

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 26 March 2024

**BY:** Service Manager – Internal Audit

**SUBJECT:** Internal Audit Report – March 2024

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## **1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee, provide details of Internal Audit's follow-up work undertaken and provide an update on progress made against the 2023/24 annual audit plan.

## **2 RECOMMENDATION**

- 2.1 That the Audit and Governance Committee note:
- i. the main findings and recommendations from the Internal Audit reports issued during the period from December 2023 to March 2024 as contained in Appendix 1;
  - ii. the findings from Internal Audit's follow-up work, per Appendix 2;
  - iii. Internal Audit's progress against the annual audit plan for 2023/24 as set out in Appendix 3.

## **3 BACKGROUND**

- 3.1 Since the last meeting of the Committee a final report has been issued for the Homelessness Audit, which provided management with Reasonable Assurance.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audit is contained in Appendix 1.
- 3.3 Internal Audit follows-up on recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. Detailed spreadsheets are maintained to monitor progress being made and this report provides a summary of the current status for five audits that were reported in previous years. Our findings are detailed below:

### **Data Protection**

- 3.4 Internal Audit's report on Data Protection was issued in November 2022. Our follow-up review has highlighted that four of the five recommendations made have been fully implemented. The final recommendation was to ensure that Information Sharing Agreements are put in place on a timely basis. Progress has been made in simplifying and streamlining the processes for Data Protection Impact Assessments (DPIAs) and Data Sharing Agreements (DSAs). A new Team Leader - Information Governance post has also been recruited to, which has also contributed to the reduction in the backlog of DPIAs and DSAs, however there remains a process of continuous improvement in place to ensure completion on a timely basis. The Audit & Governance Committee can continue to track progress in achieving this recommendation through the Information Annual Governance Report.

### **East Lothian Works**

- 3.5 Internal Audit's report on East Lothian Works was issued in February 2023. Our follow-up review has highlighted that all 11 recommendations made have been fully implemented.

### **IT Asset Management**

- 3.6 Internal Audit's report on IT Asset Management was issued in November 2022. Our follow-up review has highlighted that five of the 13 recommendations made have been fully implemented, and details of the outstanding recommendations are included in Appendix 2. Progress has been made in purchasing an asset management module and implementation of this module will allow implementation of six further recommendations. Work is underway for the remaining two recommendations, which are implementing requests that unused IT equipment is returned to IT by services and obtaining baseline data for IT equipment in schools, which is currently complete for Chromebook devices and being worked on for windows devices.

### **Sundry Accounts**

- 3.7 Internal Audit's report on Sundry Accounts was issued in November 2022. Our follow-up review has highlighted that all 17 recommendations made have been fully implemented.

### **Systems Data Backup & Recovery Testing**

- 3.8 Internal Audit's report on Systems Data Backup & Recovery Testing was issued in February 2023. Our follow-up review has highlighted that seven of the eight recommendations have been fully implemented. The one remaining recommendation is in relation to implementing virtual machine replication software, whilst this is in place for some core systems a programme is in place to enable Penston to become fully resilient as a N+1 Data centre.

### **Progress Report 2023/24**

- 3.9 A progress report attached as Appendix 3 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan for 2023/24.

#### **4 POLICY IMPLICATIONS**

4.1 None

#### **5 INTEGRATED IMPACT ASSESSMENT**

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

#### **6 RESOURCE IMPLICATIONS**

6.1 Financial – None

6.2 Personnel – None

6.3 Other – None

#### **7 BACKGROUND PAPERS**

7.1 None

<b>AUTHOR'S NAME</b>	Duncan Stainbank
<b>DESIGNATION</b>	Service Manager – Internal Audit
<b>CONTACT INFO</b>	dstainbank@eastlothian.gov.uk
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## Conclusion: Reasonable Assurance

Processes are in place to offer an appropriate homelessness service including guidance on housing options within East Lothian. Some improvements in processes are recommended including ensuring application phone calls are recorded, data protection processes are reviewed, quality assurance processes are reviewed, and regular review of onward housing applications are completed.

