

REPORT TO: Audit and Governance Committee

MEETING DATE: 28 November 2017

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Internal Audit Report – ALEO (Enjoy East Lothian Limited)

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Enjoy East Lothian Limited.

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 As part of the Audit Plan for 2017/18, a review was undertaken of the arrangements in place for funding external bodies and Following the Public Pound. Our review focused on Enjoy East Lothian Limited.
- 3.2 The main objective of the audit was to ensure that appropriate governance arrangements were in place.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 None

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DATE	16 November 2017

**EAST LoTHIAN COUNCIL – INTERNAL AUDIT
ALEO – ENJOY EAST LoTHIAN LIMITED**

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2017/18, a review was undertaken of the arrangements in place for funding external bodies and Following the Public Pound. Our review focused on Enjoy East Lothian Limited. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- A Funding Agreement is in place between East Lothian Council and Enjoy East Lothian Limited for the delivery and management of sport and leisure services.
- Regular contract meetings are held between Senior Officers of the Council and Senior Officers of Enjoy East Lothian Limited to review financial and operational performance, planned maintenance works and health and safety.
- A number of performance measures have been developed to demonstrate that key objectives are being met and outcomes delivered.

1.3 Areas with Scope for Improvement

- The arrangements in place for obtaining assurance from Enjoy East Lothian Limited on the adequacy of its governance, risk management and control arrangements require review. *Risk – lack of assurance on the control environment.*
- There was a lack of adequate arrangements in place to ensure that an annual Business Plan is submitted by Enjoy East Lothian Limited covering expected income and expenditure; specification of services; internal monitoring systems in place and the achievement of best value in the delivery of services. There was no evidence of Business Plans being submitted to the Council on an annual basis for approval. *Risk – non-compliance with the funding agreement in place.*
- The risk management arrangements in place require review – there is a lack of evidence to indicate that the Council has clearly identified all key risks associated with Enjoy East Lothian Limited, together with the appropriate actions required to mitigate the risks. *Risk – failure to identify key risks.*

1.4 Summary

Our review of the governance arrangements in place for funding external bodies (Enjoy East Lothian Limited) has identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

**Mala Garden
Internal Audit Manager**

November 2017

**EAST LoTHIAN COUNCIL – INTERNAL AUDIT
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ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	<p>Management should ensure that a Business Plan is submitted by Enjoy on an annual basis as set out in the Funding Agreement.</p> <p>Consideration should be given to the Business Plan being formally approved by the Council on an annual basis.</p>	Medium	Service Manager – Sport, Countryside and Leisure	Agreed – Business Plans to be provided annually.		March 2018
3.3.2	Management should ensure that annual performance reports are submitted by Enjoy to demonstrate that key objectives are being met and outcomes delivered.	Medium	Service Manager – Sport, Countryside and Leisure	Agreed		November 2017
3.4.1	<p>Management should ensure that arrangements are in place for obtaining assurance on the adequacy of the governance, risk management and control arrangements within Enjoy East Lothian Limited.</p> <p>Management should ensure that all risks associated with Enjoy are clearly identified and appropriate action taken to mitigate the risks.</p>	Medium	Service Manager – Sport, Countryside and Leisure	<p>Agreed – process to be confirmed.</p> <p>Agreed</p>		<p>December 2017</p> <p>February 2018</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.1	Management should ensure that systems are in place to gain an overview of how objectives are being met by Enjoy, in relation to complaints handling.	Medium	Service Manager – Sport, Countryside and Leisure	Agreed – will be part of the agenda for the quarterly meetings.		December 2017

Grading of Recommendations

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

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.