



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

**TUESDAY 25 NOVEMBER 2025
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON
& HYBRID MEETING SYSTEM**

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Committee Members Present:

Councillor Bruce ®
Councillor Menzies (Convener)
Councillor McGuire
Councillor McFarlane
Councillor McLeod ®
Councillor Ritchie
Councillor Trotter

Other Councillors Present:

N/A

Council Officials Present:

Mr L Rockey, Chief Executive
Ms S Fortune, Depute Chief Executive
Ms L Brown, Depute Chief Executive
Mr S Kennedy, Team Manager – Emergency Planning & Resilience
Ms H Barnett, Head of Corporate Support
Ms E Dunnet, Head of Finance
Mr D Stainbank, Service Manager – Internal Audit
Mr T Reid, Head of Infrastructure
Ms A Glancy, Service Manager – Corporate Accounting
Mr E John, Head of Communities & Partnerships Infrastructure
Mr K Dingwall, Head of Development
Mr A Cruickshank, Strategic Digital Lead

External Audit:

Mr J Boyd, Senior Audit Manager – Audit Scotland

Clerk:

Ms M Scott

Apologies:

Councillor Jardine

The Convener advised that the meeting was being held as a hybrid meeting, as provided for in legislation; that the meeting would be recorded and live streamed; and that it would be made available via the Council's website as a webcast, in order to allow public access to the democratic process in East Lothian. She noted that the

Council was the data controller under the Data Protection Act 2018; that data collected as part of the recording would be retained in accordance with the Council's policy on record retention; and that the webcast of the meeting would be publicly available for five years from the date of the meeting.

The clerk recorded the attendance of Members by roll call.

Declarations of Interest:

N/A

Transparency Statement:

Councillor Menzies made the Committee aware she was an honorary members of the Tranent Wombles, a board members of Fa'side Community Kitchen and a Council appointed member of Enjoy Leisure.

Councillor Ritchie also declared she was a board member for Enjoy Leisure.

Ms Sarah Fortune, Depute Chief Executive made Members aware the lead officer for East Lothian Land Ltd was unwell and unable to attend the meeting therefore the decision had been made to postpone the paper until the next Committee meeting.

1. MINUTES OF AUDIT & GOVERNANCE COMMITTEE 16 SEPTEMBER 2025

The minutes from the Audit and Governance Committee from 16 September 2025 were approved as an accurate record.

2. AUDIT & GOVERNANCE ANNUAL WORK PLAN 2025/26

No presentation was necessary for this item.

All Members were happy to note the Action Record and Annual Work Plan.

3. AUDIT & GOVERNANCE ACTION RECORD 2025/26

The clerk provided an update to the action record since its circulation. The Head of Housing had provided further information on the Council's housing list, and this was circulated to Members on 19 November and could now be recommended for closure.

Members agreed to close the items that were marked recommended for closure.

4. RISK REGISTERS

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

Scott Kennedy, Team Manager – Emergency Planning & Resilience provided a summary of his report and highlighted the Very High, High and Medium risks for the Infrastructure, Finance and Corporate Support Risk Registers.

a) Infrastructure

Mr Tom Reid, Head of Infrastructure responded to questions regarding the pressures of ash dieback on the tree team, the recruitment issues with taxi drivers for home to school transport and the pressures of replacing fleet to meet environmental targets. He also confirmed there was a statutory requirement on the Council to provide home to school transport for ASN and supported needs and provided Members with information on burial provisions within East Lothian.

Councillor McLeod asked a question relating to the progress of the housing land audit and it was agreed this would be added to the action record to allow the correct officers to provide a response.

There were no comments.

b) Finance

Ms Ellie Dunnet, Head of Finance provided an update on the spending of the Scottish Welfare Fund.

There were no comments.

c) Corporate Support

Alan Cruickshank, Strategic Digital Lead responded to a question relating to the failure of power or cooling in the John Muir House Data Centre.

The Convener extended her thanks to all officers involved in the risk registers.

Decision

The Audit and Governance Committee agreed to note:

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

5. CORPORATE GOVERNANCE FRAMEWORK

A report was submitted by the Depute Chief Executive for Resources and Economy to present the East Lothian Council Local Code of Corporate Governance and to confirm the approach to the development of the Annual Governance Statement for 2025/26.

Following the presentation of her report, Ms Hayley Barnett, Head of Corporate Support responded to questions relating to the difference between this iteration and the national guidelines, the processes that were carried out to ensure the correct stakeholders were selected as a good fit for East Lothian and what measures had been included to ensure transparency and enable public scrutiny of the Council's governance arrangements.

Members stated the report was an important piece of work underlying everything the Council are doing and to demonstrate the commitment to good governance. They also appreciated the report being set out in plain language, making it clear what the expectations are for Councillors and Council officers.

Decision

The Audit and Governance Committee agreed to:

- Recommend approval of the Local Code of Corporate Governance to East Lothian Council
- Note the approach to the 2025/26 annual assurance process and the development of the Annual Governance Statement

6. INTERNAL AUDIT REPORT – NOVEMBER 2025

A report was submitted by the Service Manager – Internal Audit to inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee, provide details of Internal Audit’s follow-up work undertaken and provide an update on progress made against the 2025/26 annual audit plan.

Duncan Stainbank, Service Manager for Internal Audit provided Members with a summary of the report. Officers responded to questions from Members in relation to complying with legislation in respect of roads management and made it clear that the current policy was fully appropriate and relevant therefore a review and refresh would be carried out, but it would not be a completely different document. Officers also provided information on the replacement jobs costing system used by roads and where funding would be sourced for this.

Decision

The Audit and Governance Committee agreed to note:

- The main findings and recommendations from the Internal Audit reports issued during the period from June 2025 to August 2025 as contained in Appendix 1
- The findings from Internal Audit’s follow up work
- Internal Audit’s progress against the annual audit plan for 2025/26 as set out in Appendix 2

7.a) EAST LOTHIAN COUNCIL AUDIT OF 2024/25 ANNUAL ACCOUNTS INCLUDING PROSED INDEPENDENT AUDITOR’S REPORT AND LETTER OF REPRESENTATION

John Boyd, Audit Director – Audit Scotland presented his report and outlined the key documents within. He was pleased to report that subject to the conclusion of the outstanding procedures Audit Scotland planned to issue an unmodified opinion on the accounts.

Mr Boyd and officers responded to questions relating to the succession planning for Council employees over the age of 55 and discussed in detail the recommended steps to strengthen financial resilience. Officers also reassured Members they were making sure conversations around funding and pressures of rapid population growth were front and centre with the Scottish Government.

Michelle Cockburn, Transformation and Digital Portfolio Manager provided an insight into the significant and sustained transformational plans for the Council including improved processes, bringing in digital, looking at assets and income generation.

Decision

The Audit and Governance Committee agreed to note the report.

7.b) DR BRUCE FUND AUDIT OF 2024/25 ANNUAL ACCOUNTS INCLUDING PROSED INDEPENDENT AUDITOR'S REPORT AND LETTER OF REPRESENTATION

Mr Boyd also presented the report for the Dr Bruce Fund noting an unmodified opinion of the fund will be subject to sign off for an approval from the Committee.

There were no questions from Members on the Dr Bruce Fund Annual Accounts.

Members welcomed the positive reports, unmodified opinion on the accounts and the good reporting of transformational work going on within the Council and how this has been communicated. They noted that although transformation would include positive change and making services better, more accessible and flexible there would also be difficult decisions that would be felt by all staff and residents within East Lothian. Members also drew attention to the financial gap the Council will face over the next five years and noted that although Council's may be receiving more money, the costs associated with all services has significantly raised as has the number of things the Council is now responsible for, and this had to be taken seriously. They noted the impact of this financial gap would be devastating to communities if ways are not found to close it and keeping services running the best we can.

The Convener thanked Audit Scotland and all of the Council's Finance Team for the hard work they put in all year round.

8. ANNUAL ACCOUNTS 2024/25

A report was submitted by the Depute Chief Executive for Resources and Economy to provide the Committee with an update on any changes arising during the audit of the draft financial statements, and to ask the Committee to approve the audited accounts 2024-25, noting that some further changes to the accounts are still being finalised.

After providing Committee with a summary of her report, Ms Ann-Marie Glancy, Service Manager – Corporate Accounting responded to questions from Members relating to the specific adjustments made to the revaluations, the amendments that were required to the found misstatement and what changes have taken place nationally with the way accounting is done that has had a material change to Council resources.

Members noted the positives facts and figures within the report including the education of over 15,000 pupils, early learning and child care to over 2,500 children, the provision of over 20,000 hours of care at home each week to vulnerable adults and older people as well as approximately four and a half million household waste collections each year. They commented on the story the accounts told such as the changes to bin collections being made three weekly instead of weekly, which did not start out as a positive but has now shown some very positive outcomes and expressed their want to really prove to the public they are doing the best they can to get the best value for money.

A roll call vote was carried out where a unanimous decision was reached to approve the recommendations.

Decision

The Audit and Governance Committee agreed to:

- Approve the audited Accounts for the Council and Group components.
- Delegate responsibility to the Council’s Chief Finance Officer and Chair of the Audit and Governance Committee to make appropriate changes to the Accounts, subject to completion of audit work relating to asset valuations, and formal sign off from External Audit.
- Approve the 2024-25 audited accounts for the Dr Bruce Fund

9. Treasury Management Mid-Year Review Report

A report was submitted by the Depute Chief Executive for Resources and Economy to provide an update to the Committee on Treasury Management activity during the first six months of 2025-26.

Ms Ann-Marie Glancy, Service Manager – Corporate Accounting presented the report, drawing attention to the economic update and summary of Treasury management activity in the first half of the year which included the impact of updated capital expenditure projections and sets out performance against prudential indicators.

Officers provided information on the short term investments made by the Council, who makes the decision on short term lending and how money is spread between the bank investments.

Decision

The Audit and Governance Committee agreed to note the report.

Signed

Councillor L Menzies
Convener of the Audit and Governance Committee

Meeting Date	Internal Audit Reports	External Audit Reports	Governance	Risk	Accounts Commission/ Audit Scotland reports
24/03/26	Internal Audit March report (individual audits tbc) Internal Audit Strategy & Plan 2025/26 Internal Audit Charter Counter Fraud Annual Plan	Annual Audit Plan 2025/26	East Lothian Investments Ltd Brunton Theatre Trust Enjoyleisure annual report East Lothian Land Ltd	Health & Social Care Partnership RR Education RR Children's Services RR	
15/06/26	Internal Audit June report – (individual audits tbc) Annual Internal Audit Report 2025/26 Controls Assurance Statement 2025/26	Management Letter/Report on Key Controls 2025/26 Best Value Thematic Review	Annual Treasury Management Review 2025/26 Corporate Governance Self-evaluation/ Annual Governance Statement 2026	Corporate RR Risk Strategy Update	Accounts Commission Financial Resilience 2024/25 – check with Sarah if going to Committee

Meeting Date	Internal Audit Reports	External Audit Reports	Governance	Risk	Accounts Commission/ Audit Scotland reports
			Council Improvement Plan Monitoring Report Innovation Hub (Catherine Molloy) Information Governance – may need to be moved later		

**Invite either Carlo Grilli or Zarya Rathe to the agenda-setting meeting and send both the draft agenda and report deadline info.*

**Audit & Governance
Action Record 2025/26**

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Action Ref.	Meeting Date	Item Number and Title	Action(s) Agreed	Action Owner(s)	Target Completion Date	Actual Completion Date	Comments/Responses/ Additional Information
25/08	16/09/25	03 Internal Audit Report – September 2025	Additional question: to seek feedback from the Scottish Government on the Tyne & Esk Funding audit	Duncan Stainbank	n/a		Recommended for Closure The Service Manager for Internal Audit sent an email on the 24/2/26 providing an update.
25/13	25/11/25	04 Risk Registers	To provide information on the progress of the Housing Land Audit.	Keith Dingwall		01/12/25	Recommended for Closure The Head of Development sent an email on 01/12/25 providing an overview of the Housing Land Audit and provided estimated completion dates.

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	24 th of March 2026
BY:	Chief Executive
REPORT TITLE:	Education, Children’s Services and Health & Social Care Partnership Risk Registers
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To present to the Audit and Governance Committee the Infrastructure, Finance and Corporate Support Risk Registers for discussion, comment and noting.
- 1.2 These Risk Registers are developed in keeping with the Council’s Risk Management Strategy and are live documents, which are reviewed and refreshed on a regular basis, led by the Local Risk Working Groups (LRWG) within each service.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes these Risk Registers and in doing so, the Committee is asked to note that:
 - the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.
 - the total profile of the risks can be borne by the Council at this time in relation to the Council’s appetite for risk.
 - although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer-term risks and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Risk Registers has been compiled by the respective LRWGs. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 5) producing an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).
- 3.2 The Council's response in relation to adverse risk or its risk appetite is such that:
- Very High risk is unacceptable, and measures should be taken to reduce, transfer or treat the risk to a more tolerable position.
 - High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place.
 - Medium risk is tolerable with control measures that are cost effective,
 - Low risk is broadly acceptable without any further action to prevent or mitigate risk.
- 3.3 The four risk registers presented include the following number of risks.
- Education Risk Register includes 2 Very High, 3 High, 6 Medium.
 - Children's Services Risk Register includes 1 Very High, 3 High and 2 Medium risks.
 - Health & Social care Partnership Risk Register includes 1 Very High 8 High, 4 Medium.

As per the Council's Risk Strategy, only the Very High and High risks are being reported to the Committee.

4 POLICY IMPLICATIONS

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

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance:

It is the consideration of the respective LRWGs that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Registers should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Council Management Team.

5.2 Other (e.g. Legal/IT):

Effective implementation of these registers will require the support and commitment of the Risk Owners identified within the registers.

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:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	N/A
Socio-economic disadvantage/poverty	N/A
Climate change, the environment and sustainability	N/A
Corporate parenting and care-experienced young people	N/A
Storage/collection of personal data	N/A
Other	N/A

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

7 APPENDICES

Appendix 1 – Education Risk Register

Appendix 2 – Children’s Services Risk Register

Appendix 3 – Health & Social Care Partnership Risk Register

Appendix 4 – Risk Matrix


8 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Lee Wright
Designation	Emergency Planning and Resilience Officer
Tel/Email	lwright@eastlothain.gov.uk
Date	12/03/2026

Head of Service Approval

Name	Eamon John
Designation	Head of Communities & Partnerships
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Yes
Approval Date	06/03/2026

 East Lothian Council - Education Risk Register									
Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date
R177	Impact on Reputation	Condition of the School Estate and impact of Changing Demographic	<p>Significant refresh and investment in the existing school estate is required to bring our learning and teaching facilities up to standard and improve suitability.</p> <p>Failure to invest in the school estate impacts negatively on learning and teaching and leads to minor repairs/maintenance becoming major repairs/maintenance costs.</p> <p>Our school estate needs to be fit for purpose for the delivery of a modern curriculum, and therefore needs to change to reflect education reform and to ensure we are equipped to raise attainment and offer a wide breadth of curriculum choice to meet the needs of all learners.</p> <p>Proposed LDP housing development, population growth and subsequent need to expand the schools' estate risks failure to provide suitable school provision or sufficient capacity available in the short term.</p> <p>Risk to uncertainty with forward planning for new establishments where house development completion rates are slower than expected delaying the start date for new school buildings.</p>	4	5	20	16	<p>The Council is making provision for significant capital expenditure to provide sufficient capacity for the expansion of the schools' estate</p> <p>Additional specialist provision capacity is a key part of the learning estate review.</p>	31/01/2027

								<p>Monitoring of demand through the Education Resource Group to target resources effectively</p> <p>Regular budget monitoring meetings with Education and Finance officers to understand current and potential risks to the budget</p> <p>Programme of school reviews to ensure the efficacy of existing ASN process at school level and identification of next steps for improvement</p> <p>Key policies in place to ensure compliance with national guidance and statutory duties in relation to ASN.</p> <p>CLPL programme in place for school staff to ensure adherence to local and national guidance, legislation and policy.</p>	
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R179	Impact on Reputation	Unpredictable rise in the number of children with Additional Support Needs	<p>Increased pressure on specialist provision due to a rise in the numbers of children and young people with Additional Support Needs.</p> <p>Potential increase in references to the ASN tribunal through inability to meet demand for ASN specialist placements.</p> <p>Increased demand and costs for specialist educational provision outwith East Lothian Council.</p>	4	5	20	12	<p>Education Support Officer for Leadership and Professional Learning appointed to provide additional training opportunities and career progression for support staff.</p> <p>The Educational Psychology Service resource allocation model operates across all educational establishments and is targeted at the children and young people with the greatest need.</p> <p>Monthly monitoring of attendance, exclusion and physical restraint data at school level.</p> <p>Local authority stretch aims as part of The Raising Attainment Strategy to increase school attendance and reduce exclusions.</p> <p>Child Planning Framework promotes early intervention and universal supports for all.</p> <p>Establishment of Child Planning Framework Locality Teams by June 2024 as a continuum of GIRFEC and multi-agency supports.</p> <p>Creation of an Equity and Inclusion Outreach Team through the Strategic Equity Fund to provide bespoke support for vulnerable learners</p> <p>Additional specialist provision capacity is a key part of the learning estate review. A strategy for specialist provision is under development and will be presented to Executive Management Team for approval.</p>	29/08/2026
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R180	Impact on Reputation	School Premises Security Deficiencies	<p>If our School Premises are not properly safeguarded there is a risk that unauthorised persons could gain entry and cause damage to children, young people and staff as well as property. This could lead to loss of lie in the most extreme cases. There is also a risk of assets being unavailable for use, facing potential closure and re-provision of care/teaching in alternative locations at increased cost to the Council and/or in need of repair in turn leading to adverse publicity.</p> <p>There are currently significant issues regarding school boundaries which require to be addressed.</p> <p>The Strategic Asset & Capital Plan Management service have responsibility for the maintenance contracts for the PPP secondary schools and the Wallyford Learning Campus. The Engineering Services team are responsible for the maintenance of the primary school estate.</p>	4	4	12	8	Capital funding secured for a 5 year programme to improve school security which took effect from October 2025.	30/10/2026
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R174	Financial	Effect of budget challenges and risks on the Scheme of	<p>Management of Devolved School Management Budgets</p> <p>Failure to manage a delegated budget in a fair, equitable and transparent way risks that school's budget is not deployed in accordance with best value principles and risks resources not being used effectively to meet the needs of learners.</p> <p>Failure to adhere to Local Authority procurement arrangements risks non-compliance with policy and best value and potential for large fines.</p> <p>Potential risk of short-term funding i.e. Pupil Equity Fund (PEF and SEF) gives additional budgetary pressure in relation to the retention of staff who could be surplus to requirements when funding ceases.</p> <p>Removal of curriculum charging (parental donations for HE, Art, CDT materials) and removal of Instrumental Music Instruction charging, the SG funding does not cover the cost of delivery of courses placing more pressure on school's budgets or curricular activities needing to be demonstrated rather than experienced</p>	4	4	16	9	Matching workforce planning to future growth continues to be closely monitored and discussed	30/07/2027
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N174	Impact	the scheme of Devolved School Management	<p>directly</p> <p>A budget set annually in April is difficult to manage as it spans two academic years of staffing commitments and makes best value decisions more challenging.</p> <p>Reductions to redesign staffing levels within the Education Service in line with available budget may incur large financial penalties by the SG current policy if staffing numbers cannot be maintained.</p> <p>Risk that probationer teacher quota may not be met if vacancies need to be filled by redeployed teachers. This is being closely managed but cannot guarantee that we will meet our minimum number for the maximum funding threshold.</p> <p>Additional pressure to maintain teacher numbers and associated penalties is creating financial and workforce pressures within the Education budget overall. DSM could not support the financial pressure without further significant funding.</p>	4	4	10	9	continues to be closely monitored and discussed for budget development.	30/07/2027
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R176	Regulatory	Failure to Raise Attainment and Achievement	<p>There is a risk to the outcomes for learners living in Quintiles 1 and 2 through failure to close the poverty related attainment gap, and appropriately utilising Pupil and Strategic Equity Funding.</p> <p>Risk of not receiving positive inspections as there is insufficient evidence of impact on closing the attainment gap evaluated under QI 3.1 – Ensuring wellbeing, equality and inclusion. This could lead to increased scrutiny by external scrutiny bodies such as Education Scotland.</p> <p>The Scottish Government are considering the outcome of education reports, including the Hayward Review. The outcome of this has the potential to require a significant change to the service objectives, education provision and measures. This would require a significant re-orientation of service priorities and resources to meet this national requirement.</p>	4	3	12	9	Take cognisance of outcomes of Education Reform with regards to Scottish attainment challenge, Curriculum, Qualifications and Inspection.	31/01/2026
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East Lothian Council - Children's Services Risk Register

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date
R189	Financial Impact	Children's Services Activity Pressures	<p>Service activity pressures see demand for services outstrip available budgetary resources risking unmet client need and risk to client safety and independence, potentially generating reputational risk for the Council. In order to protect people and to meet our statutory functions, there will be occasions when difficult decisions about finance need to be made. There are not always suitable internal resources to manage increasing complexity of need of the children referred to children's services which increases the risk of an external provision being required.</p> <p>Internal fostering resources are unable to meet the current demand for placements. External foster placements are considerably more expensive.</p> <p>The requirement to meet the increasing demand for Continuing Care placements impacts on foster placement and internal residential capacity and creates further budget pressures.</p> <p>The UK National Transfer Scheme has resulted in more young people being settled in East Lothian which has an impact on the Aftercare service accommodation and support budget. This is largely offset by the funding from the Home Office.</p> <p>Children's Services have used internal fostering and residential resources to provide accommodation for young people referred to East Lothian.</p>	4	5	20	9	<p>Children's Services budget increase for 2025 2026 will reduce the risk of the service being overspent in this coming financial year.</p> <p>Target for 2025 2026 to reduce external placements by a minimum of one per year which will reduce spend on external resources.</p>	31/05/2026

R194	Legal	Non compliance with data protection	<p>Risk that information governance standards are not fully followed, leading to a breach of Data Protection legislation with possible penalties imposed by the Information Commissioner's Office with commensurate media coverage and reputational damage.</p> <p>Children's services holds highly sensitive information which we need to share regularly (within the parameters of the data sharing agreement) for the purposes of meeting the needs of the children and families in East Lothian. This increases the risk of human error which could result in a person's sensitive data being shared incorrectly.</p>	4	4	16	12		31/05/2026
R190	Business Continuity	Workforce Recruitment and Retention	<p>Lack of a skilled, sufficiently qualified and experienced staff resource or the unexpected loss of a key employee or employees could result in</p> <ul style="list-style-type: none"> •Increased caseloads that reduce staff capacity to assess and manage risk and need to children at risk of harm •A reduction in line management capacity to provide safe oversight of risk management •Statutory duties not being met •Inability to deliver the strategic priorities of the service improvement plan. <p>Newly qualified and inexperienced staff require enhanced supervision, management and oversight which further impacts management capacity.</p>	4	3	12	8	<p>Collaboration with HR and Finance to agree creative approaches to cover temporary posts - The service continues to struggle to recruit to temporary contracts - particularly maternity cover. Discussions are scheduled with HR and Finance to ensure we can be creative in our approach to recruitment and considering permanent recruitment for some key maternity cover posts.</p>	31/05/2026

