East Lothian
Council

MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE

TUESDAY 16 FEBRUARY 2021
VIA DIGITAL MEETINGS SYSTEM

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Committee Members Present:
Councillor J Henderson (Convener)   Councillor S Currie
Councillor F Dugdale   Councillor C Hoy
Councillor G Mackett   Councillor K Mackie
Councillor K McLeod   Councillor J Williamson

Other Councillors Present:
Councillor J McMillan (Items 2 – 8)

Council Officials Present:
Ms M Patterson, Chief Executive
Mr A McCrorie, Depute Chief Executive
Mr J Lamond, Executive Director for Council Resources
Ms S Saunders, Head of Communities
Mr D Proudfoot, Executive Director for Place
Mr T Reid, Head of Infrastructure
Ms L Brown, Executive Director for Education and Children's Services
Ms S Fortune, Head of Finance
Ms J Tait, Head of Children's Services
Mr B Moffat, Service Manager – Transport & Waste
Mr D Stainbank, Service Manager – Internal Audit
Mr S Allan, Senior Auditor
Mr S Kennedy, Emergency Planning, Risk and Resilience Officer
Mr C Grilli, Service Manager - Legal
Mr R Baty, Companies Manager
Mrs T Carlyle, Group Service Manager – Rehabilitation & Access
Mr P Currie, Interim General Manager – Strategic Integration
Ms A Glancy, Finance Manager – Corporate Accounting
Miss R Crichton, Committees Officer

Clerk:
Miss F Currie

Visitors Present:
Ms E Scoburgh, Audit Scotland
Mr B Farnsworth, Musselburgh Racecourse
Mr D Kennedy, Musselburgh Racecourse

Apologies:
None

Declarations of Interest:
Item 6 – Councillors Currie and Mackie declared an interest as former members of the Musselburgh Racing Associated Committee and indicated they would withdraw from the meeting during this item.

1.   **MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING ON 24 NOVEMBER 2020**

The minutes of the Audit and Governance Committee meeting held on 24th November 2020 were approved.

2.   **INTERNAL AUDIT REPORT – FEBRUARY 2021**

A report was submitted by the Executive Director for Council Resources informing the Committee of Internal Audit reports issued since the last meeting of the Committee and providing an update on the progress made against the 2020/21 annual audit plan.

Duncan Stainbank, Service Manager – Internal Audit, presented the report outlining the purpose of the audits and indicating that as a result of this work an assessment of 'substantial assurance' had been given on Risk Management and 'reasonable assurance' on Covid-19 Lessons Learned and Fleet Management. He summarised the main findings of the audits, highlighting areas where controls were met and those with scope for improvement. Officers then responded to questions from Members.

Fleet Management
Mr Sainbank and Mr Bruce Moffat, Service Manager – Transport & Waste, provided further detail on the process for issuing driver permits, noting that this was an internal process and non-mandatory. Mr Moffatt advised that his team were working with IT on developing an app to improve the process for duty checks on vehicles. He also explained that information was provided by the DVLA through the process of licence checks and the DVLA would notify the Council of any changes. He added that his team were also encouraging managers to report any changes for their staff relating to ill health, which may not come directly from the DVLA. Mr Moffatt reported that while Council vehicles were predominantly purchased outright, there was an element of lease in the electric fleet which allowed them to keep up to date with the latest upgrades. Mr Stainbank confirmed that a recommendation relating to the fleet management strategy was the issue which had appeared in both the 2015 and 2020 audit reports.

Covid-19 Lessons Learned
Jim Lamond, Executive Director for Council Resources, reassured Members that regular reporting of all matters related to COVID-19 would continue and that any matters resulting from the audit findings which required a change in policy or other decision by Members would be brought forward to Council or Cabinet. This would be in addition to the regular reporting and briefings to Members which were taking place via a variety of means. He added that he would discuss with the Chief Executive and others how best to report to Members progress against the specific lessons learned which had been identified in the audit report.

Mr Stainbank referred Members to Appendix 2 of his report which outlined progress against the annual audit plan for 2020/21. He advised that 8 audits remained outstanding and that discussions were ongoing with service areas regarding the timing and completion of these audits.

Councillor Dugdale thanked Mr Stainbank and his team for their work on the audits and in particular the report on Covid-19 Lessons learned. She said that this had highlighted the work undertaken across the Council in response to the pandemic and she was pleased to see the focus on staff resilience and health.

The Convener commented that the Internal Audit Team's ability to plan ahead and prioritise while also identifying new areas of work had been exceptional. She added that the internal audit function continued to be of vital importance at present.

Decision

The Committee agreed to note:

> i. the main findings and recommendations from the Internal Audit report issued during the period from November 2020 to February 2021;

> ii. Internal Audit's progress against the annual audit plan for 2020/21.

3. INTERNAL AUDIT PLAN 2021/22

A report was submitted by the Executive Director for Council Resources informing the Committee of Internal Audit's operational plan for 2021/22.

Mr Stainbank presented the report outlining the factors taken into account when preparing the annual audit plan, Internal Audit's primary role and the range of financial and non-financial audits covered by the plan. He highlighted that 3 reviews were had not progressed in 2020/21 had been added to the 2021/22 plan. He also advised Members that reactive work required as a result of Covid-19 may continue to impact on the planned work of the Internal Audit team.

Mr Stainbank responded to questions from Members. He confirmed that should any revisions be required to the planned audit work as a result of changing circumstances, or the need for additional reactive work to be undertaken, the plan would be brought back to the Committee.

Councillor Currie observed that at the beginning of the pandemic there had been concerns that internal audit work may get in the way of the Council's response to Covid-19. However, it was his view that there had never been a more important time for audit and scrutiny of expenditure and adaptations to services and procedures. He thanked officers for their efforts and said that the plan for 2021/22 was impressive and emphasised the continuing importance of audit work.

