



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

**TUESDAY 23 JUNE 2015
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

1

Committee Members Present:

Councillor K McLeod (Convener)
Councillor S Brown
Councillor J Caldwell
Councillor S Currie
Councillor A Forrest
Councillor J Goodfellow
Councillor F McAllister
Councillor J Williamson

Council Officials Present:

Mrs A Leitch, Chief Executive
Mr A McCrorie, Depute Chief Executive - Resources and People Services
Ms M Patterson, Depute Chief Executive – Partnerships and Community Services
Mr R Montgomery, Head of Infrastructure
Mr T Shearer, Head of Communities & Partnerships
Mr J Lamond, Head of Council Resources
Ms S Fortune, Service Manager – Business Finance
Ms L Shaw, Service Manager - Corporate Finance
Mr P Moore, Senior Auditor
Ms K Duff, Treasury & Banking Officer
Ms A Glancy, Management Accountant

Clerk:

Miss F Currie, Committees Assistant

Visitors Present:

Ms S Burden, Assistant Manager, KPMG LLP
Ms L Nelson, KPMG LLP

Apologies:

None

Declarations of Interest:

None

1. MINUTES OF THE MEETING OF THE AUDIT & GOVERNANCE COMMITTEE ON 19 MAY 2015

The minutes of the meeting of the Audit & Governance Committee on 19 May 2015 were presented for approval.

Decision

The Committee agreed to approve the minutes.

2. EAST LOTHIAN COUNCIL ANNUAL STATEMENT OF ACCOUNTS (DRAFT) 2014/15

A report was presented by the Depute Chief Executive (Resources and People Services) to provide the Committee with information included within the draft 2014-15 financial statements prior to their submission to Audit Scotland.

The Head of Council Resources, Jim Lamond, presented the Council's draft Statement of Accounts for 2014/15. He reminded Members that the accounts were unaudited at this stage and could be subject to further modification. Mr Lamond indicated that he would provide a summary of the accounts and then Sarah Fortune, Service Manager – Business Finance, would provide a more detailed look at some of the key statements. He proposed that Members ask questions at the end of each section of the presentation if they required clarification on any point.

Mr Lamond began by explaining some minor changes made to the layout of the accounts to make them more accessible and to meet revised Accounting Standards. He summarised the key results for the year noting that usable reserves had increased by £9.528 million in 2014/15. Capital spending was lower than planned and had totalled £39.2 million but borrowing had reduced by £4 million.

Mr Lamond also reported that the Council's Statutory Trading Operations (STOs) had met their targets for 2014/15 but that the planned internal review of STO operations had been delayed and would now be undertaken in 2015/16. He advised that the Council's pension liabilities had increased, partly due to people living longer and receiving pensions for longer, however the investment performance of the overall pension fund had shown some improvement. Recent actuarial assessments continued to support the stability model which the Council and other large employers had entered into and which was designed to limit potential fluctuations in employers' contributions and ensure greater stability.

Ms Fortune provided more detailed information on the accounts, focusing on several key areas:

Movement in Reserves Statement (MIRS) – showed an increase in the general fund and housing revenue fund balances and an overall increase in usable reserves, as previously stated.

The Convenor asked where the additional reserves sum had come from. Mr Lamond advised that it was due to a combination of factors including reduced debt charges, tighter controls on spending and non-recurring elements such as a one off benefit relating to the 2012/13 Business Rate Incentivisation Scheme and a reassessment and reduction to our bad debt provision, and increased Council Tax collection rates.

Councillor Currie expressed concern that there appeared to be underspend in areas where services had been cut as a result of last year's budget decisions. He wanted to know why this was the case and whether the increase in reserves should lead to a rebasing of the current year's budget.

Mr Lamond responded that a large part of the movement in usable reserves related to lower capital spending due to slippage and therefore reduced capital charges, and approximately half had come from non-recurring elements, as previously outlined. While he acknowledged the frustrations of Members over the difficult decisions which had been taken in relation to the budget, he pointed out that the likelihood of underspend on this scale had not become apparent until relatively late in the year. He also advised that many services had applied very tight management arrangements on turnover and recruitment that had generated substantial savings in employee costs. However, to ensure adequate service delivery, a number of these services had now made staffing appointments which would increase their overall financial commitments. Although he did not recommend any change to the 2015/16 budget at present, he confirmed that the first quarter results would be monitored very closely.

The Head of Infrastructure, Ray Montgomery, said that from an operational point of view it had been very difficult to strike a balance between making the required savings and maintaining a high level of service delivery. Whether this was sustainable in the long term remained to be seen.

Regarding the Housing Revenue Account (HRA) useable reserves, the Convenor asked how close the Council was to its 40% debt ratio limit. Mr Lamond indicated that the last assessment undertaken when striking the 2015/16 budget was around 35% but the final year-end figure was likely to be lower due to the lower than planned level of capital expenditure.

Ms Fortune moved on to other key elements of the accounts:

Balance Sheet – This showed an increase in the value of assets, mainly due to an increase in the valuation of non-operational assets. There was a reduction in bad and doubtful debt following revisions to the calculations for bad debt provision and the ending of the Community Charge. There was also a reduction in short-term borrowing. There was however an increase in long-term liabilities, mainly due to pensions.

Responding to a question from Councillor Goodfellow, Ms Fortune explained that a certain sum was set aside to cover bad debts but, following advice from the external auditors, the calculation had been reviewed and the provision reduced.

Fixed Assets Note – work was being done across the Council to encourage payment of rents and also in tackling rent arrears. As a result, East Lothian Council was one of only a few local authorities in Scotland which had reduced rent income debt during the year. This would continue to be monitored.

Borrowing – short-term borrowing had decreased in line with the Council's Treasury Management Strategy.

HRA – this would be subject to further accounting adjustments prior to the end of June, however, there was an overall decrease in reserves of £444,000 in 2014/15. The increase in usable reserves related to the revenue element of the HRA.

Common Good Funds – there was an increase of around £300,000 in overall fund levels during 2014/15. This reflected the wider strategy for managing Common Good Funds; protecting the capital value and using only the investment income.

In response to questions from Members, Ms Fortune agreed to provide a more detailed breakdown of the figures for the Musselburgh Common Good Fund.

Ms Fortune concluded by summarising the financial reporting timetable including submission and sign off of the Statement of Accounts, completion of the external audit by KPMG and presentation of the annual report to Council and the final Statement of Accounts to the Audit & Governance Committee.

Responding to further questions from Members, Mr Lamond confirmed that the Musselburgh Joint Racing Committee was an entity 'significantly influenced by the Council', as stated within the terms of its Minute of Agreement. He also confirmed that the Council had no right to buy out PPP contracts and, at present, there was no likelihood of any voluntary agreement being reached with the PPP provider. This situation would be kept under review.

The Convenor thanked Mr Lamond and Ms Fortune for their very detailed and helpful overview of the draft Statement of Accounts.

Decision

The Committee agreed to:

- (i) Note the presentation made at the meeting;
- (ii) Consider the information shared on the draft Annual Statement of Accounts for 2014/14; and
- (iii) Note the intention to submit the draft statements to Audit Scotland in accordance with statutory requirements.

3. ANNUAL TREASURY MANAGEMENT REVIEW 2014/15

A report was presented by the Depute Chief Executive (Resources and People Services) to update the Committee on Treasury Management activity during 2014/15.

The Service Manager - Corporate Finance, Liz Shaw, presented the report outlining the requirements of the CIPFA Code of Practice, summarising the key sections of the report and drawing Members' attention to the overall treasury and borrowing positions for 2014/15.

In response to questions from Councillor Caldwell, Ms Shaw advised that the Common Good Funds received a good return on their external investments, as detailed in the report, as well as the interest on cash balances. She also confirmed that the Council was not currently lending to other local authorities.

Councillor Currie asked about the potential borrowing power of Common Good Committees. Mr Lamond said that, at present, Common Good Funds did not have the power to borrow, however proposed changes to accounting regulations may offer that potential in the future.

Decision

The Committee noted the report.

DRAFT

Signed

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Councillor Kenny McLeod
Convener of the Audit and Governance Committee



cutting through complexity

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East Lothian Council

DRAFT

Annual audit report to the Members of East Lothian Council and the
Controller of Audit

Audit: year ended 31 March 2015

2 September 2015

The contacts at KPMG in connection with this report are:

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	Page
Executive summary	2
Strategic overview	5
Financial statements and accounting	14
Governance and narrative reporting	24
Performance management	32
Appendices	35

About this report

This report has been prepared in accordance with the responsibilities set out in Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of East Lothian Council ("the Council") and is made available to Audit Scotland and the Controller of Audit (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the circumstances set out in the executive summary: scope and responsibilities.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice* ("the Code"). This specifies a number of objectives for the audit.

In accordance with ISA (UK and Ireland) 260: *Communication with those charged with governance*, this report summarises our work in relation to the annual accounts for the year ended 31 March 2015.

We wish to record our appreciation of the continued co-operation and assistance extended to us during the course of our work.

Area	Summary observations	Analysis
Strategic overview		
Key issues and update	The challenges faced by the Council to deliver services with less resources over the past five years have required careful management and monitoring. Public sector reform continues to gather pace against a backdrop of continuing financial pressures. The introduction of integrated health and social care partnerships, coupled with welfare reforms will require effective leadership and governance. We consider that the Council has so far progressed well in managing these changes.	Page 6
Financial position	The Council reported a statutory surplus of £9.3 million in 2014-15 (2013-14: £3.6 million deficit). This gave rise to an increase in general fund reserves of £7.3 million and the housing revenue and capital fund reserves of £2.0 million. Of this increase, approximately £3.5 million related to non-recurring items.	Page 8
Financial statements and accounting		
Audit conclusions	<p>We intend to issue an unqualified audit opinion on the 2014-15 annual accounts, following their approval by the audit and governance committee in September 2015.</p> <p>The annual accounts, statement of responsibilities, governance statement and remuneration report were received by the start of audit fieldwork and were supported by high quality working papers. We noted continued improvement in quality of supporting documentation and an accelerated timetable for preparation of the annual accounts.</p>	Page 15
Significant risks and audit focus areas	<p>The areas highlighted below are the specific audit focus areas identified within our audit strategy document:</p> <ul style="list-style-type: none"> ■ fraud risk from management override of controls; ■ income recognition fraud risk; ■ the Council's financial position; ■ accounting for provisions; ■ the valuation of non-operational assets and preparation for the requirements of the 2016-17 Code; and ■ retirement benefit obligations. <p>Audit work was completed to satisfy the requirements of ISA 330 <i>The auditor's responses to assessed risks</i>, including tests of key financial controls. In respect of each matter, we are content with management's judgements and accounting treatment.</p>	Page 16

Area	Summary observations	Analysis
Financial statements and accounting (continued)		
Going concern	The annual accounts have been prepared on a going concern basis, as the revenue support grant has been approved for 2015-16 and forms the basis of a budget which is considered to be manageable within existing facilities. The Council made a surplus in 2014-15, adding to reserves, and had net assets of £230.6 million at the balance sheet date.	Page 21
Accounting policies	There have been no changes to accounting policies applied by the Council in 2014-15. No newly effective accounting standards are expected to have a material impact on the 2015-16 annual accounts. The requirements of the <i>Code of practice on transport infrastructure assets</i> ("the transport code"), will apply from 2016-17.	Page 20
Governance and narrative reporting		
Governance	Over-arching and supporting corporate governance arrangements remain primarily unchanged and provide a sound framework for organisational decision-making.	Page 26
Internal controls	Testing of the design and operation of financial controls over significant risk points was undertaken as part of our audit. Our work concluded that controls relating to financial systems and procedures are designed appropriately and operating effectively. Since the finalisation of our interim report there have been no changes to the operation of the controls subject to review.	Page 27
Performance Management		
Performance management	Our work has identified that the Council's performance management arrangements are generally robust and reporting on statutory performance indicators ("SPIs") is strong compared to other local authorities. Internal audit reviews, conducted as part of the internal audit plan, provide assurance over performance reporting and Best Value considerations.	Page 33

Purpose of this report

The Accounts Commission has appointed KPMG LLP as auditor of East Lothian Council under part VII of the Local Government (Scotland) Act 1973 (“the Act”). The period of appointment is 2011-12 to 2015-16, inclusive.

Our annual audit report is designed to summarise our opinion and conclusions on significant issues arising from our audit. It is addressed to both those charged with governance at East Lothian Council and the Controller of Audit. The scope and nature of our audit were set out in our audit strategy document which was presented to the audit and governance committee at the outset of our audit.

The Code sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance.

Accountable officer responsibilities

Audit Scotland’s *Code of Audit Practice* (“the Code”) sets out East Lothian Council’s responsibilities in respect of:

- preparation of financial statements that show a true and fair view;
- systems of internal control;
- prevention and detection of fraud and irregularities;
- standards of conduct and arrangements for the prevention and detection of bribery and corruption;
- financial position; and
- Best Value.

Auditor responsibilities

This report reflects our overall responsibility to carry out an audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code.

Scope

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance.

Weaknesses or risks identified are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist.

Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Under the requirements of International Standard on Auditing (UK and Ireland) (‘ISA’) 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity.

This annual audit report to members and our presentation to the audit and governance committee, together with previous reports to the audit and governance committee throughout the year, discharges the requirements of ISA 260.

Strategic overview

Our perspective on key business issues and financial position

Public sector reform and financial pressures have caused challenges for local authorities in delivering services with reduced resources.

Sector overview

Local authorities have faced challenges over the past five years as a result of public sector reform and the UK's continued financial pressures. Councils are faced with real term funding decreases, combined with increasing demand for services. The integration of health and social care and upcoming boundary changes present additional challenges. Councils are aware of the need to deliver services efficiently and effectively, with fewer resources.

These challenges are highlighted in Audit Scotland's report "An overview of local government in Scotland 2015". In line with best practice, management prepared an analysis of this report, which outlined the Council's position against each recommendation.

A voluntary early release scheme ("VERS") was implemented by the Council in 2013-14 to create annual savings of approximately £3 million. The Audit Scotland report highlights that savings through staff reductions are not necessarily sustainable long term and it is important that Councils have workforce plans to manage reduced staff numbers. The Council updated its workforce development strategy and action plan in 2014. Councils are recommended to consider options to increase income, although this is challenging with continued council tax freezes and non-domestic rate levels set by the Scottish Government. Management is therefore maintaining a focus on cost containment and avoidance.

Members receive quarterly key performance indicator updates through the policy and performance review committee. Quarterly financial updates are reported to Cabinet, showing underspends or overspends to budget, financial risk ratings and progress with efficiency savings. This regular analysis undertaken by management should support achievement of strategic priorities in a changing environment.

We set out our views on the Council's progress with key public sector reforms over the following pages and provide commentary on its financial position from page eight.

Local area network / shared risk assessment

Local area networks ("LAN"), comprising representatives from scrutiny bodies perform an annual shared risk assessment and identify scrutiny activity. The 2014-15 local scrutiny plan (formally the assurance and improvement plan), noted continued development and areas of strong performance. The plan included no areas assessed as 'scrutiny required', one area as 'further information required' and the remaining 18 as 'no scrutiny required'.

2015-16 saw a change in the process of shared risk assessments ("SRA") and how the local area networks ("LANs") work with local authorities. The 2015-16 Local Scrutiny plan highlights the Council's improvement activities, such as *How Good is Our Council?* and self evaluation in respect of criminal justice services.

The SRA process is intended to support local authorities in performance improvement, and the 2015-16 SRA identified areas of scrutiny as:

- achievement of savings targets and financial sustainability;
- progress with implementing the improvement agenda arising from the 2014 Joint Inspections of Services for Children;
- progress with health and social care integration;
- monitoring the impact of the Education Scotland's strategic improvement planning on learners; and
- ongoing monitoring of progress of the improvement actions in relation to meeting the Scottish Housing Quality Standards and managing rent arrears.

KPMG's scrutiny activity, as part of the external audit is:

"focus on the Council's management of finances, budgeting, monitoring, implementation of the efficiency programme and reporting to those charged with governance."

Council plan

The Council plan 2012-17 was refreshed in October 2014 and incorporates the objectives for the Council and related challenges. The seven key challenges are: financial constraints; the impact of the recession; growing population; welfare changes; affordable housing; sustainability and environment; and public sector reform. We provide more detail in respect of some of these challenges below.

Welfare changes

As a result of the Welfare Reform Act 2012, a number of significant changes were implemented as at 1 April 2013, changing how councils deliver benefit services. Further reform will see the introduction of 'Universal Credits'; the integrated working age benefit which will replace existing benefits, including housing benefit. Universal Credits will be administered by the Department of Work and Pensions ('DWP'). From April 2015, Universal Credit was started to be rolled out across East Lothian, starting with new claimants.

In common with other local authorities in Scotland, the Council froze council tax for 2015-16 as part of the national grant settlement. The Scottish Government's council tax reduction scheme came into force from 1 April 2013. Funding for the scheme remains static from 2014-15 onwards, however there is greater financial risk due to the an increase in the number of properties in the Council boundaries as the funding is a fixed sum instead of being demand led.

The Council has a welfare reform task group, which is responsible for considering the service implications of welfare reform and producing action plans to manage these implications.

Financial constraints and public sector reform

The Council plan recognises the inherent challenges arising from population growth, an ageing demographic, reductions in funding, upward pressure on staff costs and new legislative requirements. To

ensure the Council is well placed to manage the changing service requirements and reducing funding, a number of change projects have been implemented. Each change project is listed within the Rivo software and assigned to a department and responsible officer.

Quarterly progress reports are produced with RAG ratings against each projects likely achievement of the expected completion date. An overall RAG rating for progress with efficiency savings is reported in the quarterly finance reports to Cabinet. In the quarter three report, Audit Wellbeing and Children's Wellbeing had 'red' ratings, with efficiency savings considered unlikely to be met by the year end. Internal audit is facilitating implementation and monitoring of reports.

During 2013-14 the Council approved the departure of 96 staff through a voluntary early release scheme ("VERS"). Management estimates related annual savings of around £3 million. Further service reviews are planned for 2015-16 onwards through the ongoing efficient workforce management program.

Growing population and affordable housing

The plan highlights the significance in tackling inequalities and the challenges faced with the growing population. The Council recognises the challenge of delayed discharge targets; the integration of health and social care and the integrated joint board's remit, as discussed on page 30, provides the opportunity for renewed focus and monitoring of delayed discharges.

A changing population puts additional demand on infrastructure within the Council's boundaries. A key matter for the Council is a lack of affordable housing; in 2014-15, the Council invested £9 million in new affordable homes projects and £1.9 million in an open market acquisition program as part of a longer term housing program.

To improve inequalities in the area, the Council undertakes ward profiling to investigate inequality within the Council boundaries and identify improvement actions through the East Lothian Partnership.

The Council recorded a surplus on the provision of services of £6.3 million in 2014-15. This resulted in a transfer to reserves of £9.3 million, of which £7.3 million related to the general fund.

Financial position

The 2014-15 surplus of £6.3 million (before adjustments for pensions and asset revaluations) compares to the 2013-14 deficit of £6.3 million, and was the sixth highest surplus of the 32 local authorities in Scotland.

A total of £9.3 million was transferred to reserves in 2014-15, compared to a transfer from reserves of £3.6 million in 2013-14. Of the transfer, £7.3 million relates to general fund reserves and £2.0 million to HRA. The Council had budgeted for a transfer to general fund reserves of £0.2 million. The outturn reflects both effective management of budgets as well as some non-recurring items; a summary of key movements between the original budgeted transfer and the actual outturn is presented on the next page.

The composition of the Council's reserves is shown below:

Reserve	31 March 2015	31 March 2014	Variance
General fund	16,653	9,187	7,466
Capital receipts reserve	-	-	-
Insurance fund	1,395	1,520	(125)
Housing revenue account	4,041	2,056	1,985
Housing capital fund	2,589	2,589	-
Total usable reserves	24,678	15,352	9,326
Unusable reserves	205,913	236,873	(30,960)
Total reserves	230,591	252,225	(21,634)

Source: KPMG analysis of East Lothian Council's annual accounts 2014-15.

