from 6 to 9.

Risk ID	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	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
CR 4	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. At the time of this update (Dec-15) the Council's Corporate Internet pipe was under a DDOS attack and has been for 5 days. This is a Scotland wide issues which is affecting all LA's and highlights the risk faced at this time.	SLA's in place with supplier who has resilient backbone in place.	3	5	15	Introduce a second link to Internet from network outwith Haddington.	1	5	5	Head of Council Resources	March 2018	N/A	Risk refreshed December 2015 with Current score increased from 10 to 15 due to current attacks.
CR 5	Loss/Theft of I.T. Hardware covering mobile devices (laptops, mobile phones and blackberries), memory sticks, external drives etc. This risk creates potential compromise of our infrastructure, data loss and disclosure and is also a cost to ELC as mobile devices can be very expensive.	Mobile devices above a certain cost are asset tagged and recorded on our asset database and allocated to a user. Some may be shared resources. Responsibility for the safety of the device lies with the user/s.	4	3	12	IT must ensure all mobile assets are tagged and entered into asset database. When handing out devices to users an allocated person in the business unit must then be documented as having responsibility for control of the asset. This person is then responsible for the asset during its lifecycle. If they pass they asset on to another user they must inform IT immediately to ensure the asset database is updated accordingly. Business Units must keep a record or each mobile device they are allocated and ensure regularly that the device is still with the allocated user. If device cannot be found then this must be reported immediately to IT Service Desk so correct procedures for lost/stolen devices can take place. For shared/pool devices a responsible person in the business unit should be indentified and should then ensure devices are signed out and back in when used. A count of devices must be taken regularly.	3	3	9	Head of Council Resources	March 2017		New risk created by Team Leader – Infrastructure & Security November 2015
CR 6	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 and fines; - requirement to pay compensation; - adverse publicity; - damage to the Council's reputation.	Arrangements for secure filing and storage of confidential papers. 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 carrying out a programme of data protection health checks and the Data Protection Policy has been approved. Revenues Information Security Procedure in place. Continual reviewing of arrangements. Maintaining staff awareness through team	3	4	12	Following the recent breach the Council is planning a programme of Information Security Awareness sessions within all schools. Acceptable use policy for all ELC employees is to be refreshed during 2016 and all employees will be expected to re-sign.	3	3	9	Service Manager - Licensing, Admin & Democratic Services All managers.	December 2016 July 2016		Risk refreshed December 2015 with current score increased from 9 to 12 due to recent breach and involvement of Information Commissioner. Risk refreshed by Data Protection / F.O.I Compliance Officer December 2014 and risk score reduced from 12 to 9 thanks to planned measures now implemented.

Risk ID	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	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
	A recent breach of security (November 2015) has highlighted that we are at heightened risk at this moment in time and HMG are classing the risk as severe which could result in loss of PSN connection or fines from the Information Commissioner.	meetings, briefing sessions and health checks. Online Data Protection Training rolled out to all employees and repeated every 2 years.											
CR 7	Failure of client services to comply with our procurement processes through lack of knowledge/experience 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 in place. Purchase Card Procedures Procurement Improvement Panel (PIP) in place. Regular reporting to PIP and CMT. Procurement Skills Training carried out. Controls in place over New Suppliers. Supplier Finder on Intranet. Close working with internal audit and departments (Audited regularly). Annual Procurement Capability Assessment in place and action plan progressed. CMT ensuring improved compliance with existing Procurement Procedures by championing them and taking action when breaches are found.	3	4	12	Improved contract management procedures to be put in place in tandem with continuing to improve procurement practices.	2	4	8	Service Manager – Legal & Procurement All ELC Service Managers	April 2016	N/A	Risk Refreshed November 2015 by Service Manager - Legal and Procurement.
CR 8	Risk of losing PSN accreditation which gives us connection to systems such as Blue Badge, Registrars of Scotland, DWP, Police etc. This would be caused by failure to comply with PSN Code of Connection and could seriously impact upon the business of the Council.	Complying with mandatory controls set by HMG to ensure we are able to meet government PSN Code of Connection.	2	5	10	Constant monitoring of code of connection and how we align with it. Keeping security and other devices up to date - patching etc.	1	5	5	Head of Council Resources	December 2016	N/A	New risk created November 2015.
CR 9	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.	Business Continuity plan in place - backup site for systems identified and core system backup plan created.	2	5	10	Continual development of IT disaster recovery plan based on lessons learned from regular testing of existing plan. Ensure IT Staff know their role in event of a disaster.	1	4	4	Head of Council Resources	April 2016	N/A	Risk refreshed November 2015.

