



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

**TUESDAY 17 DECEMBER 2024, 10AM  
COUNCIL'S HYBRID SYSTEM**

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**Committee Members Present:**

Councillor Jardine  
Councillor McFarlane  
Councillor McGuire (nominated Convener)  
Councillor McLeod  
Councillor Ritchie

**Other Councillors Present:**

Councillor Hampshire  
Councillor McMillan

**Council Officials Present:**

Ms M Patterson, Chief Executive  
Ms S Fortune, Executive Director for Council Resources  
Ms L Brown, Executive Director for Education & Children's Services  
Ms H Barnett, Head of Corporate Support  
Ms W McGuire, Head of Housing  
Ms N McDowell, Head of Education  
Mr T Reid, Head of Infrastructure  
Ms C Rodgers, Head of Communities & Partnerships  
Mr S Kennedy, Team Manager – Emergency Planning & Resilience  
Mr D Stainbank, Service Manager – Internal Audit  
Ms A-M Glancy, Service Manager – Corporate Accounting  
Mr L Wright, Emergency Planning, Risk & Resilience Officer  
Mr A Cruickshank, Service Manager – IT  
Mr A Stewart, Project Manager – Growth Delivery  
Mr J Baker, Service Manager – Economic Development  
Mr S Cooper, Service Manager – Communications  
Mr K Dingwall, Service Manager – Planning  
Ms C Molloy, Project Manager – Development  
Ms D Pringle, Corporate Accountant

**External Audit:**

Mr J Boyd, Audit Director – Audit Scotland  
Mr M Ferris, Senior Audit Manager – Audit Scotland

**Clerk:**

Ms L Gillingwater (minutes: Ms M Scott)

**Apologies:**

Councillor Bruce  
Councillor Menzies  
Councillor Trotter

**Declarations of Interest:**

N/A

The Clerk announced in the absence of Convener Councillor Menzies and Depute Convener Councillor Trotter, a Convener would need to be appointed from Members within the Chamber. Councillor McGuire was nominated as the Convener for the duration of the meeting.

**1. MINUTE OF AUDIT & GOVERNANCE COMMITTEE ON 17 SEPTMEBER 2024**

The minutes from the Audit and Governance Committee from 17 September 2024 were approved as an accurate record.

**2. RISK REGISTERS: CORPORATE SUPPORT, FINANCE, COMMUNITIES & DEVELOPMENT**

A report was submitted by the Chief Executive to present the Audit and Governance Committee the Communities, Corporate Support, Development and Finance Risk Registers for discussion, comment and noting. The Risk Registers were developed in keeping with the Council's Risk Management Strategy and are live documents which are reviewed and refreshed on a regular basis, led by the Local Risk Working Groups within each service.

Scott Kennedy, Team Manager – Emergency Planning & Resilience stated Very High risks are unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position; high risks may be tolerable providing the Council is assured that adequate and effective control measures are in place; medium risks are tolerable with control measures that are cost effective; and low risks are broadly acceptable without any further action to prevent or mitigate risk.

**Communities Risk Register**

Mr Kennedy reported the Communities Risk Register included 1 Very High Risk, 6 High Risks, 17 Medium Risks and 3 Low Risks and in accordance with the Risk Management Strategy only Very High and High risks identified would be subject to closer scrutiny by the Councils Management Team, the Cabinet and the Audit and Governance Committee.

Councillor Jardine asked how long the Council had been working on replacing analogue with digital systems. Ms Caroline Rodgers, Head of Communities & Partnerships explained the analogue to digital switch over, led by BT, had been up and running for several years, national programme recently extended to 2025 due to COVID. Working with all partners to ensure switch over happens in a timely manner. Mr Alan Cruickshank, Service IT Manager added the deadline for the analogue to digital switch over had been extended to the end of January 2027.

Asking a second question, Councillor Jardine asked if there had been any incidents relating to communicable diseases which has caused us to review performance in

this area. Ms Rodgers stated no specific incidents but recently been increase in cases of Monkey Pox and Avian Flu is still around, due to small team if there was an outbreak this would have an impact on the team. Are we working with colleagues in communications to make sure there is sufficient information out in wider communities to ensure they are also taking part in risk management. Ms Rodgers confirmed this was the case, national and local coms teams to make sure everyone is aware, briefed and all possible precautions are being communicated. Mr Kennedy added that the pandemic risks and animal health risks are following on from advice from national risk registers and made more local.