R191	Impact on People	Failure to meet duty of care to public and meet statutory requirements for service delivery	<p>Failure to deliver the duties of Children's Social Work Legislation may put a child at significant risk of harm or result in children not receiving their entitlement to supports and services from the council.</p> <p>The Council has a legal responsibility to address concerns that may require a child protection response. Child protection will continue to be a high-risk area even with all the controls and measures in place.</p> <p>A failure to secure efficient and effective child protection arrangements may see the Council being unable to fulfil its statutory duties/duty of care which could contribute to a harm/death of child or significant harm. This would in turn result in reputational damage to and increased scrutiny of the Social Work services.</p> <p>Factors that impact on this could be lack of resources (financial, services or staffing), poor practice, lack of training, a failure to prioritise those at highest risk, non-compliance with procedures/guidance or failing to intervene early enough. Access to and availability of earlier intervention supports and services are likely to continue to impact on vulnerable children and families.</p> <p>There are increasing policy and legislative requirements from the Government, most of which do not come with additional resourcing. For example:</p>	4	3	12	8	A further review of all children's services policies and procedures will be carried out in line with new national strategy including The Promise and UNCRC.	31/05/2026
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Risk ID	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions
5832	Delivering Financial Balance	<p>There is a sizeable risk that the Health & Social Care Partnership is not able to deliver Financial Balance and at the same time meet the demand from residents and patients for services.</p> <p>The IJB has approved a budget but this relies on delivery of high level savings and there is risk in slippage / non-achievement of these that will require alternative savings to be identified. Furthermore inflationary and service pressures / demands are likely to put further pressure on existing budgets.</p> <p>The IJB has agreed a balanced budget after identifying efficiencies to cover the financial gap arising from the funding offers from partners. The IJB has also acknowledged the existence of emerging pressures in year that will require additional efficiencies to be found and the substantial financial gaps facing it in future years. There remains a sizeable risk that the H&SCP is not able to deliver financial balance and at the same time meet the demand from residents and patients for services.</p>	4	5	20	12	<p>Implementation of appropriate financial recovery plans along with monitoring and any variances throughout the year. December 2025- updated Q2 position has identified continued pressures on prescribing and set aside. Development session with IJB held end of November on additional savings proposals required to support financial balance into 2026/27. Engagement sessions with ELC cross party budget group ongoing including potential funding offer for 2026/27. Further development sessions planned for January 2026.</p> <p>Prescribing Budget – EL Prescribing 25/26 prescribing budget is £22.82M. The September Lothian GP Prescribing Finance report (based on 3 months actual expenditure and 2 months estimates) is forecasting an annual overspend of £1.13M. The September report is showing variation in overspend of between 2.2% and 7.7% across Lothian HSCPs with a Lothian average of 4.2%. East Lothian has the highest reported overspend and this is being investigated by Finance and the EL Pharmacotherapy team. The outcome of this will be reported to the Prescribing Forum in October. East Lothian Efficiency Activity is on trajectory at 41% of target achieved within 42% of financial year (April to August period) . 25/26 EL target is £964K and in August had achieved £391K.</p>

6065	Disruption of equipment supply to Community Equipment Loan Store (CELS)	<p>ELHSCP has a service level agreement with City of Edinburgh Council (CEC) to provide community equipment for adults and children, specialist equipment (e.g. postural seating), and repairs/ maintenance and statutory testing (LOLER and PUWER) for maintainable equipment.</p> <p>Equipment provided enables people to be independent in their own homes, but also supports people being discharged from hospital or preventing them from being admitted to hospital. Equipment also supports people receiving care who require to be hoisted or access profiling beds.</p> <p>CELS have advised that there is a disruption to equipment supply which will have an immediate impact on the provision of aids to daily living stock availability. CELS is no longer able to use the current supplier.</p> <p>This has the potential to have a massive impact to clients/ patients in the community, but also the flow of hospital discharges and unscheduled care pathways.</p> <p>NRS complete repair, service and maintenance for equipment in the community. NRS withdrawal potentially places clients/ patients at risk if equipment fails.</p> <p>NRS also co-ordinate assessment and quotation for specialist equipment with tier 2 suppliers</p>	3	4	12	2	<p>Communication shared with all staff from CELS, Speed Read and locally from ELHSCP Chief Officer.</p> <p>Review satellite store stock levels and share information with CELS (28.7.25).</p> <p>CELS are tracking outstanding non catalogue orders to ensure these can be delivered in an alternative way.</p> <p>CEC are investigating alternative arrangements for equipment repair, servicing and testing arrangements.</p>
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5743	Drug-related deaths in EL	<p>Use of illicit drugs continues to put the lives and safety of young people and adults at risk, which may result in debt related violence or death.</p> <p>Consumption of illicit drugs not only undermines physical health but also heightens the risk of encountering dangerous situations. Individuals involved in drug use can face spiraling debt that can escalate into violence. Desperation for funds to sustain a habit may drive individuals into criminal activities, increasing the likelihood of encounters with violence and even death.</p> <p>Since 2023 we have seen an increase in laboratory manufactured drugs such as Nitizines that can be many times more powerful than traditional opiates. These can be used to cut heroin, increasing potency, and increasing risk of accidental overdose, NFO, and DRD.</p>	4	4	16	12	<p>Audit of all Drug related deaths - November 2025- Report - for head of ops, sent at start of September. Director and elected members sent 04/09/2025.</p>
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3912	Duty of Care	<p>The Council has a responsibility to assess and provide care and support where appropriate for the people of East Lothian. Any breach of this duty of care may compromise legislative duties, health, safety and wellbeing, impacting on, for example, the protection of children and adults.</p> <p>Failure to fulfil the duty of care could result in serious harm/death to an individual/s, prosecution, having to pay compensation and have a negative impact on the reputation of the Council.</p> <p>Concerns raised from staff that budgetary/financial constraints are impacting on service delivery and compromising social workers working to their code of practice.</p> <p>While there have been improvements on assurance processes there still remains challenges with financial resource to meet the needs of people at risk. For example those on unmet need list rated as red, waiting on care and those waiting on local authority care home placements.</p> <p>Sufficiently qualified and experienced staff available to assess and deliver services.</p>	3	4	12	8	<p>Development of clear outcome focused assessments and reviews.</p> <p>Considering use of agency staff to mitigate the gaps in social work workforce.</p>
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5356	ELHSCP Workforce Risk	<p>There is a risk that we will not have sufficient workforce to deliver services.</p> <p>Recruitment & Retention.</p> <ul style="list-style-type: none"> - Challenges in recruiting staff. - Difficulty in retaining current staff within some departments in ELHSCP. <p>Difficulty attracting nursing staff from acute services to community services.</p> <p>Failure to deliver safe, effective & sustainable health & social care services.</p> <p>Accommodation.</p> <ul style="list-style-type: none"> - Challenge of moving to home working and the closing of office space doesn't support a reactive service or peer support. <p>staff becoming disengaged with the Partnership and services it delivers.</p> <p>IT</p> <ul style="list-style-type: none"> - Continued divide between employers IT systems. 	3	4	12	6	<p>Training venues - Accommodation to be identified for the specific purposes of training/recruitment activities. Identify standalone facilities for training of all HSCP staff.</p> <p>Explore potential SVQ assessor to improve in-house training to attract new/younger people into HSCP.</p>
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		<p>Resulting in:</p> <ul style="list-style-type: none"> - Potential for unsafe practice. - Inefficient use of time / duplicate workload. <p>With the increasing financial pressures we are seeing an increase in absence rates and the inability to fill vacancies which is having an impact. The impact to deliver service, poor staff moral and wellbeing.</p> <p>There is also a risk regarding training where we are unable to release nursing staff/mandatory training etc due to operating with minimal number of staff and high levels of sickness. Mandatory training in some areas less than 50%. Applies to social care ; care home; care @ home and day services.</p>					
5920	Gender surgery pause - staff welfare	<p>Although the Pause in gender affirming surgery referrals has been lifted from Nov 24 there is a risk that staff will suffer ongoing stress and significant psychological harm, and a possible but much lower risk of physical harm due to the pause on gender affirming surgery referrals and the lack of clear information provided to patients, leading to high levels of distress, rumour and misinformation among the affected community. This has lead to multiple verbal enquiries, discussions in almost every clinical consultation and criticism of named staff, expressions of intent to self harm and suggestions of organised (non-violent) protest against the service on social media.</p>	4	4	16	9	Development of and documentation of clinical pathways & Communication

5760	Lone Working	<p>East Lothian Council and NHS Lothian respectively have legal duties under the Health and Safety at Work etc Act 1974; and Management of Health and Safety at Work Regulations 1999 to ensure the safety and welfare of anyone working within the East Lothian Health and Social Care Partnership as far as reasonably practicable. The law requires employers to consider carefully, and then deal with, any health and safety risks for people working alone. On this basis, we need to ensure that consistent procedures are established and applied across the Partnership teams to enable confirmation of lone worker locations and maintain ongoing contact; emergency escalation contact details are accurately maintained and can be used in the event of an incident; and that adequate lone working devices, and equipment, as well as training are provided to all lone workers, especially in case of high risk assessment outcomes.</p>	4	3	12	8	Reporting/Compliance - Reporting of use and training compliance to be reported to H&S committee for HSCP.
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		<p>The personal safety of all staff is valued and protected through the prevention and management of Violence and Aggression within NHS Lothian. This is achieved by minimising the risk to exposure of violence and aggression for those delivering care, their patients, visitors and the public by creating safe and secure work environments and defines training and education which is proportionate to the level of risk. Due to governance issues, this training cannot be delivered to Partnership Staff who are employed by ELC, of which does not have the equivalent levels of training based on the overall risk outcome.</p>					
5479	PCIA	<p>Risk that the primary care infrastructure and real estate wont be developed because of the lack of funding.</p> <p>It impacts on the partnership in 3 ways</p> <p>1- It presents a risk that patients will not receive GMS care</p> <p>2- It may limit the HSCP to implement the PCIP or provide services accessible across East Lothian</p> <p>3- It may limit the opportunities to provide primary and community care to respond to a growing and ageing population</p>	3	4	12	9	<p>Review plan for plan b options.</p> <p>Update of Premises strategy as part of PC strategy.</p>

		<p>The Council has a legal responsibility to address concerns that may require a Child or Adult protection response. The Council also has an obligation to manage offenders through the Justice Social Work service and contribute to MAPPA arrangements.</p> <p>Any failure to adequately respond to concerns may negatively impact on children and adults, who may be at risk of harm. This could also result in serious harm/death to an individual/s, prosecution, risk of compensation claims and have a negative impact on the reputation of the Council.</p> <p>A failure to have in place efficient and effective Public Protection arrangements, covering Child Protection, Adult Support and Protection, local MAPPA arrangements, Violence against Women and Girls (VAWG) and Substance Misuse services, may see the Council being unable to fulfil its statutory duties/duty of care which could contribute to a service user suffering harm/death or detriment. This would in turn</p>					<p>EMPPC VAWG services - There is a national Equally Safe</p>
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3915	Public Protection - Risk of Harm	<p>Members of community. This could in turn result in reputational damage and financial compensation.</p> <p>There has been a long-standing waiting list for an Outreach Service from Women's Aid Mid and East Lothian which is the specialist service provider for Women experiencing or having experienced domestic abuse. There is a funding gap created by non-recurring revenue streams and increased demand. The contract for refuge has been reviewed and has been extended on a short-term basis only.</p> <p>The Council's MAPPA responsibilities are not currently at risk as information is continuing to be shared as per habit and practice over the past decade and in line with legislation. The Home Office are progressing a new database – MAPPS – which will replace ViSOR in 2025/26 (although this has been delayed until 2026/27) and all MAPPA partners have agreed to engage with the development. The underlying barriers have not been resolved and some uncertainties remain around operational joint working between ELC and Police Scotland. East Lothian has no access to ViSOR.</p> <p>People waiting on CAH in critical need are at risk and may come to harm as a result of not having appropriate support.</p>	3	4	12	8	<p>EMPPC VAWG services. There is a national Equity Care delivery plan published in August 2024 which identifies the need to establish longer term funding for VAWG services. EMPPC VAWG delivery group chair will liaise with Scottish Government via national network to seek urgent resolution to lack of funding arrangements.</p> <p>Increase the number of MARAC chairs.</p>
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4695	Safe storage of controlled drugs	<p>East Lothian requires to apply for a home office license for the storage of controlled drugs within the Esk Centre, Musselburgh</p> <p>A home office license for controlled drug storage is imperative to ensure public safety. Regulating the storage of such substances within community environments is essential to prevent unauthorised access, misuse, or potential criminal activities. This licensing system establishes clear guidelines, safeguards, and accountability, mitigating the risks around access.</p> <p>Impact – if controlled drugs are not stored securely there is increased risk of theft, or misuse, which could cause harm. Together with secure physical storage clear and robust process controls are in place underpinned by legislation. This can help detect poor clinical practice, criminal activity, or risk to patients.</p>	4	3	12	6	<p>Home license - East Lothian HSCP to apply for a home license and this will be progressed once responsible person has had an enhanced disclosure updated. To discuss with HR.</p> <p>Audit - East and Mid to liaise with controlled drug team to undertake an audit to ensure fully compliant as it is likely that once application is made, we will be inspected.</p>
3914	Service Activity Pressures	<p>There is a risk that demographic pressures and activity sees demand for services outstrip available budgetary and staffing resources leading to unmet need and risk to client safety and independence. This could potentially lead to ELHSCP failing to meet statutory responsibilities and result in reputational risk.</p>	4	3	12	9	<p>Outcomes based assessment and review documents being developed.</p> <p>Implementation of Social Work performance framework.</p> <p>Implementation CAH strategy being developed.</p> <p>Development of Strategic Plan.</p>

6017	Violence and Aggression Training	<p>Due to the nature of services provided by the HSCP, there is a risk that individuals may be exposed to violence and aggression (V&A). Currently NHSL teams and council teams cannot be trained together for insurance purposes. NHSL has moved to a 'work based trainer' model of V&A training and there are currently not enough trainers in EL to support what is required. Achieving the work based model will take several months due the time needed to 'train the trainers' and reach the required competency, and also the impact of releasing staff for this.</p> <p>The risk will impact all NHS staff requiring Level 2 training intermediate and above</p>	4	3	12	6	<p>Training plan - confirmed that we have 1 level 4 trainer with 3 more in the process of being signed off.</p> <p>Local training for Level 2 is still to commence but teams are being encouraged to link in with availability of training on EESS. 2 more Level 2 trainers have been identified and will commence their training</p>
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East Lothian Council Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	>90% chance of occurring
Probable	4	70%-90% chance of occurrence
Possible	3	30-70% chance of occurring
Unlikely	2	10-30% chance of occurring
Rare	1	<10% chance of occurring

Impact Description

Impact of Occurrence	Score	Description							
		Impact on Service Objectives	Financial Impact	Physical and/or Psychological Impact on People	Impact on Time	Impact on Reputation	Impact on Assets	Business Continuity	Legal & Regulatory
Catastrophic	5	Catastrophic failure in service delivery and key service standards are not met, long-term catastrophic interruption to operations, several major partnerships are affected	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances. Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves. The Council is expected to hold a reserve to budget ratio of 2%.	Single or Multiple fatality and or psychological impact, within council control, leading to fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved. Prolonged regional and national condemnation.	Significant disruption to building, facilities, vehicles or equipment (Loss of building, vehicles, rebuilding required, temporary accommodation required, vital equipment lost without replacement capability available resulting in services being unable to be delivered).	Complete inability to provide service/system, prolonged downtime with no back-up in place	Catastrophic legal, regulatory, or contractual breach likely to result in substantial fines or other sanctions, including substantial involvement from regulators.
Major	4	Major impact to service quality, multiple service standards are not met, long-term disruption to operations, multiple partnerships affected.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty). Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves.	Number of extensive injuries (major permanent harm) or major psychological impact to employees service users or public.	Major - between 1 & 2 years to recover pre-event position.	Serious negative national or regional criticism and publicity.	Major disruption to building, facilities, vehicles or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required, equipment or vehicles unavailable to provide significant elements of service delivery and no appropriate contingency arrangements in place).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council, fines and regulatory action publicly enforced.
Moderate	3	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards.	Moderate impact on budgets (can be contained within overall directorate budget).	Serious injury requiring medical treatment or moderate psychological impact to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Adverse national media public attention with elected members becoming involved.	Moderate disruption to building, facilities, vehicles or equipment (loss of use of building for medium period, loss of equipment or vehicles requires contingency arrangements to be employed and has moderate impact on overall service delivery).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council, regulator action and or improvement required of the Council.
Minor	2	Minor impact to service quality, minor service standards are not met, short-term disruption to operations, minor impact on a partnerships	Minor impact on budgets (can be contained within service head's budget).	Non life changing injury or psychological impact to staff or member of the public requiring treatment.	Some - between 2 and 6 months to recover.	Minor adverse local, public or media attention and complaints.	Minor disruption to building, facilities, vehicles or equipment (alternative arrangements in place and covered by insurance, equipment or vehicles unavailable for small period of time minor impact on service).	Reasonable back-up arrangements, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council, regulator advice and improvement requested of the Council.
Minimal	1	No impact to service quality, limited disruption to operations.	Minimal impact on budgets (can be contained within unit's budget).	Minor injury or minor psychological impact to employee, service user or public.	Minimal - Up to 2 months to recover.	Public concern restricted to local complaints and of no interest to the media.	Minimal disruption to building, facilities, vehicles or equipment (alternative arrangements in place equipment or vehicles alternative quickly available to replace or substitute).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council, regulator suggested improvements requested.

Risk	Impact				
	Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
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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)

Name	Duncan Stainbank
Designation	Service Manager Internal Audit
Tel/Email	dstainbank@eastlothian.gov.uk
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.

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	24 March 2026
BY:	Service Manager – Internal Audit
REPORT TITLE:	Internal Audit Strategy and Plan 2026/27
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To inform the Audit and Governance Committee of Internal Audit's operational plan for 2026/27.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 The Audit and Governance Committee is asked to:
- Approve the Internal Audit Plan for 2026/27; and
 - Approve the Internal Audit Strategy 2026/27.

3 BACKGROUND

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 that came into force on 10 October 2014 require a local authority to operate a professional and objective internal auditing service. This service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the Global Internal Audit Standards (GIAS) as adjusted by the UK Public Sector Application note.
- 3.2 The East Lothian Council Internal Audit function is planning to follow the professional standards as set out in the Global Internal Audit Standards (GIAS) as adjusted by the UK Public Sector Application note, from the 1 April 2025, where resources allow. In accordance with GIAS to develop

an effective internal audit strategy and plan, the chief audit executive must understand the organization's governance, risk management, and control processes.

- 3.3 GIAS also requires that the chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board (the Audit Committee acting on behalf of the Council), senior management, and other key stakeholders, including Audit Scotland and the East Lothian Public.

Internal Audit Strategy

- 3.4 GIAS Standard 9.2 Internal Audit Strategy states, that; “the chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders.”
- 3.5 The Service Manager Internal Audit has developed the Internal Audit Strategy at Appendix 1. It outlines the strategic direction for how Internal Audit will achieve its objectives, which are set out in the Internal Audit Charter, in conformance with GIAS. It guides the Internal Audit function in delivering high quality internal audit services to East Lothian Council and the East Lothian Integration Joint Board (ELIJB).
- 3.6 The Internal Audit Strategy:
- Outlines the assurance framework, providing clarity of the respective responsibilities of Management for designing and monitoring governance and control systems and of the role of Internal Audit in providing independent assurance thereon;
 - States how the key themes which are integral to the assurance gathering process across the organisation's activities will be covered to inform the annual Internal Audit opinion statement;
 - Describes the approach to the development of the risk based Internal Audit annual plan;
 - Sets out the relative allocation of Internal Audit resources;
 - Outlines how the Internal Audit programme of work will be delivered to add value; and
 - Describes the monitoring and reporting of Internal Audit findings from its work and progress with its plans to the relevant organisation's audit committee/board.

Internal Audit Plan 2026/27

- 3.7 The key standards within the GIAS relating to the Internal Audit Plan is Standard 9.4 Internal Audit Plan, which states the following: The chief audit executive must create an internal audit plan that supports the achievement of the organization's objectives. The chief audit executive

must base the internal audit plan on a documented assessment of the organization's strategies, objectives, and risks. This assessment must be informed by input from the board and senior management as well as the chief audit executive's understanding of the organization's governance, risk management, and control processes. The assessment must be performed at least annually.

- 3.8** GIAS Standard 9.4 also states that; The internal audit plan must:
- Consider the internal audit mandate and the full range of agreed-to internal audit services.
 - Specify internal audit services that support the evaluation and improvement of the organization's governance, risk management, and control processes.
 - Consider coverage of information technology governance, fraud risk, the effectiveness of the organization's compliance and ethics programs, and other high-risk areas.
 - Identify the necessary human, financial, and technological resources necessary to complete the plan.
 - Be dynamic and updated timely in response to changes in the organization's business, risks operations, programs, systems, controls, and organizational culture.
- 3.9 GIAS Standard 9.5 Coordination and Reliance states that, "The chief audit executive must coordinate with internal and external providers of assurance services and consider relying upon their work. Coordination of services minimizes duplication of efforts, highlights gaps in coverage of key risks, and enhances the overall value added by providers. If unable to achieve an appropriate level of coordination, the chief audit executive must raise any concerns with senior management and, if necessary, the board." The audit plan has been developed with coordination and reliance on the work of Audit Scotland as the appointed external auditor, specifically in relation to work on transformation covering many of the key identified Council risks. However, Coordination and reliance on other assurance providers including Education Scotland, Care Commission, health and safety inspectorate, has not been possible for the 2026/27 plan. Full compliance with this element of the standards has not been completed as East Lothian Council does not yet have a full assurance map.
- 3.10 The Service Manager Internal Audit has developed the Internal Audit Annual Plan 2026/27 at Appendix 2, based on the Internal Audit staff resources set out in 5.9. It sets out the proposed range and breadth of audit activity to be undertaken to provide the independent and objective audit opinions to East Lothian Council and the ELIJB.
- 3.11 As part of the Internal Audit planning process, it was necessary to consider each organisation's priorities, plans, strategies, objectives, risks and mitigating controls, and the internal and external assurances

provided to determine the priorities of the Internal Audit activity consistent with the organisation's goals, as follows:

- Analysis was undertaken of Internal Audit work during the past 5 years against the Audit Universe reflecting current strategic and operational management arrangements and approach to service delivery to ensure appropriate coverage.
- corporate and service area risk registers have been reviewed and high-risk areas considered for inclusion when recent work has not been completed in the area.
- Account was taken of known external audit and inspection activities to avoid duplication of assurance work.
- Review of the Council objectives expressed in the Council Plan 2022-27, and reprioritisation in February 2024;
- Identified changes in service delivery and risk areas identified by senior management. and
- the need to incorporate some flexibility for reactive/investigatory work.

3.12 It is envisaged that 2026/27 will continue to be a year of change for the Council and other partner organisations. Therefore, the Internal Audit Annual Plan 2026/27 should be considered to be flexible and will be periodically reviewed, and amended as required, to reflect any new arrangement or changing risks and priorities or available resources. Any amendments relating to the Council will be brought to Council Senior Management and the Audit Committee for approval.

3.13 The Non-ELC days reflect the Council's partnership working commitment to provide Internal Audit resource and services to the East Lothian Integration Joint Board (ELIJB). A separate Internal Audit Annual Plan 2026/27 has been presented to the ELIJB Audit and Risk Committee for approval.

3.14 Internal Audit are required to give an opinion on the Council's, Governance Risk Management and Internal Control environment in the annual Controls Assurance Statement and the audit work carried out will contribute to this opinion.

3.15 The provision of the Internal Audit service is on an in-house basis by the Council's Internal Audit Unit. The resources available are Service Manager Internal Audit 0.4 FTE, Principal Auditor 1 FTE, Senior Auditor 1 FTE, Auditor 1 FTE, and Senior Audit Assistant 0.6 FTE, currently 4 FTE.

3.16 Internal Audit will adopt a risk-based approach to audit assignments as the principal means of providing assurance on the adequacy, reliability and effectiveness of governance, risk management and internal controls. Testing of controls will be carried out on a sample basis. Samples are selected according to an agreed sampling methodology.