**Background:** East Lothian Council’s corporate risk register has Homelessness risk ELC CR2 rated as a Very High risk both prior to and following planned risk mitigation measures. The risk highlights the following key changes impacting on the homelessness service:

- Scottish Government requiring the implementation of a Housing First approach as a key priority.
- Legislative change regarding local connection was in force from 29 November 2022 and requires the Council to accept rehousing responsibility for additional homeless cases, and future changes to discretion around intentionality and change in focus to deliberate manipulation of the system will place additional pressure on the Council in respect of accepting intentionally homeless cases and associated accommodation duties.
- Ongoing breaches of the Unsuitable Accommodation Order due to a shortage of ‘suitable’ temporary accommodation, with extension of the Order introduced October 2021 and subsequent daily breaches.
- Enforceable temporary accommodation standards framework to be implemented from 2021/22 which further reduces the existing portfolio of ‘suitable’ accommodation.
- The risk also identifies several key external impacts that are reducing the supply of suitable housing options across the East Lothian Council area. This review has sought to examine the homeless processes for assessing applicants and ensuring accommodation within the stock available to housing options staff, whilst recognising that this stock is insufficient to meet demands that are continuing to increase.

### Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by Management**:

- There are appropriate procedures and guidance documents in place for the homelessness service, improvements are recommended to ensure that homeless application calls are recorded, and data protection requirements reviewed. *Management have agreed to complete this by September 2024.*
- Testing established that current quality assurance notes were not always left and due to clients not returning housing applications on a timely basis, applicants were not always recorded on the housing waiting list on a timely basis. *Management have implemented a new quality assurance system, and a draft action plan has been prepared including an action to implement a process for monthly reconciliations to be in place by September 2024.*
- Homelessness response officers currently have responsibility for client debts, and in 2 cases tested debt has resulted in the Council being unable to consider moving clients from temporary to permanent accommodation. *Management are implementing a process where Accommodation Officers have named responsibility for cases going forward for households in self-contained temporary accommodation, a further review of households in B&B/emergency accommodation will then be completed by December 2024, which will consider named officers and how arrears are dealt with.*
- Consideration should be given to the ongoing need for a second stage appeals process for homeless applications, as only one appeal has been successful in five years, which related to the provision of information during the COVID lockdown. *Management have agreed that second stage review processes will be reviewed by December 2024, noting that this is a request for Members to review and that a revised business case has been prepared.*

### Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	8	-	8
Prior Report	5	5	-	10

### Materiality

The Scottish Housing Regulator statement for East Lothian Council, concluded in September 2023, identified that for the period between 1 August 2022 and 31 July 2023, 743 new homeless cases had been opened and 133 breaches of the Unsuitable Accommodation Order had been reported.

## 2 Headlines

Objectives	Conclusion	Comment
<p>1. Policy, processes and procedures in relation to the statutory homelessness service are in accordance with the appropriate legislative, regulatory and guidance framework currently operating across Scotland.</p>	<p>Reasonable</p>	<p>The Council has appropriate procedures in place for the assessment of homelessness applications that meet with legislative requirements. However, changes in processes during COVID resulted in allowing the capability to have homeless applications made over the phone. This process has continued however no process has been put in place to record these application calls creating a risk that a clear audit trail is not retained of the information being provided in applications. From 15 cases selected 3 customers had not returned a data protection form that is subsequently sent out following application. This form was last updated in 2009 and following changes is now being removed.</p>
<p>2. Adequate processes are in place and operational to provide homeless applicants with support, advice and guidance on prevention of homelessness options when available prior to assessing applications.</p>	<p>Substantial</p>	<p>Homelessness response officers complete a full assessment of client's circumstances when a client indicates they are homeless or at threat of homelessness in the next two months and will provide guidance and advice to prevent homelessness where possible. East Lothian Council also operate a prevention service where the potential to become homeless is more than 2 months in the future and will work with a variety of agencies to prevent homelessness when possible.</p>
<p>3. Adequate processes are in place to ensure that complete, accurate and timely assessments of homelessness applications are completed in line with processes and procedures in place at the time of application.</p>	<p>Reasonable</p>	<p>From a sample of 30 applications, in each case they were found to be appropriately assessed in line with the guidance provided. The process of quality assurance is that all applications assessed are then reviewed by a Senior Officer with a note being left identifying that the check was complete, in 5 cases this note was not on the client file. A revised quality assurance process is now in place to ensure 100% checking on all homelessness decisions. An appeals process is in place for homelessness applications with 2 stages, it is noted that only 1 second stage appeal has overturned in the last 4 years which was held in the third week in March 2020 just prior to the COVID lockdown. The continued need for a resource intensive second stage appeals process should be reviewed.</p>
<p>4. Appropriate processes are in place to ensure that homeless assessed applicants are provided with the most appropriate and best value housing available at the time of application.</p>	<p>Reasonable</p>	<p>From the sample of 30 applications reviewed the most appropriate housing option available was being selected for each of the customers from the housing available. Emergency accommodation types are used when necessary. However, whilst 11 of the 15 new applicants reviewed had their housing application completed within 0 and 4 weeks of the homeless application being processed, for 4 applicants this took longer than 6 weeks. Recommendations have been made to assist in ensuring these applications are received and processed on a more timely basis.</p>
<p>5. Monitoring is in place to provide homeless applicants with permanent housing options as soon as practical when placed in temporary accommodation.</p>	<p>Reasonable</p>	<p>From our sample of 15 open housing cases 2 of the cases had been living in temporary homeless accommodation from at least 2020. These clients are unable to move into permanent accommodation due to rent arrears and debt charges from temporary accommodation. Permanent accommodation will not be provided until arrears payments are being made regularly over a 3 month period. Current uncollected homelessness debt amounts to £1.1 million. Debt collection remains the responsibility of Homelessness Accommodation officers rather than dedicated collections staff. This provides a barrier for some clients becoming permanently accommodated.</p>