The Convener concurred with Councillor Currie's remarks. She added that the Council and this Committee could have every confidence in the dynamism and flexibility shown in the work of the Internal Audit team during the past year.

The vote on the recommendation was taken by roll call:

Councillor J Henderson	Agreed
Councillor S Currie	Agreed
Councillor F Dugdale	Agreed
Councillor C Hoy	Agreed

Councillor K Mackie	Agreed
Councillor G Mackett	Agreed
Councillor K McLeod	Agreed
Councillor J Williamson	Agreed

Decision

The Committee approved the audit plan for 2021/22.

4. UPDATE ON THE EAST LOTHIAN COUNCIL DRAFT ANNUAL AUDIT PLAN 2020/21

Esther Scoburgh, Senior Auditor at Audit Scotland, provided a verbal update to Members on the development of the annual audit plan for 2020/21. She advised that Audit Scotland now recognised that the original plan for 2020/21 to be a transitional year before returning more closely to pre-existing timetables, was no longer viable. As a result, in February 2021 they set out clear priorities to help manage the ongoing impact of the pandemic on their capacity to deliver audit work. Council audit work would be prioritised as much as possible to meet the current planning guidance deadline of 31 October 2021 sign off. Ms Scoburgh stated that following discussions with senior Council officers, it had been agreed that the 2020/21 annual audit plan would be prepared and finalised before the end of April 2021. Noting the next Committee meeting would not take place until June, the annual audit plan would be agreed with senior Council officers and circulated to all Committee members thereafter.

Ms Scoburgh also reminded Members that Audit Scotland had produced a paper explaining to external stakeholders the impact of the pandemic on their work. This was called 'Covid-19: What it means for public audit in Scotland', published in May 2020. With the reintroduction of significant restrictions in December 2020, the paper had been updated and had been circulated to the Committee prior to this meeting.

The Convener thanked Ms Scoburgh and said she looked forward to receiving further updates, and the agreed plan, in due course.

5. EAST LOTHIAN INVESTMENTS LTD 2019/20

A report was submitted by the Companies Manager informing the Committee of the work undertaken by East Lothian Investments Ltd (ELI) in 2019/20.

Richard Baty, Companies Manager, presented the report outlining the background and governance arrangements for ELI and the work undertaken during 2019/20. He summarised lending activity and highlighted some of the impacts of the pandemic on the 202/21 position. He also reported on the continued progress of the East Lothian Gift Card.

Mr Baty responded to questions from Members outlining the number of business interruption loans and start-up loans issued during the period. He explained some of the options being considered to expand the current range of products on offer but reminded Members than as loans were offered interest free it was difficult for ELI to borrow additional funds without incurring a cost. Mr Baty also provided further detail on the Gift Card sales, noting that these had increased dramatically around Christmas 2020. He reported that an average of 25% of Gift Card value remained unspent and a key strategy going forward would be to increase the percentage spend.

Councillor Currie thanked Mr Baty for his report. He said the results were hugely impressive and this was borne out by the low failure rate. He noted that for many businesses these loans were their only option and he hoped that investment would continue and increase allowing the scheme to expand.

The Convener echoed these remarks and noted that the due diligence undertaken by ELI was extraordinary.

Decision

The Committee agreed to note the contents of the report.

Sederunt: Councillors Currie and Mackie withdrew from the meeting for the following Item.

6. MUSSELBURGH RACING ASSOCIATED COMMITTEE UPDATE

A report was presented to the Committee by the Depute Chief Executive reporting on the Racecourse financial performance for the period 1 April to 23 June 2020 in the financial year 2020/21.

Mr Grilli presented the report summarising the conclusion of matters relating to the Musselburgh Racing Associated Committee and the transfer of the racecourse to its new operator on 24 June 2020. He advised that the accounts for the period 1 April to 23 June 2020 currently showed a positive balance, however the full audit process had yet to be concluded. He also highlighted an error which had been picked up relating to the completion of BHA licence application forms and that this has since been resolved.

In response to a question from the Convener, Mr Grilli advised that the share holdings transferred to the Council would remain in its control and would allow it the right to hold close dialogue with the new operator to ensure that the progress of the racecourse aligned with the Council's aspirations.

Decision

The Committee agreed to note the contents of the report.

Sederunt: Councillors Currie and Mackie re-joined the meeting.

7. EDUCATION & CHILDREN'S SERVICES RISK REGISTER

A report was submitted by the Chief Executive presenting to the Committee the Education & Children's Services Risk Register for discussion, comment, and noting.

Scott Kennedy, Emergency Planning, Risk and Resilience Officer, presented the report outlining the background to the register and the arrangements for assessment and review of ongoing risks. He informed Members that the register included 1 Very High risks, 14 High risks, 10 Medium risks and 3 Low risks.

Lesley Brown, Executive Director for Education and Children's Services, and Judith Tait, Head of Children's Services, responded to questions from Members.

Ms Brown reported that the Scottish Government had reinstated the date for implementation of the 1140 hours policy as August 2021. Her staff were actively planning for this and were as confident as they could be that all arrangements and resources would be in place. Progress on this would continue to be closely monitored. On the issue of Additional Support Needs (ASN), Ms Brown advised that although the introduction of a new provision at Windygoul Primary School had gone some way to addressing demand, the number of children with ASN was increasing and very clear plans were in place to assess their needs and put in-school plans in place where placement In specialist provision was not possible. She also outlined work underway to assess the impacts of Covid-19 on these children and their ability to engage with the support being offered.

Ms Tait added that whilst it was possible to anticipate some of the impacts on young people it was not possible to know all and this made planning more difficult. Young people who were at risk of disengaging would require close monitoring and additional support but services were in a better place than previously to undertake this work.

Ms Tait also provided further detail of fostering/adoption services and the impact of social media advertising in attracting applications from potential foster carers. While staff continued to work very hard on this and other aspects of the service, she agreed that Members also had a role in encouraging new applications. Ms Tait also confirmed that some funding had been provided to address debs accrued by young people and to help them to manage their finances going forward. She acknowledged that while this funding could mitigate some financial hardships it was non-recurring.

