East Lothian Council

2016/17 Annual Audit Report

AUDIT SCOTLAND

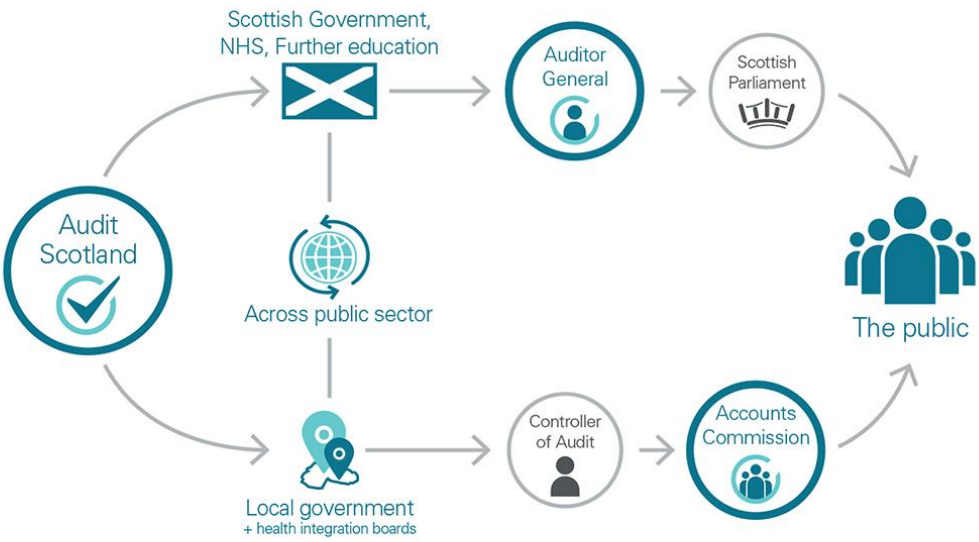
To Members of East Lothian Council and the Accounts Commission

26 September 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Key messages

Audit of the 2016/17 annual accounts

1 **Our audit opinions were all unqualified. These covered the financial statements, management commentary, remuneration report and the annual governance statement.**

2 **Unqualified opinions were issued for the Dr Bruce Trust administered by the Council.**

Financial management

3 **Financial management is effective with a budget process focussed on the Council's priorities.**

4 **The Council has a good track record of delivering services within its budgets and over the last two years has consistently contained its expenditure within annual budgets.**

5 **The Council has appropriate internal controls in place and overall these were found to be operating effectively.**

Financial sustainability

6 **The Council has financial strategies and plans over the short and medium term and these are robust with linkages to wider Council initiatives however there is no long term (five to ten years) financial plan in place to demonstrate the feasibility of significant longer term projects.**

7 **The Council recognises the need to develop a sustainable budget and has developed a three year financial plan aligned to its priorities that seeks to deliver a balanced budget avoiding the use of reserves by 2019/20, and sets out how it will address future budget challenges.**

8 **The Council has supported its annual budgets through the use of reserves in recent financial years. This position is not sustainable in the longer term with decreasing levels of available reserves.**

Governance and transparency

9 **A comprehensive programme of member induction was provided following the Council elections in May 2017 to support new members in discharging their governance and scrutiny role.**

10 **The effectiveness of scrutiny has diminished with one political party not participating in scrutiny committees. This arrangement has not been codified so as to assist the committees to be quorate. The result is less effective scrutiny overall.**

11 **The Council is open and transparent in the way that it conducts its business, with the public able to attend meetings of the Council and its committees. Committee minutes, agendas and papers are readily available on the Council's website.**

Value for money

12 **Our Best Value work during the year concluded that the Council has effective arrangements in place regarding financial and service planning and financial governance and resource management.**

13 **The Council has appropriate arrangements in place for the collection, monitoring and reporting of performance information.**

14 **It is important that there is alignment of objectives between the Council and Group components and that corrective action is taken on a timely basis where a divergence becomes apparent.**

Introduction

1. This report is a summary of the findings arising from the 2016/17 audit of East Lothian Council (the Council).

2. The scope of the audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Audit and Governance Committee. This report comprises:

- an audit of the annual report and accounts
- consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in Exhibit 1.

Exhibit 1
Audit dimensions

Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:

- an interim audit of the Council's main financial systems and governance arrangements
- audit work covering the Council's arrangements for securing Best Value relating to financial governance and resource management and, financial planning
- an audit of the Council's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions.

4. East Lothian Council is responsible for preparing the annual report and accounts that show a true and fair view in accordance with the Local Authority Accounts

(Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.

5. Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the *Code of Audit Practice 2016* guided by the auditing profession's ethical guidance.

6. As public sector auditors we provide an independent auditor's report on the annual report and accounts. We also review and report on the arrangements within East Lothian Council to manage its performance and use of resources such as money, staff and assets. Additionally, we report on the Council's best value arrangements. In doing this, we aim to support improvement and accountability.

7. Further details of the respective responsibilities of management and the auditor can be found in the *Code of Audit Practice 2016*.

8. This report raises matters from the audit of the annual report and accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.

9. Our annual audit report contains an action plan at Appendix 1. It sets out specific recommendations, responsible officers and dates for implementation.

10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

11. This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.

12. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2016/17 annual report and accounts

Main judgements

We have issued unqualified audit opinions on the Council's annual report and accounts. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

We have issued an unqualified audit opinion on the Dr Bruce Fund administered by the Council.

Unqualified audit opinions

13. The annual report and accounts for the year ended 31 March 2017 were approved by the Audit and Governance Committee on 26 September 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- unqualified opinions on the management commentary, remuneration report and annual governance statement.

14. Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The Council's annual report and accounts are the principal means of accounting for the stewardship of resources and performance in the use of resources.

Audit of the charitable trust administered by East Lothian Council

15. Due to the interaction of the Local Government in Scotland Act 1973 with the charities legislation, a full and separate audit and auditor's report is required for each registered charity where members of East Lothian Council are sole trustees, irrespective of the size of the charity.

16. Our duties as auditors of the charitable trusts administered by East Lothian Council are to:

- express an opinion on whether the charity's financial statements properly present the charitable trusts' financial position and are properly prepared in accordance with charities legislation
- read the trustees' annual report and express an opinion as to whether it is consistent with the financial statements
- report on other matters by exception to the trustees and to the Office of the Scottish Charity Regulator.

17. We received the unaudited trust's accounts on 2 August. Some presentational adjustments were required to align the disclosures in the accounts to the new FRS 102 based SORP. There were no adjusted or unadjusted audit differences raised however we did note the following:

- the trust's accounts were not advertised in line with the requirements under Regulation 9 of the Local Authority Accounts (Scotland) Regulations 2014 issued under section 105 of the 1973 Act,
- the unaudited accounts were not signed on behalf of the trustees, and
- the Dr Bruce Fund was set up to provide relief for the poor of Musselburgh. One of the risks identified for managing this is the financial demands placed on those funds. In 2016/17 there was a net movement in funds of £6,800, of which £3,291 was income received. In the same period £50 was disbursed. There is a need for the trustees to review whether an appropriate balance has been struck in managing the risk and fulfilling the charitable objective.

Recommendation 1 (Appendix 1, action plan point 1)

The unaudited accounts should be advertised in line with the Regulations.

The unaudited accounts should be signed on behalf of the trustees prior to submitting for audit.

Recommendation 2 (Appendix 1, action plan point 2)

The Council should review the method(s) used to promote this (and other) charitable trusts to ensure that the potential availability of these funds are known to the wider community.

18. After completing our audit we issued unqualified audit opinions in respect of the 2016/17 financial statements of the Dr Bruce Fund.

Trust funds

19. East Lothian Council acts as a Trustee for 46 trusts, bequests and other funds, which are administered in accordance with the terms of each trust. During 2016/17, the trusts funds operated at a surplus of £141,000, an increase of £15,000 on the surplus from 2015/16. The overall asset book value increased during 2016/17 from £4.66 million to £5.28 million by 31 March 2017. Total Usable Reserves were £2.52 million.

20. Of the 46 trusts being administered by the Council, only 16 were actively used, i.e. incurred expenditure or earned income, in 2016/17. A total of £17k was disbursed in 2016/17, with £49k being received in income. The remainder of the trusts, accounting for £1.83 million of total usable reserves of £2.52 million, were not actively used in 2016/17. Many of the trusts are also very small as measured by the size of their usable reserves. There appears to be a lack of promotion of the availability of the trusts and a risk that some could become dormant.

Recommendation 3 (Appendix 1, action plan point 3)

The Council should ensure that the trusts it administers are promoted more widely amongst the public, and the trust objectives clarified legally to facilitate their use. An exercise should also be undertaken by the Council to consider whether any trusts could be consolidated.

Submission of the Council's annual report and accounts for audit

21. We received the unaudited annual report and accounts on 27 June 2017, in line with the audit timetable set out in our 2016/17 Annual Audit Plan. In 2016/17, for the first time, the Council's group accounts included the financial results of East Lothian Integration Joint Board (the IJB).

22. We have completed the audit of the IJB and have reported our findings separately to the IJB Audit and Risk Committee on 12 September 2017 where the accounts were approved. We are satisfied that the Council had good arrangements in place to agree year end balances between itself and its partners. Our audit testing also confirmed that the council properly identifies transactions that relate to work commissioned by the IJB.

23. The Council's working papers provided with the unaudited report and accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the final accounts process ran smoothly.

Risk of material misstatement

24. Appendix 2 provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are the wider audit dimension risks, how we addressed these and conclusions.

Materiality

25. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved (i.e. true and fair view). The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

26. Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit and is summarised in Exhibit 2. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

27. On receipt of the annual report and accounts and following completion of audit testing we reviewed our original materiality calculations and concluded that they remained appropriate.

Exhibit 2
Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£3.4 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 50% of overall materiality.	£1.7 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of overall materiality.	£34,000

Source: Audit Scotland Annual Audit Plan 2016/17

How we evaluate misstatements

28. All individual misstatements which exceeded our reporting threshold have been amended in the audited financial statements. There were no unadjusted errors above the reporting threshold which impact the Council's primary financial statements.