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				

Risk ID	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	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
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 and Internal Audit Risk updated (no changes to risk rating).							
9		December 2014/January 2015	S Kennedy			Legal and Procurement, Licensing, Administration & Democratic Services, I.T, HR/Payroll, Finance and Revenues & Benefits risks refreshed.							
10		February 2015	S Kennedy			Finance Risks reviewed and refreshed and Benefits risks further refreshed.							
11		December 2015	S Kennedy			Legal & Procurement, Revenues & Benefits, I.T. and HR & Payroll Risks refreshed.							
12		February 2016	S Kennedy			Finance Risks reviewed and refreshed.							

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				
Likelihood	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

Audit and Governance Committee - Annual Work Plan 2015/16

6

Date	Internal Audit Reports	External Audit Reports	Accounts Commission/ Audit Scotland reports	Governance	Risk
17/05/16	Contracts Audit Section 75 Payments Self-Directed Support – Children's Wellbeing Universal Credit Council Tax Other Income Agency Staff Managing Capital Projects Internal Audit Progress Report 2015/16 Annual Internal Audit Report 2015/16 Controls Assurance Statement 2015/16		Health and Social Care Integration (December 2015) Changing Models of Health and Social Care (April 2016) Overview of Scottish Local Government (Mar 2016) Major Capital Investments in Councils – Targeted Follow Up (due Jan 2016)	2016 Corporate Governance Self-evaluation/ Annual Governance Statement	Corporate Risk Register
14/06/16				Draft 2015/16 Annual Accounts	

East Lothian Council

REPORT TO: Audit and Governance Committee

MEETING DATE: 22 March 2016

BY: Depute Chief Executive – Resources & People Services

7

SUBJECT: Internal Audit Report – Housing Repairs Shared Costs

1   PURPOSE

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

2   RECOMMENDATION

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

3   BACKGROUND

3.1   A review of Housing Repairs Shared Costs was undertaken as part of the audit plan for 2015/16.

3.2   The main objective of the audit was to ensure that the internal controls in place were operating effectively.

3.3   The main findings from our audit work are outlined in the attached report.

4   POLICY IMPLICATIONS

4.1   None

5   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	10 March 2016

EAST LOTHIAN COUNCIL – INTERNAL AUDIT
HOUSING REPAIRS SHARED COSTS

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of Housing Repairs Shared Costs was undertaken as part of the Audit Plan for 2015/16. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Detailed process maps are held on the Nimbus system to assist staff responsible for the administration of shared cost repairs.

1.3 Areas with Scope for Improvement

- The draft guidance in place for mutual repairs and shared costs requires to be updated and made available to the public on the Council's website. *Risk – failure to inform private owners of the Council's approach to shared costs.*
- Detailed procedures are available on Nimbus for the administration and recovery of shared cost repairs, however we found that there was a failure by repairs officers to comply with the procedures in place. *Risk – loss of income to the Council.*
- The identification and coding of shared cost repairs require review – in a number of cases repairs undertaken on private properties had not been properly identified to enable the recovery of shared costs. *Risk – loss of income to the Council.*
- For those repairs that had been identified as shared cost repairs on the Orchard system, in the majority of cases examined no invoices had been raised to recover the costs. *Risk – loss of income to the Council.*
- In a number of cases, there was a failure to provide private owners with an estimate of the cost of the works to be undertaken and to obtain written consent prior to the work commencing. *Risk – disputes and disagreements may arise.*
- For the cases where consent forms had been received from private owners agreeing to pay for their share of the costs, in a number of instances there had been a failure to issue invoices to recover these costs. *Risk – loss of income to the Council.*
- For work allocated to external contractors, there had been a failure to seek the consent of private owners or to obtain their agreement to pay their share of the costs. *Risk – loss of income to the Council.*