- 3.17 For each individual audit, a detailed audit report is prepared for the relevant member(s) of the Council Management Team (CMT). Copies of the audit report are provided to the Chief Executive, External Audit and to members of the Audit and Governance Committee.
- 3.18 Follow-up audits will be carried out to review the implementation of the recommendations made.
- 3.19 Internal Audit will report on the completion of the annual audit plan, the percentage of audit recommendations accepted by Management and the percentage of audit staff with CCAB or equivalent accounting qualifications.

4 POLICY IMPLICATIONS

- 4.1 Not applicable.

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: None
- 5.2 Human Resources: None
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: None

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:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

- 7.1 Appendix 1 – Internal Audit Strategy 2026/27
Appendix 2 – Internal Audit Plan 2026/27

8 BACKGROUND PAPERS

- 8.1 None

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Duncan Stainbank
Designation	Service Manager – Internal Audit
Tel/Email	dstainbank@eastlothian.gov.uk
Date	23 January 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	Yes
Approval Date	23 January 2026

1. STRATEGIC VISION

1.1. The vision of this strategy is to guide East Lothian Council (ELC) Internal Audit function in delivering a high-quality internal audit service to ELC and East Lothian Integration Joint Board (ELIJB), which is capable of:

- providing the statutory annual assurance and audit opinion on the adequacy of each organisation's risk management, internal control and governance arrangements to the relevant organisation's senior management and board/audit committee;
- carrying out all other objectives contained in Internal Audit's Charter; and
- adding value to each organisation by influencing and offering ways to enhance the governance and internal control environment in alignment to their strategic priorities.

2. STRATEGY OBJECTIVES AND SUPPORTING INITIATIVES

2.1. The objectives of this strategy are to:

- Outline the assurance framework which comprises assurances from within the organisation and from external providers of assurance to improve the organisational understanding of the expectations of Internal Audit;
- State how the key themes which are integral to the assurance gathering process across the organisation's activities will be covered to inform the annual audit opinion statement;
- Describe the approach to the development of the risk based Internal Audit annual plan;
- Set out the relative allocation of Internal Audit resources;
- Outline how the Internal Audit programme of work will be delivered to add value and will be prioritised to ensure those areas of greatest risk are covered during the audit year; and
- Describe the monitoring and reporting of the Internal Audit findings from its work and progress with its plans to the relevant organisation's audit committee/board.

2.2 These objectives are underpinned by a suite of supporting initiatives outlining the key steps to drive delivery. The supporting initiatives provide opportunity for Internal Audit staff to develop their competencies, enhance the optimisation of technology, and provide continuous improvement to East Lothian Council and the East Lothian Integration Joint Board and enhance the internal audit offering. They are premised on engaging with all appropriate stakeholders, equipping them to facilitate delivery, empowering them to deliver required outcomes, and embedding good practice.

Strategic Objective 1 – Agile Auditing: *Innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation.*

Supporting Initiatives:

- **Engage** with internal audit staff and the organisation to understand expectations and importance of timely audit feedback & reporting.
- **Equip** internal auditors to deliver high quality internal audit services through a lean, efficient and effective operating model.
- **Empower** internal auditors to operate in an agile manner.
- **Embed** behaviours that support an agile methodology.

Strategic Objective 2 – Optimisation of Standards: *Embrace and prioritise conformance and embedding of the Global Internal Audit Standards in the UK Public Sector and maximising their potential to benefit the organisation and the internal audit function.*

Supporting Initiatives:

- **Engage** internal audit staff and key stakeholders to ensure a full knowledge and understanding of the GIAS in the UK Public Sector.
- **Equip** internal audit staff and key stakeholders with the tools and information to discharge their respective responsibilities within the GIAS in the UK Public Sector.

- **Empower** internal audit staff and key stakeholders to act on their respective responsibilities and accountabilities within the GIAS in the UK Public Sector.
- **Embed** the mandatory requirement of the GIAS in the UK Public Sector into all relevant policy, process and procedure.

Strategic Objective 3 – Engagement & Reliance on External Assurance Providers: *Further engage with the Council and its external Assurance providers to build a better understanding of the levels assurance already in place to avoid duplication of*

- **Engage** with internal audit staff in utilising reviews and knowledge to identify all external assurance providers
- **Equip** auditors with the skills identify external assurance providers and assess the appropriateness of assurance provided and governance to ensure visibility and control. and avoid duplication of work.
- **Empower** internal auditors to avoid duplication and place and communicate appropriate assurance provision.
- **Embed** knowledge of external assurance within a growing assurance map for the council.

3. ASSURANCE FRAMEWORK

3.1. It is Management’s responsibility to design and maintain proper risk management, governance and internal control processes and systems to ensure probity in systems and operations, and mitigation of risks, including the prevention, detection and resolution of fraud and irregularities. Management is also responsible for checking that the arrangements and controls are operating effectively and obtaining assurances from internal compliance, risk, inspection, quality, and control functions. These are known as the first and second lines of assurance. Internal Audit, as the third line of assurance, is the review function which will provide independent assurance on the effectiveness of the first and second lines of assurance, challenge current practices, recommend best practice and improvements to lead to a strengthening of the control environment and management of risks, thus assisting the organisation in achieving its objectives.

3.2. The organisation’s assurance framework is the means by which the relevant organisation’s Senior Management and Audit Committee/Board ensures that they are properly informed on the risks of not meeting objectives or delivering appropriate outcomes and that it has adequate assurances on the design and operation of systems in place to mitigate those risks.

3.3. The assurance framework comprises assurances from within the organisation (from Management and compliance functions, and independent and objective assurance from Internal Audit) and from external providers of assurance. Examples of the latter include the Accounts Commission, External Audit (Audit Scotland for ELC and ELIJB), Education Scotland, Care Inspectorate, Scottish Housing Regulator, and other regulators.

3.4. The assurances are considered during the annual review of the effectiveness of each organisation’s overall governance framework carried out by officers of each organisation and supported by Internal Audit. The output is the Annual Governance Statement which is included within the relevant organisation’s Annual Report and Accounts.

3.5. Where audit assurance is required on services that are delivered jointly by public sector joint working arrangements which include the organisation as a partner, these assurances will be sought as appropriate from partners' Internal Audit service providers, when these exist and Management.

4. KEY THEMES INTEGRAL TO INTERNAL AUDIT ASSURANCE

4.1. Each organisation is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Fundamentally corporate governance is about the systems and processes, and cultures and values that are used by the organisation to discharge those responsibilities in a timely, inclusive, open, honest and accountable manner. This includes: setting the strategic direction, vision, culture and values of the organisation; effective operation of corporate systems; processes and internal controls; engaging with and, where appropriate, lead communities; monitoring whether strategic objectives have been achieved and services delivered cost effectively; and ensuring that appropriate arrangements are in place for the managing risks.

4.2. The organisation's statutory financial officer, Section 95 Officer or equivalent, i.e. Deputy Chief Executive Resources and Economy (ELC) and Chief Finance Officer (ELIJB), is responsible for the proper administration of the organisation's financial affairs. Under their direction, the organisation's system of internal financial control is based on a framework of Financial Regulations (rules and regulations for financial management or administration arrangements linked to other key financial documents that set out the policy framework, associated strategy, and the more detailed procedures and guidelines), regular Management Information, administrative procedures (including segregation of duties), Management Supervision, and a system of Delegation and Accountability.

4.3. The continued use of and investment in technology to support service delivery, and digital change and transformation to improve operations is a key part of the vision for each organisation. Arrangements in place are underpinned by the overarching framework of the ICT security policy designed to ensure that computer systems are secure, reliable and conform to nationally agreed standards, and by the Digital Strategy linked to Corporate Priorities designed to support effective and modern service delivery and to meet service objectives.

5. APPROACH TO PERIODIC PLANNING

5.1. The Internal Audit Strategy and the Internal Audit Annual Plan 2026/27 has been prepared in conformance with the Global Internal Audit Standards to fulfil the requirement to produce the statutory annual assurance and audit opinion for each organisation.

5.2. As part of the Internal Audit planning process, it was necessary to consider each organisation's priorities, plans, strategies, objectives, risks and mitigating controls, and the internal and external assurances provided to determine the priorities of the Internal Audit activity consistent with the organisation's goals, as follows:

- Analysis was undertaken of Internal Audit work during the past 5 years against the Audit Universe, which reflects the current strategic and operational management arrangements and approach to service delivery, to ensure appropriate coverage;
- The Council and service risk registers have been reviewed to confirm coverage on key risks, as reliance is placed on the risk assessments carried out by the Risk Owners taking account of the risk ratings and mitigations;
- Account was taken of known external audit and inspection activities to avoid duplication of assurance work; however this may fall short of the level of co-ordination required under GIAS standard 9.5 Coordination and Reliance, as clear plans on 2026/27 planned activity have not been collected from all external assurance providers for the Council.

5.3. The audit planning process involves consultation with key stakeholders including discussions with Senior Management of each organisation to capture potential areas of risk and uncertainty more fully. This is of particular importance during a period of change and transformation as each organisation responds to new legislation or service delivery arrangements that might affect plans, priorities and resources.

6. ALLOCATION OF INTERNAL AUDIT RESOURCES

6.1. The current Internal Audit staff resource totalling 4.1 FTE comprises Service Manager Internal Audit (0.5 FTE), Principal Internal Auditor (1 FTE), Senior Internal Auditor (1 FTE), and Auditor (1FTE) and Senior Audit Assistant (0.6 FTE). Each member of the Internal Audit team has suitable experience, knowledge, skills and competencies (such as the training on the requirements of GIAS and the Seven Principles of Public Life) needed to deliver the plan 2.5 FTE of the team have a professional internal audit or accountancy qualification, with 1 member training towards final examinations. The Available Days has been amended to reflect the Internal Audit resources after consideration of estimated annual leave, public holidays, absence, learning and development (including required professional CPD), management and supervision.

6.2. It is estimated that around 75% of Available Days will be spent on *assurance, and legislative and other compliance* activities combined. The Assurance work includes sufficient work across a range and breadth of audit areas which assure those processes that are currently in place and which Management rely on to deliver services, and to enable preparation of the required annual audit opinion on the adequacy of the organisation's control environment.

6.3. An estimate of 9% of Available Days will be spent on other activities in support of the Internal Audit function meeting its wider objectives as set out in the Internal Audit Charter.

6.4. An estimate of around 4% of Available Days will be utilised on *Consultancy* activities which support Management in delivering innovation, change and transformation. Management seek this value added activity during this period of change for Local Government though this allocation reflects a reasonable estimate of what is actually deliverable within the boundaries of the role of Internal Audit and the resources available.

6.5. It is estimated that around 12% of Available Days will be spent on the provision of Internal Audit services to East Lothian Integration Joint Board (MIJB). This reflects ELC's contribution of support resources as governance arrangements have changed in response to statutory partnership working for the provision of health and social care integration.

7. APPROACH TO DELIVERY OF PROGRAMME OF WORK

7.1. To facilitate operational delivery, an Internal Audit Programme of Work will be developed which provides an indication of when work will be scheduled during the year, taking account of discussions with Senior Management and the availability of Internal Audit resources.

7.2. For each Internal Audit, in line with recognised good practice, an Audit Assignment detailing the scope, objectives and timing will be prepared and agreed with the relevant Head of Service(s) and Service Manager(s) prior to commencement of Internal Audit fieldwork. Within assurance work:

- The organisation's Code of Corporate Governance (ELLC/ELIJB) will be used by Internal Audit as an integrated toolkit to test the extent of compliance.
- End to end reviews of financial management and administration processes will be undertaken by Internal Audit to test the extent of compliance (as integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably), and substantive testing of transactions including data analytics will be carried out where this is possible to ensure completeness and accuracy.
- The Plans (Financial and Asset Management) to deliver the organisation's strategies, plans and priorities will be reviewed against best practice standards.
- Internal Audit will consider fraud risk and prevention and detection controls, and other appropriate cross-cutting risks and controls (such as risk management, performance management, community engagement, equalities, business continuity, and health and safety), highlight examples of effective internal controls, and share good practice across service areas.
- The ICT arrangements in place to protect each organisation from attack in relation to data security, integrity and availability will be tested and ICT Plans will be reviewed to confirm they support delivery of the organisation's strategies and priorities.
- National reports that give rise to introducing best practice arrangements or lessons learned from other local authorities or other public sector bodies will be considered and applied by Internal Audit to influence and offer ways to enhance governance and internal controls.

7.3. The Legislative and Other Compliance work will include testing in accordance with the terms of the funders' service level agreements or legislative requirements, as part of the wider assurance framework.

7.4. Within Advisory activities, Internal Audit will add value to the Council as it transforms its service delivery models, re-designs its business processes, and utilises technology to automate processes by influencing and offering ways to ensure adequate governance, risk management and internal controls. Internal Audit in its 'critical friend' role will provide an independent view and challenge of a sample of programmes and projects, and an objective assessment of self-evaluation arrangements and improvement that underpin the provision of Best Value, when resources allow.

7.5. *Other* work will include:

- Carrying out Follow-Up to monitor Management's progress with implementation of Audit recommendations to: ensure that improvement actions have been timeously and effectively implemented; check that these have had the desired effect to manage identified risks; and demonstrate continuous improvement in internal control and governance; and
- Performing Contingency advisory reviews on specific instruction from Members or Senior Management, investigations and review of sufficiently important issues highlighted during the year where resources allow.

8. MONITORING THE WORK OF INTERNAL AUDIT

8.1. The Global Internal Audit Standards (GIAS) requires periodic reporting on the Internal Audit activity to the relevant organisation's Senior Management and Audit Committee/Board.

8.2. Internal Audit assurance work completed and work in progress, and consultancy and other work for the Council associated with the delivery of the Plan will be outlined within regular reports to its Audit Committee. Specifically relating to Internal Audit assurance work, this report will include an Executive Summary of the audit objective, good practice, findings, recommendations, and audit opinion of assurance for each Final Internal Audit Report issued to relevant Senior Management in the period.

8.3. Regular progress updates on implementation by Management of relevant Audit recommendations will be reported periodically during the year to the relevant organisation's Senior Management and Audit Committee/Board.

8.4. Internal Audit's compliance with its Strategy, delivery of its risk-based Annual Plan, and outcomes of assessment(s) against GIAS will be considered by the Chief Internal Auditor on a regular basis and formally reported annually to the Council's Corporate Management Team and the Audit Committee, through the Annual Assurance Report.

8.5. The Internal Audit Annual Assurance Report for each organisation (East Lothian Council and ELIJB) to their respective Senior Management and Audit Committee/Board will provide the statutory annual audit opinion on the levels of assurance based on Internal Audit findings over the year to inform each organisation's Annual Governance Statement.

8.6. The GIAS requires an annual Internal Self-Assessment and an External Quality Assessment (EQA) each five years by appropriately qualified and independent reviewers to assess conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing; The Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) have implemented a "peer review" framework, in which ELC participates, as a cost-effective means of complying with the EQA requirement. Reporting on outcomes includes a statement on conformance with GIAS and the quality assurance and improvement plan (QAIP) to enable an evaluation of the Internal Audit quality management framework and to identify opportunities for improvement.

SERVICE AREAS TO AUDIT	ALLOCATED AUDITOR DAYS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS
Resources & Economy	120 Days	<p>Service and Workforce Planning: Provide assurance that across the Council there are appropriate service plans in place for all services that provide adequate and realistic workforce planning actions for both the short and long term. (Inherent Risk Assessment: High)</p> <p>Financial Support and Welfare Grants: Provide assurance that the operation of the Financial Support team ensures that appropriate guidance and support is provided and that grant awards are made in an appropriately controlled environment and are provided equitably based on scheme rules and available budgets. (Inherent Risk Assessment: High)</p> <p>Transformation Projects: Continue ongoing support and involvement in stage gate processes (Inherent Risk Assessment: High)</p> <p>Finance System Project Implementation: Provide control process support to services across the Council during the implementation of the Council's financial system. (Inherent Risk Assessment: High)</p>
Children & Communities	150 days	<p>Contact Management: Provide assurance that there is appropriate processes and procedures in place for all key contact methods in the Council and business continuity planning for effective contact management and that effective monitoring of contact methodologies in place that is utilised through governance forums to manage appropriate channel shifting on a best value basis (Inherent Risk Assessment: High)</p> <p>East Lothian Mid Market Homes LLP: Review the Governance processes in place for ensuring that the business plan is regularly reviewed for this ALEO and that Financial risk is being managed appropriately to ensure that the Council does not have any liabilities from this ALEO. (Inherent Risk Assessment: High)</p> <p>School Funds & DSM Scheme: Provide assurance that effective controls are in place to ensure compliance with the East Lothian Devolved School Management System and school fund processes are being used appropriately within the expectations of these schemes. (Inherent Risk Assessment: High)</p>

SERVICE AREAS TO AUDIT	ALLOCATED AUDITOR DAYS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS
		<p>School Trips: Provide assurance that processes are being maintained to ensure that all schools trips are evaluated for risk (specifically health & safety, insurance and financial risk), educational benefit and that the process of approval is maintained for all trips being undertaken in a consistent and reliable basis. (Inherent Risk Assessment: High)</p> <p>Risk Management: Review the risk management processes in place for the Council following the implementation of new risk management software. (Inherent Risk Assessment: Medium)</p>
Adult Social Work	60 Days	<p>Equipment Aids & Adaptations: Review that there are appropriate procurement, issuing, recovery and stock controls to ensure best value in the processes of providing appropriate aids and adaptations for adult social work clients. (Inherent Risk Assessment: High)</p> <p>Adult Social Work Charging: Review that there are appropriate governance, risk management and internal control processes in place to ensure the Council are appropriately charging for Adult Social Care services in accordance with Council policy and legislative framework and that collection processes ensure efficient and effective recovery processes that provide best value for the Council. (Inherent Risk Assessment: High)</p>
ALEO's (Arm's Length External Organisations)	30 Days	<p>East Lothian Investments: Ensure that there is a appropriate processes in place to ensure that there is Best Value and secure use of East Lothian Investment funding to meet the Economic and workforce outcomes of the Council and that Governance provides assurance that this in line with legislative and best practice requirements. (Inherent Risk Assessment: High)</p>
Miscellaneous Grants	10 Days	<p>Internal Audit are currently undertaking annual audits of the Tyne and Esk Communities Development Fund. (Inherent Risk Assessment: Low)</p>

SERVICE AREAS TO AUDIT	ALLOCATED AUDITOR DAYS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS
Scottish Housing Regulator (SHR) Annual Assurance Statement	20 Days	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)
Fraud & Irregularity	10 Days	Internal Audit will assist in the provision of the 2026/27 NFI data collection requirements and provide support for any remaining matches from the 2024/25 exercise.
National Fraud Initiative (NFI)	12 Days	Internal Audit will assist in the provision of the 2026/27 NFI data collection requirements and provide support for any remaining matches from the 2024/25 exercise.
Integration Joint Board	55 Days	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.
Review of Previous Year's Work	30 Days	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.
Attendance at Stocktakes	5 Days	Internal Audit will attend the year-end stocktakes at Property Maintenance, and review stock information for the exercises at Road and Waste Services.

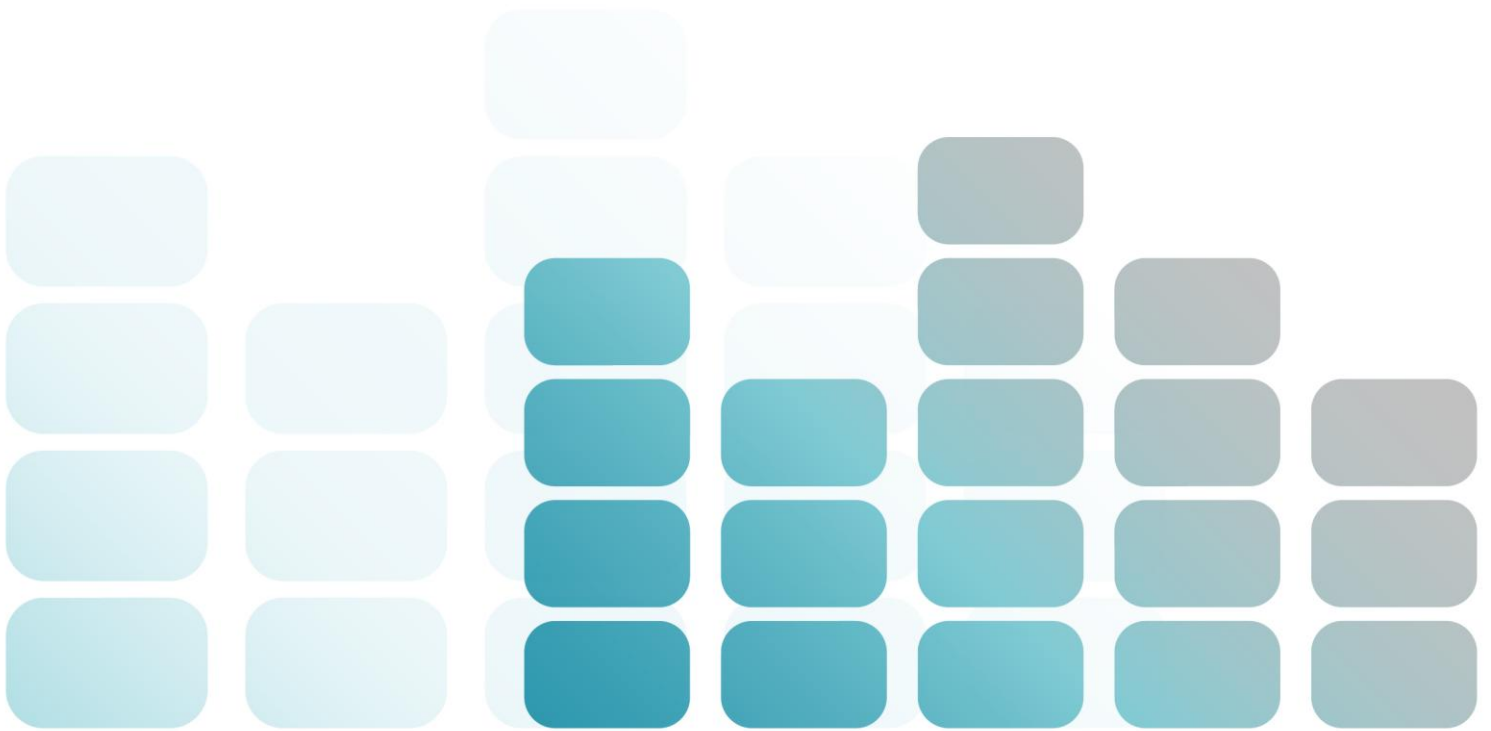
SERVICE AREAS TO AUDIT	ALLOCATED AUDITOR DAYS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS
Annual Governance Statement	10 Days	Support the Head of Corporate Support to complete the activities required to provide a draft Annual Governance Statement for consideration by the Audit & Governance Committee and inclusion in the draft accounts.
Audit & Governance Committee Annual Review	5 Days	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
Annual Planning	10 Days	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 2027/28 annual audit plan.
Attendance at Boards and Committees	25 Days	Attendance at EMT, CMT, SMT, Audit & Governance Committee, Corporate Risk Group and Linking Risks Group
Advice and Consultancy	40 Days	<p>Consultation on New Systems – for new systems implemented, Internal Audit will provide advice on internal control matters.</p> <p>Financial Reports – providing service areas with financial information about companies and offering advice where applicable.</p> <p>Consultancy – providing advice and consultancy on internal control issues.</p>

SERVICE AREAS TO AUDIT	ALLOCATED AUDITOR DAYS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS
Training	40 Days	An adequate allocation of budget resources and time will be given to maintaining and improving the knowledge base and quality of the staff resource. This includes time to attend the Scottish Local Authority Chief Internal Auditor Group (SLACIAG) and attend the Biannual Conference, ensure appropriate Ethics and Objectivity training in line with Global Internal Audit Standards and to ensure that all qualified staff to undertake continuous professional development in line with institute requirements and provide training towards qualification when necessary.
Quality Assessment	20 Days	The Global Internal Audit Standards that apply to the Council from the 1 April 2025 requires an annual Internal Quality Assurance review is completed by the Service Manager – Internal Audit on an annual basis and that the results are reported to the Audit & Governance Committee. the Internal Audit section will also be subject to an External Quality Assessment (EQA) at least every five years, by appropriately qualified and independent reviewers. EQA processes are completed by inclusion on the SLACIAG peer review process which provides substantial best value in ensuring this process is completed.
Total	651 Days	Resource Availability is currently 651 days for the team based on current team membership.

