

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	24 March 2026
BY:	Service Manager – Internal Audit
REPORT TITLE:	Internal Audit Report – March 2026
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 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 2025/26 annual audit plan.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Note the main findings and recommendations from the Internal Audit reports issued during the period from December 2025 to March 2026 as contained in Appendix 1;
- 2.2 Note the findings from Internal Audit's follow-up work,
- 2.3 Note Internal Audit's progress against the annual audit plan for 2025/26 as set out in Appendix 2.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: Commercial Properties, Enjoy East Lothian Limited, Planning Decision Notices, and Home to School Transport. In each case the reviews provide management with reasonable assurance.

- 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 Commercial Properties, Enjoy East Lothian Limited, Planning Decision Notices, and Home to School Transport audits can be found 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 one audit that were reported in 2024/25. Our findings are detailed below:

Adult Social Care Case Management

- 3.4 The Internal Audit report on Adult Social Care Case Management was issued in March 2025 and provided Reasonable Assurance. Our follow-up review has confirmed that all eight recommendations made have been implemented, however it is acknowledged there may be opportunities to streamline authorisation processes with the new financial system as this is progressed and rolled out.

Progress Report 2025/26

- 3.5 A progress report attached as Appendix 2 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 2025/26.

4 POLICY IMPLICATIONS

- 4.1 None

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: None unless noted in the reviews.
- 5.2 Human Resources: None unless noted in the reviews.
- 5.3 Other (e.g. Legal/IT): None unless noted in the reviews
- 5.4 Risk: With the implementation of the Audit Recommendations noted in the follow up activity that risks in these areas have been reduced.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 ***Select the statement that is appropriate to your report by placing an 'X' in the relevant box.***

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.



or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:



7 APPENDICES

7.1 Appendix 1: Executive Summary of Internal Audit Reports December 2025 to March 2026.

Appendix 2: Internal Audit Plan Progress 2025/26.

8 BACKGROUND PAPERS

8.1 Approved Revised Internal Audit Plan 2025/26, September 2025 Audit & Governance Committee.

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

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Date	2 March 2026

Head of Service Approval

Name	Duncan Stainbank
Designation	Service Manager Internal Audit
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Confirmed
Approval Date	2 March 2026

Appendix 1. Executive Summary: Commercial Properties

Conclusion: Reasonable Assurance

The systems and processes in place for managing Commercial Properties are generally functioning well and provide a reasonable level of assurance, with several areas of good practice demonstrated across lettings, income management, and operational record-keeping. However, some areas would benefit from further strengthening to support consistency, transparency, and efficient delivery, including formalising key policies and improving governance around discounted and peppercorn rents. Enhancements are also required in compliance checks and documentation. The challenges with the property management system continue to impact the accuracy, reporting capability, and operational efficiency of the Estates function. Addressing these areas will support more robust oversight of the commercial estate and help ensure that processes remain effective, transparent, and aligned with best practice.

Background

East Lothian Council manages a diverse portfolio of approximately 500 commercial assets generating an annual rental income of approximately £2.8 million. The Council uses the CIPFA Property Management System to maintain a database of all leases. Rental income collection is managed by the Sundry Debtors team. Arrears are monitored by Sundry Debtors and Estates teams. Write-offs are discussed and approved through Finance.

Summary of findings & recommendations

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

- Historic peppercorn and discounted rent leases were issued at a time when no formal policy or criteria existed, resulting in legacy arrangements that still require structured oversight. *Management recognises this historic gap and is taking proactive steps to introduce a Community Benefits policy detailing the approval framework, and review process to ensure these leases are consistently and appropriately managed going forward by April 2026.*
- Some commercial properties lacked up-to-date compliance reports (EICR and Asbestos), limiting assurance over statutory safety requirements and risk of non-compliance with the regulations which can lead to reputational damage and fines. *Management have agreed to establish monitoring schedules to ensure all EICR and Asbestos compliance checks, actions, and updates are completed, while reviewing leases and responsibilities to address current resource shortages and secure funding for required capacity, by December 2026.*
- The current property management system is not working as expected. Some key functions are not running properly, and there are issues with how the system is set up, the accuracy of information, user access, reporting, and links to other systems. Because of this, staff have had to rely on manual workarounds, which reduces confidence in the system's reliability. *Management has agreed to submit the issues to the Digital Transformation Board to determine whether additional resources are required to resolve them by March 2026.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	8	3	11
Prior Report (September 2009)		5		5

Materiality

The Council manages a portfolio of approximately 500 commercial assets, including retail, industrial, office, and agricultural properties. These assets are overseen by the Estates team and generate an annual rental income of approximately £2.8 million