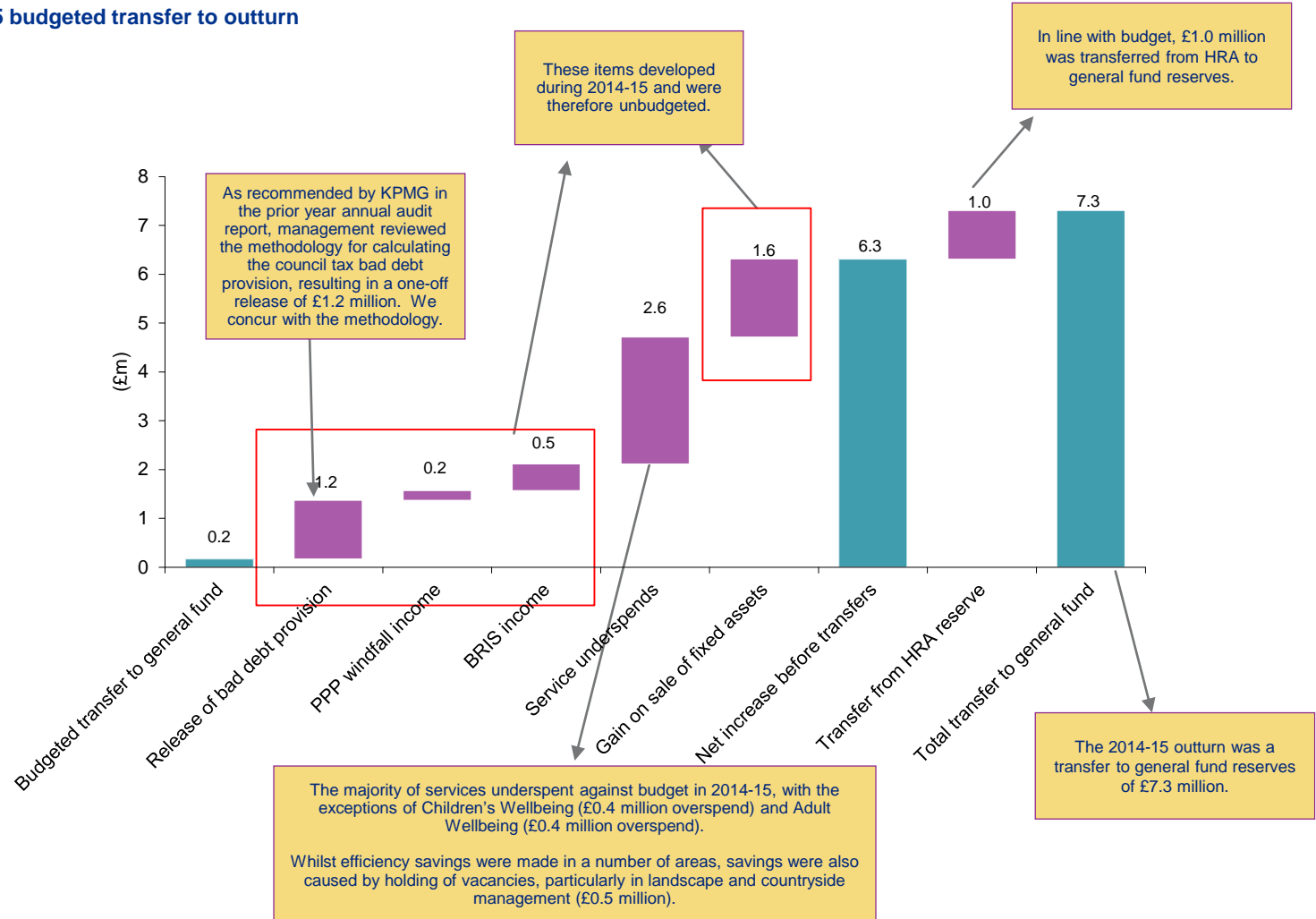
Comprehensive income and expenditure statement			
	2014-15 £'000	2013-14 £'000	Variance £'000
Cost of services	77,820	75,977	1,843
Taxation and non specific grant income	235,154	224,852	10,302
Gains on disposal of non current assets	1,425	995	430
Interest receivable	462	663	(201)
Total income	314,861	302,487	12,374
Cost of services	(287,206)	(288,003)	797
Interest payable	(15,819)	(15,806)	(13)
Interest expense on pension defined benefit obligations	(5,564)	(4,993)	(571)
Total expenditure	(308,589)	(308,802)	213
Surplus / (deficit) on the provision of services	6,272	(6,315)	12,587
Surplus on revaluation of non current assets	9,009	5,580	3,429
Surplus or (deficit) on revaluation of financial instruments	(610)	856	(1,466)
Actuarial losses on pension assets and liabilities	(36,305)	(12,720)	(23,585)
Total comprehensive income and expenditure	(21,634)	(12,599)	(9,035)

Source: KPMG analysis of East Lothian Council's annual accounts 2014-15.

The budgeted outturn was for a transfer to general fund reserves of £0.2 million. The Council achieved a transfer of £7.3 million in 2014-15.

We provide a summary of the movements from original budget to outturn position in the graph.

2014-15 budgeted transfer to outturn



The Council had useable reserves of £24.7 million.
The Council performed ahead of budget in 2014-15, leading to an increase in general fund reserves of £7.3 million.

Use of reserves

As at 31 March 2015, the Council had useable reserves of £24.7 million. The final transfer to the general fund reserve of £7.3 million represents an increase of 69% on the opening balance.

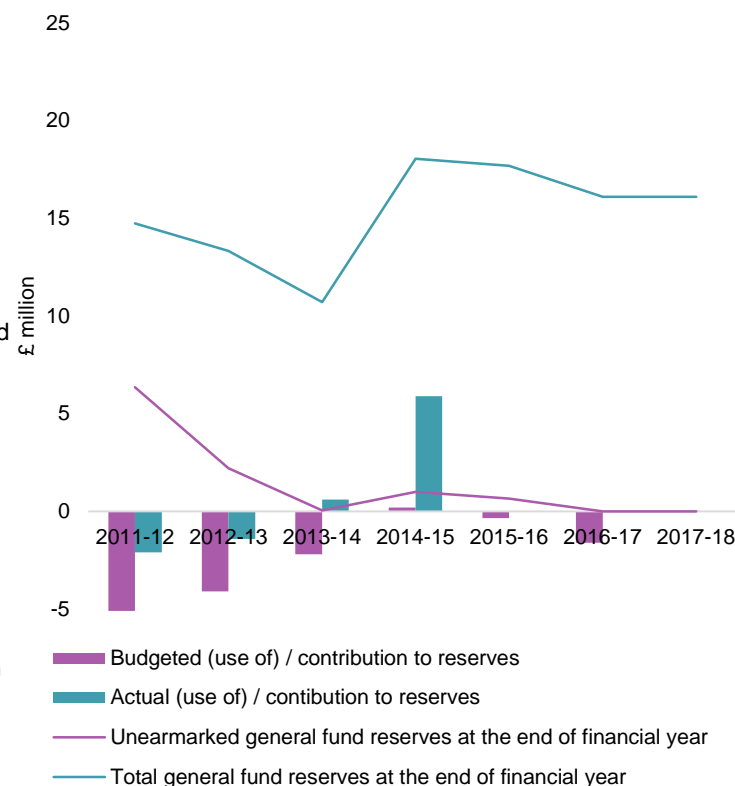
The Council's financial strategy sets out that any unplanned increase in reserves should be transferred to either the general services capital fund or cost reduction fund. In 2014-15 the Council agreed to transfer any surplus reserves to the general services capital fund.

The cost reduction fund is primarily used for employee severance and restructuring costs as well as to support other cost savings initiatives as the Council manages capacity in line with less financial resources. The capital fund will be used to directly fund capital expenditure or defray capital charges. Prior to any transfer, the Council had £3.1 million in the cost reduction fund and £1.6 million in the capital fund.

While as at 31 March 2015 the Council performed ahead of budget and management confirmed that the Council remains on track with its financial strategy, continued monitoring will be required to ensure savings are achieved. Since 2011-12 the Council has achieved an underspend against budget. Although customer satisfaction rates remain high, there is an inherent risk that this could impact on service delivery. Management monitors the budget throughout the year, although as identified in previous years, the majority of underspend is presented in the final quarter.

In line with changes in legislation, management presented the unaudited annual accounts to the Audit and Governance Committee in June 2015. This facilitated an early discussion by members of the financial position reflected within the unaudited annual accounts.

The chart below illustrates the use of general reserves over a seven year period, in accordance with the approved council budget for 2015-16 to 2017-18, against reserves available. This excludes transfers to and from HRA and earmarked reserves.



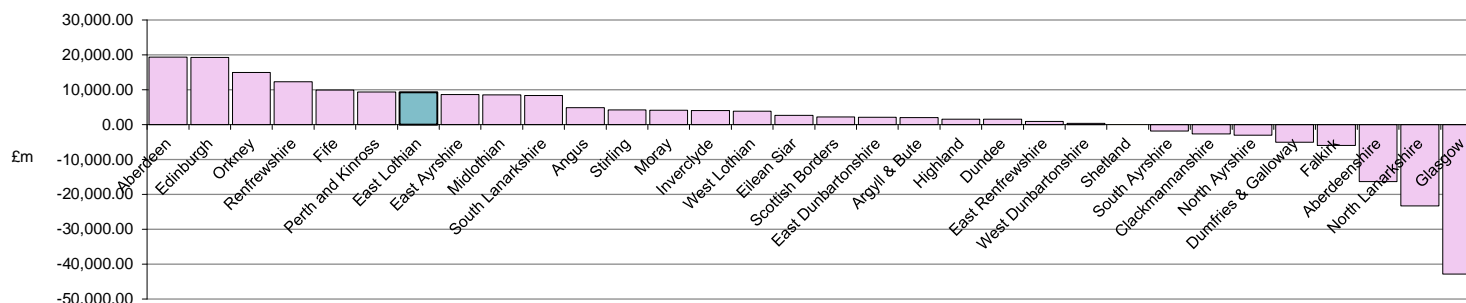
Source: East Lothian Council approved budgets and annual accounts from 2011-12.

Audit Scotland performs benchmarking on various financial indicators across the 32 local authorities, drawn from the unaudited financial statements.

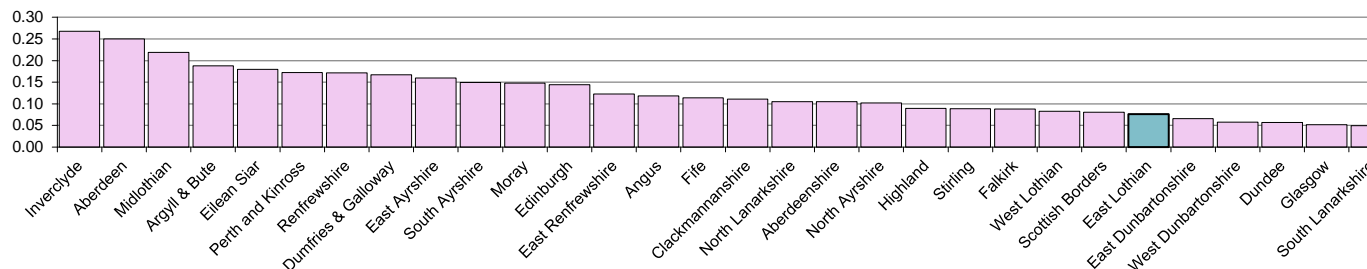
In benchmarking undertaken by Audit Scotland from analysis of the 2014-15 unaudited financial statements of Scotland's 32 local authorities, East Lothian had the seventh highest movement in total useable reserves. As a proportion of reserves brought forward, the increase in revenue reserves was the second highest increase of all local authorities. The increase in revenue reserves is also second highest as a proportion of revenue. However, revenue reserves carried forward are sixth lowest as a proportion of revenue.

The relatively low reserves position reflects the Council's desire to maintain financial sustainability and not reliance on brought forward funds. Even without the elements of non-recurring income in 2014-15, the Council achieved a surplus for the year and manages the total effectively. There remain pressures on future budgets and we concur with the decision to seek to manage to within existing funds.

2014-15 increase in usable reserves – 32 Scottish local authorities



2014-15 carried forward usable revenue reserves as a proportion of revenue – 32 Scottish local authorities



Source: Audit Scotland analysis

The Council's total capital spend in 2014-15 was £39.2 million, £4.5 million below budget. Capital grants provided the primary source of capital funding in 2014-15. A large proportion of capital expenditure continues to be funded through borrowing, although this decreased in 2014-15.

Borrowing

The Council's capital expenditure is largely funded through borrowing, in line with the strategy. Clearly the capital expenditure programme gives rise to greater borrowings and management incorporates the debt service costs into budgets. In Audit Scotland's 2014-15 benchmarking, the Council continues to have the highest level of net external debt when taken as a proportion of revenue expenditure (159%; 2013-14:166%). The Council has the third highest per head of population at £3,875 per head (2013-14: second, £3,930). We recognise that this benchmarking does not differentiate between demographic differences or the split between general services and housing related borrowing. The Council's ratios have improved during 2014-15.

The Council has the ninth (2013-14: eighth) highest level of debt as a proportion of fixed assets, with a ratio of 0.5 (2013-14: 0.6). Although long term borrowing increased during 2014-15, short term borrowing at the year end was £33.8 million less than 2013-14. This is a result of the Council's treasury management strategy, to take on longer term debt in order to reduce fluctuation in interest costs.

To reduce the requirement for borrowing, a capital reserve has been earmarked within general fund reserves to enable capital expenditure to be funded directly from revenue and defray capital charges. Debt service costs require continued focus and we are content with the Council's approach to Treasury management and covering of interest costs within the budget.

Capital program

Total capital expenditure in 2014-15 was £39.2 million, below the original budget of £43.7 million. £18.4 million related to general services capital spend and £20.8 million to HRA. This represents a 16% decrease from the 2013-14 spend of £45.6 million.

£2.4 million of the capital underspend relates to slippage of projects,

which will be carried forward into the 2015-16 plan. A refreshed capital plan for 2015-16 will be presented in the quarterly finance updates.

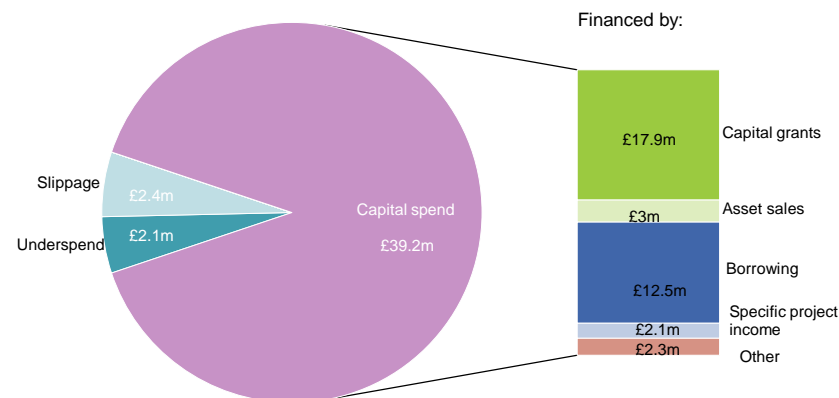
The remaining £2.1 million relates to realised underspends on projects. £1.4 million relates to HRA; below budget on both mortgage to rent properties and modernisation of £0.5 million. The general services underspend relates largely to property renewals (£0.3 million) and saving in fees (£0.31 million).

Major capital expenditure for HRA and general services relates to:

- £9 million on new affordable homes projects;
- £9.7 million on modernisation and upgrades;
- £5.4 million on road improvements; and
- £2.1 million on the new Crookston Residential Home.

The majority of capital expenditure (£17.9 million) has been funded by capital grants applied in year. Capital expenditure compared to budget and the sources of capital finance are shown below.

Actual spend and capital budget



Source: KPMG analysis of East Lothian Council's annual accounts and year end report 2014-15.

The 2015-16 budget incorporates a transfer from reserves of £0.35 million.

No usage of reserves is planned for 2017-18.

Financial plans 2015-16

The three year budget for 2015-16 to 2017-18 was approved by Council in February 2015. This used the 2014-15 budget as a base and reflected changes for known items of income and expenditure for future years. The 2015-16 budget incorporates a transfer from general fund reserves of £0.35 million and a transfer from HRA reserves of £1 million. There is no budgeted use of general fund reserves in 2017-18.

The budget has been set on the basis of the approved Council tax freeze for 2015-16. The Scottish Government has provided grant figures for 2015-16 only, with an increase of £2.3 million from 2014-15. The budgets have therefore been based on the agreed level of revenue support grant for 2015-16, assuming no increase in 2016-17 and 2017-18. This would represent a reduction in funding in real terms and presents a challenging position for the Council with increasing demand for services. Continuing to prepare a three year budget is considered good practice, with longer term budgets also useful in order to support long term decisions.

Increases in costs across departments include assumed pay increases and an increase in pension contribution rates for services, however this is offset by a reduction in the pension deficit lump sum payment. The following additional investment is also planned in 2015-16:

- £0.75 million to support increasing pressures on adult wellbeing;
- £0.2 million additional support for children’s wellbeing;
- £0.35 million for pre-school education and childcare; and
- £0.5 million for further roll out of the free school meals program.

As well as additional grant funding, the Council has planned for efficiency savings in 2015-16. The VERS scheme implemented in 2013-14 contributed to staff costs savings of approximately £3 million annually. Further savings are planned through efficient workforce management (£0.6 million), devolved schools management reviews (£0.2 million) and BuySmart reviews (£0.3 million).

Budgeted income and expenditure for 2014-15 to 2017-18				
	2014-15 budget £'000	2015-16 budget £'000	2016-17 budget £'000	2017-18 budget £'000
Department				
Resources and people services	104,112	106,963	109,319	109,022
Health and social care partnership	44,395	45,838	45,731	45,456
Partnerships and community services	46,076	47,261	46,627	45,863
Net expenditure	194,583	200,062	201,677	200,341
Corporate income	(219,133)	(222,148)	(223,064)	(223,834)
Corporate commitments	24,380	22,436	22,987	23,493
Transfer to / (from) reserves	170	(350)	(1,600)	-
(Surplus) / deficit	-	-	-	-

Source: East Lothian Council draft budget 2015-16 to 2017-18

Financial statements and accounting

Our perspective on the preparation of the
annual accounts and key accounting
judgements made by management

We intend to issue an unqualified audit opinion. The annual accounts, including the governance statement, were made available on a timely basis and were accompanied by high quality working papers.

Audit conclusions

Our audit work is complete subject to receipt of management representations and update of subsequent events. Following approval of the annual accounts by the audit and governance committee we intend to issue an unqualified opinion on the truth and fairness of the state of the Council's affairs as at 31 March 2015, and of the Council's surplus for the year then ended. There are no matters identified on which we are required to report by exception. Targets for statutory trading operations were met in 2014-15.

In gathering the evidence for our opinion we have:

- performed controls testing and substantive procedures to ensure that key risks to the annual accounts have been covered;
- communicated with internal audit and reviewed their reports as issued to the audit and governance committee to ensure all key risk areas which may be viewed to have an impact on the annual accounts have been considered;
- reviewed estimates and accounting judgements made by management and considered these for appropriateness;
- considered the potential effect of fraud on the annual accounts through discussions with senior management and internal audit to gain a better understanding of the work performed in relation to prevention and detection of fraud; and
- attended audit and governance committees to communicate our findings to those charged with governance, and to update our understanding of the key governance processes.

Annual accounts preparation

- High quality working papers and draft accounts were provided at the start of the audit fieldwork on 22 June 2015, including a statement of responsibilities, remuneration report and governance statement. A draft management commentary was provided on 5 August 2015. We noted further development in the quality of supporting documentation, and an accelerated accounts timeline as a result of the Local Authority Accounts (Scotland) Regulations 2014.
- In advance of our audit fieldwork, we issued a 'prepared by client' request setting out a list of required analyses and supporting documentation. Reflective of the long standing working relationship with the Council the standard of documentation was very good and management quickly responded to queries.
- Throughout the course of the year we had regular discussion with the Council's finance team to ensure that disclosure within the annual accounts was consistent with the requirements of the Code. We provided feedback to management on the content of the annual accounts, management commentary, governance statement and remuneration report and we are pleased to report that these were prepared appropriately.
- There are no significant matters in respect of (i) audit differences; (ii) auditor independence and non-audit fees; and (iii) management representation letter content, as reported in appendix one.
- We consider that management has maintained a robust control environment throughout 2014-15.

The significant areas of risk identified in our audit strategy were in respect of:

- management override of controls fraud risk;
- the Council's financial position; and
- fraudulent income recognition.

and other focus areas of:

- accounting for provisions;
- valuation of non-operational assets and preparation for the 2015-16 Code; and
- retirement benefits.

We summarise below the risks of material misstatement as reported within the audit strategy. We set out the key audit procedures to address those risks and our findings from those procedures, in order that the audit and governance committee may better understand the process by which we arrived at our audit opinion.

We have no changes to the risk or our approach to addressing the assumed ISA risks of fraud in management override of controls and risks of fraud in revenue recognition. We do not have findings to bring to your attention in relation to these matters. No control overrides were identified.

Significant risk	Our response	Audit findings
<p>Financial position</p> <p>The Council planned to utilise most usable un-earmarked general reserves by 31 March 2016. In 2016-17 the Council is budgeting a break-even position. This gives rise to challenge and inherent risk for the Council as there would be no un-earmarked general reserves available if a break-even position was not achieved.</p> <p>In 2014-15 the Council recorded a statutory surplus of £9.3 million (2013-14: £3.6 million deficit), with £5.7 million higher than budgeted transfer to the general fund.</p>	<p>We have updated our understanding of the Council's financial position and year end outturn position through review of quarterly reports and other management information. We have commented on this on pages 8 to 13.</p> <p>We performed controls testing over the budgeting process including the monitoring of budgets throughout the year.</p> <p>We performed substantive procedures, including substantive analytical procedures, over income and expenditure comparing the final position to budget and investigating significant variances.</p>	<p>We found that management is adequately monitoring the financial position through regular internal reporting. This is communicated to members on a regular basis.</p> <p>Management has applied the going concern assumption in preparing the annual accounts. We have considered this assumption on page 21 and concluded that this is appropriate.</p>

Focus area	Our response	Audit findings
<p>Accounting for provisions (landfill sites, holiday pay and bad debt)</p> <ul style="list-style-type: none"> Bad debt provisions are calculated separately for each debtor category. The council tax, housing rents and housing benefit provisions are calculated on a historical methodology meaning they may not accurately reflect collection rates. In 2013-14, we considered the council tax bad debt provision to be prudent, and recommended that management reviewed the methodology. Whilst the Council does not operate landfill sites, coal mines or other sites which carry significant obligations for rectification, there is one Council-owned former landfill site, for which management is monitoring emissions. We reported in our audit strategy that further analysis was required by management to identify potential exposure to decommissioning obligations in respect of this site, and ensure appropriate monitoring procedures are in place. Following a European Court of Justice ruling in May 2014, employers are required to pay holiday pay to staff at a rate commensurate with any commission or over time that they regularly earn. Following legal advice, management has implemented this process for holiday pay going forward. Management considered whether there was a provision or contingent liability that required disclosure as at 31 March 2015. 	<p>Under IAS 37 a provision should be recognised when:</p> <ul style="list-style-type: none"> an entity has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. <p>We recalculated the bad debt provision, and considered this in terms of debt collection rates and other local authorities. We considered the appropriateness of the change in methodology.</p> <p>We considered guidance on asset decommissioning obligations in respect of assets in the Council's boundaries and reviewed management's assessments of these assets. We reviewed the fixed asset register to verify that there were no relevant assets the Council had not considered.</p> <p>We monitored legislative changes on holiday pay and considered the Council's position in relation to the above criteria.</p> <p>We challenged management's year end judgements and assessed the provision values. We met with Council employees outside of the finance function to corroborate management's assertions. We also discussed other risk areas in respect of provisions, such as equal pay, to verify no further provisions are required.</p>	<p>We found that:</p> <ul style="list-style-type: none"> management has reviewed the calculation for the £7.4 million council tax bad debt provision, and revised this to be based on collection rates. We consider this to be a more accurate reflection of the bad debt in relation to council tax and we found no errors in our recalculation; management has considered the obligations in respect of asset decommissioning obligations, and we concur with management's view that no significant obligation exists at 31 March 2015. Management will continue to monitor this going forward; and management has implemented actions to mitigate the impact of the legislation in relation to holiday pay and consider it to be unlikely that they would be a material settlement in respect of this. We concur with management's assessment and a provision or contingent liability is not required as at 31 March 2015.