Decision

The Committee agreed to note the Education & Children's Services Risk Register and in doing so, noted that:

i.   the relevant risks had been identified and that the significance of each risk was appropriate to the current nature of the risk;

ii.   the total profile of the Education & Children's Services risk could be borne by the Council at this time in relation to the Council's appetite for risk; and

iii. although the risks presented were those requiring close monitoring and scrutiny over the next year, many were in fact longer term risks for Education & Children's Services and were likely to be a feature of the risk register over a number of years.

8.   HEALTH & SOCIAL CARE PARTNERSHIP RISK REGISTER

A report was submitted by the Chief Executive presenting to the Committee the Health & Social Care Partnership Risk Register for discussion, comment, and noting.

Mr Kennedy presented the report outlining the background to the register and the arrangements for assessment and review of ongoing risks. He informed Members that the register was recorded on the NHS's Datix system and therefore was presented in a slightly different format to Council risk registers. The register included 3 High risks, 9 Medium risks and 4 Low Risks. All risks rating '8' and above had been reported to

the Committee. Mr Kennedy also reminded Members that the register was recorded on NHS Lothian's Datix system and the report format was slightly different.

Mr Kennedy responded to questions from Members. He explained that the risks were reviewed differently on the Datix system and that 31 March 2021 was a standard date for review rather than completion. Risks were regularly reviewed and updated and the officers with responsibility for specific risks received reminders to review progress. However, he acknowledged that there was no specific column to record a date for reviewing progress of mitigation measures, although officers sometimes included this information in the comments section. He agreed to feedback Members concerns to those responsible for managing the Datix system.

Trish Carlyle, Group Service Manager – Rehabilitation & Access, also responded to questions outlining the networks in place to take account of the views of service users in assessing and managing risks. She said that a recent review of the Change Board and reference group structure would allow for greater involvement of stakeholders in the management of ongoing risks.

Ms Carlyle also acknowledged the challenges faced in the recruitment of homecare workers. She advised that additional funding for sustainability payments during Covid-19 had allowed them to maintain staffing levels but there would be a negative impact when this funding ceased. She said that the Care at Home team was working on measures to improve recruitment and retention of staff in this sector.

Councillor Currie commented that the variety of risks and concerns expressed demonstrated the tough times and difficulties faced by this sector. He wished to record his thanks to Council and Third Sector staff and independent organisations and charities for their work and to recognise the role of unpaid carers, particularly over the past year. He said that the real challenge would be to get services back on track and to avoid temporary arrangements becoming permanent by default. He said that the sector in East Lothian had performed exceptionally well in very difficult circumstances and this was the result of a massive team effort.

Decision

The Committee agreed to note the Health & Social Care Partnership Risk Register and in doing so, noted that:

i.   the relevant risks had been identified and that the significance of each risk was appropriate to the current nature of the risk;

ii.   the total profile of the Health & Social Care Partnership risk could be borne by the Council at this time in relation to the Council's appetite for risk; and

iii.   although the risks presented were those requiring close monitoring and scrutiny over the next year, many were in fact longer term risks for the Health & Social Care Partnership and were likely to be a feature of the risk register over a number of years.

Signed   ....

               Councillor Jane Henderson
               Convener of the Audit and Governance Committee

East Lothian Council

REPORT TO: Audit and Governance Committee

MEETING DATE: 15 June 2021

BY: Service Manager – Internal Audit

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SUBJECT: Internal Audit Report – June 2021

1 PURPOSE

1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee and to provide an update on progress made against the 2020/21 annual audit plan.

2 RECOMMENDATION

2.1 That the Audit and Governance Committee note:

    i. the main findings and recommendations from the Internal Audit reports issued during the period from February 2021 to June 2021 as contained in Appendix 1;

    ii. the findings from Internal Audit's follow-up work;

    iii. Internal Audit's progress against the annual audit plan for 2020/21 as set out in Appendix 2.

3 BACKGROUND

3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: Payroll Systems, Payroll Overtime, Performance Indicators and Cybersecurity (see Agenda Item 10)

3.2 The main objective of the audits was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audits is contained in Appendix 1.

3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:

- ➢ Payroll Systems – Moderate Assurance
- ➢ Payroll Overtime – Moderate Assurance
- ➢ Performance Indicators – Moderate Assurance

3.4   Internal Audit follows-up on recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. Detailed spreadsheets are maintained to monitor progress being made and this report provides a summary of the current status for six audits that were reported in previous years. Our findings are detailed below.

Payroll Deductions

3.5   Internal Audit's report on Payroll Deductions was issued in November 2019. Our follow-up review has highlighted that nine of the ten recommendations made have been fully implemented. The remaining recommendation in relation to procedures for payroll deductions (recommendation 3.1.1) has been superseded by the overall recommendation for payroll procedures made in the Payroll audit. Therefore all outstanding recommendations from this report have been closed.

Homecare Services

3.6   Internal Audit's report on Homecare Services was issued in February 2020. Our follow-up review has highlighted that all of the twenty two recommendations made have been implemented.

Direct Payments

3.7   Internal Audit's report on Direct Payments was issued in February 2020. Our follow-up review has highlighted that of the twenty recommendations made, eighteen have been implemented and two not yet implemented. The two outstanding recommendations relate to completion of a Direct Payments Policy which has not been prioritised for completion due to competing priorities over the last year, however completion is now targeted by October 2021.

Fostering & Kinship Care

3.8   Internal Audit's report on Fostering & Kinship Care was issued in June 2020. Our follow-up review has highlighted that all of the six recommendations made have been implemented.

EU Exit

3.9   Internal Audit's report on EU Exit was issued in November 2020. Our follow-up review has highlighted that all of the five recommendations made have been implemented.