2. Headlines

Objectives	Conclusion	Comments
<p>1. A clear, complete and up to date policy framework exists for the Council covering commercial rent charges and discounts provided, which is regularly reviewed through an appropriate Governance forum. Up-to-date, version-controlled procedures are in place, operating effectively and ensure that commercial rent operations comply with relevant legislation.</p>	<p>Limited</p>	<p>There is an absence of a formal delegation matrix setting out roles, responsibilities, and approval authorities. There is an absence of policy or framework for managing historic discounted or peppercorn rents, and many of these old agreements are still in place. A Community Benefit Policy will be presented to Cabinet in March 2026, which will cover peppercorn rents and the management of other community benefits offered by the Council. Procedures lack proper version control, making it difficult to track changes or confirm when updates were last made.</p>
<p>2. The Commercial Property Register is complete and reconciled with the CIPFA asset management system and rental income, arrears, and bad debts are accurately reported, to a designated governance body who remain accountable for appropriate action taken to improve performance.</p>	<p>Reasonable</p>	<p>The published Asset Register within the Community Asset Transfer section of the Council internet is dated January 2024, and therefore not fully up to date. Internal records are not routinely reconciled with published the Asset Register, regularly completing a reconciliation would help ensure consistency and accuracy of data. The internal estates information is updated on a real-time basis. The Estates team's property system has several limitations, including weak reporting, limited access controls, data gaps, and ongoing technical issues. As a result, manual records and spreadsheets must be used, increasing workload and the risk of errors. However, the Estates team keeps a well-organised database of properties, including clear records of those let, void, or disposed of.</p>
<p>3. There is an appropriate process in place to ensure that initial leases, renewals, and terminations are properly authorised, securely stored, and are put in place in line with appropriate Council policies and legislation.</p>	<p>Reasonable</p>	<p>Processes are in place for leases, renewals and terminations; however, some Council commercial properties have missing or very outdated compliance documents, including asbestos surveys and EICRs, with some over ten years old. The Estates team relies on other teams for updates, but there is no structured process to track due dates or follow-ups. These gaps reduce assurance over tenant safety, risk non-compliance and potential fines, and create inconsistency in the documentation used for letting, renewal, and termination decisions.</p>
<p>4. There is a structured process for conducting rent reviews at appropriate intervals, led by qualified staff and aligned with lease terms and market conditions. Revised rents are communicated promptly, billing is updated, and documentation is maintained to ensure accuracy and compliance with Council policies and procedures.</p>	<p>Reasonable</p>	<p>There is a well-structured process of rent reviews in place, and the rent valuations are conducted by RICS qualified Chartered Surveyors. However, we noted that rent review files were not consistently supported with the required documentation, including missing statutory notices, valuation reports, and inspection records. In several cases, EPCs, EICRs and asbestos documents were outdated or absent. The management acknowledges they are behind on compliance checks and are working to identify properties with overdue reports and bring them up to date as well as reviewing leases and responsibilities to address current resource shortages and secure funding for required capacity.</p>

Objectives	Conclusion	Comments
<p>5. Rent from commercial properties is invoiced and collected accurately and on time, with income recorded in the financial ledger and billing aligned to lease terms. Arrears, bad debts, and write-offs are promptly reported, properly authorised, and documented in both the finance and CIPFA property management systems.</p>	<p>Reasonable</p>	<p>Although monthly arrears meetings are held between Estates and Income Collection, no formal records or action logs are maintained, which reduces transparency and limits the audit trail. Estates maintains its own action list to track follow-ups and outstanding tasks; however, we were unable to obtain a corresponding record from the Income Collection team. Management does, however, maintain appropriate records of arrears and write-offs.</p>
<p>6. There is a robust process for managing void commercial properties, with accurate tracking in the CIPFA system and timely re-letting actions taken in line with Council procedures. Property allocation is supported by appropriate review and validation documentation, with efforts to minimise rental loss and reduce void periods regularly reviewed for effectiveness by an appropriate governance body.</p>	<p>Reasonable</p>	<p>A termination and new lettings procedure is in place and being followed appropriately; however, there is currently less clarity around how and where void properties are advertised and responses assessed. Management has confirmed that the advertising element will be incorporated into the existing termination and new lettings procedure.</p>

3. Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	The Estates team has clear, well-structured procedures for new lettings, rent reviews, renewals, and terminations, which are up to date and recently reviewed. A supporting checklist is also used for new tenancies and credit checks to ensure all required steps and documentation are consistently completed.
2.	The Estates team maintains an internal master list of all commercial properties, which is updated promptly as tenancy changes occur due to less reliance on the property management system. Despite the manual nature of the process, the information reviewed during audit was found to be highly accurate, demonstrating strong diligence and effective oversight by the team in keeping property records current.
3.	Long-standing leases, including those over 20 years old, have been properly digitised from paper and are well organised on the shared drive of the Estates team. All leases reviewed were correctly signed and dated, demonstrating good record-keeping and effective document management.
4.	The Estates team has qualified surveyors carrying out property inspections and rent valuations, and they maintain up-to-date evidence of professional qualifications. This demonstrates strong competency, assures compliance with professional standards, and supports the quality of valuation and inspection work.
5.	Payments received from tenants are recorded promptly by the team, ensuring that rental income is accurately reflected and up to date in the system. This demonstrates strong day-to-day income management.
6.	Documentation relating to the voids to let process is well maintained, with clear records of tenant enquiries, responses, and both successful and unsuccessful outcome letters retained from advertisement through to tenant confirmation.

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, noncompliance 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.

Executive Summary: Enjoy East Lothian Limited

Conclusion: Reasonable Assurance

The internal controls in place for Enjoy East Lothian Limited are generally reliable; however, some improvements are required to ensure a fully effective control process, including the preparation of a revised Business Plan for submission to the Council in accordance with the funding agreement, developing arrangements for the Council to obtain assurance from Enjoy East Lothian Limited on the adequacy and effectiveness of governance, risk management and internal controls, and the introduction of a Risk Management Strategy to support a structured approach for identifying, assessing and mitigating risks.

Background

Enjoy East Lothian Limited is a charitable company limited by guarantee, established to deliver and manage East Lothian's public sport and leisure facilities on behalf of East Lothian Council, including gyms, swimming pools, outdoor facilities and a golf course. A funding agreement has been in place between East Lothian Council and Enjoy East Lothian Limited since 1 October 2009. Annual reductions in the Council's management fee to Enjoy East Lothian Limited, particularly over the first decade, were mitigated by increased participation and membership numbers. Enjoy East Lothian Limited is governed by its Memorandum and Articles of Association and is overseen by a Board of Trustees (also the Directors for the purposes of the Companies Act). The Trustees provide strategic direction and are supported by a Senior Management Team responsible for daily operations. For accounting purposes, Enjoy East Lothian Limited is classified as an associate company of East Lothian Council, and the funding agreement currently runs until 30 September 2031.

Summary of findings and recommendations

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

- A revised Business Plan has not been prepared by Enjoy East Lothian Limited or submitted to the Council following the Covid-19 pandemic, as required by the funding agreement, to set out projected income and expenditure, the internal systems for monitoring quality assurance, and the arrangements for achieving best value in service delivery. *Management advised that due to the impact of the Covid-19 pandemic on income streams and strategic priorities, no emphasis was placed on preparing a new Business Plan during the period of business continuity or thereafter; however, following completion of the independent review, a revised Business Plan will be drafted and submitted to the Council **by February 2027**.*
- The arrangements in place for the Council to obtain assurance from Enjoy East Lothian Limited require review – in its capacity as an ALEO, Enjoy East Lothian Limited does not provide an annual assurance statement on the adequacy and effectiveness of its governance framework, risk management arrangements and internal controls. *Management advised that an annual statement, in the agreed format, will be completed and submitted to the Council to provide assurance on the effectiveness of Enjoy's governance, risk management and internal control arrangements **by May 2026**.*
- Enjoy East Lothian Limited does not currently have a Risk Management Strategy in place to provide a structured framework for identifying, assessing and mitigating risks, or for defining the organisation's key objectives, responsibilities and risk appetite. *Management advised that following the risk session scheduled for March, work will begin on developing a Risk Management Strategy, with completion planned **by December 2026**.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	4	-	4
Prior Report (2017)	-	6	-	6

Materiality

East Lothian Council's Management Service Fee under its agreement with Enjoy East Lothian Limited was £1.87 million in financial year 2023/24 and £1.77 million in financial year 2024/25. Enjoy East Lothian Limited's turnover was £6.97 million in 2023/24 and £7.08 million in 2024/25.