Focus area	Our response	Audit findings
<p>Property, plant and equipment</p> <p>In order to comply with the requirements of the Code, Council assets are subject to rolling valuations; non-operational assets were subject to valuation in 2014-15. Through competitive tender, management appointed an external valuer to perform the valuation. The revaluation resulted in a gain of £9 million recognised in the revaluation reserve in 2014-15.</p> <p>It is expected that the 2016-17 Code will adopt requirements of the <i>Code of practice on transport infrastructure assets</i> ("the transport code"), which requires measurement of these assets on a depreciated replacement cost basis. This will represent a change in accounting policy from 1 April 2016 and require full retrospective restatement. Local authorities are advised to develop a project plan to during 2014-15 to help achieve successful implementation.</p>	<p>Our audit work consisted of:</p> <ul style="list-style-type: none"> ■ engaging KPMG valuation specialists to challenge the valuation assumptions used by the valuer; ■ confirming the accounting treatment of the valuations by agreeing capital accounting journals; and ■ agreeing the values posted in the financial statements to those provided by the external valuer. <p>We considered the Council's plan for the requirements of the transport code, including meeting with Council staff from the asset and regulatory team and reviewing the whole of government accounts ("WGA") submission. We evaluated the extent to which the Council is prepared for the change in accounting policy.</p>	<p>From the work of our valuation specialists, which included direct contact and challenge of the valuer, we consider that the revaluation is materially appropriate. We also consider that:</p> <ul style="list-style-type: none"> ■ the methodology and approach taken by the external valuer is appropriate and in line with KPMG expectations; ■ the valuation is appropriately recognised and disclosed in the annual accounts. <p>In respect of readiness for the 2016-17 code, whilst the Council is in line with other local authorities in its preparedness, a formal project plan has not been formed and the transport infrastructure asset valuation has not yet been completed for WGA. Management anticipates that this will be completed prior to the final WGA submission in October 2015.</p> <p style="text-align: right;">Recommendation one</p>

Focus area	Our response	Audit findings
<p>Retirement benefit obligations</p> <p>The Council accounts for its participation in the Lothian Pension Fund in accordance with IAS 19 <i>Retirement benefits</i>, using a valuation report prepared by actuarial consultants.</p> <p>The Council's actuaries use membership data and a number of assumptions in their calculations based on market conditions at the year end, including a discount rate to derive the anticipated future liabilities back to the year end date and assumptions on future salary increases.</p> <p>IAS 19 requires the discount rate to be set by reference to yields on high quality (i.e. AA) corporate bonds of equivalent term to the liabilities. The calculation of the pension liability is inherently judgemental.</p>	<p>Our work consisted of:</p> <ul style="list-style-type: none"> ■ KPMG specialists reviewing the financial assumptions underlying actuarial calculations and comparison to our central benchmarks, the results of which are outlined on page 38; ■ testing of scheme assets and rolled-forward liabilities; ■ testing of the level of contributions used by the actuary to those actually paid during the year; ■ testing of membership data used by the actuary to data from the Council; and ■ agreeing actuarial reports to financial statement disclosures. 	<p>We are satisfied that the retirement benefit obligation:</p> <ul style="list-style-type: none"> ■ is correctly stated in the balance sheet as at 31 March 2015; ■ has been accounted for and disclosed correctly in line with IAS19 <i>Retirement benefits</i>; and ■ assumptions used in calculating this estimate and management's judgements are appropriate and within the acceptable KPMG range. <p>We set out further information in respect of the defined benefit obligation on pages 38 and 39. The defined benefit obligation increased by £43.2 million compared to 31 March 2014, driven by a lower discount rate and increased mortality assumption.</p>

The Council prepares annual accounts in accordance with the 2014-15 Code. There have been no changes to accounting policies in the year, however the requirements of the transport code will represent a change in accounting policy from 2016-17.

Accounting framework and application of accounting policies		
Area	Summary observations	Audit findings
Accounting policies	<ul style="list-style-type: none"> ■ There have been no changes to adopted accounting policies in the year. ■ Critical accounting judgements continue to relate to the valuation of property, plant and equipment as well as the valuation the present value of defined benefit obligations under IAS 19 (as calculated by the Council's actuary, Hymans Robertson) using agreed financial assumptions. ■ The requirements of the transport code will apply from 2016-17, and represent a change in accounting policy. This will require a retrospective restatement for the Council's 2015-16 balance sheet. 	We are satisfied that the accounting policies and estimates adopted remain appropriate to the Council. We have not identified any indications of management bias.
Financial reporting framework	<p>East Lothian Council prepares annual accounts in accordance with the Code of Practice of Local Authority Accounting in the United Kingdom ("the 2014-15 Code") which is based upon International Financial Reporting Standards ("IFRS").</p> <p>The 2014-15 Code has a number of amendments from the 2013-14 version. The amendments include:</p> <ul style="list-style-type: none"> ■ adoption of the new group accounting standards IFRS 10, IFRS 11, IFRS 12 and IAS 28; ■ amendments in respect of the restated opening balance sheet; and ■ changes to the requirements for accounting for combinations of bodies and transfer of functions. <p>We have considered the adoption of the new group accounting standards on page 23. We do not consider these changes to have a material impact on the Council's annual accounts. There was no requirement for a restated opening balance sheet and no combinations or transfer of funds.</p>	We are satisfied that the accounting policies adopted remain appropriate to the Council and have been correctly applied.

The annual accounts have been appropriately prepared on a going concern basis, having due consideration of the agreement of revenue support grant in respect of 2015-16.

Accounting framework and application of accounting policies		
Area	Summary observations	Audit findings
Going concern	<ul style="list-style-type: none"> ■ The Council had net assets of £230.6 million (2013-14 £252.2 million) at the balance sheet date. Although this has decreased from 2013-14 by £21.6 million, this is primarily in relation to the increases in the pension liability and long term borrowing, which do not fall due within one year. ■ Management considers it appropriate to continue to adopt the going concern assumption for the preparation of the annual accounts. It considers that the confirmed revenue support grant of £173 million and the available cash balance of £8.7 million are sufficient to meet debts as they fall due. ■ The Council recognised a surplus in the year, which added £9.3 million to useable reserves, providing further comfort over the Council's financial position. Over the past few years there has been a reduction in the overall cost base and further efficiency savings are incorporated in budgets. 	We concur with management's view that the going concern assumption remains appropriate for the reasons noted.

Our testing of the design and operation of financial controls over the production of the annual report and remuneration report are consistent with the annual accounts.

Area	Summary observations	Audit findings
Management commentary	<p>The Local Authority Accounts (Scotland) Regulations 2014 requires the inclusion of a management commentary within the annual accounts, similar to the Companies Act requirements for listed entity financial statements.</p> <p>The requirement notification was issued relatively late in the accounts preparation process and the management commentary was not included within the unaudited annual accounts; a draft was received on 5 August 2015. We reviewed the contents of the management commentary against the guidance contained in the local government finance circular 5/2015 and are content with the proposed report. We provided management with some relatively minor suggestions relating to how the management commentary could be enhanced and where additional information disclosures should be made.</p>	<p>We are required to consider the management commentary and provide our opinion on the consistency of it with the annual accounts. We are satisfied that the information contained within the management commentary is consistent with the annual accounts.</p>
Remuneration report	<p>The remuneration report was included within the draft annual accounts and supporting reports and working papers were provided.</p> <p>Amendments were required to the draft remuneration report to ensure its consistency with underlying records and presentational changes to ensure that it complied with the Local Authority Accounts (Scotland) Regulations 2014.</p> <p style="text-align: right;">Recommendation two</p>	<p>We are satisfied that the information contained within the remuneration report is consistent with the underlying records and the annual accounts.</p>

We have considered the Council's subsidiaries and associates against the requirements of group accounting standards.

We have considered the Council's arrangements in respect of following the public pound and arms-length external organisations.

Requirements	Summary observations	Audit findings
<p>Group accounting</p> <p>The 2014-15 Code includes a requirement for the adoption of the new group accounting standards IFRS 10, IFRS 11, IFRS 12 and IAS 28.</p> <p>As part of adopting the new standards, management was required to identify interests in other entities and determine whether these were classified as subsidiaries, joint ventures or associates and ensure appropriate disclosure in the annual accounts.</p>	<p>Management prepared a schedule of group entities in advance of the audit and considered each entity against the new standards and classified each entity as a subsidiary or an associate.</p> <p>We compared management's disclosure of group entities against the requirements of the Code, incorporating the new group accounting standards.</p> <p>Subsidiaries are entities over which the Council can exercise control. Control occurs if the Council has:</p> <ul style="list-style-type: none"> ■ power over the investee; ■ exposure, or rights, to variable returns from its involvement with the investee; and ■ the ability to use its power over the investee to affect the amount of the investor's returns. <p>The Council considers that the Trust Funds, Common Goods Funds, East Lothian Land and Musselburgh Joint Racing Committee are subsidiaries.</p> <p>Associates are entities in which the Council can exercise a significant influence without support from other participants. The Council considers that the Lothian Valuation Joint Board, Enjoy East Lothian Limited, East Lothian Investments and Brunton Theatre Trust are associates.</p>	<p>We agree with management's classification of subsidiaries and associates in line with the requirements of group accounting standards.</p> <p>The subsidiaries are consolidated within the annual accounts, none of them are material for audit purposes.</p>
<p>Following the Public Pound</p> <p>Auditors are required to consider the Council's arrangements for compliance with the Code of Guidance on Funding External Bodies and Following the Public Pound ("the FtPP Code").</p>	<p>We considered management's processes to comply with the FtPP Code. Internal audit considers funding provided to external organisations on an annual basis. A review of partnership funding was completed in 2014-15, and a review of funding provided to third sector organisations is planned for 2015-16.</p> <p>We prepared a report to management in 2013-14 in relation to the Council's arrangements in respect of arms-length external organisations ("ALEOs"). Our report did not include any significant recommendations, however we highlighted that the audit and governance committee had requested a report on ALEOs to be presented; this has not yet been prepared.</p> <p>Management considers Enjoy East Lothian Limited ("Enjoy") to be the Council's only ALEO. Members receive copies of Enjoy's financial statements, management reports and business plans in order to scrutinise performance. Management attend quarterly contract meetings and all Enjoy Board meetings. One third of the Enjoy Board is appointed from Council members.</p>	<p>No significant recommendations have been made to the Council in respect of weaknesses in compliance with the FtPP Code.</p>

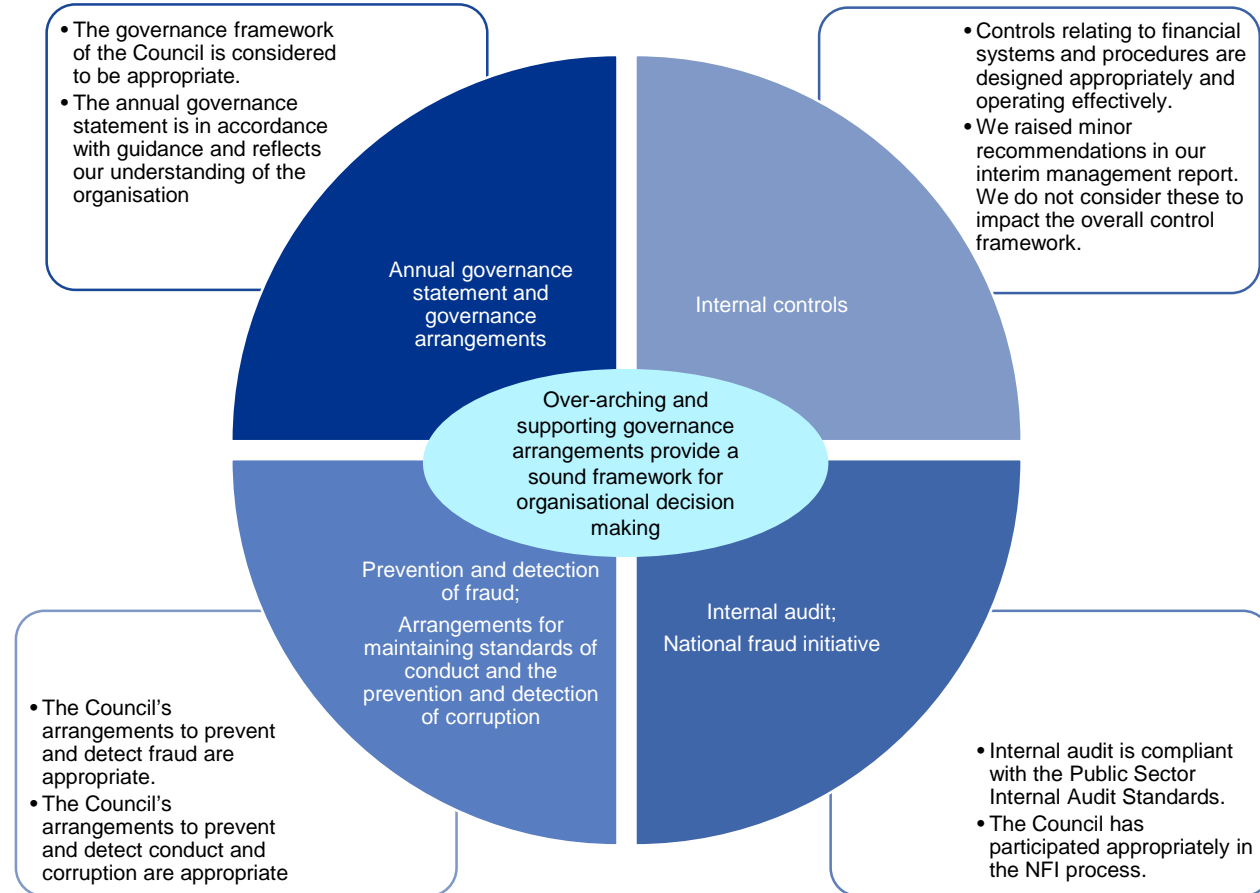
Governance and narrative reporting

Our overall perspective on narrative reporting, including the annual governance statement

Update on controls findings from our audit

We considered the Council's corporate governance arrangements against a number of key areas which we consider to make up an effective governance framework.

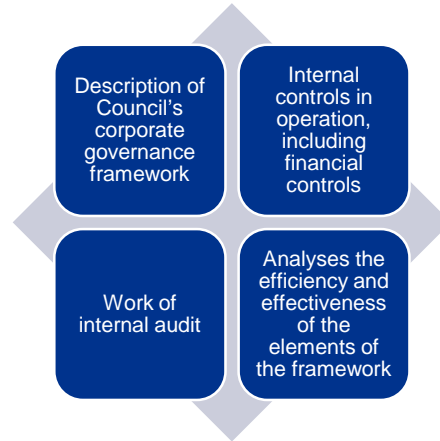
Our audit findings against each key area are provided opposite.



Over-arching and supporting corporate governance arrangements remain primarily unchanged and provide a sound framework for organisational decision-making.

Annual governance statement

The Council includes an annual governance statement within its annual accounts. The following elements have been included.



Governance arrangements

The Council operates a cabinet structure, and has an audit and governance committee to ensure sound governance arrangements.

Compliance with the Code of Corporate Good Governance

A task group comprising senior officers of the Council was given responsibility for developing, monitoring and reviewing corporate governance. An annual corporate governance self evaluation has been implemented as a result of this. The results of the 2014-15 self evaluation were reported to the audit and governance committee in May 2015 and did not identify further actions or improvement points for 2015-16.

Risk management

Management is continuing to review risk management arrangements to provide assurance to elected members over the mitigation of identified risks. The risk management strategy and supporting documentation demonstrate a commitment to good practice and were initially implemented in December 2009.

A corporate risk register is in place and is supported by departmental risk registers, which are updated on an annual basis. The corporate risk register was updated in April 2015, and approved by cabinet in May 2015. Risk registers are maintained on spreadsheets, although management intends to transfer these to the Aspireview system going forward.

The risk management strategy was updated and approved by the audit and governance committee in January 2015 and includes a description of the Council's risk appetite. This is considered to be in line with best practice.

We have updated our understanding of the governance framework and documented this through our overall assessment of the Council's risk and control environment. We consider the governance framework to be appropriate for the Council and that the governance statement is in accordance with guidance and reflects our understanding of the organisation.

We raised three recommendations in the interim audit report, in respect of bank reconciliations, system audit logs and processing of leavers. We welcome the progress in implementing the recommendations.

Internal controls

East Lothian Council management is responsible for designing and implementing appropriate internal control systems to ensure a true and fair view of operations within the annual accounts. Our testing, combined with that of internal audit, of the design and operation of financial controls over significant risk points confirms that controls relating to financial systems and procedures are designed appropriately and operating effectively.

The findings of our controls testing relate only to those matters identified during our normal audit work, in accordance with the Code, and there may still be weaknesses or risks within the control environment which have not been identified through this work.

As part of our interim audit report, we raised three recommendations in relation to control weaknesses, all of which were due to implemented by June 2015. We provide an update on the progress of implementation of each of these recommendations below:

- timely completion of bank reconciliation – bank reconciliations were all completed for 2014-15 and are progressing to an agreed timetable for 2015-16;
- maintaining system audit logs - management confirmed that system audit logs are being maintained; and
- disabling generic accounts for Chris21 and processing of leavers' paperwork – generic training accounts have been disabled and staff have been reminded to complete leavers' documentation in a timely manner.

Our testing, combined with that of internal audit, of the design and operation of financial controls over significant risk points confirms that controls relating to financial systems and procedures are designed appropriately and operating effectively. Since the conclusion of our interim work, the procedure for performing bank reconciliations has improved. There have been no other changes to the operation of controls under review.

The Council has procedures in place for the prevention and detection of fraud and corruption.

The Council participates in the NFI exercise and is progressing well with this in 2014-15.

Prevention and detection of fraud

No material fraud or other irregularities were identified during the year. The arrangements include policies and codes of conduct for staff and board members, supported by a fraud prevention policy and response plan. The Council participates in the national fraud initiative (“NFI”) exercise, lead by internal audit. We have discussed the Council’s involvement in NFI opposite.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

The Council has arrangements including policies and codes of conduct for staff and elected members, supported by a whistleblowing policy. Management and members are responsible for setting the ‘tone at the top’ and are responsible for abiding by the code of conduct and disclosing interests which may be of importance, material or otherwise, to their work at the Council.

National fraud initiative (“NFI”)

The National Fraud Initiative (“NFI”) is a data matching exercise which compares electronic data within and between participating bodies in Scotland to prevent and detect fraud. This exercise runs every two years and provides a secure website for bodies and auditors to use for uploading data and monitoring matches.

We completed a return to Audit Scotland in December 2014 in respect of the council tax single person discount to electoral roll NFI exercise, and our findings were reported in our interim management report.

We completed a further return in June 2015, where our review of the Council’s NFI participation resulted in an amber grading. The Council is progressing well through the NFI exercise, focusing on high risk outcomes. There is opportunity for improvement by updating the NFI site more regularly when investigations are completed.

Recommendation three

We consider that the Council has appropriate arrangements to prevent and detect fraud.

We consider that the Council has appropriate arrangements to prevent and detect inappropriate conduct and corruption.

We consider that the Council has participated appropriately in the NFI process following up all higher risk outcomes in a timely manner.

The Council's internal audit department supports management in maintaining sound corporate governance arrangements and internal controls. We have found internal audit to be compliant with the Public Sector Internal Audit Standards.

Internal audit

Internal audit is provided by the Council's internal audit department and supports management in maintaining sound corporate governance and internal controls through the independent examination and evaluation of control systems and the reporting of any weaknesses to management for action.

Audit Scotland's Code of Audit Practice sets out the wider dimension of public sector audit. It requires external auditors to perform an annual assessment of the adequacy of the internal audit function. We considered the activities of internal audit against the requirements of Public Sector Internal Audit Standards ('PSIAS'), focusing our review on the public sector requirements of the attribute and performance standards contained within PSIAS. This included a review of the internal audit charter, reporting lines, independence, objectivity and proficiency and the range of work carried out by internal audit. We also considered the requirements of International Standard on Auditing 610 (*Considering the Work of Internal Audit*).

From this assessment, and considering the requirements of International Standard on Auditing 610 (*Considering the Work of Internal Audit*), we can apply internal audit's work to inform our procedures, where relevant. The review of internal audit reports and conclusions did not indicate additional risks and there is no impact on our planned substantive testing.

Internal audit has completed its agreed plan for the year ended 31 March 2015 and the controls assurance statement states that reasonable assurance can be placed on the overall adequacy and effectiveness of East Lothian Council's framework of governance, risk management and control for the year to 31 March 2015. The graphic opposite provides a summary of internal audit's work during the year.

Summary of internal audit work

- Agreed plan completed for the year.
- 21 reviews completed.
- Out of a total of 122 findings, nine were categorised as 'high' risk findings.
- Controls assurance statement provides reasonable assurance on the overall adequacy and effectiveness of the Council's governance framework, risk management and controls.
- Internal audit conduct probity reviews, providing the Council with assurance over its control framework. There are opportunities for added value to be provided by internal audit through wider scope "strategic" reviews.

We have concluded that the internal audit service operates in accordance with Public Sector Internal Audit Standards.

We can apply internal audit's work to inform our procedures, where relevant. The review of internal audit reports and conclusions did not indicate additional risks and there is no impact on our planned substantive testing.

The integrated joint board receives its delegated powers as of 1 April 2016.

We have considered the Council's progress against milestones to date and its preparedness for key milestones for activities from 1 April 2016.

We consider the Council's progress to be appropriate and in line with most local authorities.

Health and social care integration

In March 2014 the Public Bodies (Joint Working) (Scotland) Act was passed by the Scottish Government. This requires all Councils and NHS Boards to formally and legally establish integration of health and social care by April 2016. We have considered the Council's progress against milestones to its preparedness for activities from 1 April 2016. All statutory requirements have been met to date.