29. A number of presentational and monetary adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements. The effect of these adjustments is to increase the Council and group in-year deficit on provision of services by £2 million, the Council total net comprehensive expenditure by £5.3 million and the group total net comprehensive expenditure by £4.5 million. Net assets as recorded in the Council balance sheet have decreased by £5.3 and group net assets have decreased by £4.5 million.

Significant findings

30. International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. These are summarised in Exhibit 3 (where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in Appendix 1 has been included).

Exhibit 3
Significant findings from the 2016/17 audit of East Lothian Council

Issue	Resolution
1. Non-current asset valuations Our audit identified a number of assets in the asset register that were not included in the external valuer's report. Investigation by officers revealed that 32 assets were required to have valuations undertaken during 2016/17 and corresponding updates to the asset register.	Officers arranged for the required valuations to be completed by 31 August 2017. Adjustments were made to reflect the updated asset valuations in the asset register and the accounts. Officers have also reviewed the Council's procedures for arranging valuations and updated these accordingly. The adjustment resulted in an increase of £0.7 million to the Council's net assets, an increase of £0.8 million to the Common Good net assets and an increase of £1.5 million to the group net assets. The revaluations also resulted in an increase to the deficit on provision of services of £1.2 million for both the Council and the group, a decrease in total net comprehensive expenditure of £0.7 million in the Council accounts, an increase in total net comprehensive income of £0.8 million in the Common Good account and a decrease in total net comprehensive expenditure in the group accounts of £1.5 million.
2. Duplicate assets in asset register During investigation of the above issue, Council officers also identified a number of assets with duplicate entries in the asset register. This issue arose as a result of additional accounts being set up to record enhancement expenditure. When the assets were subsequently revalued, the	Adjustments were made to remove the duplicate assets in the asset register and the accounts. Officers have reviewed the Council's procedures and controls for accounting for enhancement expenditure to prevent duplicate accounts from being created. Correction of the error resulted in a decrease in net

Issue	Resolution
original asset values were adjusted to reflect the enhancement values however the enhancement expenditure was not removed, leading to duplication in the asset register and the accounts.	assets of £5.9 million, an increase in the deficit on provision of services of £0.7 million and an increase in total net comprehensive expenditure of £5.2 million in both the Council and group accounts.
3. Asset categorisation During investigation of an audit query regarding community assets, Council officers identified that a number of assets had incorrectly been categorised as community assets instead of other land and buildings.	Officers reviewed the assets to determine the correct classification. Adjustments have been made to transfer the assets identified from community assets to other land and buildings in the asset register and the accounts. The reclassification resulted in a decrease to community assets in the balance sheet of £1.5 million with a corresponding increase to the other land and buildings category. This was a classification error and consequently, no monetary impact on the accounts.
4. Housing Rent Income Our audit identified that a number of former Council properties which had been sold continued to be designated as rental properties within the Housing Rents system. This led to the accumulation of rent debtor balances for these properties. This issue arose because the costs of communal upgrade works were correctly allocated to these properties however this triggered to system to flag the properties as rental properties in error.	Officers have corrected the status of these properties within the Housing Rents system in 2016/17. Officers have agreed to review procedures for allocating this type of expenditure to prevent this error from recurring. Adjustments have been made to remove the related income and reduce the debtor in the accounts.
5. Integration Joint Board The Council's Comprehensive Income and Expenditure Statement in the unaudited accounts did not include the Council's contribution of £44 million to the East Lothian IJB as required by the Integrated Resource Advisory Group (IRAG) guidance. Inclusion of these amounts has the effect of increasing both the Council's income and expenditure by the same amount. The overall impact is nil.	Officers have updated the Council's accounts and included the contribution to the East Lothian IJB in the Comprehensive Income and Expenditure Statement. Officers will liaise with the IRAG group to ensure presentational requirements like this are included in the future.
6. Bad Debt Provision The Council have had to increase their provision for doubtful debts since the introduction of Universal Credit and therefore there is an increased likelihood of non-recovery of income.	There is a Rent Scrutiny Board in place and the S.95 Officer attends these meetings. The Rent Scrutiny Board monitors the levels of outstanding debt continuously. Universal Credit and the bad debt provision were subject to extensive discussions at Audit and Governance Committee meetings during 2016/17.

Source: Audit of the 2016/17 accounts

Going concern

31. The financial statements of the Council, its group and the associated charitable trust (Dr Bruce Fund) have been prepared on the going concern basis.

Other findings

32. In addition to the issues described in detail above, our also audit identified a number of minor presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual report and accounts.

Objections

33. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations and there were no objections as far as we are aware.

Whole of Government Accounts

34. For 2016/17, the Council will exceed the £350 million threshold set for the requirement for an audit of the whole of government accounts. The Council submitted the stage one consolidation pack for the whole of government accounts to the Scottish Government on 21 July in line with the requirements. We anticipate that the stage two consolidation pack will be submitted to external audit on 25 September 2017. We expect to complete our audit of the Council's whole of government accounts by the deadline of 30 September 2017.

Part 2

Financial management

Main judgements

Financial management is effective with a budget setting process focused on the Council’s priorities.

The Council has a good track record of delivering services within its budgets and over the last two years has consistently contained its expenditure within annual budgets.

The Council has appropriate internal controls in place and overall these were found to be operating effectively.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial performance in 2016/17

35. In February 2016 the Council approved a general services budget of £227 million for 2016/17. The budget was aligned to the Council's plans and strategies that contribute to commitments made in both the Single Outcome Agreement and the Council Plan. The 2016/17 Financial Review reported to Council in June 2017 reported an underspend of £1.1 million against budget. This included planned transfers of £3 million from the general reserve and £0.7 million from earmarked reserves.

36. The Council has a good track record in delivering services within budget over the current and previous financial years. While the Council's spending has remained in line with its overall budget, there are variations in how different services have performed. The more significant over and underspends are summarised in Exhibit 4.

Exhibit 4
Summary of significant over and under spends against budget

Area	Under/over spend (£m)	Reason(s) for variance
Underspends		
Resources and People Directorate	£0.913	Various underspends in pre-school, Additional Support for Learning, primary, secondary and school support budgets. Includes underspend on PPP/PFI budget due to vacancies in the team and lower than anticipated insurance premiums.

Area	Under/over spend (£m)	Reason(s) for variance
Partnership & Community Directorate – excluding HRA	£1.260	Includes staffing underspends across most sub-service areas. Planning fee income exceeded budget expectations.
Overspends		
Health & Social Care Partnership	£0.444	Increase in the number of children placed in external fostering placements and secure accommodation. Non-delivery of planned efficiency programme for Adult Wellbeing service.

Source: 2016/17 End of Year Financial Review

37. The Council has recognised the need to develop a sustainable General Services budget and its three year Financial Strategy to 2018/19 aims to avoid the use of reserves in 2018/19. Recent spending plans and strategies allow for the use of reserves in years one and two however to demonstrate resilience and financial sustainability, the use of reserves in year three of the Financial Strategy is discouraged with the goal being to lessen the future dependency on reserves.

38. The Council is making progress to reduce its reliance on the use of reserves as outlined in the Financial Strategy however there continues to be uncertainty around future funding levels beyond 2017/18. The identification and deliverability of recurring savings remains critical to the delivery of the three year balanced budget.

39. In July 2017, the Edinburgh and South East Scotland City Region Deal (the City Deal) Heads of Terms was agreed by the UK and Scottish Government resulting in a commitment to invest over £600 million over the next 15 years in East Lothian and the five other local authorities in the region. Challenges and opportunities from this significant milestone will require financial plans and strategies to be revisited and this is recognised in the most recent paper presented to Members in August 2017. The Council has been proactive in informing Members of progress towards this goal with routine updates provided to Council including impact, uncertainties and proposal for going forward.

40. Overall, the Council's budget setting, monitoring and reporting arrangements are effective. Members are routinely informed and kept up-to-date with developments. Reports presented to the various committees are easy to follow and understand and contain sufficient information for the reader.

Housing Revenue Account

41. The Council is required by legislation to maintain a separate housing revenue account (HRA) and to ensure that rents are set to at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget setting process for the year.

42. The 2016/17 Financial Review reported to Council in June 2017 reported an underspend of £2.2 million against the HRA budget. This included planned transfers of £3.2 million from the general reserve and £1.495 million from other reserves. The operational underspend can be attributed but not limited to increases in rental income with the introduction of new council housing stock, a reduction in debt charges following a review of the loans fund and a lower than planned increase to the bad debt provision as a result of the impact of Universal Credit.

43. The Council's Financial Strategy Statement (2017/18 – 2019/20) states that the HRA reserve should not fall below £1 million. This is to allow for a contingency against unexpected increases in costs, loss of income and to protect against risks associated with UK welfare reform proposals.

44. The Council has utilised HRA balances in line with its Financial Strategy. Revised guidance was issued by the Scottish Government in 2014 and sets out the parameters for wider use of the HRA. The Council reviews its rent levels annually and makes any necessary adjustments, the outcome of which has resulted in rent increases over a number of years. The income generated from the increases is used to reinvest into housing and to defray the cost of borrowing. As outlined in the Financial Strategy, 2017/18 is the final year where there will be a transfer to the HRA.

45. The biggest impact on the HRA for 2016/17 is the depreciation, impairment and revaluation losses increase to £20.961 million (2015/16: £9.723 million). This is largely due to two items:

- The completion of 109 new council homes in 2016/17. The difference between accounting and funding basis means that an adjustment is required to reduce the value of the council dwellings on the basis of existing use for social housing (c.£11 million).

- A significant amount of enhancement work as part of the ongoing modernisation programme was carried out (c.£11 million).

46. Overall, the HRA records a deficit of £9.5 million in 2016/17 (2015/16: £2.2 million) resulting in an HRA balance of £5.0 million.