Headlines

Objectives	Conclusion	Comments
1. Adequate policies and procedures are in place for administering Enjoy East Lothian Limited.	Reasonable	Enjoy East Lothian Limited has policies and procedures in place to ensure compliance with legislation, the safety and wellbeing of users and staff, and the efficient operation of its sport and leisure facilities. These include a Health and Safety Policy, most recently issued in May 2025, which sets out the organisation’s commitment to health, safety and environmental standards, accompanied by associated operating procedures and emergency action plans. In addition, Enjoy East Lothian Limited maintains a range of HR policies and procedures, including the Recruitment and Selection Policy and the Equality and Diversity Policy, as well as a Safeguarding Policy.
2. Adequate governance frameworks are in place for monitoring the performance of Enjoy East Lothian Limited.	Reasonable	A governance framework is in place to monitor the management of sport and leisure services in East Lothian. This includes quarterly Board meetings attended by Enjoy East Lothian Limited’s non-executive Board of Directors, with representatives from both the local community and East Lothian Council, along with members of the Executive Management Team. Quarterly contract meetings are also held between senior officers of East Lothian Council and Enjoy East Lothian Limited to review financial and operational performance, planned maintenance works, core business developments, and health and safety matters. A revised Business Plan has not been prepared by Enjoy East Lothian Limited or submitted to the Council, as required by the funding agreement, to set out projected income and expenditure, the internal systems for monitoring quality assurance, and the arrangements for achieving best value in service delivery.
3. Adequate arrangements are in place for the Council to obtain assurance from Enjoy East Lothian Limited on its governance, risk management and internal controls.	Limited	The arrangements in place for the Council to obtain assurance from Enjoy East Lothian Limited require review – in its capacity as an ALEO, Enjoy East Lothian Limited does not provide an annual assurance statement on the adequacy and effectiveness of its governance framework, risk management arrangements and internal controls, which are required for inclusion in the Group Financial Statements. Enjoy East Lothian Limited also does not currently have a Risk Management Strategy in place to provide a structured framework for identifying, assessing and mitigating risks, or for defining its key objectives, responsibilities and risk appetite.
4. Adequate arrangements are in place for the effective budget monitoring of Enjoy East Lothian Limited.	Reasonable	Regular budget monitoring takes place throughout the financial year, including monthly finance meetings between East Lothian Council and Enjoy East Lothian Limited to review the in-year financial position, emerging pressures and forward financial planning. The financial and operational performance of Enjoy East Lothian Limited is also reviewed at quarterly contract meetings with the Council, and financial updates are regularly considered by Enjoy East Lothian Limited’s Finance and Risk Committee.
5. Appropriate arrangements are in place for maintaining the Council’s assets during the contract term.	Reasonable	Enjoy East Lothian Limited is responsible for the routine management, operations and minor upkeep of the premises; however, the Council is responsible for the medium to long-term asset maintenance programme and capital investment for the majority of facilities. For 2025/26, the Council had a planned priority maintenance works list, which included properties occupied by Enjoy East Lothian Limited. We were informed that the Council has procured an independent review, in conjunction with Enjoy East Lothian Limited, to inform work on strategic asset planning and business sustainability.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	<p>Enjoy East Lothian Limited has policies and procedures in place to ensure compliance with legislation, the safety and wellbeing of users and staff, and the efficient operation of its sport and leisure facilities. These include a Health and Safety Policy, most recently issued in May 2025, which sets out the organisation's commitment to health, safety and environmental standards, accompanied by associated operating procedures and emergency action plans. In addition, Enjoy East Lothian Limited maintains a range of HR policies and procedures, including the Recruitment and Selection Policy and the Equality and Diversity Policy.</p>
2.	<p>A governance framework is in place to monitor the management of sport and leisure services in East Lothian. This includes quarterly Board meetings attended by Enjoy East Lothian Limited's non-executive Board of Directors, with representatives from both the local community and East Lothian Council, along with members of the Executive Management Team. Quarterly contract meetings are also held between senior officers of East Lothian Council and Enjoy East Lothian Limited to review financial and operational performance, planned maintenance works, core business developments, and health and safety matters.</p>
3.	<p>Regular budget monitoring takes place throughout the financial year, including monthly finance meetings between East Lothian Council and Enjoy East Lothian Limited to review the in-year financial position, emerging pressures and forward financial planning. The financial and operational performance of Enjoy East Lothian Limited is also reviewed at quarterly contract meetings with the Council, and financial updates are regularly considered by Enjoy East Lothian Limited's Finance and Risk Committee.</p>
4.	<p>Enjoy East Lothian Limited is responsible for the routine management, operations and minor upkeep of the premises; however, the Council is responsible for the medium to long-term asset maintenance programme and capital investment for the majority of facilities. For 2025/26, the Council had a planned priority maintenance works list, which included properties occupied by Enjoy East Lothian Limited.</p>

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.

1 Executive Summary: Planning Decision Notices

Conclusion: Reasonable Assurance

The internal controls in place for the issuing of Planning Decision Notices are generally reliable, however there are opportunities to enhance arrangements, operations and processes to further reduce the risk of incorrect Decision Notices being issued. These include improved engagement and increased familiarity between staff in Planning and Council Support staff who undertake the administrative function for Planning, and reviewing opportunities to enhance the checking arrangements to further reduce the likelihood of errors occurring.