Responding to a question from Councillor Ritchie, Ms Rodgers stated the reason the risk was so high in terms of probability is due to the number of upgrade and system changes being done at the minute. Review date is April and would assume the probability of that risk will have then reduced. Mr Cruickshank explained the overall probability of something bad happening in cyber security space particularly high at the moment due to the wars in the Ukraine and Middle East, so risk of cyber-attacks are high at the moment.

Councillor McLeod asked if any legal action or complaints had been raised against the Council for risk number 104. Ms Rodgers confirmed no legal action taken; we have seen no complaints over last year but ten compliments. Consequences of a failure in relation to community response services could be significant, last year called 999 over 1000 times so more than three times a day.

Councillor McLeod praised ELC and IT Department, request to me to do IT fraud exercise to make people aware and this was helpful to make us all aware of fraud.

#### **Corporate Support Risk Register**

Mr Kennedy reported the Corporate Support Risk Register included 1 Very High Risk, 4 High Risks, 14 Medium Risks and 10 Low Risks.

Councillor McLeod asked if someone had been recruited into the IT Specialist post. Mr Cruickshank stated active recruitment was happening at the moment, with interviews taking place this week.

Responding to a question from Councillor Jardine, Ms Hayley Barnett, Head of Corporate Support explained it caused some delays in the service, option to seek external legal advice and have had to do that when don't have specialist in house but risk is certainly around shorter delays rather than not providing advice at any point.

#### **Development Risk Register**

Mr Kennedy reported the Development Risk Register included 3 High Risks, 3 Medium Risks and 5 Low Risks.

There were no questions on the Development Risk Register.

#### **Finance Risk Register**

Mr Kennedy reported the Finance Risk Register included 8 High Risks, 5 Medium Risks and 6 Low Risks.

Responding to a question from Councillor McLeod, Mr Andrew Stewart, Project Manager – Growth Delivery explained the meeting with Depute First Minister and Secretary of State for Scotland is set for the 9<sup>th</sup> January 2025 as part of engagement with regional partners, update following that meeting.

Councillor Jardine asked if there were any areas of operation where we were at particular risk from fraud. Ms Ellie Dunnet, Head of Finance explained the risk in question focussed on the areas of income we collect within revenues and there is focussed fraud work looking at specific areas which included Single Person Discount, Housing Benefit Claims and Housing Benefit overpayments.

Responding to a second question from Councillor Jardine, Ms Dunnet explained the risk was on the paper in response to the cost of living crisis and the increased likelihood people would struggle to pay rent. High risk because income streams council tax and rent as a marginal change in collection rates would result in significant financial impact. Remains under regular review and have good rates of rent recovery, increased number of residents in financial difficulty so thinking ahead about how might materialise in terms of our collection rates.

Councillor McFarlane asked for more information on risk 248, and officers confirmed there were ongoing challenges recruiting to that sector and while no services had been handed back this far the team remained aware that could be a challenge going forward so it would continue to be reviewed with the providers.

### **Decision**

The Committee agreed to note the Risk Registers and in doing so, the Committee noted that:

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

### **3. INTERNAL AUDIT REPORT: DECEMBER 2024**

A report was submitted by the Service Manager for Internal Audit 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 2024/25 annual audit plan.

Duncan Stainbank, Service Manager for Internal Audit reported since the last meeting of the Committee final reports had been issued in respect of the following audits; IT Education Software Purchasing and Treasury Management Income Generation, both of which provided reasonable assurance. Mr Stainbank provided an update of the key findings and recommendations for the completed audits, noting the completion dates for each.

Mr Stainbank reported there had been two follow up reviews had been completed within Utilities Cost Management and Performance Indicators and noted whilst only four of the 16 recommendations across both the internal audits had been completed, management were continuing with these recommendations and pressures in resources and time had resulted in limited full implementation of the recommendations from these reviews. He added as a result of this, in the new year Internal Audit in conjunction with Council Management would review the recommendations follow up process to ensure we continue to provide the Audit and Governance Committee with updates for recommendations until they are complete.