East Lothian Council - Draft

7

Annual Audit Plan 2025/26



Prepared for East Lothian Council
March 2026

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2025/26 audit of East Lothian Council's annual accounts. It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

Appointed auditor and independence

2. John Boyd, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of East Lothian Council hereafter referred to as 'the council', for the period from 2022/23 until 2026/27. The 2025/26 financial year is therefore the fourth of the five-year audit appointment.

3. John Boyd and the audit team are independent of the council in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of the council to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and the Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on the council's arrangements in relation to the wider scope areas: Financial Management, Financial Sustainability, Vision, Leadership, and Governance, and Use of Resources to Improve Outcomes.
- Reporting on the council's arrangements for securing Best Value.
- Providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return and the Whole of Government Accounts return.
- A review of the council's arrangements for preparing and publishing statutory performance information.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of the council and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information

reported within the annual accounts, and concluding on the council's arrangements in place for the wider scope areas and to secure Best Value.

The council's responsibilities

8. The council has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements that give a true and fair view and other information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual accounts

Introduction

9. The audit of the annual accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

12. The materiality levels determined for the audit of the council and its group are outlined in [Exhibit 1](#).

Exhibit 1

2025/26 Materiality levels for the council and its group

Materiality	The council	Group
<p>Materiality – based on an assessment of the needs of users of the financial statements and the nature of the council operations, the benchmark used to determine materiality is gross expenditure based on the audited 2024/25 financial statements. Materiality has been set at 2 per cent of the benchmark.</p>	£9.70 million	£9.80 million

Materiality	The council	Group
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 65 per cent of planning materiality.	£6.30 million	£6.37 million
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£0.485 million	£0.490 million

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. The risk assessment process draws on the audit team’s cumulative knowledge of the council, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

14. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2, page 8](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

15. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to the council and those charged with governance, where relevant.

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals entries, focusing on those that are assessed as higher risk. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.

Risk of material misstatement	Planned audit response
<p>Valuation of property, plant and equipment</p> <p>The council held £1,368 million of property, plant, and equipment (PPE) at 31 March 2025, of which £1,116 million was land and building assets, including £438 million of council dwellings.</p> <p>The current value of council dwellings is required to be measured using Existing Use Value – Social Housing (EUV–SH). Other land and building assets are valued at existing use value where an active market exists, or on a depreciated replacement cost (DRC) basis where no active market is available. As a result, valuations involve a significant degree of judgement and reliance on specialist assumptions.</p> <p>For 2025/26, CIPFA/LASAAC has updated the Code of Practice to reflect HM Treasury’s reforms to public-sector asset valuations. Under the revised approach, local authorities will now move to quinquennial (five-yearly) valuations, usually through a rolling programme of valuations, with annual indexation applied in the intervening years to ensure asset values remain materially accurate. There is an increased risk of material misstatement due to greater reliance on management judgement and estimation, particularly in selecting appropriate indices and determining when additional valuations are necessary in between formal valuations.</p>	<p>For assets subject to revaluation in year, the audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Obtain an understanding of management’s involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2025/26 valuation process, and challenge these where required. <p>For assets not subject to revaluation in year, the audit team will:</p> <ul style="list-style-type: none"> • Assess management’s process for determining the materiality of indexation, including their assessment of the impact and the basis for their conclusions. • Review management’s rationale and documentation supporting the decision not to apply indexation were deemed immaterial. • Review the indices applied by management to assets not subject to valuation in 2025/26 and assess if these are reasonable and have been correctly applied. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Review the appropriateness of the key data and assumptions used in the 2025/26 indexation process, and challenge these where required.

Risk of material misstatement	Planned audit response
<p>Estimation of the pension balance</p> <p>The council recognised a pension balance of £10 million at 31 March 2025.</p> <p>The council is a member of Lothian Pension Fund which is a defined benefit pension scheme. Lothian Pension Fund is subject to formal valuation every three years, and this sets out each member's share of the scheme's overall pension balance and contributions for the next three years. The last formal valuation was carried out at 31 March 2023.</p> <p>An estimation of the council's share of the overall pension balance is required in each intervening year between formal valuations, and these are carried out by Hymans Robertson. There is a significant degree of subjectivity in the estimation of the pension balance as the estimation is based on specialist assumptions, and changes in the assumptions can result in material changes to the estimation.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over the pension balance estimation process. • Review the information provided to the actuary and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the actuary. • Obtain an understanding of the management's involvement in the estimation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used by management for the estimation of the pension balance, and challenge these where required. • Audit Scotland uses PwC as an auditor's expert to inform the planned audit procedures outlined above. Therefore, the audit team will also review the information provided by PwC and reflect this in the planned audit procedures where required.

Source: Audit Scotland

Key audit matters

16. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

17. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

18. The matters determined to be key audit matters will be communicated in the Annual Audit Report. Exhibit 2 outlines the significant risks of

material misstatement to the financial statements that have been identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

Group audit

19. The council is part of a group and prepares group financial statements. The group is made up of ten components, including the council which is the parent of the group. Risk assessment procedures have been performed on the group audit to identify if there are any risks of material misstatement to the group financial statements, or any components where audit procedures are required for the purposes of the group audit. The outcome of the risk assessment procedures on the group audit are outlined in [Exhibit 3](#).

Exhibit 3

Outcome of risk assessment procedures on the group audit

Group component	Accounting treatment	Risk of material misstatement	Audit procedures required	Auditor
East Lothian Council	Consolidated on a line-by-line basis	Yes – Exhibit 2	Yes – full scope audit	Audit Scotland
East Lothian Land Ltd	Consolidated on a line-by-line basis	No, not material to group financial statements	Yes - analytical procedures at group level	Greaves West & Ayre
East Lothian Mid-Market Homes LLP	Consolidated on a line-by-line basis	No, not material to group financial statements	Yes - analytical procedures at group level	Whitelaw Wells
East Lothian Council Trust Funds	Consolidated on a line-by-line basis	No, not material to group financial statements	Yes - analytical procedures at group level	Audited by Audit Scotland as part of East Lothian Council annual accounts
East Lothian Council Common Good	Consolidated on a line-by-line basis	No, but is material to group financial statements	Yes – audit procedures performed by group audit team	Audited by Audit Scotland as part of East Lothian Council annual accounts
East Lothian Integration Joint Board	Accounted for on equity basis	No, not material to group financial statements	Yes - analytical procedures at group level	Audit Scotland

Group component	Accounting treatment	Risk of material misstatement	Audit procedures required	Auditor
Edinburgh Innovation Park Joint Venture	Accounted for on equity basis	No, not material to group financial statements	Yes - analytical procedures at group level	To be confirmed
East Lothian Investments	Accounted for on equity basis	No, not material to group financial statements	Yes - analytical procedures at group level	Greaves West & Ayre
Enjoy East Lothian Ltd	Accounted for on equity basis	No, not material to group financial statements	Yes - analytical procedures at group level	Azets
Brunton Theatre Trust	Accounted for on equity basis	No, not material to group financial statements	Yes - analytical procedures at group level	Whitelaw Wells
Lothian Valuation Joint Board	Accounted for on equity basis	No, not material to group financial statements	Yes - analytical procedures at group level	Audit Scotland

Source: Audit Scotland

20. Where audit procedures are required on a component's financial statements, and the component auditor is different to the council's appointed auditor, group audit instructions will be issued to the component auditor outlining expectations and requirements in performing these audit procedures.

Wider scope audit

Introduction

21. Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual accounts to include consideration of additional aspects or risks in four wider scope areas, which are summarised below:

- **Financial Management** – this means having sound budgetary processes. Factors that can impact on the council being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial Sustainability** – this means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering the council's medium to longer-term planning for service delivery.
- **Vision, Leadership and Governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.
- **Use of Resources to Improve Outcomes** – this means using resources to meet stated outcomes and improvement objectives through effective planning and working with partners and communities. This is assessed by considering the council's arrangements for ensuring resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

22. A conclusion on the effectiveness and appropriateness of arrangements the council has in place for each of the wider scope areas will be reported in the Annual Audit Report.

Significant wider scope risks

23. The risk assessment process has identified significant risks in the wider scope areas as outlined in [Exhibit 4](#), and this includes the planned audit procedures in response to the risks.

Exhibit 4

Significant wider scope risks

Description of risk	Planned audit response
<p>Financial sustainability</p> <p>East Lothian Council continues to operate in an increasingly complex and challenging environment, aiming to provide the best possible service within the resources available.</p> <p>As at Quarter 2, the council is projecting a break-even position for 2025/26. The forecast outturn for 2025/26 is in line with the overall budget after taking account of planned reserve movements. Without planned use of reserves, there would be a forecast overspend of £9.1 million.</p> <p>Whilst the in-year position reported is positive with no requirement for any unplanned use of reserves at this stage, the Council continues to operate in a challenging financial environment. The council has identified a budget gap of £70.6m for the five years to 2023/31.</p> <p>There is a risk that in the longer term, the council is unable to deliver the savings required or generate alternative revenue streams to balance its budget whilst meeting its strategic priorities or fulfilling its statutory duties.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Review and evaluation of the council’s annual budget setting arrangements • Review and assessment of budget monitoring arrangements • Review of the council’s medium to longer-term financial planning • On-going review of the council’s financial position and delivery of planned savings.

Digital technology

Delays in delivering key digital programmes and continued reliance on legacy IT increase the risk that internal controls may not operate effectively, reducing operational efficiency and resilience. These delays may also suggest areas where project management and project delivery arrangements could be further strengthened, particularly in relation to governance, resourcing, monitoring, and oversight of major digital programmes, with potential implications for achieving value for money.

There is a risk that delays in digital transformation, coupled with reliance on outdated systems, may adversely affect operational efficiency, the robustness of key financial controls, and the council's ability to achieve value for money.

The audit team will:

- Assess the assurances obtained by the council over project management and project delivery for major system upgrades, including governance structures, roles and responsibilities, and oversight arrangements
- Review how progress updates on major digital projects are reported to the Council, considering the adequacy of reporting on project risks, mitigation actions, and the council's escalation processes where risks or issues arise
- Evaluate management's arrangements for assessing the financial implications of delays, such as additional costs, contract variations, and resourcing pressures, and how these are factored into decision-making and budget monitoring.

Source: Audit Scotland

Best Value audit

Introduction

24. Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit. As part of the annual audit, auditors are required to take a risk-based approach to assessing and reporting on whether the council has made proper arrangements for securing Best Value, including follow up of findings previously reported in relation to Best Value.

25. The Accounts Commission also reports nationally on thematic aspects of councils' approaches to, and performance in, meeting their Best Value duties. As part of the annual audit, thematic reviews, as directed by the Accounts Commission, are conducted on the council. The thematic review for 2025/26 is on the subject of asset management and involves considering how the council is managing its assets to ensure high quality services whilst also responding to the challenges around financial sustainability and climate change. Conclusions and judgements on the thematic review will be reported in a separate Management Report and summarised in the Annual Audit Report, where required.

26. At least once over the five-year appointment, the Controller of Audit will report to the Accounts Commission on the council's performance in meeting its Best Value duties. The Controller of Audit reported on the council in July 2025. We will follow up on the council's progress addressing the recommendations from the Controller of Audit and the Accounts Commission's findings as part of our audit work.

27. Auditors have a statutory duty to satisfy themselves that councils have made proper arrangements for preparing and publishing statutory performance information in accordance with the [Statutory Performance Information Direction 2024](#) (the Direction) issued by the Accounts Commission. The outcome of this will be reported in the Annual Audit Report, which will include:

- A conclusion on the council's arrangements for preparing and publishing the statutory performance information.
- Any instances where the arrangements or reporting are not in accordance with the Direction.
- Areas where the arrangements require to be improved.

28. In addition, the Accounts Commission requires auditors to include a summary of Local Government Benchmarking Framework (LGBF) indicators that the council has reported in the Annual Audit Report.

Significant Best Value risks

29. No significant Best Value risks were identified from the risk assessment process. Audit work on the wider scope areas will help support conclusions around Best Value.

Shared risk assessment and joint scrutiny

30. The Shared Risk Assessment process is the vehicle for scrutiny bodies to share intelligence and agree scrutiny risks at councils. Appointed auditors have a role in co-ordinating scrutiny through Local Area Networks (LAN). As part of our audit work, we engage with contacts in other scrutiny bodies through LAN meetings to understand information on performed and planned scrutiny to facilitate engagement with the council and inform risk assessment discussions.

31. The LAN meeting for the council took place in early March and we will incorporate the outcomes of this meeting into our ongoing risk assessment procedures. The outcome of this meeting will be communicated to the council's Chief Executive.

Reporting arrangements, timetable and audit fee

Audit outputs

32. The outputs from the 2025/26 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to the council and the Accounts Commission setting out opinions on the annual accounts.
- An Annual Audit Report to the council and the Accounts Commission setting out significant matters identified from the audit of the annual accounts, conclusions from the wider scope and Best Value audit, recommendations, where required, and any good practice identified.

33. The matters to be reported in the outputs will be discussed with the council for factual accuracy before they are issued. All outputs from the audit will be published on [Audit Scotland's website](#), apart from the Independent Auditor's Report, which is included in the audited annual accounts.

34. Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates for the audit outputs, consideration is given to the statutory date for approving the annual accounts, which is 30 September 2026 for local government bodies.

35. The audit team will be unable to achieve the target date of 30 September 2026 for issuing the Independent Auditor's Report and Annual Audit Report. This is due to prioritising the quality of our audit work over meeting target dates, as required by the Accounts Commission, and consistent with messaging from the Financial Reporting Council which has made clear that audit quality takes precedence. The audit team are working towards completion of the audit by the later date of 10 November 2026 and working towards delivering the audit by target dates over the course of the five-year audit appointment.

Audit timetable

36. Achieving the timetable for production of the annual accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. [Exhibit 5](#) includes a timetable for the

audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with the council and reported to those charged with governance, where required.

Exhibit 5

2025/26 audit timetable

Audit activity	The council target date	Audit team target date	Relevant committee date
Issue of Annual Audit Plan		12 March 2026	24 March 2026
Annual Accounts:			
• Consideration of unaudited annual accounts			August 2026
• Submission of unaudited annual accounts and all working papers to audit team	30 June 2026		
• Latest date for audit clearance meeting	28 October 2026	28 October 2026	
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report		2 November 2026	10 November 2026
• Agreement of audited and unsigned annual accounts	2 November 2026	2 November 2026	
• Approval by those charged with governance and signing of audited annual accounts	10 November 2026		10 November 2026
• Signing of Independent Auditor's Report and issue of Annual Audit Report		10 November 2026	
Issue of Best Value Management Report		September 2026	September 2026
Certification of Non-Domestic Rates Return		31 December 2026	
Certification of Housing Benefit Subsidy Claim		31 December 2026	
Certification of Whole of Government Accounts		31 December 2026	

Source: Audit Scotland

Audit fee

37. The council's audit fee is determined in line with Audit Scotland's fee setting arrangements. The agreed audit fee for the 2025/26 audit is set out in [Exhibit 6](#).

38. In setting the audit fee, it is assumed that the council has effective governance arrangements in place and the complete annual accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Exhibit 6

Audit fee

Fee component ¹	Fee (£)
External auditor remuneration	256,220
Pooled costs, such as travel and subsistence costs	8,840
Contribution to the performance audit programme	61,630
Adjustment for average audit price increase	180
Total 2025/26 fee	326,870

Source: Audit Scotland

¹ Information on the components that make up the total fee can be found in Audit Scotland's [Audit management and quality guidance](#).

Other matters

Internal audit

39. The council is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

40. While internal audit and external audit have differing roles and responsibilities, external auditors may seek to rely on the work of internal audit where it is considered appropriate. A review of internal audit's 2025/26 audit plan was carried out to identify if there were any areas where the audit team could rely on its work. The audit team concluded it will not rely on internal audit's work. However, the audit team will review internal audit's reports and assess if there is any impact on the audit.

Audit quality

41. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

42. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2025/26 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

43. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

44. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan, which is used to support continuous improvement. Progress with implementing planned actions is monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

45. Audit Scotland may periodically seek the views of the council on the quality of audit services provided. The audit team would also welcome feedback at any time.

East Lothian Council

Annual Audit Plan 2025/26



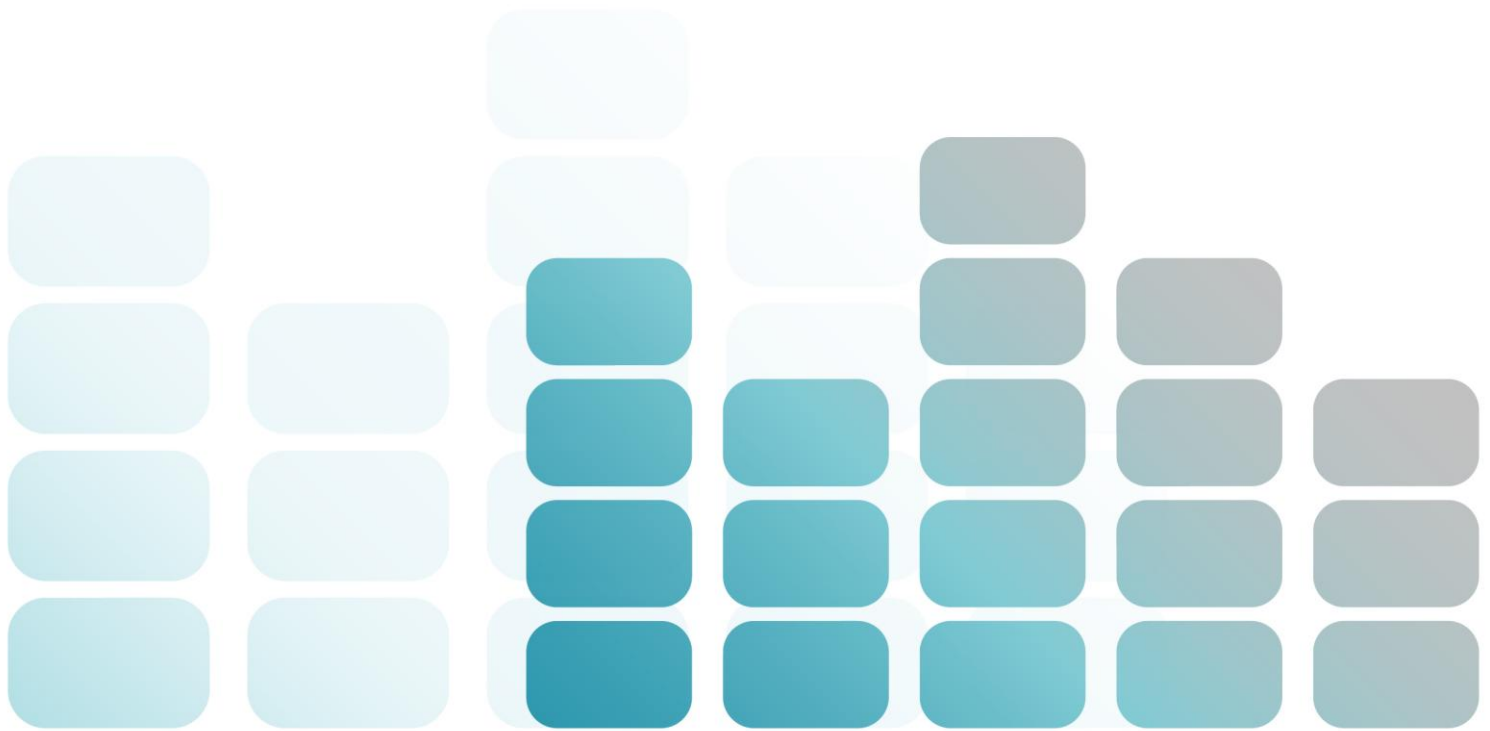
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Dr Bruce Fund (SC019149)

Annual Audit Plan 2025/26 - Draft



Prepared for the Dr Bruce Fund
March 2026

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Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2025/26 audit of the Dr Bruce Fund annual accounts. It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

Appointed auditor and independence

2. Mark Ferris, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of the Dr Bruce Fund, hereafter referred to as 'the trust', for the period from 2022/23 until 2026/27. The 2025/26 financial year is therefore the fourth of the five-year audit appointment.

3. Mark Ferris and the audit team are independent of the trust in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of the Dr Bruce Fund to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Trustees' Report.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of the trust and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on the trust's arrangements in place for the wider scope areas.

Trustees' responsibilities

8. The Trustees' have primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements that give a true and fair view and other information.

- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.

Audit of the annual accounts

Introduction

9. The audit of the annual accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

12. The materiality levels determined for the audit of the Dr Bruce Fund are outlined in [Exhibit 1](#).

Exhibit 1

2025/26 Materiality levels for the trust

Materiality	Dr Bruce Fund
Materiality – based on an assessment of the needs of users of the financial statements and the nature of the trust operations, the benchmark used to determine materiality is net assets based on the audited 2024/25 financial statements. Materiality has been set at 2 per cent of the benchmark.	£343
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional	£257

Materiality	Dr Bruce Fund
judgement, performance materiality has been set at 75 per cent of planning materiality.	
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£17

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. The risk assessment process draws on the audit team’s cumulative knowledge of the trust, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

14. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2, page 7](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

15. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to the trust and those charged with governance, where relevant.

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management’s ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over journal entry processing and other adjustments. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk. • Evaluate significant transactions outside the normal course of business.

Risk of material misstatement	Planned audit response
	<ul style="list-style-type: none"> • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.

Source: Audit Scotland

Key audit matters

16. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

17. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

18. The matters determined to be key audit matters will be communicated in the Annual Audit Report. Exhibit 2 outlines the significant risks of material misstatement to the financial statements that have been identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

Wider scope and Best Value

Introduction

19. Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual accounts to include consideration of additional aspects or risks in four wider scope areas.

20. Due to the nature and size of the trust and its limited financial activity, it is considered a less complex body for the wider scope audit. Therefore, the wider scope audit does not consider all four wider scope areas and is instead limited to concluding on the financial sustainability of the trust.

21. Financial sustainability means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering the trust's medium to longer-term planning for service delivery. A conclusion on the financial sustainability of the trust will be reported in the Annual Audit Report.

Best Value

22. Under the Code of Audit Practice, the duty on auditors to consider the arrangements an audited body has in place to secure Best Value applies to audited bodies that fall within section 106 of the Local Government (Scotland) Act 1973, which the trust does.

23. Consideration of the arrangements the Dr Buce Fund has in place to secure Best Value will be carried out alongside the wider scope audit, and a conclusion on the arrangements the trust has in place will be reported in the Annual Audit Report.

Significant wider scope and Best Value risks

24. No significant risks in the wider scope areas or Best Value were identified from the risk assessment process.

Reporting arrangements, timetable and audit fee

Audit outputs

25. The outputs from the 2025/26 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to the Dr Bruce fund and the Accounts Commission setting out opinions on the annual accounts.
- An Annual Audit Report to the Dr Bruce fund and the Accounts Commission setting out significant matters identified from the audit of the annual accounts, conclusions from the wider scope and Best Value audit, recommendations, where required, and any good practice identified.

26. The matters to be reported in the outputs will be discussed with the trust for factual accuracy before they are issued. All outputs from the audit will be published on [Audit Scotland's website](#), apart from the Independent Auditor's Report, which is included in the audited annual accounts.

27. Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates for the audit outputs, consideration is given to the target date for approving the annual accounts, which is 30 September 2026 for local government bodies.

28. The audit team will be unable to achieve the target date of 30 September 2026 for issuing the Independent Auditor's Report and Annual Audit Report. This is due to prioritising the quality of our audit work over meeting target dates, as required by the Accounts Commission, and consistent with messaging from the Financial Reporting Council which has made clear that audit quality takes precedence. The audit team are working towards completion of the audit by the later date of 10 November 2026 and working towards delivering the audit by target dates over the course of the five-year audit appointment.

Audit timetable

29. Achieving the timetable for production of the annual accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. [Exhibit 3](#) includes a timetable for the audit, which has been agreed with management. Agreed target dates will

be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with the trust and reported to those charged with governance, where required.

Exhibit 3

2025/26 audit timetable

Audit activity	The trust target date	Audit team target date	Relevant committee date
Issue of Annual Audit Plan		12 March 2026	24 March 2026
Annual accounts:			
• Consideration of unaudited annual accounts			August 2026
• Submission of unaudited annual accounts and all working papers to audit team	30 June 2026		
• Latest date for audit clearance meeting	28 October 2026	28 October 2026	
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report		2 November 2026	10 November 2026
• Agreement of audited and unsigned annual accounts	2 November 2026	2 November 2026	
• Approval by those charged with governance and signing of audited annual accounts	10 November 2026		10 November 2026
• Signing of Independent Auditor's Report and issue of Annual Audit Report		10 November 2026	

Source: Audit Scotland

Audit fee

30. The trust's audit fee is determined in line with Audit Scotland's fee setting arrangements. The audit fee for the 2025/26 audit is £2,500.

31. In setting the audit fee, it is assumed that the trust has effective governance arrangements in place and the complete annual accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the

audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Other matters

Audit quality

32. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

33. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2025/26 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

34. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

35. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan, which is used to support continuous improvement. Progress with implementing planned actions is monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

36. Audit Scotland may periodically seek the views of the trust on the quality of audit services provided. The audit team would also welcome feedback at any time.

Dr Bruce Fund (SC019149)

Annual Audit Plan 2025/26 - Draft



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

Phone: 0131 625 1500

www.audit.scot

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	24 March 2026
BY:	Service Manager – Internal Audit
REPORT TITLE:	Counter Fraud Annual Plan 2026/27
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To inform the Audit and Governance Committee of Counter Fraud operational plan for 2026/27.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 The Audit and Governance Committee is asked to approve the Counter Fraud Plan for 2026/27.

3 BACKGROUND

- 3.1 The purpose of this report is to gain approval from the Audit Committee for the proposed Counter Fraud Annual Plan 2026/27. In accordance with the Council's Counter Fraud Policy & Strategy as approved by Cabinet in May 2026.
- 3.2 The Counter Fraud Annual Plan 2026/27 (Appendix 1) sets out the planned counter fraud activity to support the approach and culture of the Council in tackling fraud, bribery and corruption. This will enable the Council to demonstrate commitment to tackling fraud and reflects the Council's assessment of counter fraud controls.
- 3.3 Having robust fraud risk management prevention and investigation arrangements in place contributes to safeguarding the Council's financial resources, for delivery of services, as part of protecting public funding. A focus on enhancing fraud prevention and detection to improve East

Lothian Council's resilience to the risk of fraud, theft, corruption and crime, and ensure these are embedded preventative practices.

3.4 The Counter Fraud Officers key areas of fraud investigation are identified within the Counter Fraud Annual Plan, being:

- Completion of National Fraud Initiative Investigations, and coordinating responses from other Council services;
- Reviewing Whistleblowing and social housing enquiries and completing investigations when appropriate; and
- Completing Fraud Risk Assessments in order to improve the preventative controls within the Council
- Fraud Investigation Training and Awareness. Deliver targeted fraud investigation training to strengthen staff understanding and improve early detection.

4 POLICY IMPLICATIONS

4.1 None

5 RESOURCE AND OTHER IMPLICATIONS

5.1 Finance: None

5.2 Human Resources: None

5.3 Other (e.g. Legal/IT): None

5.4 Risk: None

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:



Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

- 7.1 East Lothian Council Counter Fraud Annual Plan 2026/27 (attached)

8 BACKGROUND PAPERS

- 8.1 None

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Duncan Stainbank
Designation	Service Manager – Internal Audit
Tel/Email	dstainbank@eastlothian.gov.uk
Date	13 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	Yes
Approval Date	13 March 2026

Ref	Category	Activity	Number of Days	Commentary
1.	Compliance	Corporate Fraud Enquiries	30	Respond to whistleblowing notifications.
2.	Data Match	National Fraud Initiative	50	Co-ordinate the NFI exercise across Council services, manage and coordinate the provision of data to the NFI national exercise for 2026/27, commence review of the 2026/27 matches when available. Continue to finalise investigations on the 2024/25 exercise for Council tax recheck and small number of open investigation matches.
3.	Compliance	Social Housing	45	Social Housing enquiries and investigations.
4.	Compliance	Council Tax	25	Council Tax enquiries and investigations.
5.	Other	Corporate Fraud Policy Framework	10	Review the Council policies and procedures, update and arrange council wide communication as appropriate.
6.	Other	Fraud Risk Assessments	20	Update the Council wide fraud risk assessment supported by the CLT and operational Service Managers to assess fraud risks and develop improved mitigating controls as required by the UK government guidance on the Crime of Failure to Prevent Fraud.
7.	Other	Training	10	Deliver targeted fraud investigation training to strengthen staff understanding and improve early detection, to specific teams across the Council
8.	Governance	Integrity Group and Audit & Governance Preparation and Attendance	10	Preparation and attendance at Governance and management groups monitoring Corporate Fraud Progress.
Corporate Fraud Total			200	

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	24 March 2026
BY:	Service Manager – Internal Audit
REPORT TITLE:	Internal Audit Charter 2026/27
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 This report provides the Audit & Governance Committee with the updated Internal Audit Charter, in accordance with Global Internal Audit Standards, for approval that defines the purpose of Internal Audit and the mandate for Internal Audit within East Lothian Council. The Charter clarifies the independence, organizational position and reporting relationships of Internal Audit; outlining the roles and responsibilities of the Audit Committee and the Chief Audit Executive, who is the Service Manager – Internal Audit for East Lothian Council and East Lothian IJB.
- 1.2 The revised Internal Audit Charter is being presented to the Audit and Governance Committee for approval, for use from the 1 April 2026. The Internal Audit Charter will continue to be presented for approval on at least an annual basis. The Charter has some minor updates reflecting current structures and the role of the team with Counter Fraud and Whistleblowing.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 That the Audit and Governance Committee:
 - Approve the revised Internal Audit Charter shown at Appendix 1 for use from 1 April 2026; and
 - Note that the Internal Audit Charter will be reviewed annually.

3 BACKGROUND

- 3.1 The definition of Internal Auditing within Global Internal Audit Standards (GIAS) is to strengthen East Lothian Council's & East Lothian Integration Joint Board's ability to create, protect, and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
- 3.2 The East Lothian Council Internal Audit function will follow the professional standards as set out in GIAS as adjusted by the UK Public Sector Application note. A process of evaluation against these standards is currently being undertaken within the Internal Audit team and further reporting to the Audit Committee on compliance will be completed during the year.
- 3.3 In accordance with GIAS, the chief audit executive must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's:
- Purpose of Internal Auditing.
 - Commitment to adhering to GIAS.
 - Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function.
 - Organizational position and reporting relationships.
- 3.4 The Board is defined in relation to GIAS as the East Lothian Audit & Governance Committee acting on behalf of East Lothian Council.
- 3.5 Internal Audit assurance resources and services are also provided by East Lothian Council's Internal Audit team to the East Lothian Integration Joint Board (MIJB), including the appointed MIJB Chief Internal Auditor. The Internal Audit Charter and Strategy are applicable to each organisation.

Internal Audit Charter

- 3.6 The authority for Internal Audit to operate in East Lothian Council is contained in the Council's Code of Corporate Governance, Standing Orders, and Financial Regulations. This Internal Audit Charter expands upon that framework.
- 3.7 The Internal Audit Charter as shown in Appendix 1 to this report: establishes the Internal Audit activity's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.
- 3.8 The Internal Audit Charter should be considered alongside the Internal Audit Strategy and Plan 2026/27. The Internal Audit Strategy sets out

the Council’s assurance framework within which Internal Audit operates, and the Chief Audit Executive’s strategy for discharging its role and providing the necessary annual assurance opinions to East Lothian Council and East Lothian Integration Joint Board (ELIJB). The Internal Audit Charter and Strategy are applicable to these organisations. There are separate Internal Audit Annual Plans for each organisation, which set out the range and breadth of audit activity.

4 POLICY IMPLICATIONS

4.1 Not applicable.

5 RESOURCE AND OTHER IMPLICATIONS

5.1 Finance: None

5.2 Human Resources: None

5.3 Other (e.g. Legal/IT): None

5.4 Risk: None

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:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	

Subject	Impacts identified (Yes, No or N/A)
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

7.1 East Lothian Audit Charter 2026

8 BACKGROUND PAPERS

8.1 None

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Duncan Stainbank
Designation	Service Manager – Internal Audit
Tel/Email	dstainbank@eastlothian.gov.uk
Date	16 March 2026

Head of Service Approval

Name	Duncan Stainbank
Designation	Service Manager – Internal Audit

Name	Duncan Stainbank
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	
Approval Date	16 March 2026

Internal Audit Charter for East Lothian Council

Purpose

The purpose of the internal audit function is to strengthen East Lothian Council's & East Lothian Integration Joint Board's (ELIJB) ability to create, protect, and sustain best value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances East Lothian Council's & East Lothian Integration Joint Board's ability in:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

East Lothian Council's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit & Governance Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The East Lothian Council's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards (GIAS) and Topical Requirements, and the adjustments made through the Application Note Global Internal Audit Standards in the UK Public Sector. The chief audit executive, Service Manager – Internal Audit in East Lothian Council, will report annually to the Audit & Governance Committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

Authority

East Lothian Council's and ELIJB internal audit function mandate is within The Local Authority Accounts (Scotland) Regulations 2014, which states in section 7, that:

(1) A local authority must operate a professional and objective internal auditing service in accordance with recognized standards and practices in relation to internal auditing.

(2) Any officer or member of a local authority must, as required by those undertaking internal auditing—

(a) make available such documents of that authority which relate to its accounting and other records for the purpose of internal auditing; and

(b) supply such information and explanation as those undertaking internal auditing consider necessary for that purpose.

(3) A local authority must from time to time assess the efficiency and effectiveness of its internal auditing, in accordance with the standards and practices referred to in paragraph (1).

(4) The findings of the assessments referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control referred to in regulation 5(2), at the meeting referred to in regulation 5(3).

The internal audit function's authority is created by its direct reporting relationship to East Lothian Council's Audit & Governance Committee. Such authority allows for unrestricted access to the Audit & Governance Committee Chair and Members.

The Audit & Governance Committee authorizes the internal audit, corporate fraud and whistleblowing investigation functions in all activity lead by the Service Manager Internal Audit to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out these responsibilities. The service Manager Internal Audit and all individual staff members will be accountable for confidentiality and safeguarding records and information in accordance with GIAS.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of East Lothian Council and other specialized services from within or outside East Lothian Council to complete internal audit, counter fraud and whistleblowing investigation services.

Independence, Organisational Position, and Reporting Relationships

The chief audit executive, will be positioned at a level in the organisation that enables internal audit, counter fraud and whistleblowing investigation services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The chief audit executive will report functionally to the Chief Executive and the Chair of the Audit & Governance Committee and administratively to the Executive Director for Resources. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Chair of the Audit & Governance Committee or the Chief Executive as appropriate, when necessary, without interference and supports the internal auditors' ability to maintain objectivity. In relation to the Internal Audit Service for the East Lothian Integrated Joint Board (ELIJB) the chief audit executive reports to the Chief Officer and the Chair of the Audit & risk Committee.

The chief audit executive will confirm to the Audit & Governance Committee, at least annually, the organisational independence of the internal audit function. If the governance structure does

not support organisational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the Audit & Governance Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, Audit & Governance Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the chief audit executive, Council, Audit Committee and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Audit & Governance Committee Oversight

To establish, maintain, and ensure that East Lothian Council's internal audit function has sufficient authority to fulfill its duties, the Audit & Governance Committee will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the chief audit executive has unrestricted access to and communicates and interacts directly with the Audit & Governance Committee, including in private meetings without senior management present at least once a year.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the chief audit executive to consider changes affecting the organisation, such as the employment of a new chief audit

executive or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter on an annual basis.

- Approve the risk-based internal audit plan.
- Provide input to the internal audit function's human resources administration and budgets.
- Review the internal audit function's expenses.
- Provide input to senior management on the appointment and removal of the chief audit executive, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to senior management on the chief audit executive's performance.
- Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the chief audit executive to determine whether scope or resource limitations are inappropriate.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that all internal audit and counter fraud staff:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The chief audit executive will ensure that the internal audit and counter fraud function remains free from all conditions that threaten the ability of internal audit and counter fraud staff to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for East Lothian Council or its subsidiaries or associates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any East Lothian Council employee that is not employed by the internal audit or counter fraud function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, to the chief audit executive.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit & Governance Committee and senior management. Discuss the plan with the Audit & Governance Committee and senior management and submit the plan to the Audit & Governance Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit & Governance Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in East Lothian Council's or ELIJB business, risks, operations, programs, systems, and controls.
- Communicate with the Audit & Governance Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit, counter fraud and

whistleblowing services to the Audit Committee and senior management regularly and for each engagement as appropriate.

- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact East Lothian Council and communicate to the Audit & Governance Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to East Lothian Council's an ELIJB relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit & Governance Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit & Governance Committee.

Communication with the Audit Committee and Senior Management

The chief audit executive will report annually to the Audit & Governance Committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit resources/budget.
- Significant revisions to the internal audit plan and resources/budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee that could interfere with the achievement of East Lothian Council's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.

- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond East Lothian Council's risk appetite.

Quality Assurance and Improvement Program

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the Audit Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside East Lothian Council; qualifications will be in accordance with the GIAS Global Internal Audit Standards in the UK Public Sector Application note.

Scope and Types of Internal Audit Services

The scope of internal audit, counter fraud and whistleblowing services covers the entire breadth of the organisation, including all of East Lothian Council's and ELIJB activities, assets, and personnel., including all subsidiaries and the relevant processes within associate and joint ventures. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the East Lothian Council group and the ELIJB.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility, and subject to the availability of internal audit resource. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of East Lothian Council's & East Lothian Integration Joint Board's strategic objectives are appropriately identified and managed.
- The actions of East Lothian Council's & East Lothian Integration Joint Board's officers, directors, management, employees, and contractors or other relevant parties comply with East Lothian Council's & East Lothian Integration Joint Board's policies, procedures, and applicable laws, regulations, and governance standards.

- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact East Lothian Council & East Lothian Integration Joint Board.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approved by the Audit Committee at its meeting on 24 March 2026.

COMMITTEE:	Audit & Governance Committee
MEETING DATE:	25 November 2025
BY:	Companies Manager, East Lothian Land Ltd
REPORT TITLE:	East Lothian Land Ltd 2024/25
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To inform the Audit and Governance Committee of the work undertaken by East Lothian Land Ltd in 2024/25.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Note the contents of the report.

3 BACKGROUND

- 3.1 East Lothian Council established East Lothian Land Ltd (ELL) in 2000, a company limited by guarantee (SC208723), through the transfer of undeveloped employment land in council ownership at Macmerry (Opposite the industrial estate) in return for 100% equity in the company.

The transferred employment land at that time was viewed by the private sector as undevelopable providing insufficient return on investment.

No additional financial support was provided to the company by East Lothian Council (ELC). ELL went to the financial market to fund the development costs of the Macmerry Business Park as well as self-funding through selling plots as they were serviced.

In 2016/17 the company developed the empty council building located at Brewery Park, Haddington into 10 individual offices spaces – since opening in October 2016 it has run at between 85% and 100% occupancy.

The company has a board of 2 directors comprising of two elected members. (Note – Following the retirement of Alex McCrorie, Depute Chief Executive, the senior council officer directorship became vacant from 19th March 2021). The board recognise that a key priority is to further strengthen the East Lothian Land board, following the departure of past members, broadening the Board's expertise across a number of disciplines (Legal, Finance). This is considered essential to support East Lothian Land's ambition to more actively drive economic development through 2025 and beyond building a portfolio of commercially viable properties to support the growth of businesses across East Lothian.

Lisa Deegan has been the Company Secretary and Manager of the company for the duration of the financial year. The manager is supported by the Economic Development Business Development assistant.

The board act on a “*Pro Bono*” basis and do not receive payment. The Company Manager and Business Development assistant undertake the work under ELC job remits.

Board meetings are held on a regular basis linked to ongoing business requirements and commercial developments. Decisions made are taken by a majority with the Chair having the casting vote on any tied outcome.

Minutes of any board meetings are taken and approved at subsequent board meeting by the chair.

3.2 Financial / Legal

ELL has appointed Greaves West & Ayre as auditor for the year to 2024/25. End of Year accounts are approved by the board and signed off accordingly and provided to ELC for group accounting purposes. (See appendix 1 End of year accounts).

ELL auditor opinion is that the financial statements for the company give a true and fair view of the state of the company affairs as of 31st March 2025 and of its loss before taxation of £754 for the year then ended.

ELL use the online cloud accounting platform – Xero. The company banks with Handelsbanken. Legal Advice is provided by Addleshaw Goddard.

3.3 2024 / 25 Projects

The primary focus during 2024/25 has been to evaluate opportunities for East Lothian Land (ELL) to contribute to broader economic

development initiatives, particularly by leveraging potential disposals identified through East Lothian Council's (ELC) Asset Review.

(1) JMH Block C feasibility study

In Quarter 1 of 2024, ELL commissioned a feasibility study for JMH Block C with the objective of assessing three potential development options:

- Replication of the existing Block B model, comprising micro-office and hub-style working units
- Development into high-specification flagship office space, suitable for a professional firm (potential anchor tenant) seeking to relocate its head office to Haddington.
- Creation of flexible office space of medium specification, designed to be adaptable to the requirements of a diverse range of businesses.

To support this feasibility phase, ELL commissioned an architectural report providing initial drawings for each option, accompanied by high-level budget costings. In addition, a surveyor's Red Book valuation report was instructed to inform ongoing discussions with ELC officers. These reports continue to guide deliberations regarding the most appropriate next steps.

ELC officers are engaged in dialogue with the potential anchor tenant to assess both the financial and practical viability of progressing development to the specification and finish required for their occupancy.

(2) Ongoing liaison with relevant ELC officers

ELL continues to liaise with relevant ELC officers in relation to the Council's asset review and place-based approach. This collaboration seeks to identify future opportunities where ELL Ltd could support initiatives aimed at realising wider economic development benefits.

4 POLICY IMPLICATIONS

4.1 The three strategic goals of the East Lothian Council Local Economy Strategy 2024-2034 are:

- To increase the number of businesses in East Lothian with growth and employment potential
- To reduce income inequality across East Lothian, and to improve access to employment in rural areas.

- To increase the number of socially and environmentally responsible businesses, expand plural ownership of the economy, and grow community wealth.

The work East Lothian Land Ltd undertakes mirrors and supports the strategic goals set out in the Local Economy Strategy with the company objectives as follows :- *“To promote, support and/or effect the development of land and property within the area served by East Lothian Council, with a view to stimulate economic development and regeneration and so to assist in the creation of employment opportunities.”*

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: None
- 5.2 Human Resources: Companies Manager
ED Business Development Assistant
Senior ELC Officer
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: None

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:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	NA
Socio-economic disadvantage/poverty	NA
Climate change, the environment and sustainability	NA
Corporate parenting and care-experienced young people	NA
Storage/collection of personal data	NA
Other	NA

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

- 7.1 East Lothian Land Ltd. Annual Report and Financial Statements for the Year Ended 31 March 2025

8 BACKGROUND PAPERS

- 8.1 N/A

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Lisa Deegan
Designation	Company Manager
Tel/Email	Tel 07854 191597 ldeegan@eastlothian.gov.uk
Date	18/11/2025

Head of Service Approval

Name	Sarah Fortune
Designation	Depute Chief Executive – Resources & Economy
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	NA
Approval Date	19/11/2025

Company registration number SC208723 (Scotland)

EAST LOTHIAN LAND LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

EAST LOTHIAN LAND LIMITED

COMPANY INFORMATION

Directors	Mr N Hampshire Mr J McMillan
Secretary	Mrs L Deegan
Company number	SC208723
Registered office	John Muir House Room 2.19 Brewery Park Haddington East Lothian EH41 3HA
Auditor	Greaves West & Ayre (Haddington) 8 St. Ann's Place Haddington East Lothian EH41 4BS
Business address	John Muir House Room 2.19 Brewery Park Haddington East Lothian EH41 3HA
Bankers	Handelsbanken 18 Charlotte Square Edinburgh EH2 4DF
Solicitors	Addleshaw Goddard LLP Exchange Tower 19 Canning Street Edinburgh United Kingdom EH3 8EH

EAST LoTHIAN LAND LIMITED

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EAST LOTHIAN LAND LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2025

The directors present their annual report and financial statements for the year ended 31 March 2025.

Principal activities

The principal activity of the company continued to be that of trading in land for development.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr N Hampshire
Mr J McMillan

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

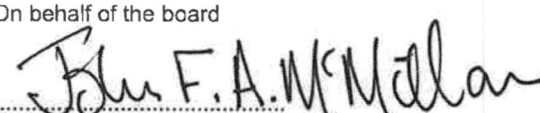
Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board


.....
Mr J McMillan
Director

Date: 8/10/2025

EAST LoTHIAN LAND LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LoTHIAN LAND LIMITED

Opinion

We have audited the financial statements of East Lothian Land Limited (the 'company') for the year ended 31 March 2025 which comprise the profit and loss account, the balance sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 Section 1A *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2025 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances set out in note 11 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

EAST LOTHIAN LAND LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LOTHIAN LAND LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the land development and trading sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including legislation such as the Companies Act 2006, taxation legislation and employment legislation.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management, contacting the entity's solicitor for any details of non-compliance and inspecting current year legal expenditure; and
- identified laws and regulations of particular relevance were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

EAST LOTHIAN LAND LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LOTHIAN LAND LIMITED (CONTINUED)

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations;

To address the risk of fraud through management bias and override of controls, including any fraud associated with revenue recognition, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in investment property valuations were indicative of potential bias;
- evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- tested interest receivable from loan to East Lothian Council.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims against the company;
- reviewing correspondence with HMRC and the company's legal advisors;

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

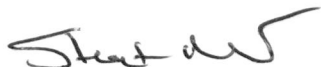
Use of our report

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to the member in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member, for our audit work, for this report, or for the opinions we have formed.