Background

The Town and Country Planning (Scotland) Act 1997 and other related planning legislation require the Council, as Planning Authority, to determine applications for planning permission and related consents through its Planning Service. This provides for processing, determining or making recommendations on applications for planning permission and related statutory consents; appeals procedures; monitoring implementation of granted planning permissions and related consents; and planning enforcement. The Planning Service handle in excess of 1,000 applications per annum. Some decisions are delegated by the Council to the Planning Committee (e.g. major planning permissions and planning permissions in principle), however in the majority of cases decision making authority on planning applications is delegated by the Council to the Chief Planning Officer (the Service Manager for Planning). The Uniform system is used for recording and processing planning applications, and staff from both Planning and Council Support are involved in different stages of this process. The issuing of the Planning Decision Notice, which is undertaken by Council Support staff, is the final stage of the process – once a Decision Notice has been issued, it cannot be rescinded, except by judicial review via the Court of Session. In the past 18 months, two errors have been identified in the issuing of Planning Decision Notices and it was agreed with both the Planning Service and Council Support that Internal Audit would undertake a review of this area.

Summary of findings & recommendations

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

- There are opportunities to develop enhanced engagement and familiarity between Planning staff and Council Support staff who undertake the administrative function for Planning. *Management have advised that progress is already underway and this will be achieved in a number of ways, including an annual training session delivered by the Chief Planning Officer, and attendance at joint meetings where appropriate, by March 2026.*
- Consideration should be given to reviewing the use of the Uniform system, to establish if there are opportunities to amend processes or practices to further reduce the likelihood of circumstances arising that could give rise to errors. *Management have agreed to liaise with the suppliers of the Uniform system and undertake benchmarking with neighbouring planning authorities by June 2026.*

Recommendation Summary

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

*No prior reports exists

Materiality

The Council's Planning Authority performance statistics for 2024/25 record a total of 1,018 decisions made in the year, which include major developments, local development and other consents (e.g. listed building and conservation area consent, advertisements). Of the decisions made in 2024/25, in 95.6% of cases the applications were approved.

2 Headlines

Objectives	Conclusion	Comments
<p>1. Adequate arrangements are in place for assurance of compliance with relevant legislation in respect of the determination of applications for planning permission.</p>	Reasonable	<p>The Town and Country Planning (Scotland) Act 1997 (as amended) and other related planning legislation require the Council, as Planning Authority, to determine applications for planning permission and related consents through its Planning Service. Staff from both Planning and Council Support (who provide the administrative role for Planning) are involved in different stages of the planning application process. Council Support staff undertake both the initial and final (issuing Decision Notices) administrative stages of the process, while determination of the applications and the decision itself (Grant or Refuse) are made by Planners within the Planning Service, who are professionally qualified (RTPI – Royal Town Planning Institute). Whilst the split between Planning and Council Support was not in itself the reason for the errors made, there is currently a level of detachment between staff within Planning and Council Support and there is a need for more meaningful engagement and enhanced familiarity between staff in the two areas.</p>
<p>2. Appropriate policies, procedures and guidance are in place, and training available, for all relevant staff on the functions of the Uniform system and the Planning Decision Notice process.</p>	Reasonable	<p>Detailed SOPs (Standard Operating Procedures) are in place for all activities undertaken by Council Support staff for the Planning Service, which are held in an accessible shared folder and are provided to all relevant staff. A service menu is in place detailing all the administrative tasks that are undertaken by Council Support staff for the Planning Service, including details of the activity, task title, task description, method of delivery, systems, frequency and the SOP in place for each activity. The service menu also includes sections for recording when the SOP was last reviewed, the SOP location/link and for sign off by management within Planning, however these sections were not fully completed. A training plan is in place for new members of Council Support staff who provide support to the Planning Service.</p>
<p>3. The processes and operations in place ensure that all Planning Decision Notices are correct and are properly issued in accordance with the planning decision made.</p>	Reasonable	<p>Detailed processes are in place for the issuing of Planning Decision Notices, which are well documented and understood by staff, and appropriate action has been taken in response to the two errors identified, however it is still possible for staff to “pick a template” on the Uniform system, and there remains a risk that the wrong template is picked and that an incorrect Decision Notice is issued. Consideration should be given to reviewing internal processes to implement opportunities to amend processes or practices, which might further reduce the likelihood of circumstances arising that could give rise to errors.</p>
<p>4. Appropriate review processes are in place, prior to the final issuing of Planning Decision Notices, and there is appropriate management oversight in place.</p>	Reasonable	<p>The checks carried out by Planning staff are prior to the application being passed to Council Support to issue the Decision Notice, although evidence of this check is currently not recorded on the system. A member of Council Support staff then follows the SOP and formally issues the Decision Notice, without any further checking at this stage. In response to the second error made, interim checking measures have been put in place whereby for refusal notices, before issuing, Council Support staff send the Decision Notice and the accompanying officer report to staff in Planning for double checking, however there are further opportunities to enhance the checking arrangements, to reduce the likelihood of errors occurring.</p>