Residential and Non Residential Care Charging

3.10   Internal Audit's report on Residential and Non Residential Care Charging was issued in November 2020. Our follow-up review has highlighted that all of the twenty three recommendations made have been implemented.

Progress Report 2020/21

3.11   A progress report attached as Appendix 2 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan for 2020/21.

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

AUTHOR'S NAME	Duncan Stainbank
DESIGNATION	Service Manager – Internal Audit
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DATE	7 June 2021

Appendix 1 Executive Summary: Payroll

Conclusion: Moderate Assurance

The internal controls in place for Payroll are broadly reliable, however there are a number of controls that require to be implemented or improved to provide a fully effective control process, including the introduction of detailed procedures to provide clear guidance to staff responsible for administering the Payroll function, a review of the Payroll Section's staffing levels and workload, the existing arrangements in place for processing leavers and the arrangements in place to ensure that reconciliations are properly carried out between the net pay figure and the BACs payments in the general ledger.

Background

We note that payroll costs represent a significant expense for local authorities and in 2019 the Council switched its computerised payroll system from Chris21 (Comprehensive Human Resource Integrated Solution) to iTrent, a new integrated HR and payroll system.

The Electronic Document and Records Management System (EDRMS) is used by both Human Resources (HR) and Payroll for their business processes. The process history screen on EDRMS provides a clear audit trail of all tasks undertaken by both HR and Payroll staff. The Council had approximately 950 new starts, 1,800 change of contracts and 790 leavers for the period from 01/04/2019 to 19/11/2020.

Summary of findings & recommendations

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

- There was a lack of detailed procedures in place to provide clear guidance to staff responsible for administering the Payroll function. *Management advised that work is currently being undertaken on the guidance and have agreed to produce detailed procedures **by September 2021***.
- The iTrent system is not currently being used to its full potential – although the system has the facility to automatically calculate Teachers' pay for new starts, change of contracts and leavers, payments are being manually calculated due to the system generating over and under payments. *Management have been liaising with the software provider and have resolved the matter subject to successful testing. The facility should be operational **by September 2021***.
- A review of the Payroll Section's staffing levels and workload should be undertaken, taking into consideration the number of pay runs expected to be operating in the future. *Management have agreed to undertake the review **by August 2021***.
- In a number of instances, forms for starters, change of contracts and leavers had not been submitted to Human Resources timeously. *Management have agreed to issue further guidance highlighting the need to submit forms timeously **by June 2021***.
- The existing arrangements in place for leavers require review to ensure that leave entitlement has been properly calculated and the last pay is correctly calculated for sessional contracts. *Management have agreed to review the arrangements in place for leavers **by June 2021***.
- Reconciliations have not been undertaken between the net pay figure and the BACs payments in the general ledger since September 2019 and require to be brought up to date. *Management have advised that additional reporting and coding of overpayments will assist with this process and have agreed to bring the reconciliations up to date **by September 2021***.

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	17	-	17
Prior report (March 2016)	-	10	-	10

Materiality

The Council had an average of 3,638 Full Time Equivalent employees during 2019/20 and spent approximately £152.8 million on payroll costs for the year ended 31 March 2020.

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Headlines

Objectives	Conclusion	Comments
1. Adequate policies and procedures are in place for administering the Payroll function.	Limited	The Payroll Section do not currently have a comprehensive procedures manual in place to provide clear guidance to staff with responsibility for administering the Payroll function. The iTrent system is not currently being used to its full potential, although the system has the facility to automatically calculate Teachers' pay, payments are being manually calculated due to the system generating over and under payments (some of the issues arose after the term start date was brought forward in August 2020). A review of the staffing levels and workload in the Payroll Section is required.
2. Adequate arrangements are in place for setting up new starts on the iTrent payroll system.	Reasonable	Adequate separation of duties exists for the setting up of new starts on the iTrent payroll system. For the sample of 30 cases examined, we found that the employee's pay details had been properly set up on iTrent and the first pay had been correctly calculated. In three cases however, the Employee Appointment Form had not been submitted by service areas to HR timeously and the employee had commenced work with the Council prior to pre-employment checks being validated.
3. Adequate procedures are in place to ensure that all changes are correctly processed on the iTrent payroll system.	Moderate	We selected a sample of 30 change of contracts processed in the period from 01/04/2019 to 19/11/2020 and found that the forms had been completed by a Service Manager or an appropriate officer, however in eight cases the forms had been completed after the effective date of change. We found that the employee's pay had been correctly calculated to reflect the change in 29 cases, however for the remaining case a Probationer Teacher who had been appointed as a Class Teacher was overpaid in August 2019. A further 18 overpayments to Probationer Teachers were identified and a total of £4,225 is now being recovered.
4. Adequate arrangements are in place to ensure that leavers are correctly processed on the iTrent payroll system.	Moderate	For the sample of 30 leavers selected, we found that in 27 cases the annual leave entitlement had been correctly calculated on the Leavers Form, however for the remaining three cases small errors were found in the calculation. We note that in seven cases, the Leavers Forms had not been completed and authorised timeously prior to the employee leaving the Council. We found that the employee's last pay had been correctly calculated in 27 cases, however in two cases the last pay had not been correctly calculated for sessional contracts and in one case an error arose after a manual adjustment for sick pay had not been properly actioned through EDRMS.
5. All exception reports are reviewed and properly actioned on iTrent.	Reasonable	Exception reports are generated for each pay run which include error and warning messages and we found that staff members review these reports to ensure that errors are identified and corrective action is taken where necessary.
6. Reconciliations are carried out between the ITrent payroll system and the general ledger.	Moderate	We note that iTrent generates payroll export files for each pay run and for the two months examined the totals for each pay run had been correctly posted into the general ledger. However differences were noted between the net pay figure and the BACs payments in the general ledger and we found that reconciliations between these figures had not been undertaken since September 2019.

