

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 17 June 2025

**BY:** Service Manager – Internal Audit

**SUBJECT:** Internal Audit Report – June 2025

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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 2024/25 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 March 2025 to June 2025 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.

## **3 BACKGROUND**

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: Sickness Absence and Monitoring, Area Partnerships and Attainment Scotland Funding.
- 3.2 The main objective of the audits was to ensure that the governance, risk management and internal controls in place were operating effectively. A summary of the main findings and recommendations from the Sickness Absence and Monitoring, Area Partnerships and Attainment Scotland Funding audits are contained in Appendix 1.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Sickness Absence and Monitoring – Reasonable Assurance
  - Area Partnerships – Reasonable Assurance
  - Attainment Scotland Funding – Reasonable Assurance

- 3.4 In addition an assurance review of cybersecurity has been completed and will be presented later in the agenda.
- 3.5 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 four audits that were reported in previous years. Recommendations that have not been fully implemented are detailed in Appendix 2 with revised dates for implementation. Our findings are detailed below:

#### **Agency Worker & Contractor Use Management**

- 3.6 The Internal Audit report on Agency Worker & Contractor Use Management was issued in May 2024 and provided Limited Assurance. The report made 8 recommendations of which 2 were graded high. Our follow-up review identified that 5 recommendations have been fully implemented, including both high graded recommendation, and 3 recommendations partly implemented. Processes have been developed in the areas with the partially completed recommendations that will be implemented by August 2025.

#### **Adult Social Care Commissioned Services Forecasting**

- 3.7 The Internal Audit Interim Assurance Statement on Adult Social Care Commissioned Services Forecasting was issued in May 2024. The report made 7 ungraded recommendations, of which 6 have been fully implemented and 1 is yet to be implemented. This recommendation is linked to the implementation of the new financial ledger system scheduled for phase 1 implementation this year. The Internal Audit of Adult Social Care Case Management completed as part of the 2024/25 Internal Audit Plan provided Reasonable Assurance and indicated the progress made in this area over the year.

#### **Bowles Report – Primary School Capacity**

- 3.8 The Internal Audit Assurance Statement on Adult Social Care Commissioned Services Forecasting was issued in June 2024. The report made 8 ungraded recommendations, of which; 6 have been fully implemented, 1 has been partially implemented and 1 is yet to be implemented as it was never expected to be implemented until April 2026. Good progress has been made in implementing improvements to ensure that Governance, Risk Management and Control are operating to best practice in assessing pupil numbers.

#### **Financial Sustainability – CIPFA FM Code**

- 3.9 The Internal Audit report on Financial Sustainability - CIPFA FM Code was issued in May 2024 and provided Reasonable Assurance. The report made 7 Medium recommendations, of which 6 have been fully implemented and 1 is yet to be implemented, as new CIPFA guidance was in development until finalisation in May 2025, which has delayed the revision and then formal adoption of a Local Code of Governance for East Lothian Council, this will now be completed during 2025.

## **Progress Report 2024/25**

- 3.10 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 revised annual audit plan for 2024/25.

## **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

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<b>DATE</b>	8 June 2025

# Appendix 1 Executive Summary: Sickness Absence and Monitoring

## Conclusion: Reasonable Assurance

The internal controls in place for Sickness Absence and Monitoring are generally reliable, however there are some improvements that can be made to provide a fully effective control process, including a review of the Managing Attendance Policy, the arrangements in place for completing self-certification sickness forms, guidance on Managing Attendance training and the further development of the Strategic HR Panel to provide an appropriate governance framework for monitoring sickness absence levels.

### Background

Sickness absence levels temporarily declined in local authorities during the Covid-19 pandemic; however, absence levels have risen sharply in the past three financial years reaching an all-time average high of 13.9 days in 2023/24 for all Scottish local government employees (an increase of 4.6% from 2022/23) and an average of 7.6 days for teachers (an increase of 12.5%). The Council uses the iTrent integrated HR and payroll system for the administration of sickness absence and guidance is available on the Council's intranet to assist line managers with managing attendance, including a Managing Attendance Policy, which was formally approved by Cabinet on 08 November 2016. The initial trigger point for Management intervention is either three absences of any length or two absences totalling 10 calendar days or more in any rolling 12-month period and this requires the line manager to hold a Sickness Absence Support Meeting with the employee – the policy goes on to outline stages 1 to 4 of the absence monitoring process.