Milestone	Summary observations	Our view
Establishment of Shadow Board	The shadow board met throughout 2013-14 and 2014-15.	The shadow board has fulfilled its role during 2013-14 and 2014-15.
Approval of integration scheme and establishment of Integrated Joint Board ("IJB")	The integration scheme for East Lothian was approved by Scottish Government in May 2015. The IJB was formally established in June 2015 and met for the first time on 1 July 2015. The East Lothian shadow IJB worked with partner shadow IJBs within the Lothian region in forming the integration scheme, to ensure collaborative working and reduce duplication. The IJB's key initial responsibility is to form the action plan to ensure readiness for 1 April 2016.	The Council met statutory requirements in relation to the integration scheme. With the IJB established and operating, this is ahead of many Councils in Scotland. Forming a full action plan, to formalise objectives and identify interdependencies, is important, as noted by the chief officer.
Governance and membership arrangements	The voting and non-voting members of the IJB were formally appointed. Standing orders were approved at the IJB's first meeting and the Code of Conduct is being developed jointly between NHS and Council officers. The Code of Conduct will be approved by the Scottish Government before members must formally adopt and commit to complying.	Progress is in line with expectations . Management is aware of the need to consider remits of committees within the Council to ensure they reflect the new responsibilities and maintain scrutiny of services.
Appointment of chief officer and chief finance officer	The chief officer was appointed at the first meeting of the IJB. In respect of the chief finance officer (section 95 officer), recruitment is ongoing and is expected to be a joint appointment with another IJB.	A vacancy in the chief finance officer post is not unusual for IJBs at this stage. There is a risk to the IJB's readiness for 1 April 2016 given the requirement for financial planning and due diligence in advance of this date.
Other key positions	The IJB has prepared an organisational structure paper which sets out the preferred structure, whereby there will be three service provision groups and a support function. Two of three heads of services are in place and the remaining appointment is targeted for 30 September 2015.	The final head of service appointment is outstanding and progress to date is considered to be on track.

Health and social care integration (continued)

Milestone	Summary observations	Our view
Development of strategic plan	Section 32 of the Public Bodies (Joint Working) (Scotland) Act places a duty on IJBs to establish a strategic planning group ("SPG") which is involved in all stages of developing and reviewing the strategic plan. Membership of the SPG and its role and remit have been approved by the IJB. A consultation on the joint strategic plan has been undertaken. The NHS Lothian's Local Delivery plan is a critical part of forming the strategy and this is directed by the chief officer.	We consider that progress with developing the strategic plan is on track, and that the SPG will act as an appropriate forum to develop the strategic plan.
Due diligence	Three streams of due diligence have been carried out, and different options have been identified. This work is ongoing and will be a key milestone to ensure appropriate financial management.	We consider progress to be appropriate, and further focus is needed to ensure all due diligence is completed in time to put in place appropriate organisational structures.
Budgets	Annual accounts will be required for the joint board from 2015-16 onwards and it is anticipated that partners will include financial information regarding the joint board in annual accounts. The budget for 2016-17 will be formed drawing on existing functional budgets.	As minimal spend is expected in 2015-16 we are comfortable that no formal budget is required. A budget for 2016-17 will need to be formed, and appointment of a chief finance office is a key step to enable this to happen.
Communication	East Lothian Council keeps stakeholders informed of the progress of Health and Social Care Integration and the IJB through the Council website. This has a section which includes the background of integration, progress, minutes, key individuals and events. Part of the action plan for the IJB is in respect of communication to employees, of the two partners, in respect of future plans and inherent changes.	The East Lothian Council website contains excellent information to inform stakeholders, and is more informative than other such websites.

Performance management

Our perspective on the performance management arrangements, including follow up work on Audit Scotland reports

Our work has identified that the Council's Best Value and performance management arrangements are generally robust.

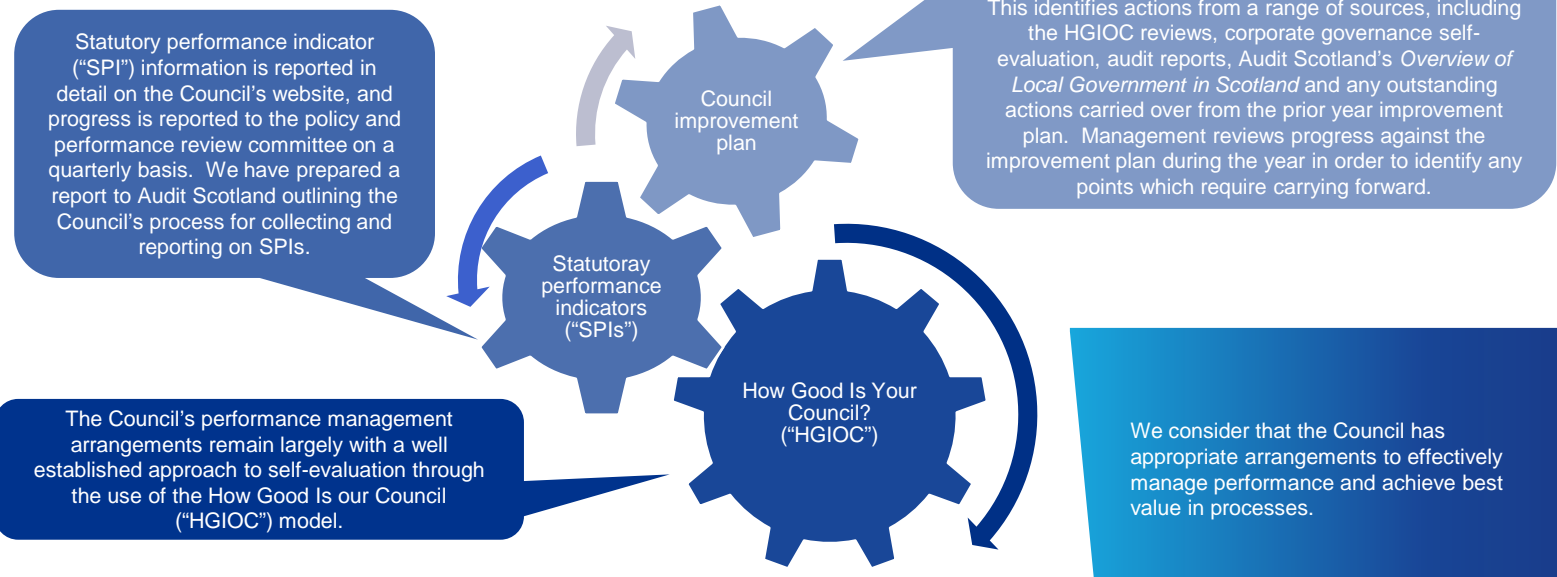
Performance management and Best Value

Scottish Government guidance on Best Value in public services requires a systematic approach to self-evaluation and continuous improvement. The guidance identifies the themes an organisation needs to focus on in order to deliver the duty of Best Value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.

In June 2015 Audit Scotland presented a report to the Accounts Commission summarising a review of all Scottish councils' response to the Commission's Statutory Performance Information Direction (2012). The Council scored favourably on the report, with full compliance in 16 of 18 themes. Areas for improvement were identified as assets and procurement, as there is small range of indicators in these areas.

Included within the internal audit plan each year is a review of the systems for preparation and reporting of performance indicators, to provide assurance over best value. Internal audit considers best value as part of wider reviews, for example within the 2014-15 discretionary and mandatory financial assistance review.

Our consideration of the work of internal audit, as part of our extended control work, did not indicate high risk findings within these areas. We consider that the Council has adequate processes to ensure best value. However we recognise that there are a number of criteria to consider within best value and it is inherently judgemental.



The Council has established processes for the consideration of Audit Scotland's national performance audits.

We have prepared a return to Audit Scotland in 2014-15 in respect of our findings on financial capacity within the Council.

Local response to national studies

Audit Scotland periodically undertakes national studies on topics relevant to the performance of local government bodies. To ensure that added value is secured through the role of Audit Scotland and its appointed auditors, auditors consider if audited bodies respond appropriately to reports from Audit Scotland's programme of national performance audits.

The Council has established processes for the consideration of national performance audits. All Audit Scotland performance audit reports are presented to the audit and governance committee. The service manager for corporate policy and improvement, policy officer or relevant service manager prepares a report to include a summary of Audit Scotland's findings, the Council's position in relation to this and an action plan for improvements. Presenting these to the audit and governance committee ensures members are aware of sector and national issues, and there is appropriate challenge for management in addressing any potential weaknesses.

Financial capacity in public bodies

Through the process of feedback through annual audit reports, current issues reports and sector meetings, Audit Scotland has identified that overall reductions in staff numbers in public bodies may be affecting the capacity of back-office functions and specifically finance.

Audit Scotland has requested the collation of baseline data across the public sector to inform sector specific overview reports and may inform a follow-up to the joint report on the public sector workforce which was published in November 2013 or support the development of the future performance audit programme.

We have completed a return to Audit Scotland in respect of our findings. Our review in response to the request for data collection identified that there is appropriate financial capacity within the organisation to ensure effective management. However, financial responsibility is concentrated to a few individuals with wide roles. It is likely that with the integrated health and social care joint board, responsibilities for the finance team will increase and capacity may be further stretched. A service review is being considered to improve capacity within the finance team.

Recommendation four

We consider that the Council has appropriate arrangements to effectively respond to national studies.

We consider that the Council has appropriate financial capacity to effectively manage the organisation. Improvements could be made with regard to succession planning of key finance positions and ensuring capacity for the integration of health and social care.

Appendices

There were no changes to the core financial statement and there are no unadjusted audit differences

Area	Key content	Reference
Adjusted audit differences Adjustments made as a result of our audit	There were no audit adjustments required to the draft annual accounts which impacted on the net assets or net income for the year. A small number of minor numerical and presentational adjustments were required to some of the financial statement notes.	-
Unadjusted audit differences Audit differences identified that we do not consider material to our audit opinion	We are required by ISA (UK and Ireland) 260 to communicate all uncorrected misstatements, other than those which are trivial, to you. There are no unadjusted audit differences.	-
Confirmation of Independence Letter issued to the Audit and Governance Committee	We have considered and confirmed our independence as auditors and our quality procedures, together with the objectivity of the Audit Director and audit staff.	Appendix two
Schedule of Fees Fees charged by KPMG for non-audit services	We have concluded that non-audit fees of £34,800 for the year in respect of VAT services do not compromise our independence.	Appendix two
Draft management representation letter Proposed draft of letter to be issued by the Council to KPMG	There are no changes to the standard representations required for our audit from last year.	-
Materiality The materiality applied to audit testing.	We assessed materiality based on our knowledge and understanding of East Lothian Council's risk profile and annual accounts balances. Materiality was determined at £5.74 million; approximately 2% of total expenditure, and is broadly consistent with the materiality identified in our audit strategy. We designed our audit procedures to detect errors at a lower level of precision, i.e. £4.3 million. We report identified errors greater than £250,000 to the audit and governance committee.	

Auditing standards require us to consider and confirm formally our independence and related matters in our dealings with East Lothian Council.

We have appropriate procedures and safeguards in place to enable us to make the formal confirmation in our letter included opposite.

Auditor independence

Professional ethical standards require us to provide to you at the conclusion of an audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed. This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence.

We have considered the fees paid to us by East Lothian Council and its related entities for professional services provided by us during the reporting period. We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Regular communications
- Internal accountability
- Risk management
- Independent reviews

Please inform us if you would like to discuss any of these aspects of our procedures in more detail.

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the board of directors.

Confirmation of audit independence

We confirm that as of 2 September 2015, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This letter is intended solely for the information of the audit committee and should not be used for any other purpose.

Yours faithfully
KPMG LLP

In respect of employee benefits, each of the assumptions used to value the Council's net pension deficit are within an acceptable range of KPMG's expectations.

We are of the view that this therefore represents a reasonable and balanced approach, in accordance with the requirements of IAS 19.

We set out below the assumptions in respect of employee benefits.

Defined benefit pension liability																							
2015 £'000	2014 £'000	KPMG comment																					
(172,028)	(128,785)	<p>In line with our established practice and in advance of the audit fieldwork, our actuarial specialists reviewed the approach and methodology of the actuarial assumptions used in the IAS19 pension scheme valuation.</p> <p>Details of key actuarial assumptions are included in the table, along with our commentary.</p> <table border="1"> <thead> <tr> <th>Assumption</th> <th>East Lothian Council</th> <th>KPMG central</th> <th>Comment</th> </tr> </thead> <tbody> <tr> <td>Discount rate (duration dependent)</td> <td>3.20%</td> <td>3.30%</td> <td>Acceptable. The proposed discount rates are within an acceptable range of KPMG's central rates as at 31 March 2015.</td> </tr> <tr> <td>CPI inflation</td> <td>RPI less 0.9%</td> <td>RPI less 1.0%</td> <td>Acceptable. KPMG's view is that the differential between RPI and CPI should be closer to 1%. The Council's assumptions could therefore be considered prudent (higher liability).</td> </tr> <tr> <td>Net discount rate (discount rate – CPI)</td> <td>0.80% – 1.00%</td> <td>1.02% - 1.05%</td> <td>Acceptable. The proposed assumptions are within the acceptable range of +/- 0.3% from the KPMG central range.</td> </tr> <tr> <td>Salary growth</td> <td>RPI + 1%</td> <td>Typically 0% - 1.5% above inflation</td> <td>Acceptable. The proposed assumptions are within the acceptable range.</td> </tr> </tbody> </table>		Assumption	East Lothian Council	KPMG central	Comment	Discount rate (duration dependent)	3.20%	3.30%	Acceptable. The proposed discount rates are within an acceptable range of KPMG's central rates as at 31 March 2015.	CPI inflation	RPI less 0.9%	RPI less 1.0%	Acceptable. KPMG's view is that the differential between RPI and CPI should be closer to 1%. The Council's assumptions could therefore be considered prudent (higher liability).	Net discount rate (discount rate – CPI)	0.80% – 1.00%	1.02% - 1.05%	Acceptable. The proposed assumptions are within the acceptable range of +/- 0.3% from the KPMG central range.	Salary growth	RPI + 1%	Typically 0% - 1.5% above inflation	Acceptable. The proposed assumptions are within the acceptable range.
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Salary growth	RPI + 1%	Typically 0% - 1.5% above inflation	Acceptable. The proposed assumptions are within the acceptable range.																				
<p>The overall assumptions applied by management are considered to be reasonably balanced for a scheme with a liability duration of between 17 and 23 years. The closing deficit increased by £43.2 million compared to 2013-14, primarily due to changes in assumptions, driven by the decrease in the discount rate and increase in mortality rates. A reconciliation from opening to closing deficit is included on the next page.</p>																							

The table opposite shows the reconciliation of the movement in the statement of financial position.

Increases to the pension scheme deficit in the year have been driven by changes in financial and demographic assumptions.

	£'000	Deficit / loss	Surplus / gain	Impact	Commentary
	Opening pension scheme deficit			(128,785)	The opening IAS 19 deficit for the Scheme at 1 April 2014 was £128.8 million, consisting of assets of £370 million and defined benefit obligation of £498.8 million.
I & E	Service cost			(15,294)	The employees' share of the cost of benefits accruing over the year is £15.2 million.
	Past service cost			(166)	A past service cost of £0.2 million is recognised, relating to early retirement over the year.
	Net interest			(5,564)	This is the interest on the opening deficit of £128.8 million. This is made up of £15.9 million interest income on plan assets, and £21.5 million interest cost on obligations.
Cash	Contributions			14,086	The Council made contributions of £14.1 million, broadly in line with contributions made last year, allowing for decreases in staff numbers through VERS.
OCI	Actuarial gain/(loss) – demographic assumptions			(21,928)	There was an actuarial loss of £21.9 million as a result of increasing mortality rates.
	Actuarial loss – financial assumptions			(59,394)	There was an actuarial loss of £59.4 million, driven by a 1.1% decrease in the discount rate assumption.
	Other experience			1,539	Other experience remeasurements resulted in a gain of £1.5 million.
	Return on assets			43,478	The return on plan assets, excluding interest of £15.9 million, was £43.5 million.
	Closing pension scheme deficit			(172,028)	The closing IAS19 deficit on the scheme at 31 March 2015 is £172 million (consisting of assets of £430.6 million and defined benefit obligation of £602.6 million).

I&E – impacts on surplus /(deficit) within statement of comprehensive net expenditure

Cash – cash-flow impact

OCI – charged through other comprehensive income

The action plan summarises specific recommendations arising from our work, together with related risks and management’s responses.

We present the identified findings across four risk dimensions:

- financial statements;
- business risks;
- governance risks; and
- performance reporting.

Priority rating for recommendations		
Grade one (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the organisation or systems under consideration. The weaknesses may therefore give rise to loss or error.	Grade two (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.	Grade three (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the control to meet their objectives in any significant way. These are less significant observations than grades one or two, but we still consider they merit attention.
Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p>1 Whole of government accounts – transport infrastructure assets (page 17)</p> <p><i>Risk dimension: financial statements</i></p> <p>Management completed the whole of government accounts (“WGA”) data collection tool (“DCT”) in line with the deadline for submission to auditors on 24 July 2015. The DCT contains an optional tab for transport infrastructure assets to help local authorities prepare a depreciated replacement cost valuation in line with the transport code. This tab was not completed on the unaudited DCT, however management plans to include this within the financial submission.</p> <p>There is a risk that management will not have the depreciated replacement cost figures for transport infrastructure assets as at 1 April 2015 to allow for a restatement of the 2015-16 balance sheet in line with the requirements of the Code.</p>	<p>Management should consider completing the transport infrastructure assets tab of the DCT prior to final submission. Going forward, this should be included in the first submission.</p>	<p>Grade three</p> <p>Inclusion of the infrastructure assets in the draft WGA submission was an optional requirement, with the intention that this would be included within the final WGA submission.</p> <p>Responsible officer: Service manager – Business Finance</p> <p>Implementation date: October 2015 (in line with WGA submission)</p>

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p>2 Remuneration report (page 21)</p> <p><i>Risk dimension: Governance</i></p> <p>A number of corrections and presentational adjustments were required to ensure that the remuneration report was accurate and complied with guidance.</p> <p>There is a risk that remuneration report is inaccurate or is not in line with guidance.</p>	<p>We recommend that the report is reviewed more thoroughly prior to its inclusion in the annual accounts to identify errors and inconsistencies.</p>	<p style="text-align: center;">Grade three</p> <p>Recommendation agreed. We will continue to ensure appropriate level of review is included within the accounts planning process.</p> <p>Responsible officer: Service manager – Business Finance</p> <p>Implementation date: June 2015</p>
<p>3 National fraud initiative (page 28)</p> <p><i>Risk dimension: Governance</i></p> <p>We completed a return to Audit Scotland in June 2015 to review the Council's participation. This resulted in an amber grading. We consider the Council to be progressing well through the NFI exercise, focusing on high risk outcomes. There is opportunity for improvement by updating the NFI site more regularly when investigations are completed.</p>	<p>Management should ensure outcomes are recorded as complete on the NFI site as they are resolved to ensure the site is up to date.</p>	<p style="text-align: center;">Grade three</p> <p>Recommendation agreed.</p> <p>Responsible officer: Internal audit manager</p> <p>Implementation date: The NFI site will be updated as soon as investigations are completed.</p>

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p>4 Financial capacity in public bodies (page 31)</p> <p><i>Risk dimension: Business</i></p> <p>We completed a return to Audit Scotland in respect of our findings on financial capacity within the Council. Our review in response to the request for data collection identified that there is appropriate financial capacity within the organisation to ensure effective management. However, financial responsibility is concentrated to a few individuals with wide roles. It is likely that with the integrated health and social care joint board, responsibilities for the finance team will increase. There is a risk there may not be sufficient capacity to take on this additional burden. We understand that a service review is being considered to improve capacity within the finance team</p>	<p>It is recommended that a service review is implemented as planned to assess capacity within the finance team. Management should consider its responsibilities in terms of the integrated joint board and ensure these are allocated to appropriate individuals. Preparation of the annual accounts if the integrated joint board should be included within the year end timetable for 2015-16 onwards.</p>	<p style="text-align: center;">Grade two</p> <p>Recommendation agreed.</p> <p>Responsible officer: Head of Council Resources / Service Managers – Business Finance and Corporate Finance.</p> <p>Implementation date: December 2015</p>



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3

East Lothian Council

Statutory Performance Indicators

25 August 2015

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in connection with this
report are:**

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Page

Background

3

Summary of findings

4

About this report

This report has been prepared in accordance with the responsibilities set out in Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of East Lothian Council ("the Council") and is made available to Audit Scotland and the Controller of Audit (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances required to complete the questionnaire.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

This report is presented in connection with our audit for the year ended 31 March 2015 under the terms of our appointment by the Accounts Commission.

This report outlines our findings from a review of East Lothian Council's ("the Council") approach to Statutory Performance Indicators ("SPIs").

Background

Under the Local Government Act 1992, local authorities have a statutory duty to ensure appropriate arrangements for collecting, recording and publishing performance information. Auditors have a statutory duty to be satisfied that the Council has made adequate arrangements for collecting and recording information, and for publishing it, as are required for the performance of its duties.

The Accounts Commission has a statutory power to define the performance information that local authorities must publish. Since 2013-14, performance indicators are no longer specified but criteria is provided to guide local authorities in the performance indicators they should develop and report. The Council has developed a number of key performance indicators ("KPIs") to comply with this criteria.

Audit Scotland provides auditors with a pro forma template to review the Council's SPIs. The aim of this template is to assess whether adequate arrangements are in place for collection and publication of accurate and complete information in relation to the SPI categories, and report our findings to Audit Scotland.

Approach

Our audit approach has therefore involved a review of policies and procedures in operation at the Council as well as information gathering in respect of SPI monitoring and reporting. To support reporting to the Accounts Commission, we have included judgements on the effectiveness of performance management arrangements within the Council.

This report is structured to answer the specific questions identified in the stage one pro forma provided by Audit Scotland. This focuses on two key areas:

- planning arrangements
- systems assessment

Our findings are outlined within the summary of findings.

As part of our review of performance management, Audit Scotland requires consideration of the process for collecting and reporting data on Statutory Performance Indicators ('SPIs'). We performed the stage one work over SPIs using the Audit Scotland template.