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Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	Adequate arrangements are in place to ensure that all exception reports are reviewed and properly actioned on the iTrent payroll system.
2.	The process history screen on EDRMS (Electronic Document and Records Management System) provides a clear audit trail of all tasks undertaken by both Human Resources (HR) and Payroll staff.
3.	For new starts, employees' pay details had been properly set up on the iTrent payroll system and the first pay had been correctly calculated.

Recommendation Grading/Overall Opinion Definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

Executive Summary: Payroll Overtime

Conclusion: Moderate Assurance

The internal controls in place for Payroll Overtime Payments are broadly reliable, however there are a number of controls that require to be implemented or improved to provide a fully effective control process, including a review of the Management of Overtime Policy and the Managers Guidance Note on the completion of overtime claim forms, the lack of a consistent approach for overtime working on a Sunday and the failure by employees to properly complete overtime claim forms and specify the reasons for overtime being undertaken.

Background

We note that Audit Scotland have highlighted that there is an increased risk of normal controls being relaxed around expenses and overtime during the Coronavirus pandemic. This review of Payroll Overtime Payments forms part of Internal Audit's review of areas of increased risk.

The Management of Overtime Policy defines overtime as "any additional hours, which take an employee over the normal Council full time hours i.e. 35/37 hours. Employees graded up to and including grade 13 working overtime will be paid plain time up to the 37th hour and then time and a half for all hours beyond the 37th hour".

Summary of findings & recommendations

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

- A review of the Management of Overtime Policy should be undertaken which includes replacing the requirement for overtime to be pre-authorised by a Director/Head of Service with the Service Manager/budget holder. *Management have agreed to undertake a review of the policy **by August 2022**.*
- The Council operates two different terms and conditions for employees working overtime on a Sunday – one where employees can claim double time and one where employees are only entitled to time and a half after working more than 37 hours per week. *Management have agreed to undertake a review of the terms and conditions for both Craft Operatives and Local Government employees **by March 2022**.*
- In a number of instances, there was a failure by service areas to properly complete overtime claim forms, the Payroll Section were required to manually adjust the claim forms prior to processing the claims on the iTrent payroll system. *Management advised that service areas will be provided with appropriate training as part of moving towards the new electronic overtime claim forms and further guidance will be issued on the completion of overtime claim forms as part of this process **by August 2021**.*
- The overtime claim forms did not always clearly record the reasons for the overtime being undertaken by the employee. *Management advised that the new electronic overtime claim forms on myHR will require staff to record the reasons for the overtime being undertaken and have agreed to provide training to service areas **by December 2021**.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	9	-	9
Prior report (February 2018)	2	3	-	5

Materiality

The Council had an average of 3,638 Full Time Equivalent employees during 2019/20 and spent approximately £2.1 million on overtime for the year ended 31 March 2020 and spent approximately £2 million on overtime for the year ended 31 March 2021.

Headlines

Objectives	Conclusion	Comment
1. Adequate policies and procedures are in place for managing overtime.	Moderate	The Council has in place a Management of Overtime Policy – the Policy sets out the Council's approach to approved overtime working and provides guidance to both Managers and employees. The Policy applies to all employees with the exception of Teachers, Craft Operatives and Chief Officers groups. A review of the Management of Overtime Policy should be undertaken which includes replacing the requirement for overtime to be pre-authorised by a Director/Head of Service with the Service Manager/budget holder. The Managers Guidance Note on the completion of overtime claim forms should be updated to provide more comprehensive guidance to Managers and employees.
2. Adequate arrangements are in place to ensure that overtime payments are appropriately authorised.	Moderate	We selected a sample of 30 overtime claims in 2020/21 from various service areas across the Council and checked to ensure that the overtime claims had been appropriately authorised. We found that all the overtime claims had been authorised by the Service Manager or an appropriate officer, however in some instances the authorisation email from the Service Manager had not been retained with the overtime claim forms in the Payroll Section. The overtime claim forms did not always clearly record the reasons for the overtime being undertaken by the employee. In a number of instances, there was a failure by service areas to properly complete overtime claim forms, the Payroll Section were required to manually adjust the claim forms prior to processing the claims on the iTrent payroll system.
3. Appropriate arrangements are in place in the Payroll Section for checking and processing overtime claims.	Moderate	We selected a sample of 30 overtime claims processed in 2020/21 and checked to ensure that appropriate arrangements are in place within the Payroll Section for checking and processing overtime claims. We found that in six cases there was a lack of a clear audit trail to confirm who had processed and validated the overtime claims in the Payroll Section. For the 30 cases selected, we found that in 22 cases the overtime payments had been correctly calculated, however for the remaining eight cases small errors were found in the overtime payments made.
4. Appropriate overtime rates are paid to employees in accordance with their contracts of employment.	Moderate	For the 30 cases examined, we found that appropriate overtime rates had been paid – time and a half (1.5x) was paid for employees working more than 37 hours per week and double time (2.0x) was paid for hours worked on public holidays. The Council operates two different terms and conditions for employees working overtime on a Sunday, one where employees can claim double time and one where employees are only entitled to time and a half after working more than 37 hours per week.
5. Appropriate arrangements are in place for monitoring overtime budgets within service areas.	Reasonable	From our review, we found that adequate arrangements are in place for monitoring overtime budgets within service areas. For the 30 cases selected, the Service Managers confirmed that there was appropriate spending levels within budgets for the overtime claimed. We found that Human Resources (HR) issue regular overtime reports to Senior Management and service areas within the Council.

18

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	The Council has in place a Management of Overtime Policy – the Policy sets out the Council's approach to approved overtime working and provides guidance to both Managers and employees.
2.	Adequate procedures are in place to ensure that overtime claims are appropriately authorised by the Service Manager or an appropriate officer.
3.	Appropriate arrangements are in place for monitoring overtime budgets within service areas.