3 Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	<p>Detailed processes are in place for the issuing of Planning Decision Notices, which are well documented and understood by staff. A SOP (Standard Operating Procedure) is in place for the issuing of Planning Decision Notices by Council Support staff, which is held in an accessible shared folder and is provided to all relevant Council Support staff. The SOP is detailed and structured and provides a step by step guide to the actions that require to be taken on both Uniform (the Case Management System used by Planning) and IDOX (Document Management System). The SOP is comprehensive, annotated and includes screen prints with detailed instructions on the steps to be taken. Following the identification of an incorrect Decision Notice being issued, a revised SOP was put in place, containing an additional section on “Re-printing Decision Notice” which specifically addressed the process that had led to the second error being made.</p>
2.	<p>In response to the errors made, interim checking measures have been put in place whereby for refusal notices, before issuing, Council Support staff send the decision notice and the accompanying officer report to two members of staff within Planning, who will then review and confirm if matters are correct, for Council Support to then issue the notice.</p>

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, noncompliance 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.

Executive Summary: Home to School Transport

Conclusion: Reasonable Assurance

The internal controls in place for Home to School Transport are generally reliable; however, some improvements are required to ensure a fully effective control process, including retendering the contract for mainstream pupils in line with procurement requirements, updating the eligibility criteria within the Home to School Transport Policy, reviewing the administration charge applied to transport costs, and finalising the assessments of safe walking routes between secondary schools and the surrounding areas.

Background

Local authorities are required, under section 51 of the Education (Scotland) Act 1980, to make such arrangements as they consider necessary for the provision of transport to and from school for pupils residing in their area and attending school. Councils have discretion in how the service is delivered, provided free travel is offered to pupils living beyond the statutory walking distances of 2 miles for pupils under eight years old and 3 miles for all other pupils. A revised Home to School Transport Policy was approved by the Education and Children’s Services Committee in March 2025, and East Lothian Council provides free transport to children living more than 2 miles from their schools. The Council uses the integrated PaxQR system (combining PAX with QRoutes) to manage and plan Home to School Transport routes, with the ability to import data from SEEMiS, enabling the service to identify changes in transport requirements.

Summary of findings and recommendations

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

- The arrangements in place for retendering the Home to School Transport contract for mainstream pupils require review – the contract was originally procured in 2019 for four years, covering the period from 01/08/2019 to 31/07/2023; however, the framework has since been extended for three academic years due to the Covid-19 pandemic and consideration of changes to the Council’s Home to School Transport Policy. *Management advised that a retendering timetable for mainstream pupils has now been established, and a revised Home to School Transport Policy will be submitted to the June meeting of the Education and Children’s Services Committee. Subject to approval, the timetable will align with the policy changes **by June 2026**.*
- A review of the administration charge applied to Home to School Transport costs should be undertaken, to ensure the rate remains appropriate – Fleet Services currently charge Education a 3% administration fee on the transport costs for both mainstream and ASN pupils. *Management have agreed to review the administration charge on transport costs **by August 2026**.*
- Safe walking routes between secondary schools and surrounding areas are currently being assessed, and any required improvements will need to be identified ahead of retendering the Home to School Transport contract for mainstream pupils. *Management have agreed to finalise the assessments and provide recommendations for any required improvements **by June 2026**.*
- The Home to School Transport Policy does not currently set out the eligibility criteria for the provision of free transport to and from schools. *Management has advised that the criteria will be developed and formalised as part of the policy revision, which is scheduled for completion **by June 2026**.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	5	-	5
Prior Report (2016)	3	3	-	6

Materiality

Home to School Transport costs for East Lothian were approximately £3.1 million in financial year 2023/24 and approximately £3.5 million in financial year 2024/25. There were 119 school routes at the time of our audit: 25 primary, 21 secondary and 73 ASN, Social Work and Homelessness routes.