47. Effective processes are in place to oversee the management of the HRA. This includes routine reporting of the HRA to Members and an HRA Programme Board who meet regularly and oversee the operational delivery and strategic direction of the HRA capital programme.

Efficiency savings

48. With reduced funding from government and increased demand for financial services, efficiency savings are an important means of bridging the gap between funding received and spending commitments.

49. The Council is required to make an annual return to COSLA in respect of recurring efficiency savings. The Cabinet receives regular budget monitoring reports including savings plans which have been risk assessed.

50. The 2016/17 annual return to COSLA submitted by the Council indicated that £2.9 million of savings were planned. The Council achieved actual savings of £5.0 million. Some of the planned savings in relation to Adult Wellbeing and Property Maintenance were not delivered in-year however this was offset by efficiencies and underspends in other areas including staffing and supplies and services.

Borrowing in 2016/17

51. The Council's outstanding loans at 31st March 2017 were £347 million, an increase of £7 million on the previous year. £13.2 million of loan repayments were made and there were £20.2 million of new loans taken out.

52. The Council has maintained its borrowed position in accordance with its financial strategy, which is to minimise the impact of any borrowing on the Council's Loans Fund Balance. This strategy includes temporary borrowing at lower rates than PWLB new loan rates, and was reviewed when considering the Treasury Management Strategy for 2017/18. Debt charges in-year totalled £27.6 million (£9.1 million of which related to HRA).

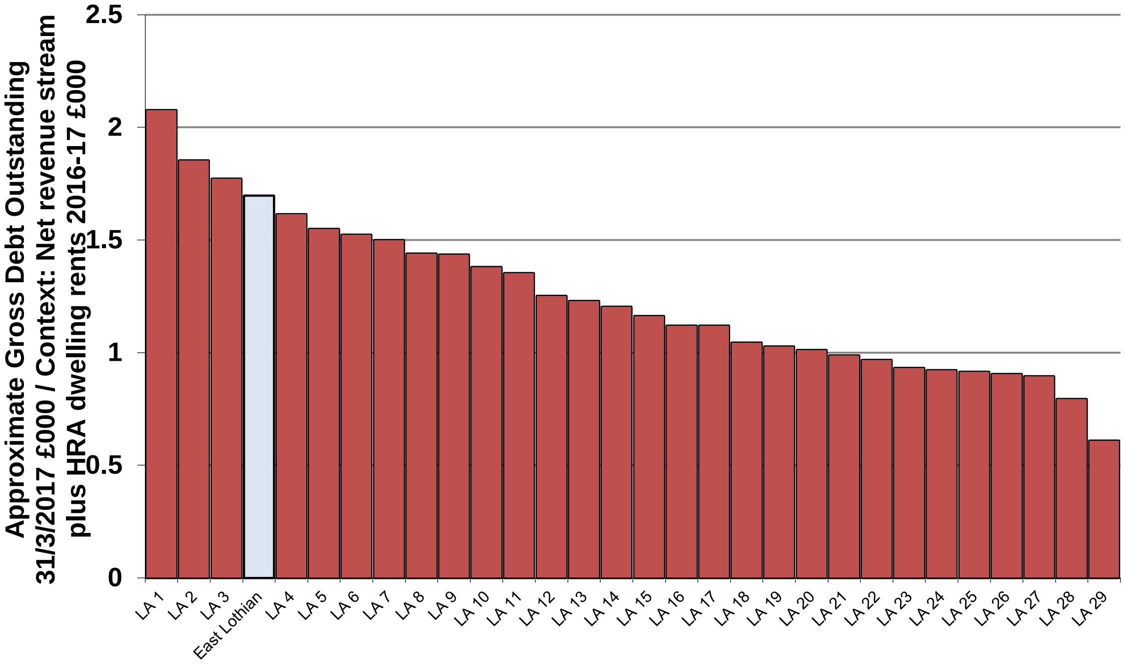
53. The capital balance outstanding on PFI/PPP contracts at 31 March 2017 was £41 million, a balance which is virtually unchanged from the previous year.

54. Total external debt was within the authorised limit and operational boundary set within the Council's treasury management strategy. When compared to other Scottish councils in Exhibit 5, the Council's overall borrowing position remains at the upper end. The Council's Treasury Management Strategy highlights that it will continue to consider the affordability of future borrowing.

55. The composite interest rate for East Lothian Council for all debt (including its PFI/PPP finance lease liability) was 4.1% in 2016/17. Overall the average interest rate on external debt for Scottish councils was between 4% and 8% in 2016/17, therefore East Lothian Council is at the lower end of the average interest rate paid for debt outstanding. The Council should continue to ensure that it is obtaining best value in this area.

Exhibit 5

Overall indebtedness as a percentage of annual income in 2016/17



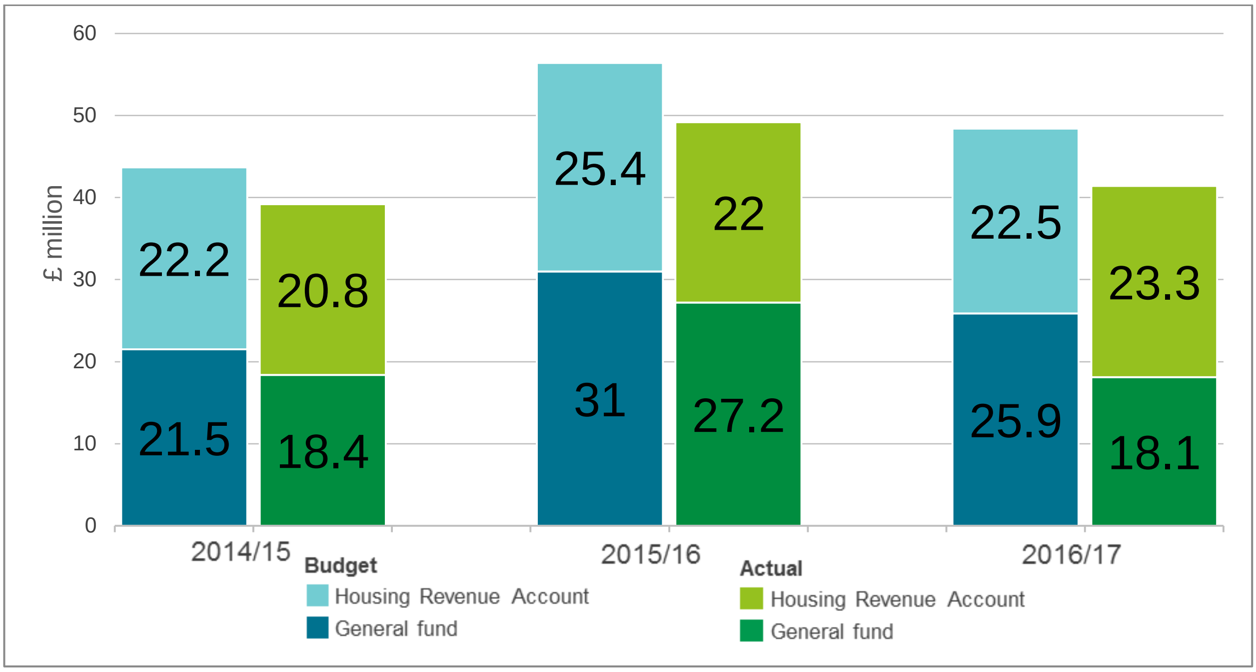
Source: East Lothian Council Unaudited Accounts 2016/17

Capital programme 2016/17

56. Total capital expenditure in 2016/17 was £18.1 million for General Services and £23.3 million for the Housing Revenue Account. Of the total capital budget £25.9 million related to general services and £22.5 million to the HRA.

57. Capital spend was £7.9 million below budget, comprising an underspend of £7.8 million on the General Services capital programme, partly offset by an overspend of £0.8 million on the HRA. The Council has a history of slippage in its capital programme as outlined in Exhibit 6.

Exhibit 6
Capital slippage compared to budget (General Fund and HRA)



Source: End of Year Financial Reviews (2014/15, 2015/16, 2016/17)

58. The majority of the capital underspend for General Services relates to slippage and will be carried forward to the 2017/18 capital programme. Slippage was primarily due to delays in commencement of projects including delays to the design programmes for several projects. Some of these projects have now begun however others have not yet commenced. Significant projects include Law Primary School (£2.2 million underspent) and Cemeteries extensions (£0.9 million underspent). The main contract works are now ongoing for Law Primary however we note that there was no movement since 31 March 2016 on the Cemeteries extensions and that no land has been identified or agreements concluded in relation to this project.

59. The HRA capital programme had a total overspend of £0.8 million. Within HRA, £11.2 million was spent on modernisation with an overspend of £0.3 million. Spending of new affordable homes was £11.8 million, which was £0.9 million above the approved budget. Two mortgage to rent applications were processed during the year, resulting in an underspend against the approved budget of £0.5 million. The net overspend of £0.8 million was offset during the year by increased grants of £0.9 million.

60. Whilst management has an understanding of capital slippage and does not consider this to be problematic in 2016/17, there is a risk that ongoing delays in capital projects such as the cemeteries extensions could impact on service plans going forward.

Budgetary monitoring and control

61. The *Local Government in Scotland: Financial overview 2015/16* (November 2016) highlighted that the need for budgets and forecasts to reflect actual spending becomes increasingly important for Councils with decreasing (or low levels) of usable reserves to rely on.

62. Each year as part of its budgeting process, East Lothian Council prepares a Financial Strategy Statement covering a three year period including the forthcoming and subsequent two financial years. The Financial Strategy Statement outlines the main opportunities, risks and constraints that the Council has identified it will face over the next three years. The Financial Strategy Statement is used as the basis for preparing the Council's budgets for the same three year periods. As both the Financial Strategy Statement and three year budgets are updated on an annual basis, they are amended to reflect changes to financial forecasts or assumptions.

63. We noted that the Council's budget and savings plan is aligned to the Council priorities as set out in the Council Plan. This is consistent with good practice.