EAST LOTHIAN LAND LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LOTHIAN LAND LIMITED (CONTINUED)



Stuart Millar CA (Senior Statutory Auditor)

For and on behalf of Greaves West & Ayre (Haddington), Statutory Auditor

Chartered Accountants

8 St. Ann's Place

Haddington

East Lothian

EH41 4BS

Date: 13/10/2025

EAST LoTHIAN LAND LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 £	2024 £
Turnover		-	-
Administrative expenses		(18,292)	(24,490)
Other operating income		4,608	-
Operating loss		(13,684)	(24,490)
Interest receivable and similar income		10,012	6,527
Interest payable and similar expenses		(397)	-
Loss before taxation		(4,069)	(17,963)
Tax on loss		3,315	2,194
Loss for the financial year		(754)	(15,769)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

EAST LOTHIAN LAND LIMITED

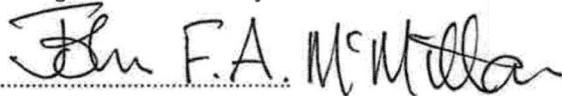
BALANCE SHEET

AS AT 31 MARCH 2025

	Notes	2025		2024 as restated	
		£	£	£	£
Fixed assets					
Investment property	4		100,000		100,000
Current assets					
Debtors	5	4,608		8,242	
Cash at bank and in hand		548,295		547,520	
		<u>552,903</u>		<u>555,762</u>	
Creditors: amounts falling due within one year	6	<u>(17,136)</u>		<u>(15,926)</u>	
Net current assets			<u>535,767</u>		<u>539,836</u>
Total assets less current liabilities			<u>635,767</u>		<u>639,836</u>
Provisions for liabilities			<u>(8,924)</u>		<u>(12,239)</u>
Net assets			<u>626,843</u>		<u>627,597</u>
Capital and reserves					
Called up share capital	7		800,000		800,000
Non-distributable profits reserve	8		75,000		75,000
Distributable profit and loss reserves			<u>(248,157)</u>		<u>(247,403)</u>
Total equity			<u>626,843</u>		<u>627,597</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on and are signed on its behalf by:



Mr J McMillan
Director

8th October 2025.

Company registration number SC208723 (Scotland)

EAST LoTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

Company information

East Lothian Land Limited is a private company limited by shares incorporated in Scotland. The registered office is John Muir House Room 2.19, Brewery Park, Haddington, East Lothian, EH41 3HA.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the date of signing these financial statements the company has cash reserves which are more than sufficient to meet its day to day expenditure, net current assets and net assets.

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the asset have passed to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.3 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

EAST LoTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

(Continued)

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

EAST LOTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.8 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Investment Property valuation

Investment property is measured at fair value at each reporting date with changes in fair value recognised in profit or loss account. The Board of Directors determine the fair value of investment property using the assistance of an independent expert, DM Hall LLP. DM Hall LLP is an independent firm of Chartered Surveyors and property experts. Their valuation is prepared in accordance with RICS Valuation - Professional. The valuation methodology considers the area, selling price and comparable sales of similar properties in order to derive the Fair Value of the subject property.

EAST LOTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2025 Number	2024 Number
Total	-	-

4 Investment property

	2025 £
Fair value	
At 1 April 2024 and 31 March 2025	100,000

Investment property comprises of land held west of Satellite Business Park, Macmerry. The fair value of the investment property has been arrived at on the basis of a valuation carried out 22 May 2023 by DM Hall Chartered Surveyors, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2025 £	2024 £
Cost	-	-
Accumulated depreciation	-	-
Carrying amount	-	-

The land held has a negligible historic cost due to its size and a previous disposal of the majority of the site.

5 Debtors

	2025 £	2024 £
Amounts falling due within one year:		
Amounts owed by group undertakings	-	7,432
Other debtors	4,608	810
	4,608	8,242

EAST LoTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

6 Creditors: amounts falling due within one year

	2025	2024
	£	£
Trade creditors	285	10,939
Taxation and social security	43	49
Other creditors	16,808	4,938
	<u>17,136</u>	<u>15,926</u>

7 Called up share capital

	2025	2024	2025	2024
	Number	Number	£	£
Ordinary share capital issued and fully paid				
Ordinary shares of £1 each	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>

8 Non-distributable profits reserve

	2025	2024
	£	£
At the beginning of the year	75,000	82,745
Non distributable profits in the year	-	(7,745)
	<u>75,000</u>	<u>75,000</u>

Non-distributable reserves relate to fair value gains in the remeasurement of investment property in excess of the asset's historical cost.

9 Related party transactions

Transactions with related parties

During the year, the company benefitted from the provision of IT & employee services from its parent entity, East Lothian Council. The provision of IT infrastructure and remuneration in respect of the entity's "Companies Manager" and her assistant have been jointly provided to the company and to East Lothian Investments Limited for a charge of £12,000, split equally, (2024: £10,000 paid wholly by East Lothian Land Limited).

10 Parent company

The company is controlled by East Lothian Council whose principal place of business is John Muir House, Brewery Park, Haddington, EH41 3HA. East Lothian Council is the smallest group of undertakings for which group accounts are prepared and of which the company is a member.

11 Non-audit services provided by auditor

In common with many businesses of our size and nature we use our auditor to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

EAST LOTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

12 Prior period adjustment

During the period, it was noted that the deferred tax asset in relation to the losses, not yet utilised, was being netted off against the deferred tax liability, in relation to the revaluation of the investment property. This netted off balance was then being transferred to the non-distributable profits reserve. Therefore, an adjustment has been included to gross up the transfer to the non-distributable profits reserve so that this balance now represents the revaluation on the investment property less the deferred tax liability, which relates to this.

This adjustment has nil overall effect on the net assets and the profit/loss in the prior year.

Changes to the balance sheet

	As previously reported	Adjustment	As restated at 31 Mar 2024
	£	£	£
Net assets	627,597	-	627,597
Capital and reserves			
Total equity	627,597	-	627,597

Changes to the profit and loss account

	As previously reported	Adjustment	As restated
Period ended 31 March 2024	£	£	£
Loss for the financial period	(15,769)	-	(15,769)

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	24 March 2026
BY:	Companies Manager
REPORT TITLE:	East Lothian Investments Ltd 2024/25
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To inform the Audit and Governance Committee of the work undertaken by East Lothian Investments Ltd (ELI) during 2024/2025 and to provide an update on recent governance changes, including the modernisation of the Articles of Association.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Note the contents of this report.

3 BACKGROUND

- 3.1 East Lothian Investments Ltd (ELI), formerly East Lothian Economic Development Company (SC187674), was formed in April 2001 by East Lothian Council (ELC) following the disaggregation of the Lothian Enterprise Board (LEB).
- 3.2 The disaggregation resulted in the transfer of equity stakes in five East Lothian companies which, under local authority governance rules, ELC could not hold directly. ELI was therefore established to take ownership of these shareholdings.
- 3.3 ELI subsequently developed and implemented exit strategies for these investments, using the funds generated to support the development of the East Lothian business base. This support has taken the form of interest free loans to start ups and businesses based within the county.

The loan ceiling for 2024/2025 was £25,000, although higher awards may be approved where economic benefits or job creation justify it. Loans are repayable over up to 60 months, with an arrangement fee of 7.5% applied to cover company overheads.

- 3.4 The company has a Board of five directors comprising the Leader of the Council, the Economic Development spokesperson, and three private sector representatives. All Board members act on a pro bono basis.

Governance

- 3.5 ELI is fully authorised and regulated by the Financial Conduct Authority (FCA). A Compliance Monitoring Document (CMD), regulatory business plan, and a suite of policies are maintained and reviewed regularly.
- 3.6 During 2024/2025, the Companies Manager, Lisa Deegan, acted as the FCA Approved Person and Senior Manager under the FCA Certification Regime. The Companies Manager is supported by the Economic Development Business Development Assistant.
- 3.7 The Companies Manager also acts as Company Secretary.
- 3.8 Board meetings are held regularly, aligned to the volume of loan applications. The CMD and relevant policies are reviewed and updated at each meeting in line with FCA requirements. Loan award decisions, including value and repayment terms, are taken by majority vote, with the Chair holding a casting vote.
- 3.9 Minutes of Board meetings are taken and approved at the subsequent meeting.
- 3.10 ELI has historically been audited by Greaves West & Ayre. End of year accounts are approved by the Board and provided to ELC. The company uses Xero cloud based accounting software.
- 3.11 As required by the FCA, ELI reports annually on complaints, financial data, lenders, lending volumes, and organisational structure.
- 3.12 The company holds an interest bearing account and two chequing accounts with the Royal Bank of Scotland. Legal advice is provided by Addleshaw Goddard, Edinburgh.

Governance Update

- 3.13 Modernisation of Articles of Association, Removal of External Audit Requirement, and Strengthening of Governance Arrangements
- 3.14 Following the 2024/2025 year end, and ahead of the preparation of this report for the Audit & Governance Committee, a review of East Lothian Investments Ltd.'s governance arrangements and Articles of Association was undertaken. This review focused on ensuring that the company's governance, financial oversight, and operational resilience remain proportionate, efficient, and sustainable.

- 3.15 Historically, ELI has always qualified for the small companies audit exemption under the Companies Act 2006, and there has never been a statutory requirement for the company to appoint external auditors. The requirement for an annual external audit existed solely within ELI's original Articles of Association. In the interests of cost efficiency and proportionality and recognising that the external audit requirement was not legally necessary, the Articles were updated to remove this historic provision. Under the revised Articles, ELI is now required to appoint auditors only where mandated by law.
- 3.16 The removal of the external audit requirement also enables ELI to access an enhanced accounting support service from its accounting firm (previously the external auditor). This provides a more comprehensive and continuous level of financial support, reduces reliance on the Companies Manager for technical accounting matters, and strengthens the overall financial control environment. This change also aligns ELI more closely with internal ELC governance structures, which are being reviewed in parallel.
- 3.17 Given that the loan fund naturally diminishes over time as repayments are recycled and new loans are issued, a review of the long term financial sustainability and longevity of the fund is underway. This includes assessing how the fund can be managed as efficiently as possible to ensure it continues to support East Lothian businesses and wider economic development for as long as possible.
- 3.18 In parallel, preparatory work is being undertaken to review the operational resource model, with a focus on reducing single person dependency, strengthening contingency arrangements, and supporting succession planning both operationally and at Board level.
- 3.19 Senior Officers across ELC Finance and Legal have been fully engaged throughout this process and have confirmed their agreement with the modernisation of the Articles, the removal of the external audit requirement, and the wider governance improvements. Audit Scotland has also been consulted on the proposed approach.
- 3.20 To ensure continued assurance and transparency, ELC Finance is developing an enhanced oversight and reporting framework for ELI. This will provide ongoing monitoring of financial performance, regulatory compliance, and governance arrangements going forward.

Overall Lending

- 3.21 Since its formation, East Lothian Investments (ELI) has awarded and paid 407 loans, with a total loan value of £3,867,104. This lending has leveraged £21.0 million in private investment, supported the creation of 907 jobs, protected a further 1,899 jobs, and resulted in a cumulative bad-debt write-off rate of 2.99% for loans issued since 2009.

2024/25 Lending Activity

3.22 Against the backdrop of an additional £150,000 allocation from the UK Shared Prosperity Fund (UKSPF), lending activity increased significantly during 2024/25. Over the period, 16 new loans were awarded, totalling £281,500, supporting a diverse range of sectors across the East Lothian economy.

Sector distribution of loans awarded:

Construction – 3

Hospitality / Food & Drink – 6

Technology – 1

Retail – 1

Research & Development – 1

Healthcare & Education – 3

Professional Services – 1

3.23 As at March 2025, the loan book comprised 31 active loans, reflecting continued demand for the fund and the ongoing repayment performance of existing borrowers.

4 POLICY IMPLICATIONS

4.1 None

5 RESOURCE AND OTHER IMPLICATIONS

5.1 Finance: None

5.2 Human Resources: None

5.3 Other (e.g. Legal/IT): None

5.4 Risk: None

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

X

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:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council’s website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

- 7.1 East Lothian Investments Ltd. Annual Report and Financial Statements for the Year Ended 31 March 2025

8 BACKGROUND PAPERS

- 8.1 NA

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Lisa Deegan
Designation	Company Manager
Tel/Email	Tel 07854 191597 ldeeган@eastlothian.gov.uk
Date	12/03/2026

Head of Service Approval

Name	Sarah Fortune
Designation	Depute Chief Executive Resources and Economy
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Yes
Approval Date	17 March 2026

Company registration number SC187674 (Scotland)

EAST LOTHIAN INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

EAST LoTHIAN INVESTMENTS LIMITED

COMPANY INFORMATION

Directors Dr L C Elder
Mr N Hampshire
Mr J Harper
Mr J McMillan
Mr R Shearer

Secretary Mrs L Deegan

Company number SC187674

Registered office John Muir House Room 2.19
Brewery Park
Haddington
East Lothian
EH41 3HA

Auditor Greaves West & Ayre (Haddington)
8 St Ann's Place
Haddington
East Lothian
EH41 4BS

Business address John Muir House Room 2.19
Brewery Park
Haddington
East Lothian
EH41 3HA

Bankers The Royal Bank of Scotland
Haddington Branch
32 Court Street
Haddington
EH41 3NS

Solicitors Addleshaw Goddard LLP
Exchange Tower
19 Canning Street
Edinburgh
United Kingdom
EH3 8EH

EAST LOTHIAN INVESTMENTS LIMITED

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EAST LOTHIAN INVESTMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2025

The directors present their annual report and financial statements for the year ended 31 March 2025.

Principal activities

The principal activity of the company continued to be that of granting interest free loans to businesses in East Lothian with the aim of encouraging commercial activity and enterprise in the area.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr L C Elder
Mr N Hampshire
Mr J Harper
Mr J McMillan
Mr R Shearer

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small companies exemption

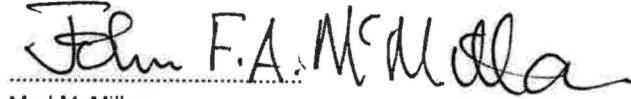
This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

EAST LOTHIAN INVESTMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

On behalf of the board



Mr J McMillan

Director

Date: ^{8th} October 2025

EAST LOTHIAN INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LOTHIAN INVESTMENTS LIMITED

Opinion

We have audited the financial statements of East Lothian Investments Limited (the 'company') for the year ended 31 March 2025 which comprise the statement of comprehensive income, the balance sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 Section 1A *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2025 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances set out in note 11 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

EAST LOTHIAN INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LOTHIAN INVESTMENTS LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The extent to which the audit was considered capable of detecting irregularities, including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the financial services sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including legislation such as the Companies Act 2006, taxation legislation and employment legislation and FCA Regulations;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management, contacting the entity's solicitor for any details of non-compliance and inspecting current year legal expenditure; and
- Identified laws and regulations of particular relevance were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

EAST LOTHIAN INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LOTHIAN INVESTMENTS LIMITED (CONTINUED)

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, including any fraud associated with revenue recognition, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias;
- traced a sample of loan arrangement transactions from source documentation to nominal ledgers; and
- evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims against the company;
- reviewing correspondence with HMRC and the company's legal advisors; and
- reviewed correspondence with Financial Conduct Authority;

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to the member in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member, for our audit work, for this report, or for the opinions we have formed.

EAST LOTHIAN INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LOTHIAN INVESTMENTS LIMITED (CONTINUED)



Stuart Millar CA (Senior Statutory Auditor)

For and on behalf of Greaves West & Ayre (Haddington), Statutory Auditor

Chartered Accountants

8 St Ann's Place

Haddington

East Lothian

EH41 4BS

Date: 13/10/2025

EAST LOTHIAN INVESTMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 £	2024 £
Turnover		8,302	23,708
Administrative expenses		(12,620)	(62,885)
Other operating income		15,000	-
Operating surplus/(deficit)		<u>10,682</u>	<u>(39,177)</u>
Interest receivable and similar income		2,555	1,673
Surplus/(deficit) before taxation		<u>13,237</u>	<u>(37,504)</u>
Tax on surplus/(deficit)		(736)	-
Surplus/(deficit) for the financial year		<u><u>12,501</u></u>	<u><u>(37,504)</u></u>

The income and expenditure account has been prepared on the basis that all operations are continuing operations.

EAST LOTHIAN INVESTMENTS LIMITED

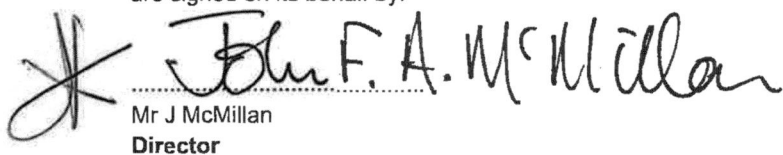
BALANCE SHEET

AS AT 31 MARCH 2025

	Notes	2025		2024	
		£	£	£	£
Fixed assets					
Investment property	4		10,000		10,000
Current assets					
Debtors	5	512,901		292,315	
Cash at bank and in hand		163,199		226,774	
		<u>676,100</u>		<u>519,089</u>	
Creditors: amounts falling due within one year	6	<u>(58,943)</u>		<u>(29,117)</u>	
Net current assets			<u>617,157</u>		<u>489,972</u>
Total assets less current liabilities			627,157		499,972
Creditors: amounts falling due after more than one year	7		(117,370)		(3,422)
Provisions for liabilities			<u>(736)</u>		<u>-</u>
Net assets			<u>509,051</u>		<u>496,550</u>
Reserves					
Non-distributable profits reserve	9		2,208		2,944
Income and expenditure account			506,843		493,606
Total members' funds			<u>509,051</u>		<u>496,550</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on and are signed on its behalf by:



 Mr J McMillan
 Director

Company registration number SC187674 (Scotland)

8th October 2025

EAST LoTHIAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

Company information

East Lothian Investments Limited is a private company limited by guarantee incorporated in Scotland. The registered office is John Muir House Room 2.19, Brewery Park, Haddington, East Lothian, EH41 3HA.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include investment properties. The principal accounting policies adopted are set out below.

1.2 Turnover

Turnover represents income released on unspent gift cards.

Turnover also represents loan arrangement fee income. This is received when a loan is taken out and held as deferred income to be recognised in turnover on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

1.3 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

EAST LOTHIAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

(Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.6 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.7 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

EAST LOTHIAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Investment Property valuation

Investment property is measured at fair value at each reporting date with changes in fair value recognised in profit or loss account. The Board of Directors determine the fair value of investment property using the assistance of an independent expert, DM Hall LLP. DM Hall LLP is an independent firm of Chartered Surveyors and property experts. Their valuation is prepared in accordance with RICS Valuation - Professional. The valuation methodology considers the area, selling price and comparable sales of similar properties in order to derive the Fair Value of the subject property.

Provision for Doubtful Debts

Provision for doubtful debt relates to the loan facilities provided to customers that may not be recovered. There remains a material loan balance within the financial statements which is assessed yearly under FRS 102 guidelines by management.

The assessment by management considers individual customers who fall behind on loan repayments or ask for special assistance. Any customers that pose a significant credit risk within the next 12-months will be included within the provision and the relevant amount of the loan deemed irrecoverable provided for.

Effective interest rate calculation

The effective interest rate calculation relates to the income recognised from the loan arrangement fees. The treatment of the loans provided follow FRS 102 guidelines and in accordance to section 11 apply the amortised cost method using the effective interest rate.

As a result of this loan arrangement fees are spread across the length of the loan with income recognised as interest received with the deferred element of interest income recognised on the balance sheet. The effective interest rate schedules are maintained and reviewed yearly by management to ensure they are materially accurate.

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2025 Number	2024 Number
Total	-	-

EAST LOTHIAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

4 Investment property

	2025 £
Fair value	
At 1 April 2024 and 31 March 2025	10,000

Investment property comprises a small parcel of land owned by the company. The fair value of the investment property has been arrived at on the basis of a valuation carried out in 2023 by DM Hall Chartered Surveyors, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties. The Directors consider this value to accurately reflect the market value of the property as at 31 March 2025.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2025 £	2024 £
Cost	7,056	7,056
Accumulated depreciation	-	-
Carrying amount	7,056	7,056

5 Debtors

	2025 £	2024 £
Amounts falling due within one year:		
Loans receivable	121,074	92,906
Other debtors	363	-
	121,437	92,906

	2025 £	2024 £
Amounts falling due after more than one year:		
Loans receivable	391,464	199,409
Total debtors	512,901	292,315

6 Creditors: amounts falling due within one year

	2025 £	2024 £
Other creditors	58,943	29,117

EAST LOTHIAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

7 Creditors: amounts falling due after more than one year

	2025	2024
	£	£
Other creditors	117,370	3,422

8 Members' liability

The company is limited by guarantee, not having a share capital and consequently the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the company on winding up such amounts as may be required not exceeding £1.

9 Non-distributable profits reserve

	2025	2024
	£	£
At the beginning of the year	2,944	2,944
Non distributable profits in the year	(736)	-
At the end of the year	2,208	2,944

Non-distributable reserves relate to fair value gains in the remeasurement of investment property in excess of the asset's historical cost.

10 Related party transactions

During the year, the company benefitted from the provision of IT & employee services from an associated entity, East Lothian Council. The provision of IT infrastructure and remuneration in respect of the entity's "Companies Manager" and her assistant have been provided to the company for a charge of £6,000. In the prior year, this charge was £10,000 for both East Lothian Investments Limited and East Lothian Land Limited, this was paid wholly by East Lothian Land Limited.

11 Non-audit services provided by auditor

In common with many businesses of our size and nature we use our auditor to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

EAST LOTHIAN INVESTMENTS LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2025

	2025	2024
£	£	£
Turnover		
Loan Arrangement fees	8,298	5,821
Gift card income - breakage fees	4	17,886
	<u>8,302</u>	<u>23,707</u>
Administrative Expenses		
Gift card management costs	-	741
Management charge	6,000	-
Subscriptions	483	51
Professional fees	2,943	1,811
Accountancy	3,355	3,606
Audit fees	12,794	8,550
Prize money	1,500	-
Bank charges	287	911
Bad and doubtful debts	(14,790)	47,215
General administration expenses	48	-
	<u>(12,620)</u>	<u>(62,885)</u>
Other Operating Income		
Government grants receivable and released	15,000	-
	<u>10,682</u>	<u>(39,177)</u>
Operating Profit/(Loss)		
Other Income		
Bank interest received	2,555	1,673
	<u>13,237</u>	<u>(37,504)</u>
Net Profit/(Loss) for the Year		
	<u><u>13,237</u></u>	<u><u>(37,504)</u></u>



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**THE BRUNTON THEATRE TRUST REPORT
For Audit and Governance Committee for the year ended 31 March 2025**

Charity No SC022422



1. INTRODUCTION

1.1 In January 2024, East Lothian Council made the decision that due to budget pressures it would reduce the annual payment to Brunton Theatre Trust (BTT) by £200,000 from 2024/25 onwards. BTT responded to this reduction by making plans to increase and diversify its funding streams from other sources and apply to Creative Scotland for additional funding.

1.2 Due to the change in venues and a dominant narrative that The Brunton was closed (even though this just referred to Brunton Hall) audience numbers also dropped below projected levels, and as the new venues did not have the same facilities as Brunton Hall, programming also suffered as BTT were not able to welcome large scale works in to the programme.

1.3 The decision by East Lothian Council to cut the annual payment was re-considered in February 2025 and a decision was made to reinstate the funding to the original amount for financial year 2025/26.

1.4 In October 2024 East Lothian Council made the decision to permanently close Brunton Hall, with a commitment to conduct a place-based project review in order to determine the most appropriate, sustainable and affordable future for the site. This clarity has allowed BTT to confirm their new venues as a long-term home for performance work, and to start researching what improvements can be made to improve these venues to provide a suitable, high-quality home for BTT's work.

1.5 The Aims of BTT are set out in the Declaration of Trust as follows:

“for the advancement of education in the fields of the performing arts and related cultural activities and for the promotion of social welfare of the public at large and in particular of the inhabitants of Musselburgh and of visitors thereto by the promotion of performances and displays of drama, music and similar arts suitable for presentation to the general public in appropriate halls, theatres and other premises in the UK and in particular in the Brunton Theatre, Musselburgh”.

1.6 The aim of the programme is to provide the highest quality drama, dance, music, theatre for children and young people, film and comedy nights for the enjoyment and enrichment of the communities that the theatre serves.

1.7 In addition to offering a high-quality programme of arts events for audiences to attend at the Theatre, BTT aim to provide opportunities for involvement and participation in the arts through education and outreach activities for all sections of the community including harder to reach groups.

1.8 Through the provision of a high-quality accessible programme of performances and participatory activities, BTT seeks to achieve the Aims as set out in the Trust Deed.