Headlines

Objectives	Conclusion	Comments
1. Adequate policies and procedures are in place for administering Home to School Transport.	Reasonable	Local authorities are required, under section 51 of the Education (Scotland) Act 1980, to make such arrangements as they consider necessary for the provision of transport to and from school for pupils residing in their area and attending school. This includes offering free travel to pupils who live beyond the statutory walking distances of 2 miles for any pupil under eight years old, and 3 miles for all other pupils. A revised Home to School Transport Policy was approved by the Education and Children’s Services Committee in March 2025. Although East Lothian Council continues to provide transport for children who live more than 2 miles from their primary or secondary schools, the updated policy does not specify the eligibility criteria for the provision of free transport to and from school.
2. Appropriate arrangements are in place to ensure that contracts are processed through the correct procurement route.	Limited	The arrangements in place for retendering the Home to School Transport contract for mainstream pupils require review – the contract was originally procured in 2019 for four years, covering the period from 01/08/2019 to 31/07/2023; however, the framework has since been extended for three academic years, initially due to the Covid-19 pandemic and more recently due to consideration of changes to the Council’s Home to School Transport Policy. For the 15 routes examined, we found that where applicable, tenders had been evaluated and scored based on the selection criteria of price, quality and availability, and contracts were appropriately awarded to the operator; however, in one case, a homelessness application had been processed without the forms being signed and authorised.
3. Regular route planning is carried out to demonstrate best value for Home to School Transport.	Reasonable	We selected a sample of 15 routes to determine whether regular route planning had been undertaken and to ensure the Council is providing the most efficient and cost-effective service. We found that all major routes to and from primary and secondary schools are assessed annually, taking into account pupil numbers and available capacity. Safe walking routes between secondary schools and surrounding areas are currently being assessed, and any required improvements will need to be identified ahead of retendering the Home to School Transport contract for mainstream pupils.
4. Transport is provided only to eligible pupils and exceptional cases are appropriately authorised.	Reasonable	For the sample of 15 routes examined, we found that free Home to School Transport was primarily provided to eligible pupils living more than 2 miles away from their school. In addition, transport was also provided to pupils living less than 2 miles from their school where routes were deemed unsafe, including those attending Musselburgh Grammar School and Preston Lodge High School.
5. Adequate budget monitoring is in place for Home to School Transport.	Reasonable	Adequate arrangements are in place for monitoring Home to School Transport throughout the financial year. Fleet Services provide regular information to Finance on Home to School Transport costs to be recharged, supporting the posting of the monthly journal. Quarterly meetings are also held with the budget holders. A journal is processed each month to transfer the Home to School Transport costs to Education, and a 3% administration charge is applied. A review of the administration charge should be undertaken to ensure the rate remains appropriate.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	East Lothian Council fulfils its statutory duty under section 51 of the Education (Scotland) Act 1980 by making the necessary arrangements for transporting pupils to and from school, with free travel provided for pupils living beyond the statutory walking distances of 2 miles for those under eight years old and 3 miles for all other pupils.
2.	The Council uses the integrated PaxQR system (combining PAX with QRoutes) to manage and plan Home to School Transport routes with the ability to import data from SEEMiS, enabling the service to identify changes in transport requirements.
3.	Fleet Services assesses all major routes to and from primary and secondary schools annually, taking into account pupil numbers and the available capacity.
4.	Adequate arrangements are in place for monitoring Home to School Transport throughout the financial year. Fleet Services provide regular information to Finance on Home to School Transport costs to be recharged, supporting the posting of the monthly journal. Quarterly meetings are also held with the budget holders.

Appendix 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.

SERVICE AREAS TO AUDIT	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS	CURRENT PROGRESS
<p>Council Resources</p>	<p>Transformation Projects: Continue ongoing support and involvement in stage gate processes and consider specific reviews of control process adjustments resulting from implementation of the new finance system. (Inherent Risk Assessment: High)</p> <p>Cybersecurity: Interim review of Password security and incident management completed with a further review of Cybersecurity in line with Global Internal Audit Standards topical requirements on Cybersecurity. (Inherent Risk Assessment: High)</p> <p>Employee Performance Management: Review assurance that the council has adequate staff performance management processes in place within Council Personal review and Development processes to ensure compliance best practice and appropriate feed through to further appropriate Performance Management Processes. (Inherent Risk Assessment: High)</p>	<p>Transformation projects have been reviewed in previous periods, including: Internet system replacement project stage gate review, Finance Systems Replacement Project ongoing Board review and specific ask on Musselburgh flood prevention scheme. Complaints review was replaced with Cybersecurity with interim reporting to CMT completed. The full Cybersecurity review is now underway in accordance with the GIAS Topical requirements. Employee Performance Management is also underway.</p>
<p>Place (Infrastructure, Housing, Development, Communities & Partnerships)</p>	<p>Planning Decision Notices: Provide assurance that best practice fleet management practices have been implemented across the Council and that fleet planning provides a sustainable best value. (Inherent Risk Assessment: High)</p> <p>Housing Rents: Assurance that housing rental charges are being set in accordance with Council Policy and regulatory best practice and that Governance and Control processes are in place in association with this process. (Inherent Risk Assessment: High)</p> <p>City Deal Innovation Hub: Provide assurance that the operational governance structures are in place and operating to ensure appropriate control and risk management</p>	<p>Commercial Rents Audit Complete Planning Decision Notices, Complete, City deal Innovation Hub Underway Housing rents delayed by revenues team resourcing.</p>