Statutory Performance Indicators

The aim of this work is to assess how local authorities are compiling and reporting data and ensuring it is complete and accurate. Local authorities have a statutory duty to ensure appropriate arrangements are in place for collecting, recording and publishing performance information. Auditors have a statutory duty to be satisfied that the Council has made adequate arrangements for collecting and recording information, and for publishing it, as are required for the performance of their duties.

1. To ascertain and appraise the Council's overall approach to Scottish Local Government Benchmarking Framework indicators and Public Performance Reporting

Area	Procedures	KPMG comment
Planning arrangements	Inspect and assess the Council's overall plans for collecting performance information.	<p>Data is collected from a variety of sources and is maintained in the performance monitoring system, Aspireview. The requirements for quality data, as well as the processes for the collection of data, are outlined in the performance data quality policy.</p> <p>Each KPI has a responsible officer, or a collator, who is responsible for the collection of data.</p> <p>Each KPI also has a verifier to confirm the data is complete and accurate. The collator is then responsible for uploading the information to Aspireview, or passing it to the policy officer.</p> <p>The KPI data is due to be collected by the end of August, to link with the deadline for reporting the Local Government benchmarking framework data.</p>
	Confirm the work the Council has done to identify the information its communities want to see and how this has impacted on the Council's arrangements.	<p>The Council has established a citizens' panel; comprising over 1,000 people. These people have agreed to be consultees to the Council and receive questions on a quarterly basis and respond to them. They have been recruited to be representative of the wider population of East Lothian. Two questionnaires were completed by the citizens' panel in 2014. The results of the questionnaires are available on the Council's website.</p> <p>KPIs are developed with feedback from the policy and performance review committee to ensure the key issues are appropriately addressed. This process was last performed in September 2014 where the policy and performance review committee approved the 2014-15 KPIs.</p> <p>Elected members are asked for feedback on performance related matters, as they are seen as intrinsically linked to their communities.</p>

Statutory Performance Indicators (continued)

1. To ascertain and appraise the Council's overall approach to Scottish Local Government Benchmarking Framework indicators and Public Performance Reporting (continued)

Area	Procedures	KPMG comment
Planning arrangements (continued)	Inspect and assess the alignment of performance measures to key priorities and outcomes.	Performance indicators are developed using the Council plan objectives, Single Outcome Agreement outcomes and SPI categories. Each objective, outcome and category is linked to at least one indicator during the development process. This was most recently performed in September 2014, when the 2014-15 indicators were developed. A report was presented to the policy and performance review committee on 23 September 2014 showing how these are aligned.
	For the indicators listed in SPI 1 and 2 inspect and assess the Council's plans for collection and reporting.	<p>In the 23 September 2014 report to the policy and performance review committee each indicator listed in SPI1 and 2 was linked to at least one KPI.</p> <p>The data is collected in Aspireview and reported in the Council's annual performance report, as well as through updates on the Council's performance website.</p> <p>We consider this method of collection and reporting of data in relation to indicators to be appropriate.</p>
	Confirm the Council's plans for internal verification of the indicators listed in SPI 1 and 2.	<p>Each service must fill out a verification sheet for each of their KPIs. Performance against the KPI is reported by the collator and verified by both the assigned verifier and the head of service. The policy officer introduced a generic verification checklist required for KPIs to ensure consistency of approach.</p> <p>Internal audit also verify a sample of performance indicators, using a risk based approach. Internal audit conducted a review of the systems in place for the preparation and reporting of performance information for 2013-14 and reported its findings to the audit and governance committee in January 2015. The generic verification checklist referred to above, was introduced in part in relation to internal audit's findings. Internal audit will review a sample of 2014-15 KPIs in late 2015, the results of which will be reported to the audit and governance committee in January 2016.</p>

1. To ascertain and appraise the Council's overall approach to Scottish Local Government Benchmarking Framework indicators and Public Performance Reporting (continued)

Area	Procedures	KPMG comment
<p>Planning arrangements (continued)</p>	<p>Inspect and assess the Council's plans for publishing indicators and performance information.</p>	<p>The East Lothian Council Annual Performance Report is completed on an annual basis and is due to be published in September 2015. However, updates against indicators are reported on the performance website more frequently. The website is automatically updated when Aspireview is updated. Some indicators can be measured quarterly. Progress against these indicators is reported to the policy and performance review committee on a quarterly basis, and this is published on the website. The quarterly reports focus on areas of challenge and how performance can be improved. The annual report includes both achievements and challenges.</p> <p>The Scottish Local Government Benchmarking Framework ('SLGBF') indicators are due to be published by December 2015, once the collation exercise is complete. The completion deadline is the end of August 2015 and the process is running on schedule. These indicators will be published on the performance website, and also referenced in the annual report. The full SLGBF for all authorities will be published at a later date. Once these results are available, there will be a separate report to the policy and performance review committee and published on the website to show how East Lothian Council's results compare with other local authorities.</p> <p>The majority of comparative data comes from the SLGBF on an annual basis. If there is a comparative available for an indicator, it is shown alongside the Council's position on a graph linked to the indicator on the performance website. The website also shows whether the position of the indicator has increased or decreased since it was last reported. Prior period results are also shown on the graph.</p> <p>The overall reporting contains varying levels of quantitative and qualitative information. There are links in the annual performance report to guide users to the performance website for further information on the indicators.</p> <p>Audit Scotland's Report by the Director of Performance Audit and Best Value June 2015 identified the Council as being in the top quartile in terms of full compliance with the 18 themes from SPI1 and SPI2. Furthermore, the Audit Scotland Erratum note dated 27 July 2015 confirms that two areas previously identified as areas for improvement (AFIs) were amended to findings of full compliance.</p> <p>We consider the Council's plans for publishing indicators and performance information to be appropriate and in line with best practice.</p>

2. To ascertain and appraise the Council's systems for Scottish Local Government Benchmarking Framework indicators and Public Performance Reporting

Area	Procedures	KPMG comment
System Assessment	Inspect the Council's progress against their planned timetable for collecting and publishing performance information. Consider the impact of any delays.	<p>The Council is on track with the timetable for the Scottish Local Government Benchmarking Framework reporting, due to be completed at the end of August 2015, as the majority of the information required for this has been received.</p> <p>The Council is also on track in relation to SPI reporting. Despite the extension of the reporting date from October 2015 to March 2016, the Council is on track to provide the data by October 2015.</p>
	Confirm the internal verification that has taken place. Review the results and action taken.	<p>Internal verification takes place on the verification checklist completed for each indicator. An example was reviewed and had been verified by the verifier and the head of service. However, not all checklists have been completed to date.</p> <p>Internal audit conducted a review of the systems in place for the preparation and reporting of performance information for 2013-14 and reported these findings to the audit and governance committee in January 2015. The generic verification checklist referred to above, was introduced in part in relation to internal audit's findings. Internal audit will review a sample of 2014-15 KPIs in late 2015, the results of which will be reported to the audit and governance committee in January 2016.</p>

Statutory Performance Indicators (continued)

2. To ascertain and appraise the Council's systems for Scottish Local Government Benchmarking Framework indicators and Public Performance Reporting

Area	Procedures	KPMG comment
System Assessment (continued)	Confirm that arrangements for collection, verification and reporting are communicated to all staff involved and understood.	<p>The arrangements for the collection, verification and reporting of data is outlined in the Performance Data Quality Policy, which is available to all staff. This is followed up with emails from policy officer responsible for the SPI process to the collators.</p> <p>One-to-one meetings between the policy officer and collators/verifiers were held in March 2015 to ensure all staff understand the process and requirements. However, there is no additional formal training.</p> <p>To update indicators in Aspireview, collators can do this directly or pass on the information to the policy officer to upload for them. The policy officer introduced a template excel document to be completed by all collators which can be uploaded directly or passed to the policy officer to upload.</p>



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REPORT TO: Audit and Governance Committee
MEETING DATE: 15 September 2015
BY: Depute Chief Executive - Resources & People Services
SUBJECT: East Lothian Council Annual Accounts 2014-15

4

1 PURPOSE

1.1 To provide those members charged with governance the audited 2014-15 annual accounts. (The finalised accounts will be placed on the Council's website in due course.)

2 RECOMMENDATIONS

2.1 Members are recommended to;

- Note the 2014-15 audited final accounts, taking into consideration the External Auditors Annual Audit Report.
- Note the intention to submit the audited final accounts in accordance with the statutory timetable.

3 BACKGROUND

3.1 The draft 2014-15 annual accounts were presented and considered by Audit & Governance Committee on 23 June 2015, and were submitted for audit on 26 June 2015.

3.2 Audit review has now been completed, which overall has resulted in a small number of non material amendments to the accounts, and KMPG have confirmed they intend to issue an unqualified audit opinion.

3.3 In line with statutory guidelines, the annual accounts will now be formally submitted by 30 September 2015.

4 POLICY IMPLICATIONS

4.1 There are no direct policy implications associated with this report.

5 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the wellbeing of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – there are no direct resource implications arising from the recommendations within this report.

6.2 Personnel - none

6.3 Other – none

7 BACKGROUND PAPERS

7.1 East Lothian Council Annual Statement of Accounts (Audited) 2014-15

7.2 Council 25 August 2015 (Agenda Item 6) 2014-15 Financial Review

Author's Name	Jim Lamond
DESIGNATION	Head of Council Resources
CONTACT INFO	jlamond@eastlothian.gov.uk
DATE	7 September 2015

REPORT TO: Audit and Governance Committee

MEETING DATE: 15 September 2015

BY: Chief Executive

SUBJECT: Adult Wellbeing Risk Register

5

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Adult Wellbeing Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Adult Wellbeing Risk Register has been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Adult Wellbeing Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Adult Wellbeing Risk Register 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 Adult Wellbeing risk 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 for Adult Wellbeing and are likely to be a feature of the risk register over a number of years

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Adult Wellbeing LRWG. All risks have been evaluated using the standard (5x5) risk matrix which involves multiplying the likelihood of occurrence of a risk (scored 1-5) by its potential impact (scored 1-5). This produces 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 current Adult Wellbeing Risk Register includes 1 Very High risk, 6 High risks and 6 Medium risks.
- 3.4 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2 for information.

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 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – It is the consideration of the Adult Wellbeing Local Risk Working Group 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 Register for the year ahead 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 Corporate Management Team.
- 6.2 Personnel – There are no immediate implications.
- 6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7 BACKGROUND PAPERS

- 7.1 Appendix 1 – Adult Wellbeing Risk Register

7.2 Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy Paolo Vestri	
DESIGNATION	Emergency Planning and Risk Officer Service Manager - Corporate Policy and Improvement	
CONTACT INFO	skennedy@eastlothian.gov.uk	01620 827900
	pvestri@eastlothian.gov.uk	01620 827320
DATE	3 September 2015	

Adult Wellbeing Risk Register v9

Date reviewed: 03 September 2015

Risk ID No.& Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
AW 1	<p>New national targets on delayed discharge of “no delays over two weeks” from 1 April 2015 will create additional pressures, increased demand whilst having limited capacity.</p> <p>These new targets will have wide ranging implications across the whole care system and put pressure on assessment staff, business systems and financial resources.</p>	<p>Increased surveillance of care homes to identify spare capacity.</p> <p>Pilot new initiatives to assess potential new models in the delivery of care including frailty project, help to live at home, hospital to home and step up/step down beds.</p> <p>Close working with NHS to commence discharge planning at the earliest opportunity.</p> <p>Re-tendered Help to Live at Home framework to increase capacity.</p> <p>20 step down beds now available at Crookston Home.</p>	4	5	20	<p>Closer working and good co-operation with care at home providers to consolidate runs and release additional capacity which has seen significant improvements in delays over 4 weeks over the past year.</p> <p>Introduce tiered bed management across the sector.</p> <p>A delayed discharge action plan is in place and a weekly task force is chaired by the Health & Social Care Partnership (HSCP) Director. Plans are also being developed to invest £1.7m Scottish Government funds over the next 3yrs.</p> <p>New emergency care and hospital to home services implemented and dedicated team approach to reducing delays is working.</p>	2	4	8	<p>Director of Health & Social Care</p> <p>Chief Nurse /Head of Health</p> <p>Interim Senior Manager Operations and Chief Social Worker</p>	April 2016	9	Risk reviewed and refreshed September 2015 with Current Risk increased from 12 to 20 and Residual from 16 to 8 due to impact of control measures.
AW 2	<p>A service user suffers harm or detriment and becomes subject to Adult Protection measures due to a lack of appropriate operational processes and resources. This would result in reputational damage to and increased scrutiny of the Social Work service.</p>	<p>Sound operational procedures and trained staff with supervisory support.</p> <p>Continuous monitoring and review.</p> <p>Adult protection arrangements are designed to protect the most vulnerable.</p> <p>Feedback from Care Inspectorate reports is followed up and recommendations implemented.</p> <p>Feedback from service users helps to identify problems with service delivery that may expose service users to risk.</p> <p>Three new Senior Practitioners appointed with responsibilities refined and clarified.</p> <p>The East and Midlothian Public Protection Committee (EMPPC) has been established ensuring robust links with East and Midlothian Drug and Alcohol Partnership (MELDAP).</p>	3	5	15	<p>Review service delivery in line with integration agenda.</p> <p>The allocation of resources will be monitored and assessed and redirected to manage risk in a pro-active way.</p> <p>Review of practices associated with the administration of medication in all Adult Wellbeing services and associated NHS Lothian services is underway with further work required. Ensure appropriate training for relevant social care and health staff is in place.</p>	2	5	10	<p>Interim Senior Manager Operations and Chief Social Worker</p>	April 2016	5	Risk reviewed and refreshed September 2015 with no change .
AW 3	<p>Lack of a skilled and experienced workforce results in an inability to provide high quality assessment and support and increased pressure on existing staff. This results in poor operational performance leading to higher cost of care services.</p>	<p>Offer support to staff recruitment and training.</p> <p>Mandatory training compliance. Compliance levels improving following audit which has resulted in an action plan being put in place.</p> <p>Inclusion of Training needs analysis within Supervision and PRD.</p>	4	3	12	<p>Increase staff learning opportunities, sustain high levels of supervision.</p>	3	3	9	<p>Senior Manager Resources</p>	April 2016	6, 9 & 10	Risk reviewed in September 2015.

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
AW 4	Failure of the Council to provide employees with an effective Lone Working Policy & Practice and the appropriate training could result in injury or death to those employees resulting in H&S prosecution, civil insurance liability, reputational risk, increased sickness absence, pressures on service delivery and also potential claims against the Council.	Information on Lone Working Policy and Procedures is embedded within Adult Wellbeing and is part of the Service Level Induction process. All employees have received training on the use of the ELC lone working system. Specific procedures are in place including risk assessments and electronic diaries and signing in/out books. The use of work mobiles and use of the Lone Working system through the Contact Centre is promoted by the managers.	3	4	12	The Council is working towards creating a Potentially Violent Clients Register which will enable the sharing of information relating to potentially violent clients across customer facing teams which in turn allows managers to identify and implement appropriate control measures protecting employees from harm.	2	4	8	Interim Senior Manager Operations and Chief Social Worker	December 2015	N/A	Risk reviewed and refreshed April 2015 with Current Risk reduced from 15 to 12 and Residual from 10 to 8 thanks to implementation of new measures. Risk reviewed September 2015, no change.
AW 5	Unfavourable Joint Inspection of Older Persons report resulting in loss of reputation and additional workload to prepare and deliver improvement plan.	Use of HGIOC to identify service improvements is evolving and provides the evidence base for forthcoming joint inspection. Self evaluation programme using SWIA Performance Improvement Model (PIM). Maintenance of professional dialogue with Care Inspectorate. Inspection arrangements are being managed via a senior management project group which has planned comms, engagement events with staff and the practical support /engagement with the Inspectors. A small but dedicated staff team has been created to support this work. A comprehensive joint position statement produced by Health and Adult Wellbeing in preparation for the Inspection has been passed to the Inspectors on time and of good quality. Inspectors are now on site for 3 weeks of inspection, w/c 24 th August, 15 th of September and 4 th October. Indications are that the first week has been very effectively managed.	3	4	12	Extend involvement in HGIOC/Public Service Improvement Framework process to include wider range of staff and external partners including third sector and health Public Service Improvement Framework is currently being rolled out across the Health side of the HSCP. Structured pre-active preparation is taking place for the 2015 inspection. Service transformation agenda is being developed to ensure that and learning /actions points from the Inspection are responded to appropriately and in a timely manner.	2	3	6	Director of Health & Social Care Chief Nurse /Head of Health Head of Service Children's Wellbeing Interim Senior Manager Operations and Chief Social Worker Service Managers	November 2015	9	Risk reviewed and refreshed September 2015. Residual risk reduced to 6, as preparedness and ability to respond to inspection findings is being strengthened and effectively managed.

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
AW 6	Demographic pressure increases the cost of service delivery which cannot be dealt with due to budget constraints resulting in an impact on service delivery and the inability to cope with demand further resulting in political scrutiny.	<p>Best value purchasing of external services.</p> <p>Service transformation and strategic commissioning to ensure services are targeted to achieve best value and meet the needs of the vulnerable.</p> <p>Resource allocation system (RAS) established and additional short term capacity to accelerate pace of reviews is being sought.</p> <p>Self Directed Support (SDS) implemented and audited with action plan in place.</p> <p>Working in partnership with Health, third sector and independent sector to shift the balance of care and support more people to stay at home longer.</p> <p>Good progress being made in partnership working with third sector including Day Centres Association.</p> <p>Keeping CMT and Council apprised of the demographic pressures facing the Council.</p>	3	4	12	<p>Review of resource allocation and to ensure resources are allocated to those with greatest need.</p> <p>Revisions to existing charges now agreed with Short Life Working Group being implemented in line with 2015/16 Council budget. Further preparation to take place with stakeholder re-budget setting and charge increases in 2016/17.</p> <p>Refresh of Older People's Strategy.</p> <p>Establishment of joint budgets to deliver IJB Strategic Plan.</p>	2	3	6	<p>Director of Health & Social Care</p> <p>Chief Nurse /Head of Health</p> <p>Interim Senior Manager Operations and Chief Social Worker</p> <p>Senior Manager Resources</p>	April 2016	4 5	<p>Risk reviewed and refreshed April 2015 with Current Risk reduced from 16 to 12 and Residual from 9 to 6 thanks to implementation of new measures and further planned measures.</p> <p>Risk reviewed September 2015, no change.</p>
AW 7	The failure of a major Care Home or Domiciliary Care provider e.g. Southern Cross resulting in a loss of capacity and the risk of service users being put at risk as a result of their service withdrawn at short notice.	<p>Close monitoring with care providers helps to identify potential service failures while close working with all providers helps gain advance information of any potential failure.</p> <p>Continued involvement with COSLA and Social Work Scotland working groups.</p> <p>Retendered Help to Live at Home puts emphasis on outcomes for service users and service quality.</p> <p>Quarterly Multi-Agency quality of care meetings for both Residential and Homecare.</p> <p>Participation in national working groups to maintain national market intelligence.</p> <p>Continuing to work closely with providers to provide support with improvement planning. Ongoing standard practice working with providers.</p> <p>Continue to develop step-in arrangements for care homes.</p>	3	4	12	<p>Develop of contingency arrangements to deal with failure of a major care provider.</p> <p>Working with other Councils to allow information sharing mutual support and contingency planning.</p> <p>Establishing short and longer term approaches to maximising capacity within the current contract arrangements and identifying what can be done to alter those arrangements either by amending the current or retendering.</p>	3	2	6	<p>Director of Health and Social Care</p> <p>Chief Nurse/Head of Health</p> <p>Interim Senior Manager Operations and Chief Social Worker</p> <p>Senior Manager Resources</p>	December 2015	9	<p>Risk reviewed and refreshed April 2015.</p> <p>Risk reviewed and refreshed September 2015 actions updated.</p>

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
AW 8	Restructuring of Community Justice will result in significant changes to Criminal Justice Services, including: <ul style="list-style-type: none"> Abolition of CJAs by April 2017 Delivering community justice via CPPs This could result in key services not being provided to an appropriate standard as well as non-compliance with legislation.	Regular discussion with all staff and stakeholders Effective consultation with all stakeholders will allow early identification of risks and identify mitigating actions.	3	3	9	Communication with staff to allow risk areas to be identified and reduce uncertainty. National funding to support preparation for reporting/audit channels for 2015/16 agreed.	3	3	9	Criminal Justice Service Manager	April 2016	6, 9 & 10	New risk created May 2015. Reviewed September 2015. No change.
AW 9	A reduced level of service is available as a result of a system failure causing a loss of access to Frameworki Social Work management information system.	Contingency arrangements are in place to provide a back up service if required. Contingency back arrangements are tested. Staff would deal with emergencies based on information available in the short term. Staff can relocate to other offices to deal with a local outage.	3	3	9	Move to latest version of Frameworki (Mosaic) is currently delayed at supplier side. Date for introduction now October 2015	3	3	9	Senior Manager Resources	April 2016	6, 9 & 10	Risk reviewed and refreshed April 2015 with delay increasing score from 6 to 9. Reviewed September 2015. No change
AW 10	Self-Directed Support Legislation. Failure to comply with new legislation could result in reputational damage associated with failure and there is also a financial risk associated with implementing SDS.	Extensive training of staff to ensure awareness of SDS and any changes to practice required to support implementation Changes to infrastructure to better support SDS approach (e.g. Re-provision of service at Fisherrow Hub)	3	3	9	Continuing programme of staff training and communication with service users Further work required to review support for adults with a learning disability including arrangements for transport and day sessions and additional options for community based activities. Review of financial support systems and processes to ensure SDS compliance and best practice. Review underway and improvement plan in place via development of SDS Support Team.	2	3	6	Interim Senior Manager Operations and Chief Social Worker Service Manager: Resources	November 2015	6, 9 & 10	Risk reviewed and refreshed April 2015. Reviewed September 2015. No change pending completion of the review. Review date revised to November 2015.
AW 11	Health and Social Care and Adult Wellbeing Integration There is a risk that: <ul style="list-style-type: none"> The focus on integration may in the short term divert staff and resources from other priorities. Development of integration processes and structures may disrupt current structure and staffing arrangements. The development of a strategic direction for the partnership may 	Key milestones will be built into joint plans based on local needs and benefits not policy change evidenced by draft Strategic Plan and work plan for Integration Scheme. There will be regular consultation and engagement with staff and stakeholders throughout this process. Evidenced by discussion at CHP Sub Committee, Shadow Board and Staff Engagement sessions. Integrated governance model in place	3	3	9	Organisational Development and project management support will be provided to ensure controls are adequate, effective and implemented properly. Work underway to overcome barriers to operational integration including IT systems, financial management, HR systems, etc. Development of integration strategy. National funding to support local integration available from April 2015.	2	3	6	Director of East Lothian Health and Social Care Partnership	Risk to be reviewed regularly during 2015/16.	6, 9 & 10	Risk created April 2014 in Corporate Risk Register then moved to Service Risk Register at the request of CMT. Refreshed May 2015. Reviewed September 2015. No change.