64. Within the Council, the detailed scrutiny of financial performance is delegated to the Cabinet committee which receives quarterly revenue and capital monitoring reports. From our review of these reports and attendance at committee we concluded that they provided a sound overall picture of the budget position at service level. Also, the reports forecast out-turn position for the year and include good narrative explanations for significant variances against budget. They allow both members and officers to carry out scrutiny of the Council's finances.

Financial capacity within the Council

65. The Section 95 officer is the Head of Council Resources with responsibility for a wide range of services including finance, human resources and information technology. He is a member of the corporate management team and has direct access to the chief executive and Council Members. We concluded that the Section 95 officer has appropriate status within the Council.

66. The finance team includes a sufficient number of qualified and experienced staff who receive sufficient and appropriate training.

67. Following Council elections in May 2017, 11 new Members were elected. The Council provided all new and continuing Members with an 'Elected Member Induction Programme' during May and June immediately following the elections. This helped provide a smooth transition and helped ensure committee and Council business continued as normal. The induction is extensive and covers a wide range of areas on how the Council works and the programme specifies what sessions are compulsory for new Members. External audit were invited to present at the induction session on 'Local Government Finance and Audit' where both internal and external audit presented a summary. Overall, this induction programme will assist Members in exercising their scrutiny responsibilities effectively. A significant amount of support was and continues to be provided to Members by the Council.

68. We reviewed the induction training and materials provided to Members and concluded that it was thorough and fit for purpose.

Internal controls

69. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that the Council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

70. Our findings were included in our interim audit report that was presented to the Audit and Governance Committee on 20 June 2017. We concluded that overall the key controls were operating effectively. We did, however, identify several control weaknesses where additional work was undertaken to gain assurance for our audit of the 2016/17 financial statements. An action plan has been put in place by management to address the issues identified.

Prevention and detection of fraud

71. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed the Council's arrangements including policies and codes of conduct for staff and elected Members, whistleblowing, fraud prevention and fraud response plans.

72. Based on the evidence reviewed by us, we concluded that the Council has adequate arrangements in place for the prevention and detection of fraud. There were no frauds reported in 2016/17.

National Fraud Initiative

73. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or error.

74. The latest position on NFI investigations by the Council is summarised in Exhibit 7.

Exhibit 7
National Fraud Initiative 2016/17

Total number of matches

3,430

Number recommended for investigation

577

Completed/closed investigations

110

Source: NFI website

75. Progress is slowly being made on NFI matches. This is particularly important for time sensitive matches such as housing benefit and student loans. At the time of writing this report, the summary sheet prepared by Internal Audit records:

- 110 investigations have been processed and cleared
- 242 investigations are in progress
- 225 have yet to be reviewed.

76. A report on the NFI work is scheduled to be presented to the Audit and Governance Committee in February 2018 by the Head of Internal Audit. The Head of Internal Audit is confident that they will have completed all the NFI work prior to this date. We are content with the processes used by the Council in undertaking NFI work.

Part 3

Financial sustainability

Main judgements

We noted that the Council has financial strategies and plans over the short and medium term and these are robust with linkages to wider Council initiatives however there is no long term (five to ten years) financial plan in place to demonstrate the feasibility of significant longer term projects.

The Council recognises the need to develop a sustainable budget and has developed a three year financial plan aligned to its priorities that seeks to deliver a balanced budget avoiding the use of reserves by 2019/20, and sets out how it will address future budget challenges.

The Council has supported its annual budgets through the use of reserves in recent financial years. This position is not sustainable in the longer term with decreasing levels of available reserves.

Financial planning

77. It is important that long-term financial strategies are in place which link spending to the Council's strategies. Although councillors only approve the budget for a single year, this should be supported by indicative future spending plans (covering three years at least) that forecast the impact of relevant pressures on the Council.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

78. We considered whether the Council's Financial Strategy meets the requirements set out in *Scotland's public finances – a follow-up audit: Progress in meeting the challenges* (June 2014). We noted that the Council has financial strategies and plans over the short (one year) and medium (two to five years) term and these are robust with linkages to wider Council initiatives, the Local Development Plans, Community Partnerships and the newly approved Edinburgh and South East City Region Deal.

79. The Council approved a three year Financial Strategy in February 2017 covering the period from 2017/18 to 2019/20 together with indicative spending plans for the same period. The Strategy is thorough and provides readers with the background on how the budget was drafted, financial prospects, how the budget will be managed during the year and the monthly and quarterly performance reports issued to managers with budget responsibility. The Financial Strategy also outlines the main opportunities, risks and barriers the Council faces over the next three years in delivering its objectives. There is currently no long term (five to ten years) financial plan in place.

80. Long-term financial strategies covering a five to ten-year period help set the context for annual budgets. They also help clarify the financial sustainability of an organisation over an extended period and can help identify problems with affordability at an early stage. Although funding allocations from the Scottish Government typically cover one to three-year spending review periods, this should not prevent public bodies assessing their spending needs and options over a longer period.

81. Given the significant investments and work planned in East Lothian as outlined in the Council Plan 2017-20, including the building of 10,050 new homes by 2024 and other associated infrastructure costs, there is a need for longer term planning (five to ten years) to ensure the sustainability, feasibility and practicalities of spending plans. The risk is there are insufficient funds to achieve the Council's strategic plans.

Recommendation 4 (Appendix 1, action plan point 4)

The Council should prepare a longer term (five to ten year) financial plan to ensure the sustainability, feasibility and practicalities of current spending plans. There is a risk that there are insufficient funds to achieve the Council's strategic plans.

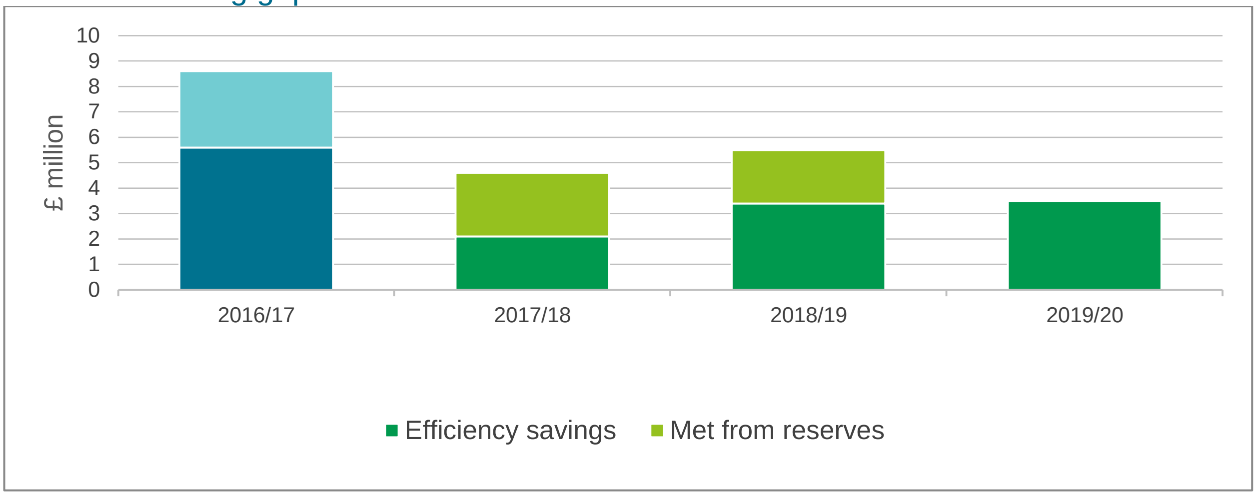
Funding position

82. The Council approved its 2017/18 budget in February 2017. The budget was set at £208.2 million which includes a transfer of £2.5 million from reserves and £1.4 million of efficiency savings / increased income to address the identified funding gap.

83. The Council faces a number of challenges in maintaining a sustainable financial position in future. These include rising demands for services, increasing costs of services and reductions in overall central government funding.

84. Looking at the Council's budget information and financial projections for 2017/18 to 2019/20, it is forecasting funding gaps of £4.6 million (2017/18) £5.5 million (2018/19) and £3.5 million (2019/20). The Council plans to bridge these gaps mostly through the use of efficiency savings and the transfer of reserves from the general fund in 2017/18 and 2018/19 as illustrated in Exhibit 8.

Exhibit 8
Identified funding gaps 2017/18 – 2019/20



Source: Administration Budget Proposals 2016/17 – 2018/19 and 2017/18 – 2019/20

Savings plans

85. As outlined in paragraphs 47 to 49, the Council achieved its efficiency savings target in 2016/17 although it did not achieve its planned savings in some areas.

86. The Council has identified that it needs to make savings of £2.1 million for 2017/18, £3.4 million for 2018/19 and £3.5 million for 2019/20 as part of its plans to maintain financial balance. To manage this effectively the Council needs to regularly review its medium term financial plans and rigorously monitor the actual level of savings achieved in comparison to its plans.