Recommendation Grading/Overall opinion definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

Executive Summary: Performance Indicators 2019-20

Conclusion: Moderate Assurance

Our review of Performance Indicators found that internal controls and procedures established by Management were operating satisfactorily in some areas, with the indicators being based on information prepared by the Council, including Local Financial Returns (LFRs). Our audit focused on a sample of indicators based primarily on those indicators where there had been significant changes from the previous year. In some cases we found that there were satisfactory reasons and explanations for the improved performance, however in other cases errors were identified in the calculation of the indicators or the reported indicators did not appear consistent with other information held by the Council. In these cases, further work will be required going forward to ensure the accuracy of the indicators for future years.

Background

As part of the Audit Plan for 2020/21, a review was undertaken of the systems in place for the preparation and reporting of performance indicators. Our review has focused on the Local Government Benchmarking Framework (LGBF) indicators for 2019/20. The Framework covers seven service areas: Children's Services; Corporate Services; Adult Social Care; Culture and Leisure Services; Economic Development and Planning; Environmental Services and Housing Services. For 2019/20, we selected a sample of nine indicators for review, which comprised of four Adult Social Care indicators, three Corporate Services (HR) indicators and two Housing Services indicators. Improvement recommendations have been made for one Adult Social Care indicator and three Corporate Services (HR) indicators.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by Management**:
- Indicator SW 1 – Home Care costs per hour for people aged 65 or over, requires review to ensure that all information being provided is on a comparable basis. *Management have agreed that this will be reviewed jointly by staff in Finance and Health & Social Care **by July 2021***.
- Appropriate checking arrangements should be put in place to confirm the accuracy of the figures submitted for indicator CORP 3c – the gender pay gap. *Management have agreed that checking arrangements will be in place for the next submission of these figures **in August 2021***.
- It is likely that indicators CORP 6a – sickness absence days per teacher and CORP 6b – sickness absence days per employee (non-teacher) have been understated as a result of implementation of a new HR Payroll system. Management should ensure that absence data is accurately and completely entered to the HR Payroll system and that absence data is regularly monitored to ensure capture of accurate data. *Management have agreed that this will be completed **on an ongoing basis***.

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	3	-	3
Prior Report (Feb 2020)	-	3	-	3

Materiality

The Local Government Benchmarking Framework (LGBF) is a high level benchmarking tool designed to support senior management teams and elected members to ask questions about key Council services. The Framework includes over 70 indicators, which are reported on annually and the data supports comparisons between similar Councils and over time.

Headlines

Objectives	Conclusion	Comment
1. Appropriate processes are in place to ensure the accuracy of the Adult Social Care indicators reviewed.	Moderate	For indicators SW 1 (Home Care costs per hour for people aged 65 or over) and SW 5 (net cost of Residential Care Services per Older Adult (aged 65+) per week), cost data used to calculate the indicators is based on the Local Financial Return (LFR) prepared by the Council. For SW 1 the Improvement Service use data on the number of Home Care hours that is submitted by the Council as part of the Scottish Government quarterly monitoring survey. For 2019/20 there was a change in the methodology used, which impacted on the reported indicator and the reported indicator for Home Care of £15.21 per hour in 2019/20 would appear to be understated – it is significantly below the Scottish average of £26.13 per hour and is also lower than the rate the Council pays it's contracted care at home suppliers.
2. Appropriate processes are in place to ensure the accuracy of the Corporate Services (HR) indicators reviewed.	Moderate	Errors have been identified in the calculation of indicator CORP 3c (the gender pay gap), for both 2018/19 and 2019/20. For indicators CORP 6a – sickness absence days per teacher and CORP 6b – sickness absence days per employee (non-teacher), there were significant reductions in the reported absences in 2019/20 when compared to previous years. The Council introduced a new HR Payroll system in April 2019, which introduced changes to the way that sickness absence is recorded and for 2019/20 information relating to sickness absence came directly from the new system. It was noted that issues were encountered with the embedding of the new system and there were instances where the non-recording of sickness absence was identified as a potential problem. We note that service areas requiring additional support were provided with face to face training and that HR anticipate improved recording as the new system is embedded further.
3. Appropriate processes are in place to ensure the accuracy of the Housing Services indicators reviewed.	Reasonable	We found that appropriate explanations were available for the two Housing Services indicators reviewed: HSN 2 – the % of rent due in the year that was lost due to voids, reduced from 1.19% in 2018/19 to 0.53% in 2019/20. We are advised that there are multiple factors that led to the improvement in the reported figure, including a reduction in the number of void properties in the year, a reduction in the average void turnaround time, a change in the guidance (that allowed a period of time to be excluded from the void rent loss following the death of a tenant) and a change in the way the rent loss was calculated. HSN 5a – the % of Council dwellings that are energy efficient, increased from 58.52% in 2018/19 to 82.81% in 2019/20. This indicator is based on progress towards meeting the Energy Efficiency Standard for Social Housing (EESSH) and we are advised that there are a number of reasons for the improvement in the reported indicator, including investment in energy measures as part of the Capital Housing Modernisation Programme, improvements in the monitoring and modelling of energy performance in line with the EESSH technical guidance and improved data collection through stock condition surveys, which allows for real time information on energy performance.

Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	For SW 5 – the net cost of Residential Care Services per Older Adult (aged 65+) per week, the Council's reported indicator for 2019/20 of £407 per week was broadly consistent with the Scottish average of £401 per week.
2.	For SW 8 – the number of days people spend in hospital when they are ready to be discharged, per 1,000 population (aged 75+), there has been an improvement each year since 2015/16 and the reduction in the reported number of bed days continued in 2019/20.
3.	Appropriate explanations were obtained for the improved performance in respect of both indicator HSN 2 – the % of rent due in the year that was lost due to voids and indicator HSN 5a – the % of Council dwellings that are energy efficient.