Councillor Jardine asked if there were any significant resources issue that contributed to the delays in meeting targets and when looking at the difference between reasonable assurance and substantial assurance is there a tipping point in terms of the resources that are required to get us from one to the other. Mr Stainbank stated in Internal Audits the aim would be to get as close to substantial assurance as possible but aware of the fact resources limited there are decisions to be made by managers to where they put those resources, this was especially the case with the Utilities Management audit. He added one of the recommendations was to look at resources in that area which then may assist with the implementation of those recommendations and then making a business case to confirm whether those resources would have the benefits that would make it worthwhile.

Responding to Councillor McMillans question, Mr Stainbank explained Internal Audit would still recommend if felt there were resources required in order to ensure control processes of the Council were running effectively.

In a follow up question Councillor McMillan asked if Mr Stainbank felt the implementation of home and hybrid working had put pressure on his own resource in terms of gathering evidence and availability. Mr Stainbank stated this change had different effects in different areas as there are elements where it is easier to get a hold of people who work from home due to them being available more from not travelling but when looking at documentation or substantiating elements can be more difficult and still at times requires visiting the site.

Councillor McFarlane asked who was undertaking the training on IT Education Software Purchasing within primary schools. Mr Stainbank reported there would be training going ahead within the next year and within that there would be packages of training to be taken online by several teachers and time would be made available for them to do this. Ms Nicola McDowell, Head of Education added David Reid, Education Support Officer would be delivering most of the training and has developed an online library of training so teachers can access training at a convenient time for them.

Councillor Jardine highlighted she valued Internal Audit as a critical friend and commended Mr Stainbank and team for the continued support and measured response to questions around how we get that balance right. She added the Council continue to face constrained financial situations and make best use of the resources we have and Mr Stainbank's responses to herself and Councillor McMillan's questions helped to reassure there is that measure.

### **Decision**

That the Audit and Governance Committee note:

- i. the main findings and recommendations from the Internal Audit reports issues during the period from September 2024 to December 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 2024/25 as set out in Appendix 3

## **4. INTERNAL AUDIT CHARTER**

A report was submitted by the Service Manager – Internal Audit as the Public Sector Internal Audit Standards (PSIAS) require an Audit Charter to be in place in each local authority. The PSIAS require the Internal Audit Charter to be reviewed periodically

and presented to Senior Management and to the Audit and Governance Committee for approval. East Lothian Council's Internal Audit Charter was approved by the Audit and Governance Committee in December 2023. The Charter has been reviewed and updated to include further details as required in recommendation 1 of the External Quality Assessment reported to the March 2024 Audit and Governance Committee. The updated Internal Audit Charter is being presented to the Audit and Governance Committee for approval.

Duncan Stainbank, Service Manager for Internal Audit reported a change from PSIAS to Global Audit Standards for audit work being completed to support assurance statements after the year ending 31 March 2025 was being proposed in the UK public sector Internal Audit Standards Advisory Board advisory note consultation that ended in October 2024. This change was likely to require a revised Internal Audit Charter to be developed and approved and a revised charter would be submitted to the Audit and Governance Committee during 2025.

Councillor McMillan asked if there were opportunities to consult with senior and operational managers to get feedback on their understanding of Internal Audits role. Mr Stainbank stated as part of the review in the new year the team would be looking at how often they talk with the heads of service and meeting with all Members of the CMT to discuss the risks in their particular area and build that into the Internal Audit Plan. He added there are further opportunities throughout the year for those discussions, including at EMT and discussions with CMT over the planning and direction of the team in future. Mr Stainbank noted client feedback forms are completed after each audit.

#### **Decision**

A roll call vote was carried out and the Audit and Governance Committee agreed to approve the updated Internal Audit Charter.

## **5. ANNUAL ACCOUNTS 2023/24**

A report was submitted by the Executive Director for Council Resources to provide the Committee with an update on any changes arising during the audit of the draft financial statements, and to ask the Committee to approve the audited accounts for 2023-24, noting that some further changes to the accounts are still being finalised.