1.4 Summary

Our review of Housing Repairs Shared Costs identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager   **March 2016**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that the existing draft guidance on mutual repairs and shared costs is updated and made available to the public on the Council's website.	Medium	Team Leader – Housing Repairs	Agreed		May 2016
3.1.2	Management should ensure that all staff members fully adhere to the procedures in place for the administration and recovery of shared cost repairs.	High	Team Leader – Housing Repairs	Agreed – staff to be provided with training on new procedures.		March 2016
3.2.1	Management should ensure that clear procedures are in place for the identification, recording and coding of shared cost repairs.	High	Team Leader – Housing Repairs	Agreed		March 2016
	All shared cost repairs work undertaken in 2015/16 should be identified and reported to Senior Management, to enable an assessment to be made of the extent of shared cost repairs that have not been recovered.		Team Leader – Housing Repairs	Agreed		July 2016

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.1	Management should ensure that private owners are consulted and an estimate of the expected costs is provided for all shared cost repairs – appropriate consent should be obtained from private owners, agreeing to pay their share of the costs.	High	Team Leader – Housing Repairs	Agreed		March 2016
3.4.1	Management should ensure that invoices are issued to private owners for all shared cost work undertaken.	High	Team Leader – Housing Repairs	Agreed		March 2016
3.5.1	Management should ensure that for shared cost work allocated to external contractors, the private owners have consented to the use of external contractors and have agreed to pay their share of the costs. Management should ensure that best value can be demonstrated for all works awarded to external contractors.	High	Team Leader – Housing Repairs	Agreed		March 2016

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: 22 March 2016

BY: Depute Chief Executive – Resources & People Services

8

SUBJECT: Internal Audit Report – Home to School Transport

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1   PURPOSE

1.1   To inform the Audit and Governance Committee of the recently issued audit report on Home to School Transport.

2   RECOMMENDATION

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

3   BACKGROUND

3.1   A review of Home to School Transport was undertaken as part of the audit plan for 2015/16 – the review has focused on the tendering, evaluation and awarding of contracts to operators.

3.2   The main objective of the audit was to ensure that the internal controls in place were operating effectively.

3.3   The main findings from our audit work are outlined in the attached report.

4   POLICY IMPLICATIONS

4.1   None

5   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	10 March 2016

EAST LOTHIAN COUNCIL – INTERNAL AUDIT
HOME TO SCHOOL TRANSPORT

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of Home to School Transport for Mainstream and Additional Support Needs pupils was undertaken as part of the Audit Plan for 2015/16. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- The Council has adequate arrangements in place to meet its statutory obligations for the provision of Home to School transport in accordance with the Education (Scotland) Act 1980.
- Detailed Corporate Procurement Procedures are in place to provide guidance to staff with responsibility for procurement.
- The tendering process for Home to School transport was undertaken on the Public Contracts Scotland e-tendering system.

1.3 Areas with Scope for Improvement

- There was a failure to ensure that the procedures set out in the Invitation to Tender had been properly followed. *Risk – the Council may be left open to challenge.*
- There was a failure to prepare a Members' Library report as required by the Corporate Procurement Procedures – Members were not advised of the awards made for both Mainstream and Additional Support Needs transport. *Risk – failure to comply with procedures.*
- No formal record was maintained of the evaluation panel meetings and of award decisions made. *Risk – lack of a clear audit trail.*
- There was a lack of adequate checking procedures in place to ensure that details contained in the award letters were accurate and complete. *Risk – errors and anomalies may occur and remain undetected.*
- There was a lack of procedures in place clearly setting out how routes would be re-allocated where capacity issues were identified with the winning tenderer. *Risk – failure to demonstrate best value.*

1.4 Summary

Our review of Home to School transport for Mainstream and Additional Support Needs pupils has identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager   **March 2016**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.1	Management should ensure that all awards made for both Mainstream and Additional Support Needs transport are reported to Members in accordance with the Corporate Procurement Procedures – a Members' Library report should be submitted detailing the awards made.	Medium	Service Manager – Transport	Agreed – a report will be prepared and submitted following the next tendering exercise in 2017.		July 2017
3.5.3	Management should ensure that the procedures set out in the Invitation to Tender are properly followed – late tenders should not be accepted.	High	Service Manager – Transport	Agreed		March 2016
3.6.1	Management should ensure that a clear audit trail exists of all key stages in the tender evaluation process – a formal record should be maintained of the evaluation panel meetings and of all award decisions made.	Medium	Service Manager – Transport	Agreed		March 2016