THE BRUNTON

1.9 The cost leasing Haddington Corn Exchange, the equipment required to support the performance programme and renting the other 2 venues remains a high cost to BTT. In addition programming and audiences remained low due to the change in the venues.

1.10 This unplanned situation has continued to impacted on BTT’s finances resulting in the use of reserves to enable their programme to continue.

1.11 Financial support from Creative Scotland during this period helped to support the performance programme and some of the infrastructure costs.

2. PROGRAMME OUTCOMES 2024/25

2.1 In 2024/25, BTT continued to deliver a strong and diverse programme across multiple sites. Although Council funding was reduced during this period, resulting in a necessary contraction of activity and a reduction in the overall number of performances and screenings, the programme nevertheless achieved significant positive outcomes.

2.2 Despite these financial constraints, BTT maintained its commitment to high-quality cultural provision and successfully delivered on outcomes.

2.3 The continued use of alternative venues due to the closure of Brunton Hall has impacted on the programme and resulted in a reduction in the number of performances and screenings, and audience attendance. The below details the attendance level per genre:

2.4 The continued use of alternative venues due to the closure of Brunton Hall has impacted on the programme and resulted in a reduction in the number of performances and screenings, and audience attendance. The below details the attendance level per genre:

Genre	Ticket Sales				
	Target No. Events	Actual No. Events	Target Attendance	Actual Attendance	% Attendance
Children’s	6	2	310	290	94%
Classical - Large	8	6	1300	586	45%
Classical - Small	12	14	1460	1042	71%
Comedy	8	4	950	631	66%
Cover / Tribute	23	14	3990	3248	81%
Dance	1	2	40	38	95%
Literature / Talk	1	1	200	228	114%
Music	6	7	1318	1141	87%
Panto	46	46	9230	5421	59%
Theatre	10	9	1200	931	78%
Film	34	50	2600	2846	109%
Hire Events		26	7368	6218	84%



THE BRUNTON

Youth Musical Theatre	14	12	2000	1668	83%
TOTAL	168	195	32266	24288	75%

3. Participatory Arts

3.1 In 2024/2025 the Brunton Performing Arts Network continued to flourish as a thriving programme of creative learning, offering an extensive range of drama, musical theatre and dance activity, delivered across the region. Participation remained strong throughout the year, with weekly classes demonstrating sustained demand for high-quality performing arts opportunities within our communities.

3.2 The network upheld its commitment to accessibility by keeping classes affordable and providing referral spaces, ensuring that young people facing financial or social barriers could still take part. Provision also included specialist dance and drama sessions for adults and young people with additional support needs, further enhancing the programmes inclusive reach.

3.3 This was an especially ambitious year for performance activity, with three fully staged Musical Youth Theatre productions. *School of Rock* brought together 76 young performers for a two-week intensive culminating in six live performances. This was followed by a staging of *The Addams Family* at Loretto Theatre with a cast of 31, and a lively production of *Grease* at Haddington Corn Exchange featuring 37 young performers.

3.4 The continued development of the network plays a key role in supporting BTT and East Lothian Councils priorities around expressive arts, health and wellbeing, and social inclusion.

3.5 Creative Scotland funding further enhances this impact by enabling more focused, collaborative work with Council Services, allowing us to design activity that meets the needs of specific groups.

3.6 In total 778 children and young people participated in the Brunton Performing Arts Network throughout 24/25.

Pantomime

3.7 In 2024 the Brunton worked in partnership with Glasgow-based theatre company Wonder Fools to present A Christmas Carol. This was presented at Haddington Corn Exchange and Loretto Theatre to critical acclaim, and the production has been nominated for Best Panto at the Critics Award for Theatre in Scotland showing the high-quality artistic output.

3.8 Attendance for our Schools performances was lower than anticipated which can be linked a range of factors such as being unable to provide a theatre experience in the new venues, and that schools have adapted to bringing work into schools rather than visiting a venue in order to reduce costs.



THE BRUNTON

3.9 Our Public audiences were also lower than expected, again due to the change of venues and the challenge around marketing.

4. THE FUTURE

4.1 2024-25 has been a challenging year due to the impact from the closure of Brunton Hall, and the difficulties raised by the new venue spaces being used.

4.2 BTT had a strong level of reserves which has enabled it to navigate the last two years, but the reserves are close to their minimum level and cannot be relied upon for future years – and in fact need to be rebuilt.

4.3 The key short-term aim of BTT over the coming months is the provision of its high quality programme of performing arts for the benefit of audiences and participants at a range of venues now that the permanent closure of Brunton Hall is known. This will require operating costs to be kept to a minimum and funds raised from additional sources to balance the lower levels of income able to be raised through box office sales.

4.4 BTT aims to continue to play a significant role in the provision of arts activities for the benefit of Council residents. This aim will be supported by ongoing monitoring to achieve income targets. Monitoring will also be undertaken on expenditure and performance to ensure that the programme delivers to the highest standard while achieving best value and reaches the widest possible audience.

4.5 Longer term aims for BTT will include the implementation of an income generation strategy, a review of the current artistic service provided for the residents of East Lothian, an improvement plan for the new venue spaces, and a development plan for a new venue in East Lothian in the future.

4.6 Brunton Theatre Trust has identified 4 key risk areas:

- **Reduction in Earned Income:**

Income generation is a principal risk factor for BTT and risks associated with raising sufficient income to deliver the organisational aims has been considered. To mitigate the loss of earned income, BTT has reduced its operating expenditure where possible.

- **Reduction in annual payment from East Lothian Council:**

This annual payment is crucial to the effective delivery of services on behalf of the Council for the residents of East Lothian and the reduction of £200,000 in 2024/25 had a significant impact on the delivery of the services provided. East Lothian Council have now reinstated this grant for 2025/26 onwards.

To mitigate the loss of income if a future cut is to be instated and to rebuild the reserves that have been used during this period of instability, BTT is preparing its income generation strategy and looking to raise funds from a variety of sources including Creative Scotland, Trusts and Foundations.



THE BRUNTON

- **Reduction in Programme:**

The reduction in the programme will impact on earned income levels and a corresponding saving on expenditure is required to be made.

The Corn Exchange offers only one performance space, which significantly limits BTT's income generation potential, as they are unable to run multiple events simultaneously as they could at the Brunton Hall. Using other venues to expand the programming, comes with additional venue hire and staff costs.

The reduction in programme would impact on the breadth of programme presented and the Brunton's role as a key receiving house in the Scottish cultural landscape.

BTT is committed to providing an accessible, entertaining yet thought provoking programme to deliver high quality artistic experiences for audiences and participants regardless of scale.

To mitigate this risk BTT will reduce its operating costs where possible and aim to source a high quality programme at a variety of scales.

- **Reduction in earned income from ticket sales and bars:**

Earned income is the largest percentage of BTT's income and a reduction in the ability to generate sufficient funds from ticket sales and bars would prove detrimental to the cultural aims of the organisation.

Haddington's smaller population relative to Musselburgh also contributes to lower audience numbers and reduced sales potential. This demographic shift further limits income generation, particularly when combined with the constraints of operating from a single space venue.

In order to mitigate losses during this period of crisis, BTT will reduce its operating costs where possible and apply for additional funds from other sources.

5. Finance

5.1 The Brunton Theatre Trust continues to operate in a challenging financial environment, however a number of financial mitigations were implemented for 2024/25 and beyond to offset the pressures.

5.2 Total income for 2024/25 was £866,532, down from £1,081,914 in 2023/24. This was largely driven by the £200,000 reduction in grant given by East Lothian Council to Brunton Theatre Trust. This £200,000 grant reduction has been reinstated for 2025/26.

5.3 Multi-year funding from Creative Scotland was also secured, with a commitment of £470,000 due to be received over the course of three financial years, starting in 2025/26 with funding of £130,000.



THE BRUNTON

5.4 Total Expenditure for the year amounted to £1,246,721, down from £1,381,640 in 2024/25. This reduction was due to lower Staff Costs through extended vacancies and a reduction in Buy-Ins, as well as a reduction in the Accommodation Charge from East Lothian Council to Brunton Theatre Trust. This was one of the in-year mitigations.

5.5 Overall, the Trust made a loss of £380,189 for the year 2024/25. This resulted in a reduction of the total available funds from £800,781 at the start of 2024/25 down to £420,592 by the close of the year.

5.6 All financial information related to financial year 2024/25 can be noted in the signed accounts: <https://www.thebrunton.co.uk/media/sy1lfc2/btt-annual-report-2024-25.pdf>

6. Conclusion

6.1 The aim of the Brunton Theatre Trust is to provide an accessible, engaging, and high-quality programme of live performance and creative learning for the community of East Lothian.

6.2 Following the closure of our main performance spaces in 2023, and the buildings mothballing in October 2024, the Trust has experienced many challenges including a reduction in audience attendance and a limitation in their programme ambitions.

6.3 However, the team have demonstrated their resilience and flexibility in the face of adversity, ensuring that the programme has continued to run whilst embedding clear improvement and development day by day.

6.4 It is crucial to BTT that it continues to work in partnership with East Lothian Council and receives support to deliver arts services on behalf of the Council for East Lothian residents.

East Lothian Council – Audit & Governance

Audit & Governance Report	Enjoy Leisure
Author	Bill Axon, Chief Executive, Enjoy East Lothian Ltd – enjoy leisure.
Date	10/03/2026

1 EXECUTIVE SUMMARY

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This report sets out the financial and operational performance of **enjoyleisure (enjoy)** since March 2024, as well as the various challenges and successes that **enjoy** have encountered during this period.

The biggest challenges **enjoy** faces on an ongoing basis include:

- Continuing attempts to reduce our annual budget deficits and increase reserves, following significant income pressures encountered during lockdown;
- Planning for the impact of future rises in non-supported National Minimum Wage and Real Living Wage costs;
- Operationally balancing the costs of wage rises with the required and existing staffing levels;
- Whilst difficulties in the recruitment of staff remain, due in a large part to rates of pay being offered by **enjoy**, the lack of suitable / available candidates has significantly improved, due to our pay strategy; this remains under review;
- Fitness membership numbers are Increasing, however, at a lower rate in light of the cost-of-living crisis;
- Keeping up with the demand for swimming and gymnastics lessons in East Lothian, especially as the population grows within the county and given a shortage of qualified teachers.

However, **enjoy** has made great strides over the last few years, including success in:

- Negotiated a 10-year extension to our funding agreement with East Lothian Council, which will ensure continuity of existing service provision and affordable leisure activities for local communities. The current/new arrangement delivers significant ongoing financial benefits for the Council and allows Enjoy to strengthen its position within the sector;
- **enjoy** has increased areas of service delivery and avoided redundancies since the pandemic, when compared to other Local Authorities/Trusts who have been less fortunate and been required to reduce services and close community facilities;
- Income and usage has returned at levels consistently higher than expected in comparison to other Trusts, extending the lifespan of our reserves;
- All facilities have remained open, some with increased opening hours, which has been achieved with colleagues commitment and support;
- Building on the mutually beneficial and existing strong relationship between enjoy and ELC, it's Elected Members and officials. This partnership allows both enjoy and the council to achieve its public health, well-being, and community engagement objectives more effectively.
- **enjoy** has enhanced access to affordable and diverse sport, leisure and recreational activities, including an increased focus on community well-being.

Head Office:

Bill Axon, Chief Executive
Newbigging | Musselburgh | East Lothian | EH21 7AS
T: 0131 653 5200 | E: info@enjoyleisure.com

www.enjoyleisure.com

East Lothian Council - Audit & Governance

2 BACKGROUND

In October 2009, Enjoy East Lothian Limited (**enjoyleisure** or **enjoy**) was established to manage, under contract, sports and leisure facilities and services on behalf of East Lothian Council (ELC). The facilities managed by **enjoy** comprise six major sites in Haddington, Tranent, Musselburgh, North Berwick, Prestonpans and Dunbar; as well as a number of sports facilities throughout East Lothian. Having a leisure centre in every town is not just a desirable amenity, but a vital component of a thriving and healthy community. In 2026 these centres serve as crucial hubs for physical activity, offering safe, accessible and affordable opportunities for people of all ages and abilities to engage in healthy exercise, sports, leisure and recreational pursuits. With future and current positive outcomes in combating sedentary lifestyles, which reduces the risk of chronic diseases, and promotes overall well-being, leading to a healthier population and reduced strain on local healthcare services.

To that end, the primary objective of **enjoyleisure**, as East Lothian's charitable health, well-being sport and leisure trust, is to improve lives by inspiring active living. It is our mission to enrich the physical and mental wellbeing of our communities, by putting people at the heart of everything we do:

- We provide opportunities for people of all ages and abilities to enjoy recreational facilities throughout the whole of East Lothian, with the objective of improving their conditions of life.
- We develop and create our own recreational coached activity programmes to create development pathways for both competitive and non-competitive athletes.
- We contribute to advancing the wellbeing of the inhabitants of and visitors to East Lothian through our wide-ranging fitness class activity programme, Bodyworks Gyms, and Swimming Pool programmes.
- We provide local residents on low income or disability benefits the opportunity to engage in physical activity at concessionary rates.
- We support the national physical activity referral scheme that provides specialist support to those living with a long-term condition who have been referred by a health professional.
- We have strong links with local schools providing access for both public and private educational facilities, so children of all ages and abilities are able to engage in sporting activities.
- We provide sports halls, dance studios, pitches, and pavilions for local sports clubs and community organisations to host their training sessions, competitions, matches, dance rehearsals, theatre productions, and community meetings.

3 APRIL 2024 TO MARCH 2025

During the difficult COVID period covering March 2020 – May 2021, the majority of **enjoy**'s services and facilities faced multiple closures, and when facilities were open, they were restricted in both activities and capacities. Facilities were closed due to lockdowns from December 2020 to April 2021, after which activities and facilities returned slowly. After May 2021, various COVID measures were retained including restrictions on indoor activities up until the end of 2021. Once capacity restrictions were removed, visitor numbers and income bounced back significantly.

Despite the passage of time, this remains a significant and relevant contextual issue for **enjoy**. During this period, we were unable to afford pay increases for staff, reserves were reduced and there was minimal income coming into the business.

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We are still feeling the impact of this 4-5 years later, as we struggle to close the gap in pay between **enjoy** and our partners in East Lothian Council. Further, and latterly, we are now required to meet the increases in rates of pay being set by the government directly (National Minimum Wage) and indirectly, through cost-of-living increases (Real Living Wage). The achievement of paying the Real Living Wage is a desire of the **Enjoy** management team and board but continues to remain an expensive ongoing objective to achieve in the context of the preceding paragraphs.

We have various ongoing buildings-related concerns that have been in place for a few years now. Primarily, these relate to the closure of the swimming pool at the Loch Centre and the Squash Courts and Trampolining room at the North Berwick Sports Centre. The relevant parts of both facilities have been closed since 2023.

Regarding the Loch Centre, capital investment from East Lothian Council has been approved. The works within the Loch Centre will ultimately result in the pool being reopened, and this substantial work is earmarked for commencement in the summer of 2026. Completion is scheduled in June 2027, and the 12-month build period will require full closure of the Loch Centre.

East Lothian Council and **enjoy** are currently exploring all opportunities for the required financial investment into the repairs required at North Berwick.

There were a number of good-news stories during 2024/25. There was the opening of the newly refurbished gym at the Aubigny Sports Centre as well as significant investment into installing a 'pool pod' at Musselburgh Sports Centre. Other additional grant funding enabled us to invest in essential equipment, training and referrals for customers with various health concerns. Further, the running track at Meadowmill was re-opened. A significant amount of funding was confirmed for **enjoy** at the very end of 2024/25 amounting to £50,000 from the East Lothian Community Intervention Fund, which will be used to fund necessary and substantial repairs at the Dunbar Leisure Pool.

However, the closure of our café's was announced in March 2025. This was a difficult decision for us to make, however the financial viability of the café provision took a significant downturn during COVID and never recovered. Recurrent annual losses, with the subsequent requirement for the charity to subsidise the trading company, meant that keeping the café's open was no longer tenable.

We remain conscious and aware of the ongoing cost of living issues that continue to afflict our customers. Despite this, we have seen increased memberships with the new gym at Aubigny showing significant promise in terms of new members.

Whilst inflation within the wider economy has calmed compared to recent years, the Chancellor's Autumn statement in 2024 announced a revision in both the rate and threshold level at which Employers National Insurance contributions would be collected. This will cost **enjoy** close to £100,000 for 2025/26 onwards.

Further to this, the increase in National Minimum Wage of 6.7% is the same pay award that **enjoy** staff have been paid for 2025/26, costing an additional £300,000 per annum. The equivalent increase for 2026/27, as announced in November 2025, is 4.1%.

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3.1 Visitor Statistics

Total visitor numbers rose in 24/25 compared to the previous financial year. Even though, as described above, we continue to feel the impact of the closure of the Loch Centre swimming pool and restricted access at the North Berwick Sports Centre.

The number of Golf visitors improved, with a 9% increase on the numbers reported in the previous two years, primarily due to stronger summer attendances.

Our methods of recording visitor numbers has improved significantly over the last 18-24 months, becoming more automated wherever possible. The implementation of a new Leisure System in 2023 caused a temporary degradation in data quality that has now been fully rectified. Our methods of recording visitor data continues to be especially important at sites where we do not have electronic recording mechanisms, e.g. at football pitches, athletics track etc. Further opportunities to continue improving the accuracy of numbers have been considered; for example “SmartTiles”, which would also increase the customer experience as well as improving recording reliability. However, the requirement for capital investment needs careful consideration in the current financial climate.

	2022/23	2023/24	2024/25
Total Visitor Numbers	933,500	781,000	996,800
Sports Centres Customers	765,600	685,000	836,000
Golf Courses	48,900	48,400	52,800

3.2 Finance

The financial year 2024/25 provided for an overall deficit across the group of £394k. This amount was split between a core operating (charity) deficit of £316k, and trading (café) losses of £78k. There was a £100k reduction on the annual contract payment made by East Lothian Council for 2024/25. The losses for the café’s reflect similar losses during 2022/23 and 2023/24 and indicate the significant factor relating to the café closure announcement as being the lack of financial viability.

The statutory accounts show a net positive movement in funds for the group for the year ended 31 March 2025 of (positive) £1,265,682. This is comprised of: -

- a core operating deficit of £393,812; and
- a gain on the revaluation of fixed assets as of March 2025, namely Dunbar Leisure Pool amounting to £1,659,494;

The core operating deficit of £394k (2024: £131k deficit) includes a loss of £78k for the trading subsidiary and a deficit of £316k for the charity. There was a £100k reduction in the 2024/25 contract payment fee from East Lothian Council during 2024/25, which when coupled with inflation, represented a significant loss in income.

Total group income in 24/25 was £7.08m (up £110k from £6.97m in 23/24).

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Total group expenditure in 24/25 was £7.48m (up £370k from £7.11m in 23/24).

Total expenditure is up by £370k since 2023/24. This primarily relates to two main issues; (1) staff (and related) expenditure up by £204k; and (2) utilities expenditure up by £152k. In regard to these two issues, spending on the latter is projected to be the same therefore during 2025/26 and as such there won't be a material increase in utility costs. But staffing costs will be the biggest financial pressure **enjoy** faces in the short and medium term.

The financial strategy being applied to pay increases by **enjoy** is designed to reflect our understanding of what the UK government is trying to achieve in terms of minimum wages. Whilst this isn't necessarily stated and published policy, our strategy is to see our staff paid a minimum of £15.00 per hour by April 2029. Recent rises in minimum wage have not caused us to alter the strategy in the interim as the increases that have been set by government are material.

Our Income has increased only slightly and adjusting for the £100k reduction in ELC contract fee, does show some growth, but not apace with the increase in costs, which has therefore resulted in the deficit experienced.

The level of reserves that **enjoy** held at the end of March 2025 now amounts to £963k, which is a reduction of around £170k compared to the March 2024 figure. This is reflective of the overspend incurred during 2024/25.

Enjoy's reserves level equates to our 'net current assets', i.e. *liquid* assets such as cash, stock and debtors, offset by creditors (monies we owe suppliers etc.) and external monies that we are holding for future, earmarked spending. An overall deficit for **enjoy** doesn't necessarily mean a reduction in reserves, however; this is due to "non-cash" adjustments; e.g. depreciation [i.e. those that don't result in a decrease in a *liquid* asset such as cash]. The reduction in reserves of £170k for **enjoy** reflects the high level of deficit incurred in-year.

East Lothian Council have committed a further £200k of recurrent funding for **enjoy** during 2025/26 to assist reduce the financial deficits experienced and those we are projecting into the future.

Enjoy's minimum reserves target is £1.20m in 24/25 and £1.28m in 25/26. Our strategic aim is to grow reserves to over 100% of target. This will facilitate opportunities for investment and growth and supporting other one-off operating expenditure. Our ability to achieve this will be significantly impacted by various key factors, such as: -

- National Minimum Wage and Real Living Wage increases;
- Government policies (e.g. employers National Insurance increases);
- The future level of support from ELC; and
- Economy-wide influencers such as energy costs.

4 LOOKING TO THE FUTURE

Despite the significant financial challenges being faced, and as reported above, East Lothian Council have committed an extra £200k for the 2025/26 financial year. However, financial pressures in the form of significant National Minimum Wage increases (6.7%) and the introduction of additional Employer Contributions for National Insurance (approximately £100k recurrently from 25/26) place difficulties on the service. Prices for our customers for 2025/26 were increased by an average of 10% in order to assist with offsetting these significant financial impacts.

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Whilst the closure of the café's will represent the end of an era for our sports centres, the remodelling of the Trading arm of the **enjoy** group will result in a profitable business going forward. Whilst 2025/26 will be a year of transition for the Trading company, with a loss anticipated (primarily due to the payment of redundancy and pension strain costs), for 2026/27 onwards, conservative annual surpluses of over £60k are anticipated.

4.1 Operations & Sport Development

As stated above, the Loch Centre pool remains closed after initially shutting in January 2023. This related to a requirement for significant repairs that were identified during essential maintenance and inspection works. The Loch Centre has remained open and operates as a "dry site" only. Capital investment from East Lothian Council has been approved. It has been profiled for works within the Loch Centre that will ultimately result in the pool being reopened. This substantial work is earmarked for commencement in the summer of 2026 and will result in a 12-month full closure of the Loch Centre.

The North Berwick Sports Centre continues to experience significant partial closures relating to issues around Reinforced Autoclaved Aerated Concrete (RAAC). This has affected both the Trampoline Room, Squash Courts, and dry changing rooms, which have had no public access since the summer of 2023.

There were other significant repairs during the year at both the Aubigny Sports Centre (for hot water works) and Dunbar Leisure Pool (for wet-side tiling works). A power cut at Musselburgh in Feb'25 resulted in pool reheating issues that took over a week to resolve fully.

The new gym at the Aubigny Sports Centre was opened in Feb'25, which was funded by developer contributions related to the building of new houses in the Haddington area. The gym was officially opened by a cohort of visitors from Haddington's twinned town in France, Aubigny sur Nere. As part of the funding the centre also received a new training studio, new flooring throughout the dry side and new lockers for the dry side changing rooms.

There has been significant investment into installing a 'pool pod' at Musselburgh Sports Centre, funded by monies received from the Musselburgh Common Good fund. This is a device that facilitates dignified and efficient poolside access for our customers who may have a disability or reduced mobility and partners a device at our North Berwick site (also funded by partner contributions).

Further funding was received from external partners during the year; significantly £50,000 from the East Lothian Community Intervention fund, which was used as a contribution towards significant repairs works required on the wave machine at Dunbar Leisure pool during 2025/26. Other funds received enabled us to purchase essential equipment, fund places for NPLQ training and enable members of the community to be referred to the NHS Weight Management programme.

The Meadowmill running track was re-opened with new and improved accreditation, meaning an ability to host events, with a potential for future national events too.