Ann-Marie Glancy, Service Manager – Corporate Accounting, reported the commencement of the audit was deferred due to audit scheduling arrangements and the audit field work started in September 2024. She was pleased to report an unmodified audit opinion had been presented signalling the financial statements presented represent a true and fair view of the affairs of the Council and wider group and are properly prepared in accordance with the financial reporting framework and the audit part of the remuneration report, management commentary and the annual governance statement are all consistent with the financial statements and properly prepared in accordance with relevant regulations and guidance. As noted within the report, the value of land and building assets were subject to amendment following the finalisation of commissioned valuations. These amendments were not expected to change the Council's general useable reserves balance but may impact on the unusable reserves. Members would be kept fully aware of any changes made and full details of the changes and audited accounts would be submitted into Members Library.

Ms Glancy drew Members' attention to the changes that had been made to the draft accounts and highlighted there had been no changes to the usable reserves of East Lothian Council. She also gave her thanks to the team at Audit Scotland and all Council staff who were involved in the year end process.

**Decision**

Committee agreed to:

- i) Approve the audited Accounts for the Council and Group components, subject to final amendments.
- ii) Delegate responsibility to the Council's Chief Financial Officers and Chair of the Audit and Governance Committee to agree appropriate changes to the Accounts, subject to completion of audit work relating to asset valuations, and formal off from External Audit.
- iii) Approve the 2023-24 audited accounts for the Dr Bruce Fund.

A roll call vote was carried out and Members unanimously agreed to approve the above.

**5a. COVER LETTERS FROM AUDIT SCOTLAND INCLUDING PROPOSED INDEPENDENT AUDITOR'S REPORT AND LETTER OF REPRESENTATION:**

- i) **ELC Audit of 2023/24 Annual Accounts**
- ii) **Dr Bruce Fund Audit of 2023/24 Annual Accounts**

John Boyd, Audit Director – Audit Scotland presented the ISA 580 Letters for the ELC Audit of 2023/24 Annual Accounts and the Dr Bruce Fund Audit of 2023/24 Annual Accounts and outlined the key documents within. He was pleased to report that subject to the conclusion of the outstanding procedures Audit Scotland plan to issue unmodified opinions on the accounts.

**Decision**

The Committee agreed to note the contents of both reports and letter of representation.

**5b. EAST LOTHIAN COUNCIL 2023/24 ANNUAL AUDIT REPORT & BEST VALUE THEMATIC REPORT**

Reports were submitted by the Audit Director for Audit Scotland to inform the Audit and Governance Committee of the East Lothian Council 2023/24 Annual Audit Report and the Best Value Thematic Report.

John Boyd, Audit Director – Audit Scotland presented the draft report which detailed the responsibilities in terms of the audit of the annual report and accounts and wider scope responsibilities as outlined in the code of practice.

Mr Boyd highlighted the key areas for Audit Scotland's wider scope audit work covering the areas of Financial Management, Financial Sustainability, Vision Leadership with Governance, Use of Resources and the extent to which the Council demonstrates best value. He noted there was work outstanding on valuations however he did not anticipate any of the adjustments would impact on the Councils underlying general fund. He also drew Members attention to the Councils wider financial budget gap of £65 million over the next 5 years which will result in a significant financial challenge.

Mr Boyd explained the Best Value Thematic report recognised the challenges facing the Council in regard to retention and recruitment of staff and the Council is undertaking a number of initiatives to address some of these challenges but also recognise ongoing work would be required and the importance of using initiative practice such as digital to address those.

Finally, Mr Boyd thanked all the Council officers involved for their hard work in the audit process and he would continue to work together with the finance team to streamline the process in future years.

Councillor McGuire asked for further detail on the unmodified opinion of the audit. Mr Boyd explained the unmodified audit opinion meant external audit had not had to modify the wording and there was no qualification to that opinion so effectively a clean bill of health on the Councils annual report and accounts for the year.

Responding to a questions from Councillor McLeod, Mr Boyd confirmed it was not 106 charities, but the report referred to Section 106 of the Local Government Act, but the number of charities could be found within the notes of the annual audit accounts. Ms Sarah Fortune, Executive Director of Council Resources explained digital was a key theme within the transformation strategy and the Digital Transformation Board had been focussing on critical enablers such as CRN, the new HR and Payroll, Housing and Finance systems which are key systems across the Council which will support and enable change. She also reassured Members there were a number of formal arrangements in place with other Councils, such as Midlothian where Mr Stainbank oversees a joint Internal Audit service. Ms Fortune added whenever the Council is looking at new systems or services they would always explore with wider partners and agencies first to see if there is opportunity for collaboration.