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.7.1	Management should ensure that all additional routes are subject to a proper tendering process. Management should ensure that procedures are in place clearly setting out how routes will be re-allocated where capacity issues are identified with the winning tenderer.	High	Service Manager – Transport	Agreed, however requests at short notice may be awarded through the Taxi Services Contract and after assessment the tender process will be followed. Route assessment sheets to be completed for each requirement of re-allocation.		March 2016
3.7.2	Management should ensure that appropriate checks are undertaken on the accuracy and completeness of the details contained in the award letters sent to operators.	Medium	Service Manager – Transport	Agreed		March 2016

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.

East Lothian Council

REPORT TO: Audit and Governance Committee

MEETING DATE: 22 March 2016

BY: Depute Chief Executive – Resources & People Services **9**

SUBJECT: Internal Audit Report – Payroll

1   PURPOSE

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

2   RECOMMENDATION

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

3   BACKGROUND

3.1   A review of Payroll was undertaken as part of the audit plan for 2015/16.

3.2   The main objective of the audit was to ensure that the internal controls in place for the administration of the Payroll 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	10 March 2016

EAST LOTHIAN COUNCIL – INTERNAL AUDIT
PAYROLL

1.   EXECUTIVE SUMMARY

1.1   Introduction

A review of the internal controls surrounding the administration of Payroll was undertaken as part of the Audit Plan for 2015/16. A summary of our main findings is outlined below.

1.2   Areas where Expected Controls were Met

- Guidance is available on the Council's intranet to assist Managers responsible for the administration of starters, changes in circumstances and leavers.
- Key documentary evidence is held for all new starts, leavers and change of contracts.
- The process history screen on EDRMS (Electronic Document and Records Management System) provides a clear audit trail of all tasks undertaken by both Human Resources (HR) and Payroll staff.
- Adequate separation of duties exists for the setting up of new starts – HR staff are responsible for entering new start details on the CHRIS payroll system, while new employee salary grades and point placings are input by Payroll staff.

1.3   Areas with Scope for Improvement

- In one case, the final pay for an employee leaving the Council had not been correctly calculated. *Risk – over or under payments may occur.*
- In some instances, change of contract forms had not been authorised by service areas prior to the effective date of change. *Risk – over or under payments may occur.*
- In a number of cases, the calculation of the annual leave entitlement on the Leavers Form was found to be incorrect. *Risk – over or under payments may occur.*
- In some cases, the Employee Appointment Form had not been submitted by service areas to HR timeously – in two cases the employee had commenced work with the Council prior to pre-employment checks being undertaken. *Risk – failure to comply with legislation and Council procedures.*
- In a number of cases, the Notification of Start Date Form had not been completed by the relevant Manager to confirm that the employee had commenced employment with the Council. *Risk – inappropriate payroll payments may be made.*

1.4   Summary

Our review of Payroll identified some areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager   **March 2016**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.2	Management should ensure that the Employee Appointment Form is provided to Human Resources prior to employees commencing work with the Council, to enable appropriate pre-employment checks to be undertaken.	Medium	Service Managers	Reminders to be issued by HR to Managers.		June 2016
	Management should ensure that the Notification of Start Date Form is fully completed by Service Managers and submitted to Human Resources.		Service Manager – HR and Payroll	Following a recent review it has been agreed that the form will be withdrawn and will no longer form part of the procedures – service areas will be informed of the change as part of the reminder.		June 2016
3.2.5	Management should ensure that the data form for new starts accurately records the employee's key data.	Medium	Service Manager – HR and Payroll	Agreed		April 2016
3.3.1	Management should ensure that all Change of Contract Forms are authorised by the Manager or an appropriate officer prior to the effective date of change.	Medium	Service Managers	Reminders to be issued by HR to Managers.		June 2016