### Summary of findings & recommendations

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

- A review of the Managing Attendance Policy should be carried out, to ensure that it is up to date and reflects current practice. *Management have agreed to undertake a review of the Managing Attendance Policy by December 2025.*
- The Strategic HR Panel requires to be further developed to provide an appropriate governance framework for monitoring sickness absence levels, which addresses any underlying problems in service areas and identifies appropriate actions for implementation. *Management have agreed to refine the role of the Strategic HR Panel in relation to sickness absence by December 2025.*
- The arrangements in place for completing self-certification sickness forms require review – in number of instances copies of the forms were not retained on file by service areas and in one case the line manager had been completing the self-certification forms (part 1) on behalf of employees in the team. *Management have advised that service areas will be provided with a reminder note on the completion and retention of self-certification sickness forms (parts 1 and 2) by June 2025.*
- There was a lack of appropriate guidance on Managing Attendance training – in some cases no training had been undertaken, prior to line managers recording sickness absence and where applicable intervening to monitor frequent absences. *Management advised that additional clarity will be provided on Managing Attendance training and new Managers will be provided with training during their HR induction by December 2025.*

### Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	6	-	6
Prior Report	N/A	N/A	N/A	N/A*

### Materiality

For East Lothian Council, the average number of sickness absence days per local government employee for 2023/24 was 13.73 days (10.9 days in 2022/23) compared to the Scottish average of 13.9 days and the average number of sickness absence days per teacher was 6.66 days (5.8 days in 2022/23) compared to the Scottish average of 7.6 days.

\* No prior report exists for Sickness Absence and Monitoring.

# Headlines

Objectives	Conclusion	Comments
1. Adequate policies and procedures are in place for administering sickness absence, which complies with relevant legislation.	Reasonable	A Managing Attendance Policy is in place (effective from 01 January 2017), which was formally approved by Cabinet on 08 November 2016, however the policy requires to be reviewed to ensure that it is up to date and reflects current practice. Guidance is available on the Council's intranet to assist line managers and employees with procedures on sickness absence, which includes a range of forms for recording and monitoring absence, monthly cumulative absence statistical data and other useful information.
2. Service areas are complying with the procedures in place for managing attendance at work.	Reasonable	We selected a sample of 30 cases and sought to establish if service areas were correctly complying with the Managing Attendance Policy when employees were absent on sick leave. We found that in each case the employee had telephoned or contacted their line manager by other means (email, text etc.) on the first day of absence to confirm that they were unable to work. Where the employee continued to be off work, they kept in regular contact and from the eighth day onwards obtained a Doctor's Fit note.
3. Adequate arrangements are in place for completing documentation and for recording periods of sickness absence.	Limited	For the sample of 30 sickness absence cases, we checked to ensure that the procedures for sickness absence had been appropriately followed, and we found that the period of sickness absence and the reason were correctly recorded on the iTrent system for each employee. However, the arrangements in place for completing self-certification sickness forms require review – in 13 cases, copies of the forms were not retained on file, and we were unable to establish if a return-to-work meeting had been undertaken. In one case the line manager had been completing the self-certification forms (part 1) on behalf of employees in the team. For a sample of five long term sickness absence cases examined, in four cases evidence was held on file to confirm that appropriate management intervention had been carried out, however for the remaining case there was a lack of a clear audit trail as the process had been undertaken verbally.
4. Adequate arrangements are in place for monitoring the different stages of sickness absence and for taking appropriate action to improve health and wellbeing.	Reasonable	We sought to establish if appropriate governance arrangements are in place for monitoring absence levels and we found that a Strategic HR Panel had recently been set up to identify the potential risks associated with managing the workforce, including managing overtime, addressing performance information and targeting a reduction in sickness absence. However the Strategic HR Panel requires to be further developed to provide an appropriate governance framework for monitoring sickness absence levels, which addresses the underlying problems in service areas and identifies appropriate actions for implementation. A workshop was also held within HR to consider ways to be more effective in supporting service areas with absence.
5. Appropriate training is provided to staff members on sickness absence.	Reasonable	The Managing Attendance Policy is available on the intranet, together with a range of forms for sickness absence and other useful information. We were informed that HR have held four workshops on the Managing Attendance Policy over the last twelve months and HR Advisors have also provided ad hoc training sessions to service areas on request. However, there was a lack of clear guidance available on the training required for line managers on sickness absence and in some cases no training had been undertaken, prior to line managers recording sickness absence and where applicable intervening to monitor frequent absences.

# Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	Appropriate arrangements are in place for recording sickness absence on the iTrent system including for service areas where certain staff members do not routinely have access to laptops.
2.	Appropriate arrangements were in place to ensure service areas complied with the Managing Attendance Policy when employees were absent on sick leave – for the sample reviewed the employee telephoned or contacted their line manager by other means (email, text etc.) on the first day of absence to confirm that they were unable to work. Where the employee continued to be off work, they kept in regular contact and from the eighth day onwards obtained a Doctor's Fit note.
3.	Monthly cumulative absence statistical data is accessible showing the levels of sickness absence across the Council by Staff Group, and a further breakdown into Divisions and Business Units is available, together with reports on the absence reasons.

# Recommendation Grading/Overall Opinion Definitions

Recommendation	Definition
<b>High</b>	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.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.

# Executive Summary: Area Partnerships

## Conclusion: Reasonable Assurance

The processes and internal controls in place for Area Partnerships are generally reliable and there is clear evidence of legislative compliance, appropriate processes of application, assessment and decision-making along with evaluation of funds awarded addressing the funds management and fulfilling the local needs. Some areas for further improvement have been highlighted, including the need to ensure clearer documentation of scoring applications and managing conflict of interest, greater transparency in leadership, stronger oversight and maintaining records of meetings crucial to maintain public trust, provide transparency, maintaining a proper audit trail and smooth operations of the area partnerships.

### Background

In 2014, the East Lothian Community Planning Partnership established six Area Partnerships: Dunbar and East Linton, Fa'side, Haddington and Lammermuir, Musselburgh, North Berwick Coastal; and Preston Seton Gosford. The aim of community planning is to help public agencies to work together with the community to plan and deliver better services and Area Partnerships are the local voice of community planning. The members of each Area Partnership comprise of Community Councillors, East Lothian Councillors, Local Community Groups, Pupil and Parent Council Representatives, Tenants and Residents Groups and Other Constituted Community Groups. Each Area Partnership has an Area Plan which provides a profile of the main features of the local area and their priorities for improvement. This helps to focus the allocated budget on the priorities which local people have identified, to help reduce inequalities in their community. Each quarter, the area partnerships meet to discuss the applications received for funding and consider the recommendations and views of the sub-groups including Scrutiny/Governance groups. In addition, each area partnership conducts an Annual Public Meeting, where Area Managers present impact stories, outline work of the area partnerships and review membership of the area partnership.

### Summary of findings & recommendations

We reviewed three area partnerships – Musselburgh, Preston Seton Gosford (PSG) and Dunbar & East Linton (DEL). The following key findings and recommendations are highlighted, which have all been **agreed by Management**:

- There had been a delay in preparing the area plans covering the period 2025 – 2030. *Management have confirmed that Area Partnership Plans are in development will be presented to the East Lothian Governance Group for approval as soon as they are ready by **March 2026**.*
- There was a lack of up-to-date detailed documented guidance available to assist applicants in completing their application form. *Management have confirmed that a detailed documented guidance will be prepared and will be available on the Council's website by **November 2025**.*
- Where conflicts of interest are identified, there is a need to ensure that there is a clear record of how these conflicts are managed and the actions taken by the member. *Management have agreed to discuss this with the area partnership Chairs in **July 2025**.*
- All Area Partnership meetings should have formal minutes taken, while for Scrutiny/Governance and subgroups a record should be maintained of the key actions/decisions taken. *Management have agreed that Connected Communities will engage with Council Support to explore the administration arrangements and discuss with Area Partnership Chairs to develop an approach and document the key points from each group by **November 2025**.*

### Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	15	-	15
Prior Report (Sept 2019)	-	11	-	11

### Materiality

In 2024/25, the total budget devolved to Area Partnerships was £1,215,000 – each Area Partnership had a budget of £195,000 (£240,000 for the Musselburgh Area Partnership) comprising £45,000 on general projects in the area (£90,000 for the Musselburgh Area Partnership), £50,000 of the Roads budget (*influential* spend) for the area, and £100,000 (*influential* spend) of the Amenity Services budget for the area