A   Recommendation Grading/Overall opinion definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Housing Rents	We will examine the processes and controls in place for the billing and reconciliation of housing rents.	November 2020	Completed
Payroll Systems	We will review the procedures in place for ensuring the accuracy and completeness of payroll information and overall payments being made to staff following the implementation of the new payroll system in 2019/20. This review will be subject to discussion with Audit Scotland to prevent duplication of assurance resources.	June 2021	Completed
Council Tax	We will now focus Council Tax audit work on granting of reliefs and recovery processes.	June 2021	Deferred to September
Non-Domestic Rates	We will now focus our audit work on granting of new Non-Domestic Rates reliefs and recovery processes.	June 2021	Deferred to September
EU Exit	We will review the actions identified to mitigate the risks of EU exit and examine the reported progress on implementation of these actions.	November 2020	Completed
Section 75 (Developer Contributions)	Section 75 payments (developer contributions) bring significant funds to the Council for infrastructure projects. We will examine all control aspects of the Section 75 process.	November 2020	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Homelessness Assessment & Housing Allocation	We will review the processes in place for the assessment of homelessness, provision of preventative advice and allocation of temporary accommodation and housing rents following recent changes.	June 2021	Deferred to September
Cyber Security	We will examine the evidence of compliance with appropriate cyber security standards including ISO27001, International Standard for Information Security and the Scottish Government Cyber Resilience Strategy for Scotland, Public Sector Action Plan.	June 2021	Completed
School Excursions	Review of the control processes in place to ensure security of funding and reduction of risk for the arrangements for School Excursions.	June 2021	Deferred to November
COVID Lessons Learned	Internal Audit will review progress on implementation of mitigation actions as part of a lessons learned exercise for the COVID-19 pandemic.	February 2021	Completed
Residential & Non Residential Care Charges	We will review the controls in place for charging for residential & non-residential care to ensure that all charges are being made and collected in accordance with policy.	November 2020	Completed
Fleet Management	We will review the arrangements in place for the replacement, purchase, disposal and maintenance scheduling of vehicles through the new fleet management system.	February 2021	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Following the Public Pound	This audit rolled over from the 2019/20 audit plan and will review controls around a selection of organisations receiving Community Partnership Funding.	June 2021	Deferred to September
Risk Management	We will select a sample of High risks from both the Council's Corporate Risk Register and service area Risk Registers and will review the adequacy and effectiveness of the risk control measures in place.	February 2021	Completed
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulators Chapter 3 of the Regulatory Framework.	November 2020	Completed
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	June 2021	Completed

REPORT TO: Audit and Governance Committee

MEETING DATE: 15 June 2021

BY: Service Manager – Internal Audit

3

SUBJECT: Annual Internal Audit Report 2020/21

1 PURPOSE

1.1 The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit prepares an annual internal audit opinion and report to support the Council's Annual Governance Statement.

1.2 This report provides a summary of the work undertaken by East Lothian Council's Internal Audit Unit in 2020/21 and supports both the Council's Annual Governance Statement and the Internal Audit Controls Assurance Statement.

2 RECOMMENDATION

2.1 The Audit and Governance Committee is asked to note the contents of the Annual Internal Audit Report 2020/21.

3 BACKGROUND

3.1 Internal Audit is an independent appraisal function established by the Council to review its governance, risk management and control systems. East Lothian Council's Internal Audit Unit seeks to operate in accordance with the Public Sector Internal Audit Standards (PSIAS).

3.2 Internal Audit reports administratively to the Executive Director for Council Resources, functionally to the Audit and Governance Committee and has direct access to the Chief Executive, the Section 95 Officer and the Monitoring Officer.

3.3 The Public Sector Internal Audit Standards (PSIAS) require that the annual report must incorporate a statement on Internal Audit's conformance with the PSIAS and Local Government Application Note and the results of the Quality Assurance and Improvement Programme (QAIP) that covers all

aspects of the internal audit activity. Internal Audit is continuously seeking to improve its service and aims to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. This was achieved in 2020/21 through the following processes:

- Compliance with PSIAS.
- A tailored audit approach using a defined methodology for financial audits.
- A programme of quality control measures, which include the supervision of staff conducting audit reviews and the detailed review of working paper files and audit reports.
- The development of personal and training plans – Internal Audit staff members are required to undertake a programme of Continuous Professional Development (CPD).

3.4 The PSIAS require the development of a Quality Assurance and Improvement Programme (QAIP). The QAIP is designed to enable evaluation of Internal Audit's conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards. The QAIP must include both internal and external assessments. An internal assessment of internal audit practices was carried out against the PSIAS to ensure conformance to the Standards in February 2021. An External Quality Assessment of the Council's Internal Audit service was undertaken in May 2018 by the Chief Internal Auditor of Argyll and Bute Council, providing a high level of assurance on internal audit's compliance with PSIAS.

Delivery of the Internal Audit Service

3.5 In February 2020, the Audit and Governance Committee approved the Internal Audit Plan for 2020/21. The plan was scoped to address the Council's key risks and strategic objectives.

3.6 In March 2020 the national lockdown introduced as a result of the COVID-19 pandemic significantly changed the operations of the Council and the Internal Audit Team. The impact of these changes resulted in a revised Internal Audit Plan for 2020/21 being approved by the Audit and Governance Committee in September 2020.

3.7 Reviews of Non Domestic Rates, Council Tax, Homelessness Assessment & Housing Allocation and Following the Public Pound (Partnership Funding) have been halted as service areas are currently undergoing significant recovery work. Agreements are in place with service management to ensure that these reports will be presented to the September 2021 Audit & Governance Committee. The School Excursions audit will be completed for the November 2021 Audit & Governance Committee following the completion of an ongoing review of procedures.

3.8 In order to balance the assurance provided to the Audit & Governance Committee the Payroll Overtime internal audit review was brought forward from the 2021/22 Internal Audit plan for completion for the June 2021 Audit

& Governance Committee. In addition work has been progressed on NFI matches that was scheduled for the 2021/22 Audit Plan.