Councillor Jardine asked if Mr Boyd could comment on how East Lothian compared with other local authorities on key messages 13 and 14. He stated there was an Accounts Commission report which focused on Councils transformation and innovation which will emerge this year. Mr Boyd added it can vary from Council to Council depending on where they are on their transformation journey and the extent to which planned activities had been implemented. He also confirmed a further deep dive could be done after the Accounts Commission report had been released.

Responding to further questions from Councillor Jardine, Mr Boyd stated the make-up of Committees was elected Members with a varying degree of background skills with different capacity therefore the training of those Members and support were main focuses. He agreed that East Lothian was a relatively small local authority with a small number of Councillors to fulfil all the responsibilities that some larger local authorities may have.

Councillor McMillan asked what would give Audit Scotland more evidence to be able to comment whether there was an opportunity to speak with Members independently around ways to do this. Mr Boyd explained one of the areas evidence would be taken from would be a self-assessment from the Council around its own governance with feedback from elected Members. He added Audit Scotland observe meetings with lengthy agendas and made a general point these can cause a challenge around effective scrutiny due to the length of detail and capacity of Members to get through all that information.

Councillor Jardine said she understood the opportunity Members had to make adjustments and welcomed Councillor McMillan's comments around being as



effective as possible. She added over the few weeks she had read hundreds of pages of documents and Members do try their best but pace and scale of what they have to deal with was significant.

Councillor Ritchie thanked all staff who worked on the accounts, especially the Finance Team who were already massively stretched managing the Council budget. She added to receive a clean bill of health on the accounts was reassuring and she found the annual accounts report detailed and helpful as it highlighted the financial challenges of the Council including cost, demand and significant funding pressures. Councillor Ritchie highlighted the increased demand on services due to population growth in East Lothian and noted we cannot meet demands and the financial pressure associated with them without an increase in funding that reflected that growth.

**Decision**

The Committee agreed to note the reports.

**6. TREASURY MANAGEMENT MID-YEAR REPORT**

A report was submitted by the Executive Director for Council Resources to update the Committee on Treasury Management activity during the first six months of 2024-25.

Ann-Marie Glancy, Service Manager – Corporate Accounting, explained the CIPFA Treasury Management Code required an annual report on the Treasury Management Strategy and plan before the start of the year, a report on the mid-year position and an annual report on the performance after the year end. The Strategy is approved by full Council as it is the body that has the responsibility for approval of the authorities budget but monitoring and scrutiny had been delegated to the Audit and Governance Committee and as such the mid-year and annual treasury reports are submitted to this committee for review.

She stated this mid-year report set out the treasury activity of the Council for the first six months of the year and is reviewed against the current Treasury Management Strategy for the Council, which was approved in February 2024 along with the approved treasury indicators. Ms Glancy explained the report included an economic update and a summary of treasury management activity in the first half of the year which included the impact of updated capital expenditure projections and sets out performance against prudential indicators. She drew Members' attention to key points within the report.

Councillor McLeod asked how much the Council had paid in interest in cash terms. Ms Glancy agreed to provide this information offline.

**Decision**

The Committee agreed to note the contents of the report.

**7. EAST LOTHIAN LAND LTD 2023/24**

A report was submitted by the Executive Director for Place to inform the Audit and Governance Committee of the work undertaken by East Lothian Land Ltd in 2023/24.

Lisa Deegan, Companies Manager – East Lothian Land Ltd reported the purpose of East Lothian Land continued to mirror the strategic goals set out in the Local Economic Strategy, particularly supporting the development of land and property which stimulates economic growth and increases employment opportunities. She provided an update on considered and commenced projects for 2023/24.

Councillor McLeod asked for more information on the management charge and professional fees mentioned within the report. Ms Deegan explained the management charge was a share of her time and other administrative staff that East Lothian Council pay salaries for.

**Decision**

The Committee agreed to note the contents of the report.

Signed .....

Councillor George McGuire  
Convener of the Audit and Governance Committee