# Headlines

Objectives	Conclusion	Comment
1. The Council has adequate arrangements in place for complying with relevant legislation for developing public services with communities, and the roles and responsibilities of Area Partnerships are clearly set out.	Reasonable	The Council has appropriate frameworks in place to support compliance with the relevant legislation – The Local Government (Scotland) Act 2003 and the Community Empowerment (Scotland) Act 2015. Governance structures such as Standing orders, Member’s handbook and the East Lothian Partnership Governance group, outline roles and responsibilities and support effective oversight. However, East Lothian Partnership Governance Group meetings have not recently provided a strong reporting mechanism for Area Partnerships or effective oversight.
2. Area Plans have been developed and approved based on local needs and priorities, including consultation with key stakeholders.	Reasonable	Area Plans outline key local features and priorities, guiding the effective use of funds to reduce inequalities and improve quality of life. While each plan covers a five-year period, our review found that the plans are pending final approval, despite the new funding cycle having started. Delays in finalising these plans may prevent funding being used for current local needs.
3. An appropriate application and assessment process is in place, and is consistently applied, for all Area Partnership funding applications received, that ensures due consideration is given to financial sustainability.	Reasonable	Each Area Partnership is allocated an annual budget to support local projects through a multi-layered review process involving managers, subgroups, and governance groups. While this structure promotes strong oversight, we noted issues such as incomplete or unclear application responses, lack of up-to-date detailed documented guidance and the nature of funding requested which could affect the decision quality.
4. Appropriate decision-making processes are in place for the awarding of funding by Area Partnerships, recognising all conflicts of interest and ensuring segregation of duties, with an accurate record maintained of all decisions made.	Limited	The Area Partnership has established a robust and structured decision-making framework, with applications being reviewed by subgroups and Scrutiny/Governance groups using defined criteria and scoring matrices, followed by consideration by the Area Partnerships. Meeting minutes and recommendations are generally well recorded, supporting transparency. However, there are some areas where improvement could enhance the process further – including clearer documentation of scoring and conflict of interest, greater transparency in leadership term rotation, and review of the Roads and Amenities budget alignment processes.
5. Clear processes are in place to ensure that all Area Partnership grant payments made are accurate and are in accordance with the approved amounts, with appropriate monitoring and review processes to ensure that funding awarded is achieving the approved outcome/impact.	Reasonable	The Council has implemented a well-structured payment process with multiple layers of review, including verification by Connected Communities Managers and then processing by Creditors team to ensure payments are accurate and appropriately recorded. Evaluation forms are also requested from awardees to assess impact and fund usage, and annual public meetings provide a platform to share the Area Partnerships’ achievements. While these reflect strong practices, there are opportunities for improvement – such as ensuring timely approval of annual public meeting minutes and requesting supporting evidence from awardees to verify appropriate fund utilisation.

## Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	<b>Proactive funding alignment by the managers</b> - The Connected Communities Managers engage with applicants early on to understand the purpose, funding needs, and planned outcomes before issuing the application form, helping to ensure that only relevant and impactful proposals are considered. This assists in making the application and assessment process strong and efficient.
2.	<b>Robust multi-layered assessment process</b> – Funding applications undergo multiple layers of review – by managers, subgroups, and the Scrutiny/Governance group, before final approval by the Area Partnership. This structured approach enhances quality and fairness of decision-making.
3.	<b>Structured payment approval process</b> - Payment to awardees go through a layered review process involving the Business Support Administrators issuing the payment forms and their line managers and the Connected Communities Managers approve the payment form and ensure all the details are correct. This strengthens the financial control and reduces the risk of payment errors.

# Recommendation Grading/Overall opinion definitions

Recommendation	Definition
<b>High</b>	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.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.

# Executive Summary: Attainment Scotland Funding

## Conclusion: Reasonable Assurance

The internal controls in place for Attainment Scotland Funding are generally reliable, however there are some improvements that can be made to provide a fully effective control process, including the arrangements in place for ensuring a clear audit trail exists when completing financial returns for the Strategic Equity Fund and the Care Experienced Children and Young People Fund, a review of the arrangements in place for reconciling the Strategic Equity Fund to the general ledger and the arrangements in place for completing and monitoring Pupil Equity Funding Plans.