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.4	**Management should ensure that a senior member of Payroll staff reviews the manual pay calculations for higher duties prior to being input to the CHRIS payroll system.**	**Medium**	**Payroll Manager**	**Agreed**		**April 2016**
3.4.1	**Management should ensure that the letter of resignation or retirement submitted by the employee to the Service Manager or responsible officer is forwarded to Human Resources.**	**Medium**	**Service Managers**	**Reminders to be issued by HR to Managers.**		**June 2016**
3.4.2	**Management should ensure that the annual leave entitlement is correctly calculated on the Leavers Form prior to being submitted to Human Resources.**	**Medium**	**Service Managers**	**Reminders to be issued by HR to Managers.**		**June 2016**
	Consideration should be given to providing appropriate training to staff responsible for completing Leavers Forms.		**Service Manager – HR and Payroll**	**Agreed – reminders to be issued with regards to annual leave calculations.**		**June 2016**
3.4.5	**Management should ensure that a senior member of Payroll staff reviews the final pay calculation where a number of adjustments are required.**	**Medium**	**Payroll Manager**	**Agreed**		**April 2016**

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.6	Consideration should be given to reviewing the current approach for dealing with backdated arrears for employees who have left the Council.	Medium	Payroll Manager	Agreed – to be reviewed.		August 2016

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: 22 March 2016

BY: Depute Chief Executive – Resources & People Services

10

SUBJECT: Internal Audit Follow-up Reports

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 the Financial Arrangements at Crookston Care Home, Fleet Management and Partnership Funding.

3   BACKGROUND

3.1   As part of the audit plan for 2015/16 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.

Financial Arrangements at Crookston Care Home

3.2   Internal Audit's report on the Financial Arrangements at Crookston Care Home was issued in November 2014. Our follow-up review has identified that all seven recommendations made have been fully implemented.

Fleet Management

3.3   Internal Audit's report on Fleet Management was issued in January 2015. Our follow-up review has highlighted that of the seven recommendations made, three recommendations are currently outstanding. Details of Management's response and the revised dates of completion are attached in Appendix A.

Partnership Funding

3.4   Internal Audit's report on Partnership Funding was issued in March 2015. Our follow-up review has highlighted that of the six recommendations made, one recommendation is currently outstanding. Details of Management's response and the revised date of completion are attached in Appendix A.

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	10 March 2016

Appendix A

Fleet Management

Our follow-up review has identified that of the seven recommendations made, four have been fully implemented and three are currently outstanding. The recommendations that are currently outstanding are detailed below, together with Management's response.

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	MANAGEMENT RESPONSE	REVISED DATE OF COMPLETION
3.1.1	Management should ensure that the draft Vehicle Replacement Strategy is formalised. Management should ensure that a Fleet Asset Management Plan is developed to enable a consistent approach to the planning, procurement, maintenance and disposal of fleet assets.	Medium	Service Manager – Transport	Strategy will be updated.	August 2016
3.2.2	Management should ensure that the fleet management system is a comprehensive record of all Council vehicles held – consideration should be given to rationalising the management of all Council vehicles under Transportation.	Medium	Head of Infrastructure	Transport Services are currently investigating other suppliers. Meeting with Jaama indicated cost of approx £40k to move to them. Meeting with Tranman in March will allow the decision to take forward an option for ELC.	Ongoing
3.5.1	Regular reconciliations of all vehicle additions and disposals should be undertaken between the Council's general ledger and the fleet management system.	Medium	Service Manager – Transport	This will be done annually.	May 2016

Partnership Funding

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

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	MANAGEMENT RESPONSE	REVISED DATE OF COMPLETION
3.1.1	Management should ensure that a corporate policy is in place to provide a framework for the partnership funding of external organisations.	Medium	Service Manager – Community Partnerships	Further amendments have been requested to include the following grants Adult Wellbeing section 10, Community Councils and Children's Wellbeing.	April 2016

REPORT TO: Audit and Governance Committee

MEETING DATE: 22 March 2016

BY: Depute Chief Executive – Resources & People Services

11

SUBJECT: Internal Audit Progress Report 2015/16

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1   PURPOSE

1.1   To inform the Audit and Governance Committee of Internal Audit's progress against the annual audit plan for 2015/16.