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
	diverge from existing strategies - leading to problems with delivery of current services and threat to achievement of integration timelines. <ul style="list-style-type: none"> Risk of barriers to integration constraining business objectives. 	and joint management team in place.				IJB development of the strategic plan will provide clear strategy and direction The change Strategy is predicated on extensive staff engagement..							
AW 12	Major elements of public sector reform are either taking place or being proposed in addition to integration of health and social care including: <ul style="list-style-type: none"> Welfare Reform and the replacement of Disability Living Allowance with Personal Independence Payment The replacement of Council Tax benefit with a cash limited locally administered scheme. <p>These reforms create uncertainty, additional workload for senior and frontline staff, requirement to restructure services and create new accountability, governance and partnership arrangements.</p> <p>These reforms impact on Adult Wellbeing (AW) clients, many of whom live on limited income and face uncertainty about their future levels on income.</p> <p>As service users see their incomes reduced, this impacts on the level of income received by AW through client contributions, imposing additional pressures on the AW budget.</p>	Regular discussion with all staff and stakeholders. Effective consultation with all stakeholders will allow early identification of risks and identify mitigating actions. Revised charging policy.	3	3	9	Joint working across the whole Council will allow resources to be directed to the key vulnerabilities and allow a cross council approach to be taken to managing this risk Communication with staff to allow risk areas to be identified and reduce uncertainty. Communication with service users to advise the potential impact of welfare reform and the support available. Income levels will be monitored to detect any fall off in client contributions. Consolidated review process for charges in preparation to report in time for the 2016/17 Budget setting process. Rationalised approach to charging for telecare to be reported after consultation in October 2015.	2	2	4	Interim Senior Manager Operations and Chief Social Worker Senior Management Team.	December 2015	6, 9 & 10	Risk reviewed and refreshed April 2015. Risk reviewed and refreshed September 2015.
AW 13	Residential homes are forced to close because the standard of the buildings of the care homes and other services do not meet the necessary standards and are no longer fit for purpose.	Adequate ongoing maintenance. Strategic planning for new homes by the Asset Management Group – Crookston Care Home opened in Tranent, September 2014. Regular building condition surveys to identify potential deterioration in building quality.	3	2	6	Feedback Care Inspectorate, service users and carers and staff. Constant diligence and responses feedback underway. Any Capital requirements will be fed into the 2016/17 Budget setting round. Refresh Older People strategy to determine bed numbers acquired over 3/5/10 year periods. Bed modelling exercise utilising the Capita currently underway and will be finalised as part of the IJB Strategic Plan	2	2	4	Senior Manager Resources	April 2016	6	Risk reviewed and refreshed April 2015. Risk refreshed September 2015 Older Persons Strategy review deadline revised to April 2016

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
Original date produced (Version 1)	1st March 2012												
File Name	Adult Wellbeing Risk Register										Risk Score	Overall Rating	
Original Author(s)	S Kennedy										20-25	Very High	
Current Revision Author(s)	S Kennedy										10-19	High	
Version	Date	Author(s)	Notes on Revisions									5-9	Medium
Original	1st March 2012	S Kennedy										1-4	Low
2	19 th November 2012	S Kennedy	Updated following revision of Risk Strategy										
3	30 th January 2013	S Kennedy	Revisions made following Adult Wellbeing Management Team meeting.										
4	11th April 2013	S Kennedy	Updates received from Linda Young and John Finn. Updates and one risk removed by Murray Leys.										
5	April 2014	S Kennedy	All risks reviewed and refreshed following review by Murray Leys while Community Disposals risk updated by Fiona Duncan.										
6	May 2014	S Kennedy	Former Corporate Risk on Integration added to Service RR at request of CMT.										
7	June 2014	S Kennedy	Lone Working, Re-structuring, Care Inspection Report and SDS Legislation Risks added and amendments made by M O'Connor.										
8	May 2015	S Kennedy	All risks reviewed and refreshed by Adult Wellbeing Management.										
9	September 2015	M Murphy	All risks reviewed and refreshed by Adult Wellbeing Management.										

Appendix 2
East Lothian Council
Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	Will undoubtedly happen, possibly frequently >90% chance
Likely	4	Will probably happen, but not a persistent issue >70%
Possible	3	May happen occasionally 30-70%
Unlikely	2	Not expected to happen but is possible <30%
Remote	1	Very unlikely this will ever happen <10%

Impact Description

Impact of Occurrence	Score	Description						
		Impact on Service Objectives	Financial Impact	Impact on People	Impact on Time	Impact on Reputation	Impact on Property	Business Continuity
Catastrophic	5	Unable to function, inability to fulfil obligations.	Severe financial loss (>5% budget)	Single or Multiple fatality within council control, 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.	Loss of building, rebuilding required, temporary accommodation required.	Complete inability to provide service/system, prolonged downtime with no back-up in place.
Major	4	Significant impact on service provision.	Major financial loss (3-5% budget)	Number of extensive injuries (major permanent harm) to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Major adverse publicity (regional/national), major loss of confidence.	Significant part of building unusable for prolonged period of time, alternative accommodation required.	Significant impact on service provision or loss of service.
Moderate	3	Service objectives partially achievable.	Significant financial loss (2-3% budget)	Serious injury requiring medical treatment 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.	Some adverse local publicity, limited damage with legal implications, elected members become involved.	Loss of use of building for medium period, no alternative in place.	Security support and performance of service/system borderline.
Minor	2	Minor impact on service objectives.	Moderate financial loss (0.5-2% budget)	Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required).	Some - between 2 and 6 months to recover.	Some public embarrassment, no damage to reputation or service users.	Marginal damage covered by insurance.	Reasonable back-up arrangements, minor downtime of service/system.
None	1	Minimal impact, no service disruption.	Minimal loss (0.5% budget)	Minor injury to employee, service user or public.	Minimal - Up to 2 months to recover.	Minor impact to council reputation of no interest to the press (Internal).	Minor disruption to building, alternative arrangements in place.	No operational difficulties, back-up support in place and security level acceptable.

Risk	Impact				
	None (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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REPORT TO: Audit and Governance Committee

MEETING DATE: 15 September 2015

BY: Chief Executive

SUBJECT: Children's Wellbeing Risk Register

6

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Children's Wellbeing Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Children's Wellbeing Risk Register has been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Children's Wellbeing Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Children's Wellbeing Risk Register 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 Children's Wellbeing risk 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 for Children's Wellbeing and are likely to be a feature of the risk register over a number of years

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Children's Wellbeing LRWG. All risks have been evaluated using the standard (5x5) risk matrix which involves multiplying the likelihood of occurrence of a risk (scored 1-5) by

its potential impact (scored 1-5). This produces 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 current Children's Wellbeing Risk Register includes 4 High risks, 1 Medium risk and 1 Low risk.

3.4 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2 for information.

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 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – It is the consideration of the Children's Wellbeing Local Risk Working Group 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 Register for the year ahead 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 Corporate Management Team.

6.2 Personnel – There are no immediate implications.

6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7 BACKGROUND PAPERS

7.1 Appendix 1 – Children’s Wellbeing Risk Register

7.2 Appendix 2 – Risk Matrix

AUTHOR’S NAME	Scott Kennedy Paolo Vestri
DESIGNATION	Emergency Planning and Risk Officer Service Manager - Corporate Policy and Improvement
CONTACT INFO	skennedy@eastlothian.gov.uk 01620 827900 pvestri@eastlothian.gov.uk 01620 827320
DATE	3 September 2015

Children's Wellbeing Risk Register v10

Date Reviewed: 03 September 2015

Risk ID No.& Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
CW 1	Failure of the Council to provide employees with an effective Lone Working Policy & Practice and the appropriate training could result in injury or death to those employees resulting in H&S prosecution, civil insurance liability, reputational risk, increased sickness absence, pressures on service delivery and also potential claims against the Council.	<p>There are lone working procedures in place for staff informing Managers and admin staff of their whereabouts and reporting in when finished calls. These include electronic diaries and signing in/out books. All employees have been trained and guidance issued on the use of the alarm system and the ELC lone working system. Operating arrangements are reviewed regularly in team meetings and as a whole service.</p> <p>Information on Lone Working Policy is part of the Service Level Induction process. Employees are advised that if they do not adhere to this policy it is their personal responsibility, and will be asked to sign an agreement to this effect.</p> <p>The whole lone working process has been reviewed team by team throughout the service and it has been agreed that all will revert to operating within the Council Lone Working System.</p> <p>Comprehensive training is being carried out to show Social Workers the full capabilities of Frameworki.</p> <p>Single Foster Carers have a robust family support network and have more intensive support from their Supervising SW and Community Responders.</p> <p>Alarms are installed in those rooms that are used by Social Workers to interview Clients.</p> <p>Audit of users via Contact Centre.</p>	3	5	15	<p>Lone Working policy and procedures continue to embed within Children's Wellbeing. Managers and admin staff ensure that front line employees adhere to Lone Working controls and Register to use the corporate Lone Working System.</p> <p>Senior Management Group will take over functions of Lone Working Group in monitoring use and reviewing current procedures.</p> <p>The service will monitor all staff's registrations with the Contact Centre</p> <p>The Council is working towards creating a PVCR which will enable the sharing of information relating to potentially violent clients across customer facing teams which in turn allows managers to identify and implement appropriate control measures protecting employees from harm.</p> <p>Senior Management Group will take over responsibility from Lone working Group of monitoring staff's registration with Contact Centre</p>	2	5	10	Head of Children's Wellbeing	September 2015 then review every 6 months	7	<p>Risk reviewed and refreshed April 2014 with Current Risk Score reduced from 20 to 15 and further updated August 2014.</p> <p>Risk further reviewed and refreshed June 2015.</p>

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
CW 2	<p>If we fail to deliver the 'Getting it Right for Every Child' (GIRFEC) framework described in the 'Integrated Children's Services Plan' a child could be put at significant risk.</p> <p>This failure could be due to a lack of resources (financial, services or staffing), poor practice, lack of training, a failure to prioritise, non-compliance with procedures/guidance or failing to intervene early enough. This could result in reputational damage and an impact on staff morale while significant case reviews would be required, overseen by the Child Protection Committee.</p> <p>Amendments to the Service Review of January 2014 have been put in place, taking account of new demands.</p> <p>The implications of the Health and Social Care Integration agenda are currently being considered.</p>	<p>Specialist staff within East Lothian Council and its partners closely monitor policy changes.</p> <p>Kinship Care and Fostering Strategy in place for ELC.</p> <p>Various inspections and reviews carried out by external regulatory bodies resulting in reports which CW puts improvement plans in place to adhere to.</p> <p>Briefing sessions, specialist training and support are in place.</p> <p>Provision of a coherent suite of policies and criteria to ensure consistent practices are held on ELNet and NIMBUS databases.</p> <p>Procedures guidelines and policy development updates are published to allow staff to access information.</p> <p>Competitive salaries and working conditions in place, recruitment and selection procedures adhered to.</p> <p>The Community Planning Partnership is responsible for developing and monitoring the Integrated Children's Services Plan (ICSP).</p> <p>Ensure high professional standards/reputation/innovation is maintained to attract high calibre professionals.</p> <p>Ensure budget is adequate to recruit sufficient SWs to protect vulnerable children. CW has no efficiency targets for 2016.</p>	3	4	12	<p>Developing partnership service and resources to supplement core services.</p> <p>Ensure all agencies are fully committed to the principles of GIRFEC in East Lothian including taking responsibility for Lead Professional and Named Person roles, and full engagement in Staged Assessment and Intervention (SAI).</p> <p>CW has been included as part of the Health and Social Care Integration agenda</p> <p>Review ICSP at Children's Strategic Partnership and in its supporting Planning & Delivery Groups.</p> <p>CW is subject to Financial Measures</p>	2	4	8	Depute Chief Executive – Resources and People Services	Review quarterly	4, 5, 6, 7	<p>Risk reviewed and refreshed by SMG in April 2014. Risk score reduced from 16 to 12 thanks to measures in place.</p> <p>Further refreshed in March 2015 with Residual Risk score reduced from 12 to 8.</p> <p>Further refreshed in June 2015 by SMG.</p>
CW 3	<p>Failure to fulfil our duty of care could result in the death, serious harm or detriment of a child. This would in turn result in prosecution, having to pay compensation a negative impact on the reputation of the Council.</p> <p>This failure could be due to a lack of resources (financial, services or staffing), poor practice, a failure to prioritise or non-compliance with procedures/guidance.</p> <p>Amendments to the Service Review of January 2014 have been put in place, taking account of new demands.</p>	<p>We prioritise maintenance of adequate staffing levels for Child Protection and other work with vulnerable children.</p> <p>Briefing sessions, specialist training and support are in place.</p> <p>Action Plan following on from Child Protection and ISLA inspections in place with relevant partnership structures progressing improvements</p> <p>Completion of Personal Development Plan, focusing on specific and agreed development needs.</p>	3	4	12	<p>Regarding Duties re-Care and After Care, CW are investing additional staffing to meet requirements of C&YP Act and continue dialogue with colleagues in housing re-provision for vulnerable young homeless people.</p> <p>We will monitor the implementation of the new ELBEG Procedures as amended in agreement with the Child Protection Committee/CSOG for EL implementation in conjunction with SoS deployment in CP Case Conferences.</p> <p>Framework is being developed to improve the ways cases are recorded and risks identified.</p>	1	4	4	Critical Services Oversight Group Head of Children's Wellbeing	Review quarterly	4, 5, 6, 7	<p>Risk reviewed and refreshed by SMG in April 2014. Risk score reduced from 16 to 12 thanks to measures in place.</p> <p>Further refreshed in March 2015 with Residual Risk score reduced from 12 to 8.</p> <p>Further refreshed in June 2015 with Residual Risk score reduced from 8 to 4.</p>

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
		<p>CW adheres to the SSSC Code of Practice for Employers of Social Service.</p> <p>PVG Checks carried out.</p> <p>Comprehensive ongoing training programmes are in place.</p> <p>The duty of care is reinforced through support and supervision arrangements as well as professional development case management.</p> <p>The development of a multi-agency Signs of Safety Model Development of an overall learning culture, use of Action Learning Sets and promotion and development of skills such as "Giving and Receiving Feedback" and "Coaching".</p> <p>Framework used to identify/record risk.</p> <p>Any Significant Case Reviews are discussed at multi-agency meetings, as and when required.</p> <p>Follow up of service user feedback.</p> <p>Practice Supervisory Groups in place. Further development of guidance and working papers being issued.</p> <p>Ensure the budget for accommodating vulnerable children meets the needs of the children.</p> <p>Ensure budget is adequate to recruit sufficient Social Workers, Foster Carers and Kinship Carers to protect vulnerable children.</p> <p>Introducing a new Public Protection Unit and performance and quality improvement sub-group in June 2014.</p>											
CW 4	<p>A lack of a sufficient qualified staff resource or the unexpected loss of a key employee or employees may reduce the quality and scope of the service resulting in children's lives and safety being put at risk.</p> <p>Government policy re-Kincare parity places potential additional financial burden on budgets. Competing with private sector and adjacent local authorities to recruit</p>	<p>Competitive salaries and working conditions in place, recruitment and selection procedures adhered to.</p> <p>High professional standards, reputation and innovation are maintained while the service has an excellent record among professional workers which all helps attract high calibre staff.</p> <p>Professional Development Programme and commitment to</p>	3	4	12	<p>Seek to ensure Foster Carers allowances and fees are competitive with neighbouring Councils and Independent Fostering Agencies.</p> <p>We have begun exploring implications of ELC's policy of recruitment to first point of pay scales, as part of our overall succession planning.</p>	2	4	8	Head of Children's Wellbeing	Review quarterly	7	Risk reviewed and refreshed June 2015 by SMG.

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
	Foster Carers. Less staff and greater demand for services while there is also a lack of budget for pay rises.	ongoing Social Work practice of "Development of Growing our Own" (promoting staff from within). Checks and balances are in place in relation to the recruitment and selection process. Prioritise maintenance of adequate staffing levels of Child Protection and work with vulnerable children. Development of an overall learning culture, use of Action Learning Sets and promotion and development of skills such as "Giving and Receiving Feedback" and "Coaching". The Council regularly publicise the need for Foster Carers and celebrate Foster Carers Community achievements annually. Feedback from Employee Engagement Survey and development/implementation of action plan is reviewed annually.											
CW 5	Children's lives and safety put at risk due to a failure by staff to record or access salient information or a lack of understanding of the functions of Frameworki which could also lead to a regulation through the Care Inspectorate, regulation for workers through the Scottish Social Services Council, possible staff conduct/disciplinary issues and more stringent checks by external regulatory bodies. Failure to share appropriate chronologies and risk information with partner agencies. Risk to CW case transfers from other LAs failing to provide the appropriate information on the child/family.	Ongoing updates made to Frameworki while back-up database available within a few hours. Foster Carers undertake their own recording and this is communicated to relevant professionals. Training on Frameworki and support is given, especially for new staff. East Lothian recording guidelines require that all Child Protection and other files are reviewed by the line manager every six months. Control measures re inter-authority transfers in relation to Child Protection Protocol are in place. All files received from other LAs checked and where possible the LA is visited. GIRFEC multi-agency development explaining shared protocol for information sharing. Olivebank Children & Families Centre have access to Frameworki.	2	4	8	Senior managers to review a sample of these cases annually, reporting any improvements required for general team awareness. Frameworki continues to be developed to improve case recording and ensure best use of information in risk areas and will also be updated to Mosaic in December 2015. Launching new file audit system which will ensure closer scrutiny and subsequent improvement in practice.	2	3	6	Head of Children's Wellbeing	Review quarterly	4, 5, 6, 7	Further refreshed March 2015 with Residual score reduced from 8 to 6. Risk further reviewed and refreshed by SMG in June 2015.

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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CW 6	<p>Not carrying out disclosure/PVG checks or errors being made whilst carrying the checks out could put children's lives, safety and increase the risk of abuse.</p> <p>This would result in inspection through the Care Inspectorate, regulation for workers through the Scottish Social Services Council (SSSC), possible staff conduct/discipline issues, and more stringent checks by external regulatory bodies. Additionally, the professional reputation of the service/Council would be damaged.</p> <p>All Social Workers should be registered with the SSSC. Failure to register and follow the code of conduct could result in dismissal leading to a shortage of Social Workers.</p>	<p>Managers and staff aware of the policy and processes to be followed to comply with the PVG scheme and requirements for staff registration.</p> <p>Each Looked After Child has a plan and the allocated SW regularly updates this including a risk assessment for the child</p> <p>Each Foster Care Family has an approved 'Safer Care policy' which is regularly updated.</p> <p>Carers are receiving training and advice about helping children using the internet safely.</p> <p>The E&M Public Protection Committee have developed e-safety policy/procedure/guidelines.</p> <p>Post implementation of the 2014 Service Review new manager/team leaders in new roles are developing skills and competence with delivery of an HR 'line manager' policy/procedure awareness programme.</p>							Head of Children's Wellbeing		4, 5, 6, 7	Risk further reviewed and refreshed July 2015 by SMG with current risk score reduced from 12 to 4 and residual risk score from 8 to 4 given all possible measures are now in place.	
			1	4	4								

Original date produced (V1)	16th December 2011		
File Name	Children's Wellbeing Risk Register		
Original Author(s)	S Kennedy		
Current Revision Author(s)	S Kennedy		
Version	Date	Author(s)	Notes on Revisions
Original	16th December 2011	S Kennedy	Children's Services Risk Register Operational Risks including merged Corporate Risks.
2	11th May 2012	S Kennedy	Children's Services changed to Children's Wellbeing as well as job titles updated.
3	19 th November 2012	S Kennedy	Refreshed following update to Risk Strategy
4	08 March 2013	S Kennedy	Updated by Children's Wellbeing Management Team.
5	9 th April 2014	S Kennedy	Lone Working Risk updated as per Corporate Risk update
6	April/May 2014	S Kennedy	Register reviewed and updated by CW SMG then finalised.
7	August 2014	S Kennedy	Risk CW1 reviewed and content updated by SMG.
8	October 2014	S Saunders/SMG	Planned risk control measures updated and new risk inserted re-provisioning of Pathway YP Residential Unit
9	March 2015	S Saunders/SMG	All risks refreshed and updated where necessary.
10	July 2015	S Kennedy	Minor updated by SK following SMG meeting, further updates carried out by SMG including removal of risk relating to Lothian Villa following Council decision to purchase St.Josephs.