### 3 Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	The Housing Options team have a comprehensive set of procedures in place to cover prevention, homelessness assessment and housing options, meeting legislative compliance and audit testing demonstrated that these are being followed in the assessment of homelessness.
2.	Monthly, quarterly and annual monitoring of homelessness figures is undertaken and reported to senior management and the Scottish Government as appropriate to identify key trends in homelessness applications.
3.	Regular reporting to Scottish Government has highlighted the key issues that result in East Lothian Council breaches in the Unsuitable Accommodation Order and the housing pressures being identified through the Homelessness team.

# A Recommendation Grading/Overall opinion definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
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.

Levels of Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

**OUTSTANDING RECOMMENDATIONS  
IT Asset Management**

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED DATE OF COMPLETION	REVISED DATE OF COMPLETION
2.1	<p><u>In progress</u></p> <p>Management should ensure that an IT asset register is established detailing the entire life of each asset.</p>	High	Service Manager IT	<p>Asset Management module purchased for IT Service Desk and have contracted with 3rd party to assist with the implementation. Workshops completed. Integrations from Microsoft End Point Manager being mapped at present. Purchased November 2023, currently being implemented.</p>	September 2023	July 2024
2.2	<p><u>Awaiting Implementation</u></p> <p>With assistance from Service Managers a reconciliation of assets purchased in the last three years to location of these assets is required, in order to provide a base for the creation of the IT asset register and clarify how many devices are not accounted for within the Council.</p>	Medium	Service Manager IT/Service Managers	<p>Will be carried out once we have the new Asset Management Module live and Asset Rationalisation Project has completed Penston, JMH and potentially a further stage.</p>	July 2023	September 2024



REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED DATE OF COMPLETION	REVISED DATE OF COMPLETION
2.3	<p><b><u>Awaiting Implementation</u></b></p> <p>IT should provide service managers with a listing at least biannually of the equipment held in their service and any usage information relevant, requesting an update from each service manager confirming what equipment is operational. In order to confirm this all Service Managers should maintain a log of IT equipment and which staff members have this equipment.</p>	Medium	Service Manager IT/Service Managers	Will be carried out once we have the new Asset Management Module live and Asset Rationalisation Project has completed Penston, JMH and potentially a further stage.	March 2023	September 2024
3.1	<p><b><u>Partly Implemented</u></b></p> <p>IT should request that all IT equipment is returned to the IT central team where this equipment does not have a current operational use. This would allow the equipment to be utilised in the most appropriate manner for the Council.</p>	Medium	Service Manager IT/Service Managers	This has been attempted with variable success. Some services reluctant to return equipment they have purchased from their own revenue budgets. This will remain an ongoing exercise.	July 2023	October 2024
5.1	<p><b><u>Partly Implemented</u></b></p> <p>Management should ensure that a complete check of all school IT equipment is scheduled for all schools as soon as possible and this used as a baseline for a formal asset management database</p>	Medium	Service Manager IT	Education staff are currently carrying this out for Chrome devices across all schools. Windows devices will follow and are currently logged in Microsoft End Point Manager.	April 2023	December 2024