2   RECOMMENDATION

2.1   That the Audit and Governance Committee note the contents of the Internal Audit Progress Report 2015/16.

3   BACKGROUND

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

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

4   POLICY IMPLICATIONS

4.1   None

5   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	10 March 2016

INTERNAL AUDIT PROGRESS REPORT 2015/16

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Fuel Management	We will review the adequacy and effectiveness of the controls operating in respect of Fuel Management.	September 2015	Completed
Exceptional Needs Funding	We will review the arrangements in place for the allocation of Exceptional Needs Funding to Schools.	September 2015	Completed
Fisheries Local Action Group (FLAG)	We will examine the arrangements in place for the payment of grants by East Lothian Fisheries Local Action Group (FLAG).	September 2015	Completed
Schools Audit	We will examine the internal controls operating within one primary school in East Lothian.	November 2015	Completed
Waste Management	We will review the Council's waste collection arrangements, focusing on whether value for money is being obtained and how efficiency savings are being achieved and will be achieved in the future.	November 2015	Completed
Employee Expenses (Travel & Subsistence)	We will examine the internal controls in place for employee travel and subsistence claims.	November 2015	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Review of Previous Years' Work	Internal Audit will review the outcome of our previous years' work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.	November 2015	Completed
Bad Debt Write-offs	We will examine the systems in place for the write-off of Bad Debts and Credit Balances.	November 2015	Completed
Funding – Third Sector Organisations	We will review the partnership arrangements in place with Third Sector Organisations and assess if the Council is getting value for money from grants awarded to Third Sector Organisations.	November 2015	Completed
Risk Management	We will evaluate the effectiveness of the Council's risk management processes in place including risk appetite, risk identification and the mitigation of risks.	September 2015	Completed
Out of Authority Placements	We will review the way the Council manages the delivery of services to children with special education needs – the audit will focus on planning, budgeting, commissioning and the monitoring of service delivery.	January 2016	Completed
National Fraud Initiative	The 2014/15 National Fraud Initiative data matching exercise was undertaken by the Audit Commission in 2014. The results of the matches were provided to the Council in January 2015. We will investigate all recommended matches.	January 2016	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Review of Performance Indicators	Internal Audit will review the systems in place for the preparation and reporting of Performance Indicators.	January 2016	Completed
Housing Repairs – Shared Costs	We will review the arrangements in place for charging mutual repairs and shared costs to private owners.	March 2016	Completed
Home to School Transport	We will examine the procurement process for the provision of Home to School transport – our review will focus on the tendering, evaluation and awarding of contracts to operators.	March 2016	Completed
Contracts Audit	We will examine payments made to suppliers in respect of specific contracts.	March 2016	Completed
Review of Previous Years' Work	Internal Audit will review the outcome of our previous years' work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.	March 2016	Completed
Internal Audit Plan 2016/17	Internal Audit will present the detailed operational Audit Plan for 2016/17 for approval by the Audit and Governance Committee.	March 2016	Completed
Payroll	We will undertake a risk based review of the Payroll system, examining in particular controls relating to starters and leavers.	May 2016	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Section 75 Payments	Section 75 payments (developer contributions) bring significant funds to the Council for infrastructure projects. We will examine all aspects of the section 75 process and seek to provide management with assurances that the controls in place are operating effectively.	January 2016	In-progress
Self-Directed Support – Children's Wellbeing	We will continue our review of Self-Directed Support by reviewing the progress being made within Children's Wellbeing.	January 2016	
Universal Credit	We will review the Council's arrangements for dealing with the impact of Universal Credit and Direct Payments.	May 2016	
Council Tax	We will review the internal control arrangements in place for Council Tax income – our audit will focus on Council Tax collection.	May 2016	
Other Income	Our audit will focus on the internal controls in place for sundry income received by the Council.	May 2016	
Agency Staff	We will examine the arrangements in place for the engaging and use of agency staff – the review will include the monitoring and payment arrangements in place.	May 2016	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Managing Capital Projects	We will review the Council's management of significant capital projects that are underway. The review will also examine the whole approach that the Council takes to property management.	May 2016	
Annual Internal Audit Report 2015/16	We will present the Annual Internal Audit Report based on Internal Audit activity undertaken for financial year 2015/16, as required by the Public Sector Internal Audit Standards.	May 2016	
Controls Assurance Statement 2015/16	Internal Audit will provide an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the financial year 1 April 2015 to 31 March 2016.	May 2016	

East Lothian Council

REPORT TO: Audit and Governance Committee

MEETING DATE: 22 March 2016

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Plan 2016/17

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1   PURPOSE

1.1   To inform the Audit and Governance Committee of Internal Audit's operational plan for 2016/17.

2   RECOMMENDATION

2.1   The Audit and Governance Committee is asked to approve the Audit Plan for 2016/17.

3   BACKGROUND

3.1   The annual audit plan has been prepared in accordance with Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013.