Risk Score	Overall Rating
20-25	Very High
10-19	High
5-9	Medium
1-4	Low

Appendix 2
East Lothian Council
Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	Will undoubtedly happen, possibly frequently >90% chance
Likely	4	Will probably happen, but not a persistent issue >70%
Possible	3	May happen occasionally 30-70%
Unlikely	2	Not expected to happen but is possible <30%
Remote	1	Very unlikely this will ever happen <10%

Impact Description

Impact of Occurrence	Score	Description						
		Impact on Service Objectives	Financial Impact	Impact on People	Impact on Time	Impact on Reputation	Impact on Property	Business Continuity
Catastrophic	5	Unable to function, inability to fulfil obligations.	Severe financial loss (>5% budget)	Single or Multiple fatality within council control, 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.	Loss of building, rebuilding required, temporary accommodation required.	Complete inability to provide service/system, prolonged downtime with no back-up in place.
Major	4	Significant impact on service provision.	Major financial loss (3-5% budget)	Number of extensive injuries (major permanent harm) to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Major adverse publicity (regional/national), major loss of confidence.	Significant part of building unusable for prolonged period of time, alternative accommodation required.	Significant impact on service provision or loss of service.
Moderate	3	Service objectives partially achievable.	Significant financial loss (2-3% budget)	Serious injury requiring medical treatment 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.	Some adverse local publicity, limited damage with legal implications, elected members become involved.	Loss of use of building for medium period, no alternative in place.	Security support and performance of service/system borderline.
Minor	2	Minor impact on service objectives.	Moderate financial loss (0.5-2% budget)	Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required).	Some - between 2 and 6 months to recover.	Some public embarrassment, no damage to reputation or service users.	Marginal damage covered by insurance.	Reasonable back-up arrangements, minor downtime of service/system.
None	1	Minimal impact, no service disruption.	Minimal loss (0.5% budget)	Minor injury to employee, service user or public.	Minimal - Up to 2 months to recover.	Minor impact to council reputation of no interest to the press (Internal).	Minor disruption to building, alternative arrangements in place.	No operational difficulties, back-up support in place and security level acceptable.

Risk	Impact				
	None (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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REPORT TO: Audit and Governance Committee

MEETING DATE: 15 September 2015

BY: Chief Executive

SUBJECT: Education Risk Register

7

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Education Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Education Risk Register has been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Education Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Education Risk Register 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 Education risk 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 for Education and are likely to be a feature of the risk register over a number of years

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Education LRWG. All risks have been evaluated using the standard (5x5) risk matrix which involves multiplying the likelihood of occurrence of a risk (scored 1-5) by its potential impact (scored 1-5). This produces 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 current Education Risk Register includes 5 High risks, 6 Medium risks and 2 Low risks.
- 3.4 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2 for information.

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 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – It is the consideration of the Education Local Risk Working Group 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 Register for the year ahead 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 Corporate Management Team.
- 6.2 Personnel – There are no immediate implications.
- 6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7 BACKGROUND PAPERS

- 7.1 Appendix 1 – Education Risk Register
- 7.2 Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy Paolo Vestri
DESIGNATION	Emergency Planning and Risk Officer Service Manager - Corporate Policy and Improvement
CONTACT INFO	skennedy@eastlothian.gov.uk 01620 827900 pvestri@eastlothian.gov.uk 01620 827320
DATE	3 September 2015

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion/ Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
ED 1	<p>A failure to meet our statutory requirements and other targets due to budget constraints or conversely overspending our budget in order to meet said statutory requirements and targets.</p> <p>There are increasing requirements from the Government e.g. teacher numbers guarantee and 600/1140 hours of childcare and early education and there is a need to think creatively around budget deployment to meet needs.</p> <p>If appropriate solutions are not implemented, this could lead to a reduction in opportunities for young people with the consequence of parental dissatisfaction and damage the reputation of the Council. The opportunity is to create new propositions and service offerings.</p>	<p>The annual budget allocation is prioritised and monitored while the Scheme of Devolved School Management determines the allocation at School level.</p> <p>Detailed budget planning measures are in place together with monthly monitoring and validation.</p> <p>Senior Management Education Board meets termly to review, direct and agree changes to strategy.</p> <p>Benchmarking against other authority initiatives e.g. North Lanarkshire and management of salary budget.</p> <p>Working with Finance colleagues at early stage to highlight and address possible budget pressures.</p>	4	4	16	<p>Discussions commenced March 2015 regarding current position re staffing numbers and options to reduce the risk.</p> <p>Decision re value of teacher number grant guarantee to be concluded. Significant savings are potentially realisable.</p> <p>Implement an Early Years Strategy to deliver not only the 1140 hours of childcare and early education but a different model to improve early intervention for the most vulnerable.</p>	3	3	9	<p>Head of Education</p> <p>Service Manager – Education (Strategy & Ops)</p> <p>Head of Council Resources</p> <p>Deputy Chief Executive – Resources and People Services</p>	December 2015	2 3 4	Refreshed September 2015 – Current Risk Score increased from 8 to 16 and residual score from 4 to 9.
ED 2	<p>Failure to raise the standards of educational attainment for all will lead to a reduction in opportunities for young people such as entrance to Further and Higher Education or employment, with the consequence of parental dissatisfaction and damage the reputation of individual schools and the education service as a whole.</p>	<p>Each school has a School Improvement Plan, guided by the Education Local Improvement Plan and Strategy (ELIPS), (developed and delivered by SMEB in consultation with Head Teachers) with target setting for attainment.</p> <p>QIOs monitor and evaluate schools while HMIE have a schools inspection programme.</p> <p>Regular liaison with Education Scotland Area Lead Officer (ALO).</p> <p>Curriculum for Excellence continues to evolve in schools while Education disseminates best practice, guidelines and policies.</p> <p>School strategies are in place for increasing expectations of pupils and families (including tackling the barriers to improving achievement and ensure pupil attendance i.e. reducing the attainment gap).</p> <p>Targeted support for schools and early year's providers is provided where a need is identified.</p> <p>A 5 year ICT strategy is in place, identifying the required level of support and intervention within the</p>	4	4	16	<p>Continue to develop a learning environment for S1/S2 pupils which builds on their educational experience from P6/P7 and improve the transition of young people from mainstream education to work, training, further and higher education through working with secondary schools.</p> <p>Develop an authority wide model for the Senior Phase that incorporates all elements of the curriculum.</p> <p>Continue to develop the award winning academies programme with QMU and Edinburgh College.</p> <p>Define a final proposition for the Future Technologies Centre (Construction Academy) in partnership with Edinburgh College and Infrastructure Dept.</p> <p>Early Years Strategy to develop a career path for potential future Early Years Practitioners.</p> <p>Work has started with partners to develop an on-line learning environment for all students to reflect the way young people can now learn.</p>	3	3	9	<p>Head of Education</p> <p>Quality Improvement Officers</p> <p>Head Teachers</p>	<p>Ongoing</p> <p>June 2016</p> <p>June 2016</p> <p>Quarterly</p>	2 3 4	<p>Refreshed July 2015.</p> <p>Refreshed August 2014 with current risk score increased from 6 to 16 and residual risk score increased from 4 to 9.</p>

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion/ Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
		<p>authority and schools.</p> <p>Policies are in place covering Health & Wellbeing, Numeracy & Mathematics, Quality & Assurance and Learning & Teaching, all approved by Education Committee.</p> <p>All Schools now have at least two focussed attainment challenge meetings per annum. Primaries are held at cluster level led by the QIO and secondaries are chaired by the Head of Education with the QIO, Deputy Chief Executive and an independent Head Teacher.</p> <p>Activities to improve attainment to be reported upon at every future Education Committee.</p> <p>A suite of data has been developed to highlight KPIs, share with schools and agree performance improvement.</p>				SMEB will review priorities detailed in the ELIPS and update as appropriate.							
ED 3	<p>There is a nationwide shortage of supply teachers which is impacting on East Lothian. In practice this means that classes are being covered by Management. Changes have been made to the supply system to improve efficiency of processes however this is having little impact on the number of supply vacancies filled.</p> <p>This is impacting on the quality of learners experience also on the availability of management to undertake their leadership role.</p>	<p>Procedures for supply staff have been changed and it is hoped this will lead to a reduction in unfilled posts.</p> <p>LNCT Group set up in addition to national COSLA working group, identifying practical solutions to the challenge.</p>	4	4	16	<p>Continue to advertise and recruit to supply list.</p> <p>Review previous action to encourage returners to the profession through local advertising and consider 'fast-track' return to teaching course.</p> <p>Explore the creation of a permanent supply team, utilising ad-hoc supply budgets and suitable candidates.</p> <p>Consider alternative ways of coercing individuals to volunteer for supply.</p>	3	3	9	Service Manager – Education (Strategy & Ops)	November 2015	2 3 4	<p>New risk created August 2014.</p> <p>Residual risk score increased from 6 to 9 July 2015.</p>

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion/ Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
ED 4	<p>School Estate Management</p> <p>Failure to maintain up-to-date information on the Condition and Suitability of the schools' estate may result in having insufficient data to inform planned maintenance budgets and essential building works.</p> <p>Failure to provide adequate financial and staffing resources to maintain the school estate to the required standard.</p>	<p>Condition and Suitability surveys for the Primary schools are refreshed annually to report SPI data.</p> <p>Property Inspectors and the Asset Team identify priorities on a 3 year rolling programme and implement within available budgets. Work is prioritised on a risk management basis, addressing statutory compliance matters first (fire safety, electrical, safety DDA etc).</p>	3	4	12	<p>Condition and Suitability surveys for the Primary schools will be updated on a rolling 5 year programme using in- house staff and external consultants as necessary.</p> <p>Option Appraisal for procuring and carrying out Condition Surveys to be prepared by December 2015.</p> <p>Reports to Corporate Asset Group will highlight risks which cannot be managed and may impact on the operation or safety of the school estate.</p>	2	4	8	<p>Depute Chief Executive – Resources and People Services</p> <p>Service Manager – Engineering Services & Building Standards</p>	December 2015		Risk transferred from Corporate Risk Register May 2014 then refreshed July 2014 before being split from Risk ED5 September 2015
ED 5	<p>Failure to make timeous responses to planning applications, identifying the impact of proposed development on the Education estate, resulting in delays to determining applications and potential claims from applicants.</p> <p>Risk of Project cost overruns.</p> <p>Risk to uncertainty with forward planning for the expansion of any schools where pupil roll numbers may increase faster than projected.</p>	<p>Education and Strategic Asset Management teams work closely to analyse the data provided by Education and identify requirements arising as a direct result of proposed development. The S75 process is under review.</p> <p>An enhanced and robust school roll projection and class organisation system is in place in Education. This is key to determining the future capacity needs of schools.</p> <p>Regular Education Asset Management meetings are held to manage the impact of potential housing development on the schools' estate.</p> <p>Monthly monitoring is in place in Strategic Asset and Capital Plan Management to review programme for school requirements. Changes which may impact on capital investment are escalated to Education and Finance for consideration. The Schools Estate Asset Management Plan provides the update on the programme for works needed within the school estate, including expansion. This will be updated in 2015, taking account of the emerging LDP.</p> <p>Cost planning and financial monitoring processes are in place. Change control process manages the approvals process for additional budget arising from client changes.</p>	3	4	12	<p>Quarterly review meetings to be held with Education and Strategic Asset and Capital Plan Management to review school development programmes and projects. Minutes and Actions to be circulated to Corporate Asset Group.</p> <p>Project Planning process to be formalised and reported to Corporate Asset Group</p> <p>Consider alternative ways of learning that may reduce the need for physical learning space.</p>	2	4	8	<p>Depute Chief Executive – Resources and People Services</p> <p>Service Strategic Asset & Capital Plan Management</p>	December 2015		Risk transferred from Corporate Risk Register May 2014 then refreshed July 2014 before being split from Risk ED4 September 2015

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion/ Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
ED 6	<p>The failure of a PPP contractor may result in short or long term unavailability of the buildings and services leading to ELC possibly stepping in to take back the financial risks.</p> <p>The PPP team have been relocated to sit within Property. It is possible that this will lead to a reduction in communication and Education influence on decisions made.</p>	<p>The risk is addressed by the current contract in place, which states that:</p> <ul style="list-style-type: none"> • If FES cease to trade Innovate must find a replacement • If Innovate cease to trade then Barclays Special Projects must find a replacement or sell the project to ELC at previously agreed price <p>Regular meetings take place with the PPP contractor, any potential issues will be picked up early, while in the short term the failure of the contractor will not render any schools unavailable for use.</p> <p>Monthly reviews take place between PPP team and FES.</p> <p>Maintain a continuous awareness of the economic climate, and the contractor viability - if there is any reason for concern then take the appropriate action.</p> <p>Monitored by the PPP Strategic Management Group and the Corporate Asset Management Group.</p>				<p>Strategic PPP Management Group meets regularly, chaired by Chief Exec, attended by Finance, Legal etc.</p> <p>Regular meetings between Education and Property take place.</p>				<p>Head of Education</p> <p>PPP Manager</p> <p>Service Manager - Strategic Asset & Capital Plan Mgmt</p>	<p>December 2015</p>	<p>2</p> <p>3</p> <p>4</p>	<p>Risk refreshed September 2015</p>
ED 7	<p>If our School Premises are not properly safeguarded then unauthorised persons could gain entry and cause damage (fire, vandalism etc.) to property or to persons which could lead to buildings or parts of buildings being unavailable for use and/or in need of repair.</p> <p>These incidents may also lead to adverse publicity particularly if staff or pupils are injured as a result.</p>	<p>Security and safety risk assessments are carried out regularly at all Education premises.</p> <p>Each school has its own individual security arrangements such as fencing, building access etc.</p> <p>Business Continuity Plans and a School Estate Asset Management Plan in place.</p> <p>Insurance Renewal Programme in place.</p>				<p>Security policy for school estate to be drafted and agreed, this requires input from both Education and Property and will be led by Education.</p>				<p>Head of Education</p> <p>Service Manager - Education (Strategy & Ops)</p> <p>Service Manager - Strategic Asset & Capital Plan Mgmt</p> <p>Dept. H&S Implementation Officer</p> <p>Head Teachers</p>	<p>Policy to be agreed December 15</p>	<p>2</p> <p>3</p> <p>4</p>	<p>Reviewed and refreshed September 2015.</p>

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion/ Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
ED 8	Failure to effectively manage Health & Safety and adhere to Health & Safety duties both at our schools and during off-site activities may lead to injury to persons or damage to property and resulting enforcement action taken by Health & Safety Executive. This could also lead to possible insurance claims and associated costs/financial implications as well as damage to the Councils reputation.	<p>Departmental Policy On H&S, including Committee Structure.</p> <p>Support for Head Teachers to manage H&S.</p> <p>H&S Arrangements for Educational Excursions, Work Experience and Road Safety including incident reporting, recording, investigation and a Risk Assessment Programme.</p> <p>Internal H&S inspections by schools and inspection and auditing by Dept. H&S Implementation Officer</p> <p>Robust system in place for managing and authorising Off-site Excursions.</p> <p>Head of Establishment Guidance issued to all Heads of Establishment detailing responsibilities.</p>	2	4	8	Head Teacher training being developed on managing Health & Safety.	1	4	4	<p>Head of Education</p> <p>Dept. H&S Implementation Officer</p> <p>Head Teachers</p>	December 2015	2 3 4	Reviewed and refreshed July 2015.
ED 9	<p>Failure to respond to the changing demographics of the East Lothian population such as unexpected or unpredicted fluctuations in the make-up of the population e.g. the number of pupils with Additional Support Needs. This may lead to not having suitable school provision available and a consequent impact on children's education.</p> <p>Failure to recruit to the post of Principal Officer – Strategic Planning. This role now sits within property. There is a risk that education fail to have sufficient input into and information from the processes.</p>	<p>Strategic Asset and Capital Plan Management is responsible for the preparation of the School Estate Management Plan. Education feed into this plan.</p> <p>Provision of the pupil roll related information is provided to Strategic Asset and Capital Plan Management.</p> <p>Strong communication links with parent and governing bodies.</p> <p>Education is involved in key related Council decisions such as planning applications.</p> <p>Regular Education Asset Management meetings are held to manage the impact of potential housing development on the schools' estate.</p>	2	4	8	<p>Processes for input into School Estate Management plan should be formalised.</p> <p>The scope of the Principal Officer – Strategic Planning will be reviewed subsequent to the completion of the review of the S75 process.</p>	1	4	4	<p>Service Manager – Education (Strategy & Ops)</p> <p>Principal Officer – Strategic Planning</p> <p>Service Manager - Strategic Asset & Capital Plan Mgmt</p>	December 2015	2 3 4	Refreshed September 2015.
ED 10	The Service handles a large amount of sensitive data relating to both individuals and groups. There is a risk of this information being provided to individuals not entitled to have it and also of 'loss' of information e.g. memory sticks.	<p>All employees have received training in Data Protection. Procedures are in place for all operations involving Data Handling. Secure e-mail addresses have been set up for communicating with schools.</p> <p>Data Protection is discussed at team meetings and staff are reminded of the importance and the procedures.</p>	2	3	6	Education department to review level of completion of Data Protection training with particular emphasis on new starts and probationers.	2	2	4	Service Manager – Education (Strategy & Ops)			Refreshed July 2015 – residual score reduced to 4 from 6.

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion/ Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
ED 11	Failure to address social exclusion and inequality in the EL education system could lead to non-provision of the additional support required for some young people, either on an individual or group basis, to access education. This could in turn result in poor achievement of those affected and our failure to meet legislative requirements.	<p>All schools operating in accordance with the Equality Act 2010.</p> <p>Additional Support for Learning Procedures are provided along with provisions for alternatives to school based education.</p> <p>We target support and resources on the areas of greatest need through the predictable and exceptional needs budgets and specialist and outwith placements moderation panels.</p> <p>A one-door inter-agency policy for assessment, planning and intervention for vulnerable and looked-after children is in place.</p> <p>Strategies (e.g. Equality & Fairness, Accessibility strategies, Buddying / Mentoring) are in place to address the performance of pupils with the lowest attainment levels and the outcomes of these are monitored.</p> <p>Our resource allocation is targeted at deprived areas and young people with the greatest need. The Psychological Services Policy addresses this area.</p> <p>Accessibility Strategy 2014-2016 is in place.</p> <p>Autism Strategy is in place.</p> <p>Currently the Inclusion and Equality service is under-resourced following the departure of one of the two Inclusion and Equality Officers and an Educational Psychologist. Although these posts will be filled there will be a period when service levels cannot be maintained.</p>	2	3	6	<p>Establish benchmark across East Lothian with which to measure added value by utilising the Early Development Instrument.</p> <p>There is a need to develop a policy to support transition for people with complex needs across early years, primary, secondary and transition into adult services including management, staffing, curriculum, life skills, accommodation, lead officer responsibilities etc</p> <p>Review of our 3-18 support systems is nearing completion (for children and young people with social, emotional and behavioural needs and identify locally based solutions to maximise their educational outcomes and positive destinations).</p> <p>Communication provision is scheduled for opening Easter 2016.</p>	2	2	4	<p>Service Manager - Education (ASN & Early Years)</p> <p>Principal Inclusion & Equality Officer</p> <p>Professional Working Group</p>	<p>May 2016</p> <p>October 2015</p>	2 3 4	Refreshed July 2015
ED 12	It has been identified that there are a number of safes within schools which are not part of the Loomis Safe Contract and therefore not fit for purpose. Cash is being stored in a non Loomis safe or alternatively in a cash box within a locked filing cabinet. Cash not stored correctly within Loomis safe also not covered.	<p>Temporary insurance cover has been put in place until the end of May 2015 to cover all money held securely on school premises.</p> <p>Schools reminded of the importance of correct cash handling procedures including use of Loomis safe where available.</p> <p>On line payment system in Primary</p>	2	2	4	<p>An audit of all school safes will be under-taken by Loomis by September 2015 with a view to identifying which safes need to be replaced.</p> <p>Loomis have confirmed that alternative safes will be installed, where appropriate, by the end of September 2015.</p>	1	1	1	Head Teachers	October 2015	2 3 4	Risk created July 2015

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			L	I	L x I		L	I	L x I				
	<p>There is an increased risk of theft or accusations of theft due to insecure storage of cash.</p> <p>Cash not stored in a Loomis safe is not generally covered by the Council's insurance policy. Any loss from the alternative storage would need to be covered by the school.</p>	Schools is reducing the amount of cash required to be held by schools.				<p>Appropriate permanent insurance cover to be put in place.</p> <p>Online payment in secondary schools is being introduced.</p>							
ED 13	<p>A failure to communicate and respond to local people and other stakeholders and to take account of their views may lead to public dissatisfaction, an increase in parental complaints and reputational damage.</p>	<p>A meeting timetable is in place with all key internal and external bodies.</p> <p>ELC has a Corporate Communications Strategy as well as a Feedback and Complaints process.</p> <p>Communication arrangements in place between LEA and schools, other bodies and relevant parties (e.g. parents).</p> <p>A formal structure is in place for consultation with parents, while all parents/carers form part of each school Parent Forum which then elects the Parent Council to represent it.</p> <p>The Head of Education and Principal Officer meet with members of The East Lothian Association of Parent Council Members on a regular basis [normally two meetings per term].</p> <p>Encouraging schools to adopt a more outward facing perspective in order to meet the needs of the community.</p> <p>Supporting, encouraging and establishing more formal negotiated partnerships with Stakeholder groups, especially Parent Councils, Community Councils, Student Councils and Cluster school groups. This clarifies the role and respective responsibilities of various partner groups.</p> <p>Promoting the student voice in schools by encouraging and supporting the UN Convention's Rights of the Child.</p>	1	2	2		1	2	2	Education Management Team		2 3 4	Refreshed July 2015

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			L	I	L x I		L	I	L x I				
Original date produced (Version 1)	1st March 2012												
File Name	Education Risk Register										Risk Score	Overall Rating	
Original Author(s)	S Kennedy										20-25	Very High	
Current Revision Author(s)	S Kennedy										10-19	High	
Version	Date	Author(s)	Notes on Revisions									5-9	Medium
Original	1 st March 2012	S Kennedy										1-4	Low
2	19/11/12	S Kennedy	Updated following update to Risk Strategy										
3	08/01/13	S Kennedy	Updated with Education Risk Group's updates.										
4	11/04/13	S Kennedy	Updated with Education Risk Group and Management Team's updates.										
5	May 2014	S Kennedy	Risks refreshed by Education and Corporate Risk on School Estate Management Added										
6	August 2014	S Kennedy	Risks refreshed (including former risk on post replacements being removed and new risks added) by Richard Parker and Liz McLean for Property involvement then checked and further updated by Darrin Nightingale.										
7	July 2015	S Kennedy	Risks refreshed (including former risks on standard of competence, service performance and replacement of director being removed and new risk on safes added) by Darrin Nightingale and Liz McLean for Property involvement.										
8	September 2015	S Kennedy	Risk relating to Property updated by Liz McLean and one of those risks split into two risks. Further refresh by Darrin Nightingale.										