## Background

The Scottish Attainment Challenge was initially launched in 2015, however the Scottish Government set out fresh plans (effective from April 2022), with the aim of using education to improve outcomes for children and young people impacted by poverty. The Scottish Attainment operating guidance stipulates that funding should not be used in ways that stigmatises children and young people or their parents and carers. Local authorities are also required to be mindful of the interconnection between poverty and additional support needs. Funding is distributed to local authorities through Pupil Equity Funding (PEF), Strategic Equity Funding (SEF), and Care Experienced Children and Young People Funding (CECYPF). The PEF is allocated directly to schools based on pupils registered for free school meals and schools submit an annual PEF plan for evaluation and feedback. The SEF was utilised to set up the Equity & Inclusion – Education Outreach Service for supporting learners at risk of under achieving, focusing in particular on learners impacted by poverty, care experience or requiring additional support needs (referrals come in through the Child Planning Framework – Locality Teams). The CECYPF funded an Education Support Officer (ESO) role to help create better environments for care experienced learners in schools. The figures for 2023/24 show that the poverty related attainment gap in East Lothian is closing in the key areas of literacy and numeracy.

## Summary of findings & recommendations

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

- In some instances, there was a lack of a clear audit trail for the financial returns submitted to the Scottish Government – for the SEF and the CECYPF supporting evidence and a breakdown of the expenditure had not been retained in a separate folder for each resource category. *Management will introduce revised procedures for completing financial returns and supporting evidence will be retained **by June 2025**.*
- The existing arrangements in place for reconciling the Strategic Equity Fund require review to ensure that the amounts claimed agree to the general ledger. *Management have advised that the arrangements for reconciling the Strategic Equity Fund will be reviewed, prior to the first SEF submission for 2025/26 **by November 2025**.*
- The arrangements in place for completing and monitoring the Pupil Equity Funding Plans require review – in some instances, the school's annual PEF Plans did not outline the costs for the intended outcomes or include the section on consultation with parents and other stakeholders. *Management have advised that the approach to the completion of the PEF Plans will be fully evaluated for the start of the next academic year **by August 2025**.*

## Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	8	-	8
Prior Report	N/A	N/A	N/A	N/A*

## Materiality

East Lothian Council had a budget of approximately £2.52 million for Attainment Scotland Funding in 2024/25, which was distributed between PEF - £1,816,063, SEF - £595,488 and CECYPF - £108,617. For 2023/24 P1, P4 & P7 literacy was at the highest attainment level and there was the lowest gap between learners in quintiles 1 & 5 for 5 years.

\* No prior report exists for Attainment Scotland Funding.

# Headlines

Objectives	Conclusion	Comments
1. Adequate policies and procedures are in place for administering Attainment Scotland Funding.	Substantial	The Scottish Government have issued national guidance to assist local authorities with the Attainment Scotland Funding process, and Education produced a PEF Operating Guidance document to help schools in East Lothian prepare their PEF Plans and mid-year reviews. The Equity and Inclusion Team also have other guidance documents, including an Excellence & Equity: Raising Attainment for All Strategy 2023/24 – 2025/26 and the Included, Engaged and Involved – Equity and Inclusion Education Outreach Team Practice Guidelines.
2. Processes are in place for planning and budgeting outcomes, which are subsequently evaluated in line with the National Operational Guidance.	Limited	From our review of the financial returns submitted to the Scottish Government for the Strategic Equity Fund and the Care Experienced Children and Young People Fund, we found that in some instances there was a lack of a clear audit trail – supporting evidence and a breakdown of the expenditure had not been retained in a separate folder for each resource category. The arrangements in place for completing the Pupil Equity Funding Plans require review – in four of the five cases examined, the Pupil Equity Funding Plans did not outline the costs for the intended outcomes or include the section on consultation with parents and other stakeholders. However, in three of these cases, information on consultation with parents and other stakeholders was included in the School Improvement Plan. The existing arrangements in place for reconciling the Strategic Equity Fund require review to ensure that the amounts claimed agree to the general ledger.
3. Parent Councils are in place to support parental and family engagement throughout a pupil's education.	Reasonable	We were informed that East Lothian schools have Parent Councils for ensuring parental involvement in key decisions regarding their children and Parent Councils aim to represent parents' views to the school, the Education Authority and Education Scotland. They also help promote better communication between schools, parents, pupils and the local community, however from a sample of five PEF Plans reviewed, we found that in some instances the plans did not highlight the link with the Parent Council.
4. There is regular reporting of performance information on the impact of Attainment Scotland Funding.	Substantial	Performance information is regularly reported to both the Local Government Benchmarking Framework and the Policy and Performance Review Committee e.g. for 2023/24 P1, P4 & P7 literacy was at the highest attainment level and there was the lowest gap between learners in quintiles 1 & 5 for 5 years, leavers attaining five or more qualifications at level 5 (A-C) was at the highest attainment for learners in quintile 1 for 5 years and the attainment gap between quintiles 1 and 5 for P1, P4 & P7 combined in numeracy was 19.8%.
5. Adequate governance frameworks are in place for the effective monitoring of Attainment Scotland Funding.	Substantial	The Council has a governance framework in place for monitoring Attainment Scotland Funding (Pupil Equity Funding, Strategic Equity Funding and Care Experienced Children and Young People Funding), which includes regular meetings, providing updates to the Education and Children's Services Committee on raising attainment and pupil attendance, and submitting an overview of the local authority's progress in implementing the Scottish Attainment Challenge (SAC) programme to the Scottish Government via Triannual or Biannual reports.

# Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	Education produced a PEF Operating Guidance document to help schools in East Lothian prepare their Pupil Equity Funding Plans and mid-year reviews. The Equity and Inclusion Team also have other guidance documents, including an Excellence & Equity: Raising Attainment for All Strategy 2023/24 – 2025/26 and the Included, Engaged and Involved – Equity and Inclusion Education Outreach Team Practice Guidelines.
2.	The Council has a governance framework in place for monitoring Attainment Scotland Funding, including regular meetings, providing updates to the Education and Children’s Services Committee on raising attainment and pupil attendance, and submitting an overview of the local authority’s progress in implementing the Scottish Attainment Challenge (SAC) programme to the Scottish Government via Triannual or Biannual reports.
3.	Performance information on the impact of Attainment Scotland Funding is regularly reported to both the Local Government Benchmarking Framework and the Policy and Performance Review Committee.

# Recommendation Grading/Overall Opinion Definitions

Recommendation	Definition
<b>High</b>	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.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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

## AGENCY WORKER &amp; CONTRACTOR USE MANAGEMENT (MAY 2024)

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
3.2	<p><u>Partly Implemented</u></p> <p>On an annual basis management should on a small sample basis as a quality assurance check obtaining evidence from agencies to ensure that adequate pre-employment checks are being carried out in accordance with the Council requirements for staff in these agency supported roles.</p>	Medium	Transformation & Digital Portfolio Manager	An MS Teams channel is currently being created to capture this.	September 2024	August 2025
3.3	<p><u>Partly Implemented</u></p> <p>Management should put procedures in place to ensure that agency workers undertake the appropriate mandatory e-learning modules, and that this completion is monitored for compliance.</p>	Medium	Operational Development Manager Service Managers	Induction Checklists have been developed and will soon be published for managers to ensure they are providing access to the mandatory e learning modules that are appropriate.	May 2024	August 2025
3.4	<p><u>Partly Implemented</u></p> <p>Guidance should ensure that there is a clarity that a new agency worker should have an induction checklist completed.</p>	Medium	Operational Development Manager Service Managers	Induction Checklists have been developed and will soon be published for managers with guidance.	May 2024	August 2025

**ADULT SOCIAL CARE COMMISSIONED SERVICES FORECASTING INTERIM ASSURANCE STATEMENT (MAY 2024)**

<b>REC REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTION UPDATE</b>	<b>AGREED TARGET DATE</b>	<b>REVISED TARGET DATE</b>
<b>7.</b>	<p><b><u>Awaiting Implementation</u></b></p> <p>As part of any new finance system implementation within East Lothian Council, a system should be purchased that allows for a full commitment based accounting, in conjunction with Mosaic changes, as required to provide a pathway to obtain more accurate actual expenditure on a monthly basis.</p>	<b>Not Graded</b>	<b>Head of Finance</b>	<b>Will be progressed as part of phase 1 implementation of the new financial ledger system.</b>	<b>To be considered as part of any financial systems project.</b>	<b>Dec 2025</b>