Reserves

87. One of the key measures of the financial health of a local authority is the level of reserves held.

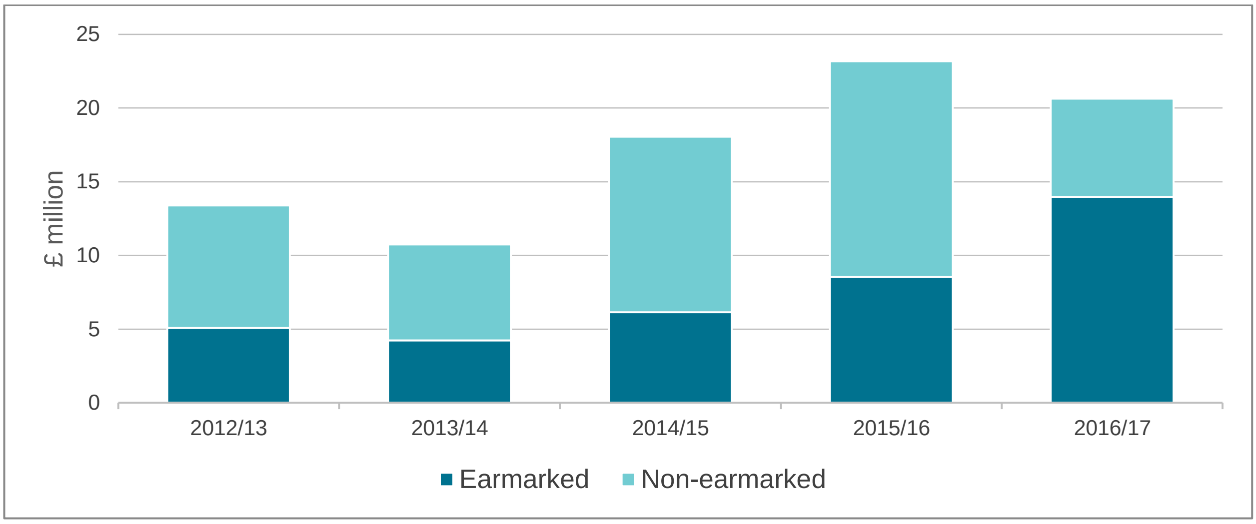
88. The general fund reserve is the Council's largest useable reserve. This reserve has no restrictions on its use. Its main purpose is to provide a contingency fund to meet unexpected expenditure and as a working balance to help cushion the impact of uneven cash flows.

89. The Council reviews the level of its general reserve when setting its budget each year. The Council's approved Financial Strategy does not specify a required level of reserves as a percentage of revenue however it specifies that the Council must take a view on the likely level of reserves at the start of the financial year, any plans that have already been made to use reserves and how much should be held to meet any risks that might materialise over the next three year period when setting its annual budget. Any reserves that do not need to be held as part of this strategy should be used for the benefit of or directly returned to tax or rent payers. The Council has made a number of contractual commitments and these are earmarked against the general reserves each year. The level of non-earmarked general fund reserves as at 31 March 2017 was £5.8 million.

90. Exhibit 9 provides an analysis of the general fund reserve over the last five years split between earmarked and non-earmarked reserves. This shows a notable fall in non-earmarked reserves in recent years as reserves have been specifically earmarked to support future budgets to maintain financial balance. The Council recognises that it is not sustainable to support its budgets through use of reserves in the longer term and has developed its Financial Strategy and three-year budget for the period 2017/18 to 2019/20 so that no use of reserves will be required by 2019/20. The use of reserves in year three of the Financial Strategy is discouraged with the goal being to lessen the future dependency on reserves.

91. All of the Council's reserves have commitments against them but some of the commitments can be changed for example, commitments for future use against the capital programme for those projects which have not yet commenced.

Exhibit 9
Analysis of general fund over last five years



Source: End of year Financial Reviews (2013/14, 2014/15 and 2015/16) end of year reserves forecast 2016/17

Treasury management

92. At 31 March 2017, the Council's long term borrowing stood at £337 million, an increase of £12 million on the March 2016 level of £325 million. During the same period, short term borrowing decreased from £15 million to £10 million.

93. In line with the Council's Treasury Management Strategy for 2016/17, there was a limited degree of borrowing undertaken during the year (£20m) to minimise the risk associated with holding higher levels of investments. Interest payable and similar charges stayed virtually static in comparison to 2015/16 levels at £16 million in 2016/17. The Council borrowed £6.5 million less than planned in the year due to slippage on the capital programme.

94. Total external debt (which includes the Council's long term liabilities) was within the authorised limit and operational boundary set by the Council's treasury management strategy. The current borrowing position is within the Council's prudential indicators and the Council will continue to consider the affordability of future borrowing. Routine position updates are provided to management and Members.

Part 4

Governance and transparency

Main Judgements

A comprehensive programme of member induction was provided following the Council elections in May 2017 to support new members in discharging their governance and scrutiny role.

The effectiveness of scrutiny has diminished with one political party not participating in scrutiny committees. This arrangement has not been codified so as to assist the committees to be quorate. The result is less effective scrutiny overall.

The Council is open and transparent in the way that it conducts its business, with the public able to attend meetings of the Council and its committees. Committee minutes, agendas and papers are readily available on the Council's website.

Governance arrangements

95. We reviewed the Council’s governance and accountability arrangements in 2016/17 as part of the follow up of the Role of Boards report which included:

- confirming that the governance framework and governance arrangements, including decision-making and scrutiny, are regularly reviewed and updated to ensure they remain effective – we found these arrangements to be satisfactory.
- assessing the effectiveness of decision-making to ensure it is balanced by effective scrutiny and challenge by those independent of the body – we found sound processes in place surrounding decision making and effective scrutiny and challenge by Members during 2016/17.
- confirming that there is effective scrutiny and challenge in place over policy decisions, service performance, and programme management – we observed through committee attendance effective scrutiny and challenge.
- confirming that decision makers have the information they need to scrutinise, challenge and make transparent decisions – we found that decision makers were given appropriate information to make decisions.
- ensuring that it is clear what decisions have been made, who made them and the rationale supporting those decisions – we found that documentation over decisions and rationale was clear and available.

96. We have noted that since the year end and following the election there has been a deterioration of effectiveness of scrutiny with certain committee seats not taken up by one political party.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

Elected Member changes

97. The Council saw significant changes in its elected members following the local government elections in May 2017, with 11 of its 22 members being elected for the first time. The Council recognises that this brings opportunities with new ideas and approaches from the Members but it also provides challenges for the Council in ensuring the Members have the right skills to be effective in their role.

Elected Member induction programme

98. The Council provided all new and continuing Members with an 'Elected Member Induction Programme' during May and June immediately following the elections. This helped provide a smooth transition and helped ensure committee and Council business continued as normal.

99. The induction is extensive and covers a wide range of areas on how the Council works and the programme specifies what sessions are compulsory for new Members. External audit were invited to present at the induction session on 'Local Government Finance and Audit' where both internal and external audit presented a summary. Overall, this induction programme will assist Members in exercising their scrutiny responsibilities effectively. A significant amount of support was and continues to be provided to Members by Council officers however if the learning is not applied in a timely fashion, the benefit of having attended these training sessions will be lost.

100. We reviewed the induction training and materials provided to Members and concluded that it was thorough and fit for purpose. We also observed support being offered to Member throughout the year.

Appointments to committees

101. The Council is now led by a minority Labour administration whereas previously it was a Labour/Conservative coalition. The Conservative Party now forms the official opposition; previously this was the Scottish National Party (SNP).

102. At the Council meeting on 23 May 2017, the Council approved appointments to its various committees however the SNP indicated that they would like more time to consider their nominations for the following groups:

- Audit and Governance Committee (3 SNP) – scrutiny committee
- Policy and Performance Review Committee (3 SNP) – scrutiny committee
- Licensing Sub Committee (2 SNP)
- Joint Consultative Committee (1 SNP)
- Resilient People Partnerships (1 SNP)
- Safe and Vibrant Communities Partnership (1 SNP)
- Sustainable Economies Partnership (1 SNP).

103. A paper was presented at the 27 June 2017 Council meeting to approve the above appointments however the SNP confirmed that they would not be making any nominations at the meeting. As stated in the Standing Orders, the Council has a commitment to ensuring there is political balance on the above two scrutiny committees. The absence of nominations from the SNP means that this has not yet been achieved.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

104. The effectiveness of scrutiny has diminished with one political party not participating in scrutiny committees. This arrangement has not been codified so as to assist the committees to be quorate. Given that the duty of Best Value is a responsibility of the Council as a whole, administration and opposition alike, we are likely to focus on how the Council has addressed this situation as part of our Best Value audit scheduled for 2017/18.

105. Per the Council's Scheme of Administration, membership for both scrutiny committees is eight with quorum being half the membership plus one (i.e. 5 members in total). As the Council had not achieved full membership as set out in the Scheme of Administration during the period since the May local elections it faced a risk that the scrutiny committees would not be quorate with the potential impact being delays to future meetings, inability to demonstrate political balance regarding scrutiny and failure to provide effective scrutiny over key Council items.

106. The Council recognised the above risk and presented a paper to amend the Scheme of Administration changing the quorum from five members to four members at a special Council meeting on 12 September 2017 however this does not address the issue regarding effectiveness of the scrutiny committees.

Recommendation 5 (Appendix 1, action plan point 5)

The Council should review its Scheme of Administration for the two scrutiny committees to ensure they are fit for purpose. There is a risk that the scrutiny committees may not operate as intended by the Council due to the lack of political balance as members from one of the opposition parties are no longer represented. The result is less effective scrutiny overall.

Management commentary, annual governance statement and remuneration report

107. The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires councils to prepare and publish, along with their financial statements, an annual governance statement, management commentary and a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.

108. Based on our knowledge and work performed, we concluded that the management commentary, annual governance statement and remuneration report are consistent with the financial statements and accurately reflect the position of the Council.

Internal audit

109. Internal audit provides senior management and elected members with independent assurance on the Council's overall risk management, internal control and corporate governance processes.

110. The internal audit function is carried out by an East Lothian Council Internal Audit section overseen by the Head of Internal Audit.

111. We carried out a review of the adequacy of the internal audit function and concluded that it operates accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

112. To avoid duplication effort we place reliance on the work of internal audit wherever possible. In 2016/17 we did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. We considered internal audit report findings as part of our wider dimension work.

Risk management

113. We reviewed the Council's Risk Management Strategy which sets out its risk management arrangements. The policy is reviewed on a three yearly cycle and was last reviewed in January 2015.

114. We found the strategy to be clear and comprehensive covering all the expected elements, including identification, quantification and actions to mitigate risks, and clear allocation of responsibility for ownership of risks.

115. Regular risk management reports are provided to the Council Management Team and elected members. We also reviewed the Council's risk register as part of our planning work and concluded that it was satisfactory. The most recent report on the corporate risk register was considered by Members at the Cabinet meeting in September 2017.