Appendix 2
East Lothian Council
Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	Will undoubtedly happen, possibly frequently >90% chance
Likely	4	Will probably happen, but not a persistent issue >70%
Possible	3	May happen occasionally 30-70%
Unlikely	2	Not expected to happen but is possible <30%
Remote	1	Very unlikely this will ever happen <10%

Impact Description

Impact of Occurrence	Score	Description						
		Impact on Service Objectives	Financial Impact	Impact on People	Impact on Time	Impact on Reputation	Impact on Property	Business Continuity
Catastrophic	5	Unable to function, inability to fulfil obligations.	Severe financial loss (>5% budget)	Single or Multiple fatality within council control, 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.	Loss of building, rebuilding required, temporary accommodation required.	Complete inability to provide service/system, prolonged downtime with no back-up in place.
Major	4	Significant impact on service provision.	Major financial loss (3-5% budget)	Number of extensive injuries (major permanent harm) to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Major adverse publicity (regional/national), major loss of confidence.	Significant part of building unusable for prolonged period of time, alternative accommodation required.	Significant impact on service provision or loss of service.
Moderate	3	Service objectives partially achievable.	Significant financial loss (2-3% budget)	Serious injury requiring medical treatment 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.	Some adverse local publicity, limited damage with legal implications, elected members become involved.	Loss of use of building for medium period, no alternative in place.	Security support and performance of service/system borderline.
Minor	2	Minor impact on service objectives.	Moderate financial loss (0.5-2% budget)	Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required).	Some - between 2 and 6 months to recover.	Some public embarrassment, no damage to reputation or service users.	Marginal damage covered by insurance.	Reasonable back-up arrangements, minor downtime of service/system.
None	1	Minimal impact, no service disruption.	Minimal loss (0.5% budget)	Minor injury to employee, service user or public.	Minimal - Up to 2 months to recover.	Minor impact to council reputation of no interest to the press (Internal).	Minor disruption to building, alternative arrangements in place.	No operational difficulties, back-up support in place and security level acceptable.

Risk	Impact				
	None (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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Date	Internal Audit Reports	External Audit Reports	Accounts Commission/ Audit Scotland reports	Governance	Risk
15/09/15	Fuel Management Exceptional Needs Funding Fisheries Local Action Group (FLAG) Internal Audit Progress Report 2015/16	Draft Annual Report to Members Statutory Performance Indicators			Adult Wellbeing Risk Register Children's Wellbeing Risk Register Education Risk Register
17/11/15	Risk Management Schools Audit Waste Management Funding – Third Sector Organisations Employee Expenses Bad Debt Write-offs Internal Audit Follow-up Reports Internal Audit Progress Report 2015/16			Treasury Management Mid-Year Review Report	Service Risk Register
19/01/16	Self-Directed Support – Children's Wellbeing	ELC Audit Strategy and Plan		Council Improvement Plan Monitoring	Risk Management Strategy Update

	<p>Out of Authority Placements</p> <p>Section 75 Payments</p> <p>National Fraud Initiative</p> <p>Performance Indicators 2014/15</p> <p>Internal Audit Progress Report 2015/16</p>			Report	Service Risk Register
22/03/16	<p>Housing Repairs – Shared Costs</p> <p>Universal Credit</p> <p>Contracts Audit</p> <p>Home to School Transport</p> <p>Internal Audit Follow-up Reports</p> <p>Internal Audit Progress Report 2015/16</p> <p>Internal Audit Plan 2016/17</p>		<p>Health and Social Care Integration (due Dec 2015)</p> <p>Changing Models of Health and Social Care (due Jan 2016)</p>		Service Risk Register
17/05/16	<p>Payroll</p> <p>Council Tax</p> <p>Other Income</p> <p>Agency Staff</p> <p>Managing Capital Projects</p>	Interim Management Report	<p>Overview of Scottish Local Government (Mar 2016)</p> <p>Major Capital Investments in Councils –</p>	2016 Corporate Governance Self-evaluation/ Annual Governance Statement	Corporate Risk Register

	Internal Audit Progress Report 2015/16 Annual Internal Audit Report 2015/16 Controls Assurance Statement 2015/16		Targeted Follow Up (due Jan 2016)		
14/06/16				Draft 2015/16 Annual Accounts	

REPORT TO: Audit and Governance Committee

MEETING DATE: 15 September 2015

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Fuel Management

9

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Fuel Management.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of Fuel Management was undertaken as part of the Audit Plan for 2015/16.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	3 September 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT FUEL MANAGEMENT

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of Fuel Management was undertaken as part of the Audit Plan for 2015/16. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate arrangements are in place for the allocation of fuel costs – for the sample of cases examined fuel costs had been correctly coded to the relevant ledger codes.

1.3 Areas with Scope for Improvement

- No documented policies and procedures are in place for the management and use of fuel cards. *Risk – inconsistencies may occur.*
- At present there is no requirement for relevant employees to sign a fuel card usage agreement to confirm their acceptance of the terms and conditions for the proper use of fuel cards. *Risk – improper use of fuel cards.*
- The assigning of fuel cards to specific vehicles rather than to named employees requires review. *Risk – where anomalies occur, difficulties may be encountered in identifying the employee concerned.*
- There was a lack of effective arrangements in place for the monitoring and review of monthly management information. *Risk – failure to monitor fuel consumption or identify anomalies in fuel usage.*
- In some cases, drivers with fuel cards had failed to provide the odometer reading or had given an inaccurate reading. *Risk – errors and irregularities may occur and remain undetected.*
- The existing arrangements whereby contractors use fuel from Council depots require review – our review highlighted that in one case a contractor based permanently at Waste Services was permitted to draw fuel from the depot, however at the time of our audit, no invoices had been raised to recover the sums due to the Council for fuel drawn in 2014/15. In another case a contractor had used fuel from an Amenity Services depot and in this case no invoices were issued – the local supervisor had negotiated for additional works to be carried out in lieu of the fuel used. *Risk – loss of income to the Council.*
- There was a lack of effective checking arrangements in place for garage accounts – in two cases both unleaded and diesel purchases had been recorded against the same vehicle registration number. In other cases employees were using local garage accounts to purchase fuel even though they had been issued with fuel cards. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Our review of the Council's Fuel Management arrangements identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

September 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that detailed policy and procedures are in place to ensure a consistent approach is adopted for fuel card management and usage.	Medium	Service Manager – Transport	Agreed		November 2015
3.2.1	Management should ensure that a Fuel Card Usage Agreement is drawn up clearly setting out the terms and conditions for the proper use of fuel cards – the agreement should be signed by all relevant employees to confirm their acceptance of the terms and conditions.	Medium	Service Manager – Transport	Agreed		November 2015
3.3.1	<p>Management should ensure that a comprehensive list of all active fuel cards is maintained and is updated on a regular basis.</p> <p>Management should review the existing arrangements in place for fuel cards – consideration should be given to fuel cards being assigned to vehicles and issued to named employees.</p>	Medium	Service Manager – Transport	<p>Agreed – will contact the card provider to obtain up to date list.</p> <p>Agreed in principle – to explore options available.</p>		<p>September 2015</p> <p>Ongoing</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.2	<p>Management should ensure that receipts are held for all fuel transactions.</p> <p>Management should ensure that all receipts received are reconciled to invoices.</p>	Medium	Service Manager – Transport	Agreed – will be included in new procedures, however responsibility for implementation lies with service areas.		November 2015
3.4.1	Management should ensure that the Monthly Transaction Detail Reports received for fuel cards are provided to relevant service areas to enable them to monitor fuel usage in their areas.	Medium	Service Manager – Transport	Agreed – reports now being issued to service areas.		In Place
3.4.2	<p>To ensure the effective monitoring of fuel usage, Management should review the current practice whereby employees have access to Allstar cards, Jet cards and to local garage accounts.</p> <p>Management should review the current practice of individual service areas operating local garage accounts – vehicles issued with a fuel card should not be purchasing fuel using local garage accounts.</p>	Medium	Service Manager – Transport	<p>Agreed – seeking to progress to single card operation.</p> <p>Agreed – will be included in new procedures, however responsibility for implementation lies with service areas.</p>		<p>Ongoing</p> <p>November 2015</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.2 (cont)	Invoices received for garage accounts should be properly checked and monitored to ensure that all transactions are valid.			Agreed – will be included in new procedures, however responsibility for implementation lies with service areas.		November 2015
3.4.3	<p>Management should ensure that all employees using fuel cards provide the correct mileage data to enable effective monitoring of fuel consumption.</p> <p>Management should ensure that all variances and anomalies are properly investigated.</p>	Medium	Service Manager – Transport	Agreed – will be included in new procedures, however responsibility for implementation lies with service areas.		November 2015
3.5.1	<p>Management should ensure that invoices are raised timeously for all fuel issued to the contractor by Waste Services.</p> <p>Management should ensure that the Council properly accounts for VAT on all fuel invoices raised.</p>	High	Service Manager – Waste	<p>Agreed – invoices to be raised.</p> <p>Agreed</p>		<p>September 2015</p> <p>September 2015</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.1 (cont)	<p>Management should ensure that all outstanding amounts due to the Council as at 31st March are properly recorded as a year-end debtor.</p> <p>The current practice whereby fuel is given to contractors in lieu of work undertaken for the Council should cease with immediate effect.</p>	High	Principal Amenity Officer	<p>Agreed</p> <p>Agreed</p>		<p>March 2016</p> <p>In Place</p>

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
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.

REPORT TO: Audit and Governance Committee
MEETING DATE: 15 September 2015
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Exceptional Needs Funding

10

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Exceptional Needs Funding.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 As part of the Audit Plan for 2015/16 a review was undertaken of the process for allocating Exceptional Needs Funding to Schools.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	3 September 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT EXCEPTIONAL NEEDS FUNDING

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2015/16 a review was undertaken of the process for allocating Exceptional Needs Funding to Schools. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- The Council has in place appropriate arrangements for identifying and supporting children and young people with additional support needs in line with the Education (Additional Support for Learning) (Scotland) Act 2004 and the Education (Additional Support for Learning) (Scotland) Act 2009.
- A two stage process is in place for administering exceptional needs funding – Cluster Moderation Panels (stage 1) assess individual pupil's eligibility, while the allocation of funding lies with the Authority Moderation Panel (stage 2).

1.3 Areas with Scope for Improvement

- The existing procedures and processes for allocating exceptional needs funding require to be updated to reflect current practices and changes in legislation. *Risk – non compliance with legislation.*
- Detailed records are not currently maintained by the Cluster Moderation Panels or the Authority Moderation Panel of key discussion points considered in reaching a decision. *Risk – lack of transparency.*
- In some cases Exceptional Needs Profiles failed to clearly demonstrate how funding would be targeted to meet the specific needs of individual pupils and to deliver positive outcomes. *Risk – failure to provide detailed information to assist in the assessment of exceptional need.*
- In some cases there was a lack of evidence to indicate that a robust approach had been taken by Cluster Moderation Panels in approving only those Profiles which met the complex and enduring needs criteria. *Risk – failure to ensure that support is targeted to those children with the greatest need.*
- The role of the Authority Moderation Panel requires review to ensure that decisions made by the Cluster Moderation Panels are subject to appropriate scrutiny and that where Profiles do not meet the shared understanding of exceptionality, feedback is provided to the Cluster Moderation Panels. *Risk – failure to ensure that those children with the greatest need receive additional support.*

1.4 Summary

Our review of the allocation of Exceptional Needs Funding has identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

September 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	Management should ensure that the existing procedures and processes for exceptional needs funding are updated to reflect current practices and changes in legislation.	Medium	Service Manager Education (ASN & Early Years)	Agreed – we will review in line with ASL Act 2004/2009 & Children and Young People (Scotland) Act 2014.		August 2016 (Implementation date of Children & Young People (Scotland) Act 2014).
3.3.1	Management should review the adequacy and effectiveness of the Exceptional Needs Profile form to ensure that all profiles clearly demonstrate how funding will be targeted to meet the specific needs of individual pupils and deliver positive outcomes.	Medium	Service Manager Education (ASN & Early Years)	Agreed but with comments: The fact that many of the forms are completed very well is an indication that the form is fit for purpose. It does require further training, however, to ensure that the person completing the form provides relevant and appropriate information to ensure a robust application.		The EN profile form will be subject to discussion and agreement by the EN working group who have been working on changes to the process since March 2015. We will meet to agree a final format and process on 15 th September 2015.

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.2	<p>For all Profiles considered by the Cluster Moderation Panels, a detailed record should be maintained of the key discussion points considered in reaching a decision on eligibility for exceptional needs funding.</p> <p>Management should ensure that a robust approach is adopted by all Cluster Moderation Panels in approving only those Profiles which meet the complex and enduring needs criteria.</p>	Medium	Service Manager Education (ASN & Early Years)	<p>Agreed</p> <p>This has been part of the review of the EN process which started in November 2014 and which will conclude on the 15th of September 2015.</p>		Decision to be made following the meeting on 15 th September 2015. Much will depend on the decision to either stick with the status quo or to adopt a one stage process.
3.3.3	<p>Management should ensure that a clear audit trail exists of all requests made for exceptional needs funding – the existing list prepared for Cluster Moderation Panels should include all pupils including those classed as ‘Enduring’.</p> <p>For pupils identified as ‘Enduring’ relevant details of when the decision was made and the officers making the decision should be held.</p>	Medium	Service Manager Education (ASN & Early Years)	Agreed		December 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.1	<p>The role and remit of the Authority Moderation Panel should be reviewed with a view to ensuring that the Panel provides effective scrutiny of the decisions made at the Cluster Moderation Panels.</p> <p>The Authority Moderation Panel should provide feedback to the Cluster Moderation Panels on Profiles that do not meet the shared understanding of exceptionality.</p>	Medium	Service Manager Education (ASN & Early Years)	<p>Agreed, but this will depend on whether the cluster moderation panel system remains in place.</p> <p>As above</p>		Decision to be made following the meeting on 15 th September 2015. Much will depend on the decision to either stick with the status quo or to adopt a one stage process.
3.5.1	Effective processes should be developed for monitoring the use of exceptional needs funding awarded to schools.	Medium	Service Manager Education (ASN & Early Years)	Agreed		Over the course of time that the existing model has been in place (12 years), a system has not been put in place to monitor the use of EN funding awarded to schools. 2015 is the first year that this will be done.

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
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.

REPORT TO: Audit and Governance Committee

MEETING DATE: 15 September 2015

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Fisheries Local Action Group (FLAG)

11

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on the Fisheries Local Action Group (FLAG).

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 Axis 4 of the European Fisheries Fund (EFF) was launched in Scotland in January 2012 to provide funding to local Scottish fishing communities affected by a decline in fishing activities.
- 3.2 The EFF funding is divided into two main allocations – £1.3m for councils in the Highlands & Islands (Shetland, Highland, Western Isles and Argyll & Bute) and £2.9m for the rest of Scotland (Aberdeenshire, Angus, Fife, Scottish Borders, South Ayrshire, East Lothian, Dumfries & Galloway, and Moray).
- 3.3 Eligible councils were invited to create Fisheries Local Action Groups (FLAGs) to consider applications and decide how the funding will be allocated locally. The East Lothian FLAG supports projects in the fishing communities of Cockenzie & Port Seton, Dunbar and North Berwick.
- 3.4 To access the funds, local authorities were required to provide additional funding (on a 25/75 basis for the Highlands & Islands and a 50/50 basis for the rest of Scotland). East Lothian Council was awarded an EFF grant

of £110,613 and this was match funded by East Lothian Council, giving a total funding for the programme of £221,226.

- 3.5 Internal Audit is required to provide a report to support the annual confirmation certificate, which is submitted by the Council to Marine Scotland, confirming that the Council's obligations under the Service Level Agreement have been fulfilled.
- 3.6 A review of FLAG was undertaken as part of the audit plan for 2015/16. The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.7 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
- 6.2 Personnel - None
- 6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	3 September 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT FISHERIES LOCAL ACTION GROUP (FLAG)

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2015/16 a review was undertaken of the internal controls in place for the administration of the Fisheries Local Action Group (FLAG) Programme.

1.2 Areas where Expected Controls were Met

- The Council has appropriate arrangements in place for the administration of the East Lothian FLAG programme – a Local Action Group has been established and membership of the Group comprises of representatives from a number of local organisations including the Council.
- There was evidence to indicate that members of the Local Action Group had scored each grant application received and a summary of the scores were held on file.
- Grant award letters had been issued to applicants detailing the amounts awarded and the terms and conditions of the funding.
- Acceptance of Grant forms had been signed and returned by all applicants confirming their agreement to the terms and conditions of the grant award.

1.3 Areas with Scope for Improvement

- In some cases there had been a failure to ensure that all relevant documentation had been submitted by the applicant with the grant application form. *Risk – failure to comply with the EFF Axis 4 guidance.*
- In one case the applicant had awarded work to a contractor, however there was no evidence on file to confirm that the contractor had submitted a tender. The project costs were in excess of £90,000. *Risk – failure to demonstrate best value.*
- In two cases we found that bank statements were not held on file to evidence defrayment of amounts claimed from the applicant's bank account. *Risk – errors and irregularities may occur and remain undetected.*
- There was a lack of segregation of duties – the checking and approval of grant claims had been undertaken by the same officer. *Risk – errors and omissions may occur and remain undetected.*

1.4 Summary

Our review of the internal controls surrounding the FLAG Programme has identified areas with scope for improvement. We are informed that the 2015-2020 FLAG Programme will not be administered by East Lothian Council, however to ensure compliance with the EFF Axis 4 guidance and the Council's obligations under the Service Level Agreement in place, Management should ensure that the weaknesses identified from our review are fully addressed.

Mala Garden
Internal Audit Manager

September 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.	Management should ensure that areas identified with scope for improvement are addressed.	Medium	Team Manager – Economic Development	Agreed		Ongoing

GRADING OF RECOMMENDATIONS

To assist Management in using our reports, our recommendations are categorised according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
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.

REPORT TO: Audit and Governance Committee

MEETING DATE: 15 September 2015

BY: Depute Chief Executive – Resources & People Services

12

SUBJECT: Internal Audit Progress Report 2015/16

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit's progress against the annual audit plan for 2015/16.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Internal Audit Progress Report 2015/16.

3 BACKGROUND

- 3.1 This report is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan.
- 3.2 The progress made to date is outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	3 September 2015

INTERNAL AUDIT PROGRESS REPORT 2015/16

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Fuel Management	We will review the adequacy and effectiveness of the controls operating in respect of Fuel Management.	September 2015	Completed
Exceptional Needs Funding	We will review the arrangements in place for the allocation of Exceptional Needs Funding to Schools.	September 2015	Completed
Fisheries Local Action Group (FLAG)	We will examine the arrangements in place for the payment of grants by East Lothian Fisheries Local Action Group (FLAG).	September 2015	Completed
Risk Management	We will evaluate the effectiveness of the Council's risk management processes in place including risk appetite, risk identification and the mitigation of risks.	September 2015	
Schools Audit	We will examine the internal controls operating within one primary school in East Lothian.	November 2015	
Waste Management	We will review the Council's waste collection arrangements, focusing on whether value for money is being obtained and how efficiency savings are being achieved and will be achieved in the future.	November 2015	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Funding – Third Sector Organisations	We will review the partnership arrangements in place with Third Sector Organisations and assess if the Council is getting value for money from grants awarded to Third Sector Organisations.	November 2015	
Employee Expenses	We will examine the internal controls in place for employee travel and subsistence claims.	November 2015	
Review of Previous Years' Work	Internal Audit will review the outcome of our previous years' work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.	November 2015	
Bad Debt Write-offs	We will examine the systems in place for the write-off of Bad Debts and Credit Balances.	November 2015	
Self-Directed Support – Children's Wellbeing	We will continue our review of Self-Directed Support by reviewing the progress being made within Children's Wellbeing.	January 2016	
Out of Authority Placements	We will review the way the Council manages the delivery of services to children with special education needs – the audit will focus on planning, budgeting, commissioning and the monitoring of service delivery.	January 2016	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Section 75 Payments	Section 75 payments (developer contributions) bring significant funds to the Council for infrastructure projects. We will examine all aspects of the section 75 process and seek to provide management with assurances that the controls in place are operating effectively.	January 2016	
National Fraud Initiative	The 2014/15 National Fraud Initiative data matching exercise was undertaken by the Audit Commission in 2014. The results of the matches were provided to the Council in January 2015. We will investigate all recommended matches.	January 2016	
Review of Performance Indicators	Internal Audit will review the systems in place for the preparation and reporting of Performance Indicators.	January 2016	
Housing Repairs – Shared Costs	We will review the arrangements in place for charging mutual repairs and shared costs to private owners.	March 2016	
Universal Credit	We will review the Council's arrangements for dealing with the impact of Universal Credit and Direct Payments.	March 2016	
Home to School Transport	We will examine the procurement process for the provision of Home to School transport – our review will focus on the tendering, evaluation and awarding of contracts to operators.	March 2016	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Contracts Audit	We will examine payments made to suppliers in respect of specific contracts.	March 2016	
Review of Previous Years' Work	Internal Audit will review the outcome of our previous years' work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.	March 2016	
Internal Audit Plan 2016/17	Internal Audit will present the detailed operational Audit Plan for 2016/17 for approval by the Audit and Governance Committee.	March 2016	
Payroll	We will undertake a risk based review of the Payroll system, examining in particular controls relating to starters and leavers.	May 2016	
Council Tax	We will review the internal control arrangements in place for Council Tax income – our audit will focus on Council Tax collection.	May 2016	
Other Income	Our audit will focus on the internal controls in place for sundry income received by the Council.	May 2016	
Agency Staff	We will examine the arrangements in place for the engaging and use of agency staff – the review will include the monitoring and payment arrangements in place.	May 2016	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Managing Capital Projects	We will review the Council's management of significant capital projects that are underway. The review will also examine the whole approach that the Council takes to property management.	May 2016	
Annual Internal Audit Report 2015/16	We will present the Annual Internal Audit Report based on Internal Audit activity undertaken for financial year 2015/16, as required by the Public Sector Internal Audit Standards.	May 2016	
Controls Assurance Statement 2015/16	Internal Audit will provide an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the financial year 1 April 2015 to 31 March 2016.	May 2016	