3.2   In preparing the annual audit plan a range of factors have been taken into account, including:

- the Council Plan 2012-17 and the key actions that the Council will pursue in order to meet its objectives;

- areas highlighted by Senior Officers;

- corporate and departmental risk registers;

- the Council's core financial systems;

- changes in service delivery;

- the findings from previous years' audit work;

- the need to incorporate flexibility for reactive/investigatory work.

3.3   Internal Audit's primary role is to independently review internal control systems within the Council. Internal Audit will evaluate the adequacy and effectiveness of controls in responding to risks within the Council's governance, operations and information systems, regarding the:

- Achievement of the Council's strategic objectives.

- Reliability and integrity of financial and operational information.

- Effectiveness and efficiency of operations and programmes.

- Safeguarding of assets.

- Compliance with laws, regulations, policies, procedures and contracts.

3.4 The Internal Audit Manager is required to give an opinion on the Council's control environment in the annual Controls Assurance Statement and the audit work carried out will contribute to this opinion.

3.5 The provision of the Internal Audit service is on an in-house basis by the Council's Internal Audit Unit, which is comprised of the Internal Audit Manager, three Senior Auditors and one Senior Audit Assistant.

3.6 The resources available have been applied to individual audits and a detailed operational plan has been produced for 2016/17 (see Appendix A).

3.7 Internal Audit will adopt a risk based approach to audit assignments as the principal means of providing assurance on the adequacy, reliability and effectiveness of internal controls. Testing of controls will be carried out on a sample basis. A standard sample size basis is used for financial systems audits and the samples are selected to provide coverage for the full financial year.

3.8 For each individual audit, a detailed audit report is prepared for the relevant Depute Chief Executive. Copies of the audit report are provided to the Chief Executive, Head of Service, External Audit and to members of the Audit and Governance Committee.

3.9 All audit reports will highlight areas where expected controls have been met and areas where there is scope for improvement. A detailed action plan will be attached to each report listing all recommendations made and recording management responses to the recommendations.

3.10 Follow-up audits will be carried out to review the implementation of the recommendations made.

AUDIT COVERAGE

Financial and Non-Financial Audits
3.11 Internal Audit will review the Council's systems to provide assurance on the adequacy and effectiveness of internal controls. The audit plan includes a range of financial and non-financial audits.

Statutory Audits
3.12 Internal Audit undertakes audit work in respect of specific grant awards made to the Council by the Scottish Government, to ensure compliance with grant conditions.

Best Value Audit
3.13 Internal Audit will review the systems in place for the preparation and reporting of Performance Indicators.

Investigations

3.14 Time has been allocated to carry out work on the National Fraud Initiative and to undertake fraud and irregularity investigations.

Integration Joint Board

3.15 The Committee is asked to note that in 2016/17 internal audit services to the East Lothian Integration Joint Board will be provided by East Lothian Council's internal audit team.

3.16 For 2016/17, time has been allocated to carry out the audit work for the Integration Joint Board.

INTERNAL AUDIT PERFORMANCE INDICATORS

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

OTHER FACTORS

3.18 The Committee should note that reactive work may impact heavily on the Internal Audit Unit's ability to complete the audit plan. Contingency days are built in for 2016/17 in the investigations section, but by its nature reactive work is difficult to predict.

3.19 The plan and its completion have added importance, given its contribution to the annual Controls Assurance Statement to be prepared at the end of 2016/17.

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

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DATE	10 March 2016

INTERNAL AUDIT PLAN

2016/17

AUDIT PLAN 2016/17

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
FINANCIAL AND NON-FINANCIAL AUDITS			
Housing Rents	We will examine the processes and controls in place for housing rents.	Medium	6
Housing Benefit and Council Tax Reduction	We will examine the systems in place for the processing, assessment and payment of Housing Benefit and the award of Council Tax Reduction.	Medium	6
PPP Contract Monitoring	A review will be undertaken of the arrangements in place for the performance monitoring of the PPP contract.	High	6
Gas Servicing and Maintenance	We will review the adequacy and effectiveness of the contractual arrangements in place for undertaking gas servicing and maintenance of all Council properties (both HRA and non HRA).	High	6
Contracts Audit	We will examine payments made to suppliers in respect of specific contracts.	High	6
Freedom of Information (FOI)	We will carry out a review of the arrangements in place to ensure compliance with legislative requirements and timescales for responding to FOI requests.	Medium	5
Home to School Transport	We will examine the payments made to operators for Home to School transport for both Mainstream and Additional Support Needs pupils to ensure compliance with the contract rates in place.	Medium	4