**BOWLES REPORT – PRIMARY SCHOOL CAPACITY (JUNE 2024)**

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
2.	<p><b><u>Partly Implemented</u></b></p> <p>For projections of new primary school pupils expected from the yearly house completions in any academic year, consideration should be given to applying a more nuanced approach (weighted to earlier pupil year groups where applicable), rather than assuming an even spread between classes P1 to P7.</p>	Not Graded	Principal Officer (Performance Analysis and Research)	This work was partially completed during the last annual roll projections update, focussing initially on a review of the spread of year groups tracked since their formation in the three new primary school catchments and establishments. The next phase of work, looking at the remaining catchment areas where new build is under construction or planned.	December 2024	August 2025

# FINANCIAL SUSTAINABILITY – CIPFA FM CODE (MAY 2024)

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
2.2	<p><u>Awaiting Implementation</u></p> <p>Consideration should be given to developing and maintaining an up-to-date local code of governance in compliance with CIPFA FM standard D.</p>	Medium	Service Manager – Internal Audit	The implementation of this recommendation has been delayed as a result of the consultation on new guidance from CIPFA in relation to an addendum to the CIPFA Solace framework on delivering good governance. This further guidance has only just been finalised following a period of consultation and a local code will now be developed for September 2025.	February 2025	September 2025

**INTERNAL AUDIT PROGRESS REPORT 2024/25****APPENDIX 2**

<b>AUDIT REPORTS</b>	<b>SCOPE OF THE AUDIT</b>	<b>TARGET COMPLETION DATE</b>	<b>STATUS</b>
Procurement	Examine the processes in place to ensure appropriate contract management, particularly ensuring contracted goods and services are being provided at the price in the contracts, is in place across the Council to meet our statutory requirements and ensure that procurement continues to be monitored against achievement of the outcomes agreed during tendering, including best value and community benefits.	September 2025	Draft report in progress
Adult Social Care Case Management, including Contract Award, Billing and Payment	Review the revised processes following upgrading of the Mosaic system to ensure that the case management processes have appropriate control over contract award, billing and payment processes, linked to professional assessment of need in line with appropriate procedures and guidelines.	March 2025	Completed
Sickness and Absence Monitoring	Review the processes in place to record and manage sickness and absence across the Council to ensure that it is being effectively and consistently used and monitored to improve the efficiency and effectiveness of staff.	June 2025	Completed
Housing Voids	Carried over from the 2023/24 Internal Audit Plan. 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.	March 2025	Completed

<b>AUDIT REPORTS</b>	<b>SCOPE OF THE AUDIT</b>	<b>TARGET COMPLETION DATE</b>	<b>STATUS</b>
Pupil Equity Funding/Strategic Equity Fund	Review the processes in place to identify appropriate outcomes, identify expenditure against these outcomes, manage and report this expenditure and report against outcomes from the Pupil Equity Funding provided to individual schools across the Council area.	June 2025	Completed
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 2025	Completed
Building Asset Data	Review the processes to maintain accurate, up to date and reliable information on building assets across the Council. Particularly examine the data cleansing and transfer processes that have been put in place as a result of the transfer of building data from Badger to CIPFA systems.	September 2025	
IT Education Software Purchasing	Review the processes in place to ensure that only appropriately vetted and authorised software is in use across the schools' network and that data is only uploaded into verified software.	December 2024	Completed
Roads	Brought Forward from the 2023/24 Audit Plan. Examine the Roads trading account operation and establish that this is operating in a best value format for the Council.	September 2025	In progress paused for Completion of Cybersecurity

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
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 2024	Completed
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 2024	Completed
Assurance Reviews	<p>Where resources allow, undertake assurance reviews on areas of key controls for new or evolving systems of control to provide support for developing systems. Potentially including the following:</p> <ul style="list-style-type: none"> <li>➤ Transformation Project Management reviews;</li> <li>➤ Financial Systems project reviews developing new processes;</li> <li>➤ School Transport; and</li> <li>➤ Asylum and Refugee scheme funding monitoring.</li> </ul>	Not yet scheduled, dependent upon in year resource availability.	Resource has not become available within year and will be applied to the 2025/26 audit plan.