116. Overall we concluded that risk management processes in the Council are satisfactory and operating effectively.

Transparency

117. Transparency means that the public, in particular local residents, have access to understandable, relevant and timely information about how the Council is taking decisions and how it is using resources such as money, people and assets.

118. There is evidence from a number of sources which demonstrates the Council's commitment to transparency. Members of the public can attend meetings of the full Council, Cabinet and other committees. Minutes of these meetings and supporting papers are readily available on the Council's website.

119. The Council's website allows the public to access a wide range of information including the register of Members' interests, current consultations and surveys and how to make a complaint. In addition, the website provides details of the East Lothian Citizen's panel and how to participate. The panel provides information and feedback on services as well as information on the needs of local communities.

120. The Council makes its annual accounts available on its website. These include a management commentary which provides details of performance against budget, information on the use of reserves and risks and uncertainties facing the Council.

121. Overall, we concluded that the Council conducts its business in an open and transparent manner.

Lender Option Borrower Option

122. During the year we received correspondence on a number of local authorities using Lender Option Borrower Option (LOBO) loans. A LOBO loan is typically a long term loan where the interest rate is initially fixed but the lender has the option to propose or impose on pre-determined future dates, a new fixed interest rate. The borrower has the option to either pay the revised interest rate or to repay the loan.

123. East Lothian Council has six of these standard LOBOs within its market debt portfolio, totalling £34 million. The Council does not hold any inverse LOBOs, where the interest rate paid varies in relation to a specified market rate.

124. We have held discussions with senior council officers and reviewed supporting papers including an analysis of the LOBOs held by the Council and comparable PWLB rates of interest, and the council's treasury management policies and controls.

125. Based on our work we can conclude that:

- the use of LOBOs has been undertaken in line with the Council's treasury management policy, which is reviewed and approved annually by members
- the interest rates on the standard LOBOs were lower than the comparable PWLB rates available at the time, and the Council's interest costs to date on these loans have been less than the PWLB equivalent
- the option to propose or impose a new fixed interest rate has never been exercised by the lenders
- the potential for debt restructuring is kept under regular review by the Council as part of its treasury management arrangements.

126. There are no further issues we wish to raise in this report.

Integration of health and social care

127. Legislation to implement health and social care integration was passed by the Scottish Parliament in February 2014. This brings together NHS and local council care services under one partnership arrangement for each area.

128. The Scottish Government's 2020 vision places greater emphasis on enabling people to stay in their homes, or another homely setting, where possible, sharing their lives with their family and friends and doing the things that give life meaning and value. The integration of health and social care is seen as a means of achieving this.

129. The East Lothian Integration Joint Board (IJB) is provided in partnership with NHS Lothian and was established on 27 July 2015. It assumed responsibility for the delegated health and social care services set out in its Integration Scheme from 1 April 2016. The financial transactions of the East Lothian IJB have been consolidated into the Council's group accounts and we have audited these with satisfactory results.

130. Whilst 2016/17 was the first full year of operation of the Integration Joint Board, there are some examples of new ways of working including:

- the joint health and social care daily “huddle” focusing on hospital admissions and delayed discharges,
- the transfer of services from the old age psychiatry day hospital into joint community supports,
- the moves towards a local recovery focus in drugs and alcohol services,
- the development of a local “crisis” services for those in emotional or social distress.

131. These are early examples and the Council and its partners should look to demonstrate significant further examples of new ways of working arising from integration and the impact or improvements to services in future years. Audit Scotland, as part of a series of reports, will be reporting on integration authorities' progress after the first year of IJBs being established. The report is due for publication in Spring 2018.

132. It is still too early for the Council or its partners to demonstrate any significant examples the impact or improvements to services. Audit Scotland, as part of a series of reports, will be reporting on integration authorities' progress after the first year of IJBs being established. The report is due for publication in Spring 2018.

Local scrutiny plan

133. The 2017/18 Local Scrutiny Plan (LSP) prepared by the Local Area Network (LAN) of scrutiny partners for the Council was submitted to the Council on 1 May 2017. It was also presented to the full Council meeting on 27 June 2017.

134. The LAN did not identify any new scrutiny risks in the year which would require specific scrutiny work during 2017/18. The Council will be subject to a range of nationally driven scrutiny activities as set out in the LSP.

Equalities

135. The Equality Act 2010 introduced a public sector general duty that encourages public bodies to mainstream equality, that is, ensure it is part of their core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.

136. We reviewed the current (2015 - 2017) equalities report and concluded that the Council has met its statutory duty to:

- publish information on progress made in mainstreaming equality within the Council
- report on progress made towards achieving equality outcomes published in 2013
- publish annual employee information and details of the progress made in gathering and using information to better meet the duty
- publish updated gender pay gap information.

137. We concluded, on the basis of evidence reviewed, that the Council is proactive in ensuring that equality is mainstreamed.

Equal pay

138. In September 2017, the Accounts Commission published its findings from an audit of equal pay across local government. The audit found that councils underestimated the challenges involved in implementing the Single Status Agreement (SSA) and some of the approaches taken by councils did not always prioritise pay equality and were later found to be discriminatory.

139. East Lothian Council implemented single status in 2008 and reports that between 2004/05 and 2015/16 it has spent £5.9 million compensating workers who had been unfairly paid and settling equal pay claims.

140. Almost 27,000 equal pay claims across Scotland remain live. Currently East Lothian Council has no live claims. Workers could potentially still make new claims against councils. This means that councils needs to be confident that they have fair and transparent pay arrangements and take necessary action, such as regular equal pay audits, to deliver pay equality in line with their public sector equality duty.

Part 5
Value for money

Main judgements

Our Best Value work during the year concluded that the Council has effective arrangements in place regarding financial and service planning and financial governance and resource management.

The Council has appropriate arrangements in place for the collection, monitoring and reporting of performance information.

It is important that there is alignment of objectives between the Council and Group components and that corrective action is taken on a timely basis where a divergence becomes apparent.

Value for money is concerned with using resources effectively and continually improving services.

Best Value

141. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work. In addition a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five year period.

142. The BVAR report for East Lothian Council is planned for publication in late autumn 2018.

143. Best Value audit work carried out this year focussed on the Council's arrangements for demonstrating Best Value in financial and service planning and, financial governance and resource management. We concluded that the Council has effective arrangements in place regarding these areas. The effectiveness of the Council's Best Value arrangements in other areas will be assessed and reported throughout our audit appointment.

Following the public pound

144. Local authorities have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on funding external bodies and following the public pound.

145. The Council has identified and regards Enjoy East Lothian Ltd. as an Arm's Length External Organisation (ALEO) in line with the guidance. In Council papers and for the remainder of this report, it is referred to as enjoyleisure.

146. The Council's Financial Regulations contain a section on arrangements for funding external bodies. These emphasise that the Section 95 Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that also apply throughout the Council. The Section 95 Officer must also ensure that accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. Services must adhere to the Council's guidance for allocating funds to external organisations. The guidance applies where funding is provided, or transferred, to arm's-length bodies such as companies, trusts and voluntary organisations.

147. Internal audit considers funding provided to external organisations annually*. A Review of Payments to Third Sector Organisations by Children's Services* was undertaken as part of the Internal Audit Plan for 2016/17 and was presented to the November 2016 Audit and Governance Committee. The review identified a number of areas with scope for improvement and management have accepted these.

148. In November 2015 the Council presented a paper to the Policy and Performance Review Committee, *Council Arrangements with enjoyleisure ALEO*, setting out the governance arrangements with the ALEO, its contribution to wider council objectives and three areas for action in 2016/17:

- Enjoyleisure will work with the council to develop the Physical Activity Implementation Plan as part of SOA Outcome 6.
- The Council will work with enjoyleisure to agree a set of key performance measures that will be used as a performance scorecard and monitored accordingly by partners.
- Enjoyleisure will report annually to the council's audit and governance committee.

149. There have been no reports presented to the enjoyleisure or the other significant ALEO, the Musselburgh Joint Racing Committee (MJRC) Audit and Governance Committee during 2016/17 regarding and we cannot find evidence of any routine performance monitoring / reporting to Council committees in this area.

Recommendation 6 (Appendix 1, action plan ref. 6)

Formal reporting and monitoring arrangements should be put in place for significant group components (e.g. enjoyleisure and MJRC) to ensure the Council is complying with the duties set out in the Code of Guidance on Funding External Bodies and Following the Public Pound.

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150. Audit Scotland is currently carrying out a performance audit of Scottish councils' use of ALEOs. The project scope for this exercise can be found on our website. The report's aim is to support councils by identifying good practice, lessons learned and, give assurance to the public over this means of service delivery.

Governance arrangements for subsidiaries included in Group Accounts

151. In line with the Code of Practice on Local Authority Accounting, the following organisations are defined as subsidiaries within East Lothian Council for the purposes of preparing group accounts:

- Musselburgh Joint Racing Committee (MJRC) whose purpose is to organise and develop horse racing at Musselburgh Links.
- East Lothian Land Ltd. – set up to manage land to support economic development in East Lothian.
- Common Good Funds – used to further the common good of the residents of the areas of the former Burghs of Dunbar, Haddington, Musselburgh and North Berwick
- 46 Trust funds with various purposes and objectives.

152. We found the Council's annual Group Boundary assessment to be satisfactory and that the above bodies met the definition of a subsidiary and have been appropriately included in the group accounts. In the case of the MJRC the Minute of Agreement (signed in 2015) was an important element of that assessment.

153. During the course of 2016/17 issues relating to the governance of the MJRC were brought to our attention. The membership of the MJRC comprises seven board members made up of four Councillors and three representatives from the Lothian Racing Syndicate (LRS).

154. In July 2017, the racecourse was granted an extended temporary license to 31 December 2017 by the British Horseracing Authority (BHA). The BHA stipulated that the temporary license was subject to an independent review of the governance of MJRC conducted by a person/firm with no pre-existing connections to the Council, MJRC or the BHA. The review is to be conducted with recommendations implemented within nine months (i.e. April 2018) with the BHA taking into account any progress made in the intervening period. The BHA Board will then consider the status of the license in April 2018.