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Funding – Third Sector Organisations	We will continue our review of the partnership arrangements in place with Third Sector Organisations and assess if the Council is getting value for money from grants awarded to Third Sector Organisations. In 2016/17 we will examine the grant awards made by Children's Wellbeing.	Medium	6
Information Security	We will carry out an assessment of the arrangements in place within the Council to ensure that information is appropriately controlled.	Medium	5
Prevention of Tenancy Fraud	We will review the adequacy and effectiveness of the arrangements in place for the prevention of tenancy fraud, including a review of tenancy changes.	High	6
Property Maintenance – Housing Repairs	Our review will cover both housing repairs undertaken directly by Property Maintenance and work allocated to external contractors.	Medium	6
Public Services Network (PSN)	We will evaluate the Council's security arrangements, policies and controls to ensure PSN compliance.	Medium	5
Income – Waste Services	We will review the current arrangements in place for the collection and re-sale of recycled materials.	Medium	6
Road Services Contracts	We will examine the arrangements in place for the procurement and monitoring of contracts within Road Services.	Medium	6

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Capital Projects – Payment Certificates	We will review the issuing, authorisation and payment of interim and final certificates for capital projects.	Medium	6
Schools Audit	We will examine the internal controls operating within one secondary school in East Lothian.	Medium	4
Workforce Planning	We will review the processes and controls in place for managing secondments and 'acting up' roles.	Medium	6
Housing Voids	We will assess the arrangements in place for the management and reporting of housing voids.	Medium	4
Fuel Management	We will review the fuel management arrangements in place at the Council's fuel depots.	Medium	4
Special Projects	Internal Audit will review specific areas that are identified by Senior Officers.	–	6
STATUTORY AUDITS			
Miscellaneous Grants	For grants awarded to the Council by the Scottish Government, Internal Audit is required to provide a statement of compliance with grant conditions on an annual basis.	Medium	4

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
BEST VALUE AUDIT			
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	Medium	5
INVESTIGATIONS			
National Fraud Initiative	Time has been allocated for co-ordinating and submitting data for the 2016/17 National Fraud Initiative exercise.	High	4
Fraud and Irregularity	Internal Audit will investigate all instances of suspected fraud or irregularity.	High	10
Whistleblowing Concerns	We will investigate concerns raised under the Council's Whistleblowing Policy.	High	6
OTHER AUDIT WORK			
Integration Joint Board	Time has been allocated for work that will be undertaken by Internal Audit for the East Lothian Integration Joint Board (IJB). A separate audit plan will be prepared which will be presented to the IJB Audit and Risk Committee for approval.	Medium	24
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.	Medium	8
Financial Procedures – Schools	We will provide a series of training sessions on Financial Procedures to relevant staff within East Lothian schools.	Medium	2

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Attendance at Stocktakes	Internal Audit will attend the year-end stocktakes at Property Maintenance, Road Services and Waste Services. We will review the final stock sheets.	Medium	1
Community Councils and Management Committees	Community Councils – Internal Audit provide advice and support to Community Councils. Management Committees – Internal Audit will audit the annual accounts of Management Committees where applicable.	Medium	4
Advice and Consultancy	Consultation on New Systems – for new systems implemented, Internal Audit will provide advice on internal control matters. Tender Evaluations – attendance at tender openings and evaluations when requested by service areas. Returned Cheques – investigating and recording the reasons for returned cheques. Financial Reports – providing service areas with financial information about companies and offering advice where applicable. Consultancy – providing advice and consultancy on a range of internal control issues.	Medium	6

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
TRAINING			
Training	An adequate allocation of budget resources and time will be given to maintaining and improving the knowledge base and quality of the staff resource. This includes time for staff to undertake continuous professional development (CPD) and to acquire skills and knowledge required to undertake specialist audit assignments.	–	6