SERVICE AREAS TO AUDIT	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS	CURRENT PROGRESS
	<p>for the Council investment in this project and to manage the expected delivery of outcomes. (Inherent Risk Assessment: High)</p> <p>Commercial Rents: Review the processes for ensuring that commercial rents are set collected and recovered in accordance with best practice and Council Income Policies to ensure best value. (Inherent Risk Assessment: Medium)</p>	
<p>Education & Children's Services</p>	<p>School Transport: Provide assurance that School Transport provision is being planned and provided for in accordance with Council Policy and appropriate legislation/ regulation, that routes are planned, procured and improved to provide best value to the Council. (Inherent Risk Assessment: High)</p> <p>PPP Contract Management: Provide assurance that the Council PP contracts are being managed effectively to ensure that services are being provided effectively and actions resulting in additional fees appropriately reviewed and authorised, and payments are being accurately made. (Inherent Risk Assessment: High)</p> <p>Early Years: Provide assurance on the appropriate planning of expenditure for development of appropriate provision of early years education in compliance with the appropriate legislation, regulations and guidance. (Inherent Risk Assessment: Medium)</p>	<p>School Transport Complete</p> <p>PPP Contract Management Scheduled to Start April 2026</p> <p>Early Years proposed to delay until December 2026 due to current service reviews and replace with east Lothian Mid-Market Homes from 2026/27 plan.</p>
<p>Adult Social Work</p>	<p>Care at Home: Review the Control processes in place to ensure that best value is being achieved in the utilisation of care at home provision from external providers and in house provision, and the control processes are in place to ensure that appropriately qualified staff are available to meet identified needs. (Inherent Risk Assessment: High)</p> <p>Direct Payments – Self Directed Support: Review the Control processes in place to ensure as much as regulation allows that needs are met through provision of self-directed support appropriate council processes that ensure appropriate, timely and accurate payments. (Inherent Risk Assessment: High)</p>	<p>Direct Payments – Self Directed Support Complete.</p> <p>Care at Home Underway.</p>

SERVICE AREAS TO AUDIT	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS	CURRENT PROGRESS
ALEO's (Arm's Length External Organisations)	Enjoy Leisure: Establish if Enjoy Leisure has appropriate Governance and Assurance Processes in place that provide assurance to the council that risks are being properly managed within the organisation, and that the Council has appropriate processes in place to ensure appropriate risk management of the Council risks within the transactions provided and the arrangements in relation to use of Council assets. (Inherent Risk Assessment: High)	Complete
Miscellaneous Grants	Internal Audit are currently undertaking annual audits of the Tyne and Esk Communities Development Fund. (Inherent Risk Assessment: Low)	Complete
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulators Chapter 3 of the Regulatory Framework. (Inherent Risk Assessment: Low)	Complete
Fraud & Irregularity	Internal Audit will assist in investigations of suspected fraud or irregularity to support the 1 FTE of Counter Fraud Officer availability over the next year when required	Support being provided when necessary.
National Fraud Initiative (NFI)	Time has been allocated for providing some assistance to the Corporate Fraud Officer in reviewing the NFI matches in particular the Creditors Matches.	2024/25 matches complete apart from some Housing and SPD matches ongoing investigations.

SERVICE AREAS TO AUDIT	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS	CURRENT PROGRESS
Integration Joint Board	Time has been allocated for work that will be undertaken by Internal Audit for the East Lothian Integration Joint Board (IJB). A separate audit plan will be prepared which will be presented to the IJB Audit and Risk Committee for approval.	Financial Planning Audit Complete.
Review of Previous Year's Work	Internal Audit will review the outcome of our previous year's work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.	September & December Follow ups Complete.
Attendance at Stocktakes	Internal Audit will attend the year-end stocktakes at Property Maintenance, Road and Waste Services. We will review the final stock sheets.	Will be Completed in March 2026
Annual Governance Statement	Completion of the Activities to assist with the CMT review of Governance and the administration of Governance Information to provide a draft Annual Governance Statement for consideration by the Audit & Governance Committee and inclusion in the draft accounts.	Work Ongoing with Head of Corporate Support and Monitoring Officer on revised processes.
Audit & Governance Committee Annual Review	Assist the Chair and Audit & Governance Committee Members with the completion of the Annual review of the Committee in line with the CIPFA Statement and best practice	Complete
Annual Planning	Complete the review of Risk Assessment processes, identification of key risk areas assessment against the audit universe and identification of the links between the Council Objectives and the Internal Audit work for the 2026/27 annual audit plan.	Complete

Key

Complete.

On track.

Delayed.