155. The governance review is therfore a matter for the Council and the LRS to take forward. The review will also cover the operational matters that are the remit of the MJRC.

156. We noted the following at the time of writing our report:

- There were a number of inquorate meetings in 2016/17. There is a risk that the MJRC are not carrying out their governance duties as required and failing to provide good governance.

- The scoping document for the governance review was issued in September 2017. A firm/person will be appointed by the end of September to carry out the governance review. The review is scheduled to be completed by 31 October at which point findings will be agreed and implemented subject to the satisfaction of the BHA. There remains a risk that the license will not be extended beyond December 2017 and this would have significant economic consequences for the local community.

- The 2016/17 audit opinion on the MJRC accounts will not be available by 30 September 2017. We would expect all subsidiaries to have their accounts audited and signed off by 30 September prior to our signing off of the Council's Group accounts.

Performance management

157. We considered the Council's performance management arrangements in the course of our audit.

158. The performance management framework uses *How Good is Our Council*, and this is now in established use across all services. This provides a means of evaluating the performance of the Council's services against a set of criteria, against which each Service conducts a self-evaluation on an annual basis. The Council provides corporate support, including facilitated events for all services, to maintain consistent standards in the process.

159. We reviewed the range of non-financial performance information available on the council's website and found it to be comprehensive. Green, Amber and Red ratings are used to flag whether performance is better, slightly worse or much worse than expected.

160. Non-financial performance information is also prepared and reported on a quarterly basis to the Policy & Performance Review committee. We found that reporting of performance was timely, up to date and comprehensive, with performance for the 4th quarter of the 2016/17 financial year being reported to committee in June 2017.

161. Financial performance is intended to be reported to the Cabinet committee on a quarterly basis with a year-end report presented to the full Council. We highlighted in our Audit Plan that there was scope for improvement in the timeliness of reporting of financial performance. We reviewed the timeliness of financial reporting during 2016/17 and for the 2017/18 financial year to date. We noted an improvement to the timeliness of reporting with the financial monitoring report for the first quarter of 2017/18 submitted to the Member's Library in August 2017 following the full Council meeting. The report is submitted to the Members' Library due to the summer recess.

162. Notwithstanding issues around the timeliness of reporting, we found that the financial reports clearly outlined details of the specific areas within each service where any budget pressures were occurring and provide information regarding the measures being taken to address these. We have seen evidence that Finance work with the service where budget pressures have been identified in order to assess options for delivering their planned efficiencies during the year.

Overview of performance targets

163. The Council participates in the *Local Government Benchmarking Framework* (LGBF). The framework aims to bring together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

164. The most recent National Benchmarking Overview Report 2015/16 by the Improvement Service was published in February 2017 and covered the 2015/16 reporting period. This report was submitted to the Policy and Performance Review Committee in March 2017. This found that, overall, the Council performed well in comparison to other councils and that its performance had improved since the previous year. Overall 64.4% of the Council's performance indicators were ranked within the first two quartiles. When compared to the previous year, 14 indicators improved their quartile position, 37 remained the same and 8 worsened during 2015/16.

165. Additionally, the Performance and Review Committee receives regular performance reports throughout the year and an annual performance report. These reports monitor progress against the Council's key priorities. Based on the most recent report submitted to the committee in June 2017, covering the period, a number of positives were highlighted including::

- Delayed discharge patients waiting over 2 weeks fell from 22 in quarter 3 to 11 in quarter 4.
- The number of attendances at indoor sports and leisure facilities has increased from 169,879 to 221,812 during quarter 4. The number of attendances at pools has also increased, from 94,791 to 125,316.
- During the year, 236 new business start-ups were recorded. The annual target of 200 was achieved.

166. At the same time the Council recognises that it has to improve performance in a number of key areas such as homelessness and tenant rent arrears. The Performance and Review Committee has requested further reports on both these areas and these have been added to the committee's 2017/18 Annual Work Programme for monitoring and review to assess progress.

Statutory performance indicators (SPIs)

167. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

168. For 2016/17 two SPIs were prescribed:

- SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving Best Value
- SPI 2: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.

169. Internal Audit review the Council's arrangements for the preparation and reporting of Performance Indicators on an annual basis. As part of the 2016/17 internal audit plan, a review was undertaken of the arrangements in place for 2015/16.

170. The review concluded that the internal controls and procedures established by management were operating satisfactorily in some areas however there was scope for improvement around the arrangements in respect of specific indicators, including the calculation approach adopted and the retention of supporting documentation. An action plan to address the internal audit recommendations was agreed with management and implementation will be followed up by Internal Audit.

National performance audit reports

171. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, a number of reports were issued which are of direct interest to the Council. These are outlined in Appendix 3.

172. National reports, together with management recommendations to address areas for improvement locally, are considered by the Audit and Governance Committee. The Council are pro-active in this area ensuring national reports presented to the Committee are accompanied by a covering paper summarising the report's key points, impact on the Council and areas for action.

Good practice points

173. In 2016/17 a number of national reports were presented to the Audit and Risk Committee and we noted good discussion and scrutiny of the various reports. We noted the actions the Council put in place in response to the reports including actions and recommendations. For example, the *Maintaining Scotland's Roads: Follow up report* covering paper (prepared by the Council) cites the original national report (2004) and the subsequent follow up reports (2011, 2013 and 2016) thus ensuring the issue remains current and Members are aware of the changes since the original report and the journey the Council have made. Members appeared engaged and informed about the subject.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Para no.	Issue/risk	Recommendation	Agreed management action/timing
17	**1. Dr Bruce Fund** The trust's accounts were not advertised in line with the requirements under Regulation 9 of the Local Authority Accounts (Scotland) Regulations 2014 issued under section 105 of the 1973 Act. The unaudited accounts were not signed on behalf of the trustees. **Risk:** There is a risk of non-compliance with statute/legislation.	The unaudited accounts should be advertised in line with the Regulations. The unaudited accounts should be signed on behalf of the trustees prior to submitting for audit.	Agreed - actions will be put in place to ensure both advertisement and signing of draft accounts for 2017/18. Service Manager- Business Finance / Service Manager – Corporate Finance June 2018
17	**2. Dr Bruce Fund** The Dr Bruce Fund was set up to provide relief for the poor of Musselburgh. One of the risks identified for managing this is the financial demands placed on those funds. In 2016/17 there was a net movement in funds of £6,800, of which £3,291 was income received. In the same period only £50 was disbursed. **Risk:** The fund may not be operating the way in which it was intended i.e. providing relief for the poor of Musselburgh.	The Council should review the method(s) used to promote this (and other) charitable trusts to ensure that the potential availability of these funds are known to the wider community.	Agreed – officers will explore options to more actively promote the use of Dr Bruce Trust fund more effectively. Service Manager- Business Finance / Service Manager – Corporate Finance March 2018
19	**3. Trust Funds** Of the 46 trusts being administered by the Council, only 16 were actively used, i.e. incurred expenditure or	The Council should ensure that the trusts it administers are promoted more widely amongst the public, and the trust objectives clarified legally to help facilitate their	Agreed – officers will explore options to more actively promote the use of the Trust funds. In addition further work will be undertaken to explore the feasibility of any

Para no.	Issue/risk	Recommendation	Agreed management action/timing
	earned income, in 2016/17. **Risk:** There is a risk that trust funds held could become dormant due to lack of use and lack of wider knowledge in the community as to their existence.	use. An exercise should also be undertaken by the Council to consider whether any trusts could be consolidated.	consolidation of Trust Funds Service Manager- Business Finance / Service Manager – Corporate Finance March 2018
79	**4. Long term financial plans** Long-term financial strategies covering a five to ten-year period help set the context for annual budgets, help clarify the financial sustainability of an organisation over an extended period and, can help identify problems with affordability at an early stage. Given the significant investments and work planned in East Lothian as outlined in the Council Plan 2017/20, including the building of 10,050 new homes by 2024 and other associated infrastructure costs, there is a need for longer term planning. **Risk:** There is a risk that there are insufficient funds in the future to achieve the Council's strategic plans.	The Council should prepare a long term (five to ten year) financial plan to ensure the sustainability, feasibility and practicalities of current spending plans.	Work is already on-going to review the current financial plans and their sustainability for both revenue and capital budgets. The ability to prepare a longer term financial plan will be considered within the context of the budgetary planning cycle. Head of Council Resources / Service Manager - Business Finance / Service Manager – Corporate Finance February 2018
101	**5. Scrutiny committee appointments** The Council have a commitment to ensuring there is political balance on their two scrutiny committees. The lack of nominations from the SNP means this has not yet been achieved and as a result the Scheme of Administration has been amended. **Risk:** There is a risk that the scrutiny committees may not operate as intended by the Council due to the lack of political balance as members	The Council should review their Scheme of Administration for the two scrutiny committees to ensure they are fit for purpose.	Agreed to review the current Scheme of Administration. Service Manager – Licensing, Administration and Democratic Services February 2018

Para no.	Issue/risk	Recommendation	Agreed management action/timing
	from one of the opposition parties are no longer represented. The Council should review its Scheme of Administration for the two scrutiny committees to ensure they are fit for purpose. There is a risk that the scrutiny committees may not operate as intended by the Council due to the lack of political balance as members from one of the opposition parties are no longer represented. The result is less effective scrutiny overall.		
148	**6. Following the Public Pound** There have been no reports presented to the Audit and Governance Committee during 2016/17 regarding enjoyleisure or the other significant ALEO/Group components (e.g. the Musselburgh Joint Racing Committee) and we cannot find evidence of any routine performance monitoring / reporting to Council committees in this area.	Formal reporting and monitoring arrangements should be put in place for significant group components (e.g. enjoyleisure and the Musselburgh Joint Racing Committee) to ensure the Council is complying with the duties set out in the Code of Guidance on Funding External Bodies and Following the Public Pound.	Agreed - arrangements are already in place for EnjoyLeisure to report to future Audit and Governance Committees. Service Manager – Business Finance January 2018