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED DATE OF COMPLETION	REVISED DATE OF COMPLETION
5.2	<p><b><u>Awaiting Implementation</u></b></p> <p>Management should ensure that an annual review of the number of devices available for each East Lothian School, is completed by Education staff, and the asset management database updated following each annual review.</p>	Medium	Service Manager IT	Will be carried out once we have the new Asset Management Module live.	April 2023	September 2024
6.1	<p><b><u>Awaiting Implementation</u></b></p> <p>Management should ensure that cases of equipment lost/stolen can be identified by including a coding that allows for identification of all lost and stolen equipment.</p>	Medium	Service Manager IT	This will be implemented as part of the Asset Management Module.	July 2023	August 2024
6.2	<p><b><u>Awaiting Implementation</u></b></p> <p>An annual reconciliation of lost and stolen equipment should be completed between IT, Internal Audit, and Risk to ensure that all incidents have been progressed appropriately.</p>	Medium	Service Manager IT	Will be carried out once we have the new Asset Management Module live.	July 2023	December 2024

**INTERNAL AUDIT PROGRESS REPORT 2023/24****APPENDIX 3**

<b>AUDIT REPORTS</b>	<b>SCOPE OF THE AUDIT</b>	<b>TARGET COMPLETION DATE</b>	<b>STATUS</b>
Financial Sustainability/CIPFA FM Code	Examine the processes in place to demonstrate that the Council is taking all recommended steps to ensure continued financial sustainability in the long term against the financial sustainability principles within the CIPFA FM Code.	June 2024	Audit Work Finalised
Capital Expenditure Contract Cost Management	Examine the processes in place for ensuring that capital contract costs remain within the contracted costs and are managed to remain within the budgeted project costs for each Capital Contract.	June 2024	In Progress
Income Receipt, Reconciliation and Bad Debt Control	For all sundry accounts examine the reconciliation controls to recorded income and the processes in place to ensure maximum recovery of income across all Council services.	June 2024	In Progress
Treasury Management Income Maximisation	Review of the Council's Treasury Management processes to ensure that maximum prudential returns are being made on available treasury funds.	June 2024	Terms of Reference Drafted
Agency Worker/ Contractor Use Management	Examine the authorisation processes for approval of the use of agency workers and contractors across the Council and the management of the use of agency workers and contractors to ensure all risks to the Council are managed.	March 2024	Final Draft Report

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Cost of Growth	Review the processes in place to establish what the revenue budget costs are of increasing Council services to meet increased population within East Lothian and how consideration of this growth is demonstrated in the annual budget process and development of medium and long term financial strategies.	June 2024	In Progress
Housing Void Management	Examine the processes in place within the Housing and Property Maintenance teams to manage the timely return of void properties to a compliant standard for operational use.	September 2024	
Devolved School Management	Examine the processes and controls in place to ensure compliance with the newly reviewed and approved Devolved School Management Procedures.	June 2024	Replaced with HSCP expenditure forecasting review
Asset Management Review Project Management	Examine the project management process in place in relation to the current asset management process of building moves across the Council to ensure that it is meeting the objectives set.	June 2024	Replaced with providing assurance assistance to transformation gate reviews across the Council
Utilities Cost Management	Examine the processes in place to ensure that a best value process is in place to manage the utilities costs across the Council's buildings portfolio.	December 2023	Complete

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Musselburgh Flood Prevention Scheme Governance Processes	Examine the Governance processes in place to manage and control the development and procurement for the Musselburgh Flood Prevention Scheme.	June 2024	In Progress
Roads	Examine the Roads trading account operation and establish that this is operating in a best value format for the Council.	June 2024	Carried forward to 2024/25 and replaced with assurance review of Council school projections following Renfrewshire Council reports
Partnership Funding	Review the grant funding provided to external organisations by the Council and review the processes in place to ensure that funding is linked to specific outcomes and organisational sustainability is promoted.	June 2024	Carried forward to 2024/25
Education Additional Support Needs	Examine the processes around assessment and provision of additional support needs for children.	June 2024	In Progress
Miscellaneous Grants	For grants awarded to the Council by the Scottish Government, Internal Audit is sometimes required to provide a statement of compliance with grant conditions on an annual basis.	September 2023	Complete
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulator's Chapter 3 of the Regulatory Framework.	September 2023	Complete

<b>AUDIT REPORTS</b>	<b>SCOPE OF THE AUDIT</b>	<b>TARGET COMPLETION DATE</b>	<b>STATUS</b>
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	December 2023	Complete