It is with sadness, however, that we announced the closure of the café's within our sports centres in March 2025. The café's eventually closed over the period June-August 2025 and will be regrettably missed. However, with the financial performance of the café's worsening significantly since the COVID pandemic we needed to act in order to secure the future financial viability of the trading company.

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A new business model in operation from 2025/26 focuses around vending and catering facilities at the Musselburgh Racecourse (on race days only). There were still some positive outcomes to the unfortunate decision as many of the catering team retrained as leisure assistants and receptionist and continue to work with Enjoy.

Additional Facility Updates

- We moved to Tork paper products in June 24 replacing all our paper dispensers at all of our sites. This included toilet, gym, kitchen and hand towels. The new dispensers should reduce wastage allowing additional savings going forward
- East Lothian Council, due to costs and economy of scale, opted to work the onsite operator to manage the community side of Rosehill campus. This was a great disappointment but was ultimately out with our control.
- Letham Mains Pavilion was officially complete in April 25 and handed over the ELC/Enjoy. However, due to ongoing pitch surface issues will not fully open to the public until April 26.
- Pool chemicals have now been transferred over to Pelican (our procurement partners) to help manage best rates.
- Main activity halls in Musselburgh, Aubigny and have both received a refurbished surface.

Future plans

- ProInsite have taken on our mystery shops provider as we look to improve our customer experience.
- Work with East Lothian Council on the opening of new facilities – grass pitch pavilions.
- Capitalise on the gym extension at Aubigny Sports Centre by generating new members and utilising existing gym space for exercise and education purposes.
- Dunbar upgrades which include wave machine, beach toys, air handling unit and lighting.
- Look to make further efficiencies in current spends such as pool chemicals and uniform.
- Work with Finance team regarding pricing structure and directing customers toward memberships rather than pay-as-you-go.
- Undertaking significant amount of planning and resourcing of staffing to reopen the Loch Centre, including re-familiarising returning colleagues with updated safety procedures and operational changes. Furthermore, marketing and communication strategies will be crucial to inform customers about the reopening.

Sports Development

- A Trainer Facilitator post was created and filled on temporary one-year basis with plans of extending this post at end of year one.
- The **enjoy** Learn to Swim programme successfully retains circa 2,400 children across our sites.
- The gymnastics programme continues to grow, we regularly welcome circa 600 children a week despite the issues experienced in terms of recruiting teachers.
- Various holiday camps held for children, including tennis, basketball and multisport camps.
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- During the year we have also successfully transitioned our trampolining programme to the Two Foot Higher programme.

Future Sports Development Plans

- Increase additional support needs (ASN) and disability sport programmes across sites.
- Increase swim and gymnastic lesson capacity through recruitment and ongoing improvement of the current IT systems supporting the administration of them.
- Continue working with Head of Business development to apply for funding to support sports provisions.
- Identify additional areas of partnership between Sports Development Officer and East Lothian Council to maximise on resources where we are working towards shared goals.

4.2 People

We have had a successfully year in implementing new and important policies and delivering training to our staff. Our new Neurodiversity and Dignity at Work policies alongside Equality and Diversity training for all managers ensures that our managers have the appropriate awareness and tools in their armoury to deal with these important issues in the workplace.

We continue to operate our Leadership Development Programme with an additional five members of our team in the cohort during 2024/25, with their project presentation being a research paper and proposal to introduce a probationary period for all new employees supported by a new induction programme. This programme continues to give staff the appropriate development to become future leaders of Enjoy.

Recruitment challenges remain for the business but were not as impactful as they were in previous years. Vacancies were felt in a more pronounced fashion at Dunbar Leisure Pool during 2024/25 than at other centres, but that impact was reducing as we approach the end of the year. We had new colleagues employed via the New Pathways to Work in Leisure programme via our work with Direct Partners and East Lothian Works.

A significant business decision was announced in March 2025 confirming that the café's at Aubigny Sports Centre, Dunbar Leisure Pool, the Loch Centre and Musselburgh Sports Centre will be closing in August 2025. Staff will be placed at risk of redundancy, although every effort will be made to deploy affected staff into leisure posts within the business and direct support for individuals' in achieving their exit strategies.

Our headcount is under ongoing review as we actively ensure relief members of staff are removed after a certain period of time. This saw quite high reductions at the end of 2023/24, and for 2024/25 our headcount stands at around 271 at the 31st March 2025, of which 148 were permanent staff and 123 were relief colleagues.

We continue to survey our colleagues annually and we were pleased that the completion rate had increased on the previous year with a 12% uplift. Areas such as communication had improved and colleagues' awareness to health and safety. Managers have received details on their individual centre surveys and are reviewing areas of opportunity with their teams.

The HR function has benefitted from improvements in productivity as a result of introducing MHR iTrent in late 2023, and we continue to embed processes to ensure our managers have autonomy in their role of leading and managing their teams.

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Through recent work with our Health & Wellbeing Manager we have focussed on raising awareness of our Employee Assistance Programme. We have visited colleagues at centres and together with representative colleagues from our Health & Wellbeing Steering Group, have delivered face to face training sessions on the benefits of the Employee Assistance Programme through Health Assured.

We have worked together with Direct Partners and East Lothian Works to introduce a Pathway to Leisure programme. The programme is designed to support school leavers with no future destination, a fully funded placement in our sport centres to learn the role of a Leisure Assistant and to prepare for and undertake the National Pool Lifeguard Qualification (NPLQ) course. Our commitment to the young people who undertake the placement and pass the NPLQ course, is to offer them a guaranteed interview and the potential opportunity to become a Leisure Assistant. They will also then have the opportunity to continue this learning through the ongoing SVQ modules that we offer colleagues, supported by Direct Partners.

4.3 Memberships & Customer Return

Fitness membership had been slowly but steadily improving all year but the opening of the new Aubigny Sports Centre Gym extension in February 2025 saw an extra 200-300 new members over what would be expected as part of the new calendar year / post-Christmas uplift we usually see.

We are aware that cost-of-living still represents a very real and present problem for our customers, with the new facility at Aubigny Sports Centre showing that investment in the facilities can generate new customers and members.

A key focus during the year has been strengthening our brand, as well as continued work to improve customer retention and growth. Further, improvements to the customer journey should support improve customer retention.

The growth in fitness memberships is shown visually in the below graph: -

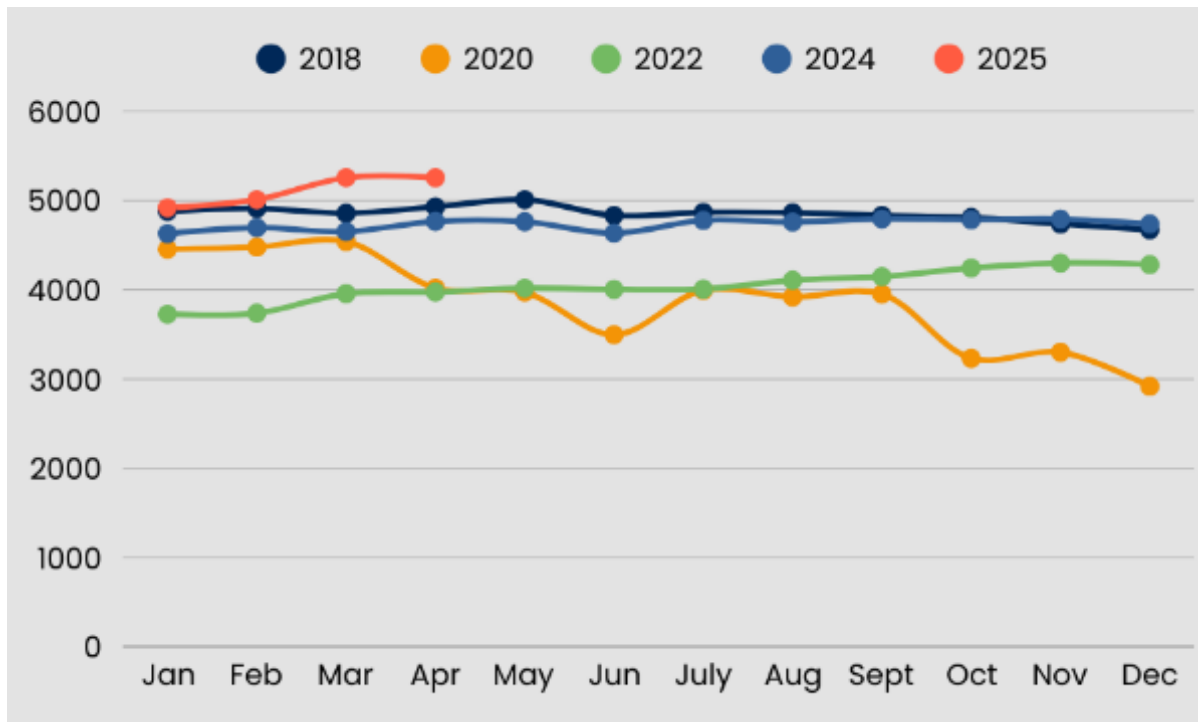
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Success Stories:

- We continue to see growth in our membership numbers and are working hard on reviewing our standards and service to enhance retention.
- Looking at cancellation data, a large percentage of members are very likely or likely to recommend our facilities to a friend. This suggests that members see our membership as offering good value for money.
- A branding refresh has been completed and was launched in early 2025. This includes updated values, a new logo and a refined tone of voice.
- The Enjoy Leisure app remains popular and has now become a primary communication channel for customers and members.

Ongoing Challenges:

- Increased competition from not only private gyms and studios, but also other experiences like Fox Lake, Lost Shore Surf Resort in Edinburgh, and Midlothian's Alpine Coaster, can demand significant time from our customers and members, reducing the time they spend at our facilities.
- Many of our customers and members are affected by cost-of-living pressures and are seeking more affordable options to maintain their activity levels.
- Ensuring that prices and charges are increased enough to cover inflation and rising wages without aggravating existing customers and still being able to attract new customers.

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4.4 Business Development / Health and Wellbeing / Communications

This function continues to establish and maintain relationships, proactively seeking prospects and opportunities to promote long term growth.

This year unfolded against a backdrop of considerable sector-wide pressures. Funding streams remained highly competitive nationally, with many trusts restricting eligibility for higher income operators and shifting towards capital only awards. Operational cost pressures and shifting public service demands also influenced how organisations positioned programmes and investment. Within this environment, Business Development focused on strategic growth, service innovation, income diversification and building long-term external partnerships to support organisational sustainability.

During this period, the function also continued to oversee two key specialist areas: Communications & Brand and Health & Wellbeing. Across the year, Business Development worked closely with colleagues in Operations, Sport Development, Health & Wellbeing, Finance and Communications, ensuring that commercial opportunities were aligned with operational capability, customer need and organisational strategy. This collaborative approach supported the progression of major projects, including vending procurement, swimming lesson reform, new product development, strategic proposals and corporate partnership expansion. Against this backdrop, the following sections summarise activity across the core areas of Business Development.

Corporate Partnerships & Stakeholder Engagement

Sixteen employer partnerships remained active, with the Blue Light scheme and EDF Torness representing the largest participating groups. New relationships with the Faculty of Advocates and Metlen expanded our corporate base and reinforced our position within the regional business community. The year also saw enhanced collaboration with SPRA, including bulk swim pass sales and the evolution of partnerships beyond standard memberships.

Work progressed on the development of bespoke wellbeing and fitness sessions in collaboration with Sport Development and Health & Wellbeing, signalling a deliberate shift towards more tailored, commercially viable offerings. To strengthen access routes for new partners, a corporate enquiry invitation was added to the website, enabling employers to initiate engagement directly and efficiently.

Strategic Initiatives & Projects

Participation in East Lothian Council's pilot scheme enabled staff access to electric vehicles and supported sustainable travel objectives. Although the pilot concluded, positive relationships were maintained to secure potential inclusion in any future schemes.

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A major organisational focus centred on restructuring the swimming lesson waiting list. A comprehensive cross-functional review resulted in a proposal to increase throughput and reduce wait times, with ongoing delivery transferred to Sport Development.

Significant work was undertaken across the organisation to explore new commercial opportunities. A suite of internal proposals was developed, addressing space utilisation, programme development and potential new revenue-generating activities. These proposals collectively examined how organisational assets could be reimagined to maximise income growth, community use and long-term sustainability. The proposals are currently under review to ensure alignment with organisational priorities and to support informed strategic decision-making.

Organisational Standards & Service Improvements

Service improvement remained an organisational priority. The Professional Standards Project was launched to strengthen service consistency and customer experience across all sites. Working with ProInsight, mystery shopping activity was delivered throughout the year, providing objective, sector-benchmarked insights. Findings from the initial reporting cycle are now informing recognition, training and service improvement planning. Responsibility for ongoing action and reporting lies jointly with Communications & Brand, HR and Operations.

Grant & External Funding Overview

Grant fundraising continued to play a vital role in supporting programme delivery and capital investment, despite a challenging national funding landscape characterised by high oversubscription, strict eligibility criteria and a predominance of capital-restricted funds. A substantial volume of applications was prepared and submitted, producing a balanced combination of successful awards, pending bids and inevitable declines in line with sector norms.

One of the most significant outcomes of the year was the combined £156,000 secured for essential repair and refurbishment works at Dunbar Leisure Pool, achieved through multiple awards. We are grateful to all grant funders who have supported our work this year, including those whose contributions enabled repairs at Dunbar Leisure

Pool, investment in Health & Wellbeing Places, and the purchase of essential first aid and teaching equipment. Although some awards were restricted to capital purposes, they effectively reduce reliance on reserves and deliver a material saving to planned expenditure.

Overall pipeline strength remains high, with £191,392 in active pending applications representing substantial potential for multi-year programme funding, capital investment and strategic projects. This pipeline includes

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high-value Health & Wellbeing proposals, facility improvement bids and capital applications that collectively position the organisation to deliver long-term community and operational benefit.

To support sustained progress, a structured, calendar-based pipeline of future funding opportunities has been established, ensuring key deadlines are tracked and allowing the organisation to prioritise strategic bids effectively.

Challenges, Risks and Overall Position

The operating environment continues to present challenges, including a highly competitive external funding landscape, increasing sector-wide cost pressures and dependencies that may influence the timing of commercial project delivery. Despite these conditions, the year reflects meaningful progress across commercial partnerships, strategic development and external fundraising. The organisation expanded its income opportunities, strengthened partnerships, secured investment and advanced major project work, placing us in a strong position to build further momentum in the year ahead, providing a solid foundation for the delivery of future strategic priorities.

4.5 Finance

Enjoy is required to plan and manage its future budgetary requirements versus known and anticipated changes in costs and income. Further, we must be in a position to evaluate the likely reserves position via our medium-term financial plan. Considered and detailed work in late 2024 into early 2025 with East Lothian Council has resulted in an additional £200k recurrently being added to our annual contract payment for the 2025/26 financial year onwards.

Whilst this significant investment is welcomed, we continue to keep an eye on the financial short- and longer-term horizon. There are a number of areas of significant concern for **enjoy** that we will outline here as succinctly as possible: -

- Pay – recent increases in both National Minimum Wage (legal requirement) and Real Living Wage (aspirational requirement) represents our projected primary financial pressure over the coming years;
- Government policy – the rates of increases in minimum wage rates coupled with unexpected changes, such as Employer National Insurance Contribution increases, are causing difficulties in accurate financial planning;
- Price Increases on our services – we are conscious of the cost-of-living squeeze being placed on our customers but also need to ensure the costs of running those services are met. This is a difficult juxtaposition for us to manage.

Our overarching financial strategy is to achieve the following main aims: -

- (i) Set annual budgets that are balanced or that are in deficit to a managed level;
- (ii) In the context of (i), ensure that reserve levels are at or above annual targets, and increasing annually where are not meeting those targets;
- (iii) To limit the financial impact of any required price increases to our customers to prevent customer losses in the wider context the quality of product we are able to deliver.

A deficit budget of £231k was set for the group in the 2024/25 financial year, with an eventual overspend of £394k across the group, including a £78k loss for the trading subsidiary arm of the business which oversees the café provision.

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There are significant pressures upcoming for the group's budgets, with National Minimum Wage (£12.71/hr) rising by £0.50/hr from April 2026 (4.9%). Concurrently, the Real Living Wage rate of £12.60/hr was announced to be £13.45/hr in October 2025 (6.75% increase), and effective from May 2026 for affiliated bodies (which **enjoy** are not).

Enjoy was able to pay the Real Living Wage to staff from 1st December 2025 on a part-year basis and our budget setting for 2026/27 includes the continuance of paying the Real Living Wage as part of our scenario modelling. However, currently, no formal commitment has been undertaken to pay the increased rate from April 2026.

Our longer-term aim is to ensure **enjoy** has a balanced budget and a strategy to increase reserves to over 100% of target to then allow for focussed investment and development into the business. A deficit budget of £377k was set for 2025/26 and the financial pressures on the horizon do not currently lend themselves to meeting this aim in the medium- to long-term. **Enjoy** continues to work closely and collaboratively with East Lothian Council to understand these challenges and ensure **enjoy** has the necessary resources to continue delivering the services and facilities it currently does.

4.5.1 Success Stories

Strong cash management over the last 4-5 years means that **enjoy's** reserves remain close to £1m, which is a very good performance considering the depletion of our reserves over the COVID period.

Improved and sustained partnership with ELC, including regular meetings between **enjoy** and ELC finance staff have kept both parties up to date and abreast of the situation throughout the last couple of years.

4.5.2 Ongoing Challenges

- Achieving budgeted levels of income and cost savings, in order to reduce deficits and preserve cash reserves.
- Creating a viable medium- to long-term financial plan that outlines the financial challenges upcoming to the business in 2025/26 and beyond.
- Rebuilding reserves to above the minimum target level in order to reinvest in the business.
- Balancing the need for fuller staffing in our centres versus the budgetary savings that these provide.
- Maximising the efficiency and usage of the new Legend Leisure Management system whilst continuing business-as-usual and not disrupting the customer experience.
- Commitment to remaining a Real Living Wage employer into the 2026/27 financial year.

4.6 The Organisation

There have been very few senior management changes in the last twelve months, with only a new Sports Development Manager commencing in post in April 2024.

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We continue to work closely and regularly with our Board of Directors. A cohort of four new directors were appointed in early 2024 to fill vacancies and resignations. Difficult discussions and papers were discussed as part of the budget setting process for 2025/26 with full and professional engagement. Apart from scheduled quarterly board and sub-committee meetings, occasional 'extraordinary' meetings to brief the board on emerging and / or urgent issues have been undertaken. Plans for training on topics such as Risk and Equality, Diversity and Inclusion are advanced, and other topics will be discussed at future board meetings.

Partnership with ELC has continued to improve with regular, open dialogue being maintained from both partners and a shared commitment to returning the communities of East Lothian to sport and wellbeing. We will continue to work together to ensure that East Lothian can continue to be a leader in offering all residents real opportunities to enjoy and lead active, healthy lifestyles.

Finally, it's with profound sadness that we mark the passing of Dr John Turvill, a truly dedicated and invaluable member of the enjoy board. Jon served with unwavering commitment as a Non-Executive Director, contributing a wealth of experience, insightful perspective, and a genuine passion for our mission and East Lothian communities.

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Fitness for you, fitness for all



COMMITTEE:	Audit and Governance Committee
MEETING DATE:	24 th March 2026
BY:	Deputy Chief Executive Children and Communities
REPORT TITLE:	East Lothian Mid-Market Homes LLP
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To inform the Audit and Governance Committee of the 2024/25 accounts and the performance of ELMMH.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Note the contents of the report and the performance of ELMMH for 2024/25.

3 BACKGROUND

- 3.1 Following Cabinet approval of this development proposal in January 2017, ELMMH LLP was created as a partnership vehicle between the Council and Scottish Futures Trust (SFT) initially to facilitate the leasing of these 50 homes.

- 3.2 East Lothian Mid-Market Homes LLP is an innovative partnership between East Lothian Council and Scottish Futures Trust Investments Limited which was established to deliver additional affordable housing without subsidy and contribute towards meeting East Lothian Council's housing commitments. East Lothian Council has 83.33% of the voting rights in the partnership and is entitled to 99.999% of residual profits. However, residual profits are not distributed to the Members and are reinvested to provide future affordable housing options.

- 3.2 The mixture of 2 and 3 bedroom homes were initially let from July 2019 at 80% of the then Local Housing Allowance (LHA) level relevant to the size of properties in line with East Lothian Council's Affordable Housing Policy. Due to a recent increase in LHA levels, the current rental levels

for 2024/25 for these homes are 66% of the LHA level for the 2 bedroom homes and 60% of LHA for the 3 bedroom homes comparing favourably with similar mid-market housing association rents which are typically 85% to 95% of LHA within East Lothian.

- 3.3 Since the ELMMH LLP has been in place, it has since purchased 10 further properties with grant funding from the Second Homes Council Tax Fund approved by Cabinet. These properties are rented on a similar basis by ELMMH LLP. These acquisitions were completed to prevent these properties being removed from the affordable housing portfolio within East Lothian as new buyers of these properties on an affordable housing basis had not been identified.
- 3.4 ELMMH LLP is a subsidiary organisation of the Council and assists in contributing to the affordable housing objectives of the Council plan. This report is provided to the Audit & Governance Committee to assist in fulfilling appropriate Governance and scrutiny processes by providing open and consistent reporting on an annual basis.

Governance

- 3.5 ELMMH LLP Senior Management Team meetings are held on a quarterly basis with minutes taken and approved at subsequent meetings
- 3.6 ELMMH LLP is audited by External Auditors, Whitelaw Wells. End of year accounts have been signed off by the Board of Members and were provided to Whitelaw Wells for final sign off in August 2025.
- 3.7 Final accounts for 2024/25 demonstrated a cash balance of £224,366 and were signed off by both the Senior Management Team and the Board of Members in August 2025. (see appendix A).
- 3.8 The auditors also confirmed there were no irregularities, including fraud, nor any instances of non-compliance with statute, regulations, contracts or the LLP's Memorandum and Articles of Association which might prejudice the LLP's going concern status.
- 3.9 An initial template financial model over a 40 year period was developed utilising an SFT model. However an updated model had been developed by Finance colleagues which updates actual outturns and projections on income and expenditure. Final accounts as of 31 March 2025 for ELMMH demonstrate a cash balance of £224,366.

This model also reflects changes such as; rental increases, bad debt, voids, increases in material costs for repairs and replacement and was used to help set 2026/27 rent increase. This was set at 8% to ensure reserves necessary for the expected level of lifecycle costs will be covered.

- A risk matrix has also been developed and reviewed and monitored by the Senior Management Team. ***The main risks are in relation to rent arrears and the rising cost of repairs.***

- 3.10 The Membership Agreement requires that specific agreements and policies, should be in place. A deed of Entrustment, together with an Acquisitions and Allocations Policy and a Management and Maintenance Agreement have also been developed and approved. Further policies have been drafted with a new officer to be appointed to ensure there is a full suite of updated policies and processes for the LLP
- 3.11 The Board of membership has since been reviewed and a change in membership has been made with both Deputy Chief Executives now sitting on the Board of Members. The Head of Housing has been appointed Chair of the Senior Management team with Managers from Finance, Legal and Housing also appointed to the Senior Management team. The Management Team have agreed to continue to review this membership on an ongoing basis with the next review due in April 2026.

As part of this review, Internal Audit have been asked to carry out a further audit to ensure the necessary controls are in place to improve the efficiency and effectiveness

4 POLICY IMPLICATIONS

- 4.1 None

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: None
- 5.2 Human Resources: None
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk:

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.

X

or

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



Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

7.1 Accounts

8 BACKGROUND PAPERS

8.1

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Wendy McGuire
Designation	Head of Housing
Tel/Email	wmcguire@eastlothian.gov.uk
Date	12 th March 2026

Head of Service Approval

Name	
Designation	
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	
Approval Date	