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

	Audit risk	Assurance procedure	Results and conclusions
Financial statement issues and risks			
1	**Risk of management override of controls** ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.	Detailed testing of journal entries. Review of significant management estimates and evaluation of the impact of any variability in key assumptions. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.	We undertook detailed testing of journal entries, accruals and prepayments. We also reviewed accounting estimates and transactions for appropriateness. We did not identify any instances of management override of controls.
2	**Risk of fraud over income** East Lothian Council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.	Analytical procedures on income streams. Detailed testing of revenue transactions focusing on the areas of greatest risk.	We performed detailed analytical procedures on income streams and undertook detailed testing of revenue transactions. We did not identify any instances of fraud.
3	**Risk of fraud over expenditure** The Financial Reporting Council's Practice Note 10 (revised) requires consideration of the risk of fraud over expenditure. The extent and nature of expenditure, for example, welfare benefits, social care payments and grants means that there is an inherent risk of fraud.	Audit work on the National Fraud Initiative matches. Assessing the high level key controls in areas of significant expenditure. Focused substantive testing of expenditure and housing benefit transactions.	We reviewed the Council's progress in investigating NFI matches and this is reported in paragraph 73. We assessed the high level key controls in areas of significant expenditure and overall these were found to be operating satisfactorily. We undertook detailed testing of expenditure transactions including housing benefit transactions. We did not identify any instances of fraud.
4	**Estimation and judgements** There is a significant degree of	Review and comment on the appropriateness of the Council's policy with regard to	We reviewed the council's policy and undertook focussed

Audit risk		Assurance procedure	Results and conclusions
	subjectivity in the measurement and valuation of the material account areas of non-current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.	useful lives. Completion of 'review of the work of an expert' in accordance with ISA500 for the professional valuer. Focused substantive testing of asset valuations and asset useful lives. Focused substantive testing of provisions	substantive testing of asset lives. We also reviewed the standing of the professional valuer in accordance with ISA 500 and undertook detailed testing of key valuations within the accounts. We identified an error in the financial statements relating to asset valuation which has been corrected by officers.
5	**Group accounts** East Lothian Council has a range of interests in other entities which require consolidation in the group accounts. For 2016/17 this includes the East Lothian Integrated Joint Board. The complexity of the group arrangements leads to a risk over the accuracy and completeness of the group accounts.	Review of the group boundary assessment undertaken by the council. Component audit questionnaires and, where appropriate, meetings with the auditors of material components in accordance with ISA 600. Review and testing of the consolidation process.	We reviewed the Council's group boundary assessment and consolidation process and undertook detailed testing of consolidation workings. We reviewed the component audit questionnaires completed by component auditors. The East Lothian IJB has been consolidated as a joint venture in the group accounts. We did not identify any material misstatements.
6	**Universal credit** The Council has reported a significant increase in the level of rent arrears since the introduction of Universal Credit in East Lothian from March 2016 (£157k or 12% increase). There is a risk that assets could be overstated if the provision for doubtful debts is not revised in light of rising rent arrears. There is also an increased risk to the overall delivery of services in line with the Council's strategic objectives.	Monitor rent arrears levels and provision for doubtful debts.	We monitored the rent arrears levels and related provision for doubtful debts. We found that rent arrears have increased by approximately £300k however there has also been a corresponding increase in the provision. We concluded that, as 2016/17 was the first full year of universal credit and there were some "teething troubles" with its introduction, the position should be reviewed again in 2017/18, after a further year of universal credit to enable better quantification of its impact.
7	**Developer contributions** Internal Audit carried out a review of developer contributions during 2016/17 and identified a number of risks which were fundamental to the system and required immediate action. Due to the significant level of development taking place in East Lothian, there is an increased risk of misstatement	Review of Developer Contributions framework. Focussed substantive testing of income and associated accounting treatment from developer contributions.	We undertook focussed substantive testing of a sample of developer contributions and found that they were accounted for appropriately.

Audit risk		Assurance procedure	Results and conclusions
	or incorrect accounting treatment in the financial statements due to the infrequency of these transactions.		
Wider dimension risks			
8	**Financial sustainability** ELC's Council Plan recognises that it faces a challenge to achieve financial sustainability, due to factors including reducing income levels and increased demand for services. In the past, funding gaps have been filled by the use of reserves however the council recognises the need to develop a more sustainable budget in the medium term.	Undertake specific audit work on financial planning. This will include assessing the robustness of the council's financial plans.	Our review and consideration of the Council's financial plans is reported in paragraph 77 of this report.
9	**Financial management** The Quarter 2 financial report for 2016/17 identifies two services (Adult Wellbeing and Children's Wellbeing) as high risk of not operating within approved budgets. Members were asked to approve a £1million non-recurring budget virement from Corporate Management budgets to support Adult Wellbeing pressures and delivery of efficiencies. There is a risk that the council will not achieve a balanced year end position and also of future budget overspends if a sustainable budget is not developed timeously.	Review of financial monitoring reports and the council's financial position. Undertake specific audit work on financial governance and resource management.	Our review and consideration of the Council's financial monitoring and financial governance is reported in paragraph 64 of this report.
10	**Timeliness of financial reporting** The previous external auditor raised a recommendation in the 2015/16 annual audit report that there was scope for improvement in the timeliness of financial reporting (specifically the quarter 4 report and subsequent timing of the following quarter 1 report to Cabinet.) There is a risk that the budget monitoring process may not be operating due to information	Monitor the council's progress towards implementing timelier financial reporting.	Our review and consideration of the timeliness of the Council's financial reporting is reported in paragraph 161 of this report. We reviewed and concluded that the timeliness of reporting had improved.

	Audit risk	Assurance procedure	Results and conclusions
	not being made available in a timely manner to make decisions.		
11	**Capital slippage** The 2016/17 quarter 1 and 2 financial reports highlight significant capital underspends of £13.8m (HRA) and £17.3m (general services) however there is a lack of actions noted to address this. There is a risk that available capital funding may not be utilised efficiently and that plans may not reflect actual practice (e.g. borrowing is based on unrealistic or unachievable capital plans).	Monitor capital slippage and assess any actions taken to reduce slippage. Focussed substantive testing of capital expenditure.	Our review and consideration of the timeliness of the Council's capital slippage is reported in paragraph 57 of this report. We undertook focussed substantive testing of a sample of capital expenditure transactions and
12	**IT Strategy** The Council's current IT strategy covers the period 2011- 2014. It is due to be replaced by a new Digital Strategy which is to be considered at the Cabinet meeting in March 2017. The Council's IT strategy is outdated and there is a risk that this could impact on the delivery of services or on corporate initiatives, such as savings plans, which depend on ICT improvements.	Monitor progress in preparation and approval of the new IT strategy. Review the new strategy when available and comment on its appropriateness.	The Council's new Digital Strategy was approved by the Cabinet in March 2017. We reviewed the strategy and concluded that it is appropriate and linked to the Council's priorities.
13	**Business Continuity** The council recognises a Medium level risk in respect of Business Continuity in its risk register. During Audit & Governance committee discussions, members were informed that the disaster recovery testing plan is not up and running yet nor has it been tested. There is a significant risk that business continuity arrangements may not be sufficiently robust if they have not been properly tested.	Monitor progress in preparation and approval of the business continuity testing arrangements. Check results of disaster recovery testing/BCP testing to ensure it is fit for purpose. Review the testing arrangements when available.	In addition to the IT Business Continuity Plan (BCP) that is refreshed each year under the guidance of the Emergency Planning and Risk Manager, an IT disaster recovery plan has been prepared, with specific recovery plans for each of the top priority systems and facilities. As part of the annual BCP process, the Council look to provide evidence of having undertaken a recovery of the Council email system and of the social care system. These recovery events can take place following a failure or as part of a planned test. We plan to look at this area during our planning for 2017/18.

Audit risk		Assurance procedure	Results and conclusions
14	**Highways network asset (HNA)** HNA are to be recognised for the first time in councils' 2017/18 financial statements. While this is not a risk to the 2016/17 financial statements, it is a new and complex area and if sound arrangements are not put in place there is a risk of misstatement in the 2017/18 financial statements.	Assess the arrangements in place to implement the new requirements. Review and assess the valuation methodology for HNA.	In light of the indefinite postponement of the introduction of the new Highways Network Assets accounting requirements, the Council has reassessed its priorities and paused its prepatory work in this area. We will continue to consider this as part of our audit risk assessment for 2017/18 and future audit years.

Appendix 3

Summary of national performance reports 2016/17

2016/17 Reports

Apr			
May	Common Agricultural Policy Futures programme: an update		
Jun	South Ayrshire Council: Best Value audit report	The National Fraud Initiative in Scotland	
Jul	Audit of higher education in Scottish universities	Supporting Scotland's economic growth	
Aug	Maintaining Scotland's roads: a follow-up report	Superfast broadband for Scotland: a progress update	Scotland's colleges 2016
Sept	Social work in Scotland	Scotland's new financial powers	
Oct	Angus Council: Best Value audit report	NHS in Scotland 2016	
Nov	How councils work – Roles and working relationships in councils	Local government in Scotland: Financial overview 2015/16	
Dec	Falkirk Council: Best Value audit report	East Dunbartonshire Council: Best Value audit report	
Jan			
Feb	Scotland's NHS workforce		
Mar	Local government in Scotland: Performance and challenges 2017	i6: a review	Managing new financial powers: an update

Local government relevant reports

The National Fraud Initiative in Scotland – June 2016

Maintaining Scotland's roads – a follow up report – August 2016

Social work in Scotland – September 2016

Local government in Scotland: Financial overview 2015/16 – November 2016

Local government in Scotland: Performance and Challenges 2017 – March 2017

East Lothian Council

2016/17 Annual Audit Report

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: **info@audit-scotland.gov.uk**
www.audit-scotland.gov.uk