3.9   In 2020/21, Internal Audit completed 13 audit reviews. Table A (see section 3.11 below) outlines the audit work undertaken in 2020/21. For each audit, Internal Audit has provided Management with an assessment of the adequacy and effectiveness of their systems of internal control. Of the 13 audit reviews undertaken in 2020/21:

- In 6 cases, Internal Audit provided Moderate assurance.
- In 4 cases, Internal Audit provided Reasonable assurance.
- In 1 case, Internal Audit provided Substantial assurance.
- In 2 cases, Internal Audit did not grade the overall report.

3.10   For the 13 audit assignments finalised, a total of 112 recommendations were made – 101 recommendations were graded as medium (i.e. recommendations which will improve the efficiency and effectiveness of the existing controls); 6 recommendations were graded as low (recommendations concerning minor issues that are not critical, but which may prevent the attainment of best practice); 5 recommendations were not graded in line with the grading of the report. Our recommendations sought to address the weaknesses identified in the design of controls and/or their operational effectiveness.

3.11   We have completed the following reviews in 2020/21:

Table A

Audit Assignment	Level of Assurance
Transformation Programme	Moderate
Residential and Non Residential Care Charging	Moderate
Housing Rents (Billing & Reconciliation)	Reasonable
Section 75 Developer Contributions	Reasonable
EU Exit	Not Graded
Scottish Housing Regulator Annual Assurance	Not Graded
COVID-19 Lessons Learned	Reasonable
Fleet Management	Reasonable
Risk Management	Substantial
Payroll	Moderate
Cybersecurity	Moderate
Payroll Overtime	Moderate
Performance Indicators	Moderate

3.12   In addition to the reviews listed above 6 non-graded assurance statements were issued between June 2020 and September 2020. These assurance statements covered the following areas that had recently changed control environments as a result of the COVID-19 Pandemic:

- Grant Payments;
- Creditors;
- Supplier Relief;
- Rent Deferment;
- Non-Domestic Rates – Retail, Hospitality and Leisure 100% Relief;
- Residential Care – Financial Reassessments.

3.13 Internal Audit has also undertaken nine Whistleblowing/Fraud and Irregularity investigations in 2020/21.

3.14 Internal Audit has also undertaken follow-up reviews of previous years' work to ensure that recommendations have been implemented by Management and have prepared reports for the East Lothian Integration Joint Board (IJB) Audit and Risk Committee.

Conflicts of Interest

3.15 There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Performance Indicators

3.16 We have undertaken our audit work in accordance with the agreed plan and each of our final reports has been reported to the Audit and Governance Committee. Performance information for 2020/21 covers:

- Completion of the annual Audit Plan – 70%
- % of recommendations accepted by Management – 100%
- % of staff with CCAB accounting qualifications – 80%

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

AUTHOR'S NAME	Duncan Stainbank
DESIGNATION	Service Manager – Internal Audit
CONTACT INFO	dstainbank@eastlothian.gov.uk
DATE	07 June 2021

REPORT TO: Audit and Governance Committee

MEETING DATE: 15 June 2021

BY: Service Manager – Internal Audit

SUBJECT: Controls Assurance Statement 2020/21

1   PURPOSE

1.1 Internal Audit has the responsibility to independently review the internal control systems within East Lothian Council, make an assessment of the control environment and report annually on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

2   RECOMMENDATION

2.1 The Committee is asked to note that the Controls Assurance Statement is a formal confirmation of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2021.

3   BACKGROUND

Sound Internal Controls

3.1 The Council's senior management has responsibility for establishing a sound system of internal control and for monitoring the continuing effectiveness of these controls. The main objectives of the Council's internal control systems are:

- Achievement of the Council's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

3.2 A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls or the occurrence of unforeseen

circumstances. The Council is continually seeking to improve the effectiveness of its system of internal control.

The Work of Internal Audit

3.3   Internal Audit is an independent appraisal function established by the Council to review its internal control systems. Internal Audit objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources.

3.4   In 2020/21, the Internal Audit Unit operated in accordance with the Public Sector Internal Audit Standards (PSIAS). All internal audit reports identifying system weaknesses or non-compliance with expected controls were brought to the attention of the Chief Executive, the Council's External Auditor and the Audit and Governance Committee.

3.5   The weaknesses outlined in our audit reports are those that have come to our attention during the course of our normal audit work and are not necessarily all of the weaknesses, which may exist. It is the responsibility of Management to ensure an appropriate system of internal control operates and ensure that proper consideration is given to internal audit reports with appropriate action taken on audit recommendations.

Basis of Opinion

3.6   Our evaluation of the control environment is informed by a number of sources:

1. The policies and procedures of the Council, including:

   - Standing Orders and Financial Regulations;
   - Strategy for the Prevention and Detection of Fraud and Corruption;
   - Information Security Policy;
   - IT Acceptable Use Policy;
   - Code of Conduct;
   - Disciplinary Code;
   - Disciplinary Procedure; and the
   - Whistleblowing Policy.

2. The planning, monitoring, review and reporting arrangements within the Council, including:

   - The Budget Setting Process;
   - Monthly Budget Monitoring Statements;
   - Policy and Performance Review Committee;
   - Performance Management Framework;
   - The work of the Council Management Team.

3. The work undertaken by Internal Audit during 2020/21 including planned audits, investigations, follow-up reviews and one-off exercises.

3.7 Internal Audit's opinion does not cover the internal control systems of other organisations that are included in East Lothian Council's 2020/21 Statement of Accounts under the Group Accounts section.

Assessment of Controls and Governance

3.8 The Annual Internal Audit Report 2020/21 presented to the Audit and Governance Committee summarises the work of Internal Audit during the year. For all areas reviewed, an Executive Summary is submitted to the Audit and Governance Committee summarising the work completed, assurance provided and the agreed actions to be undertaken by management.

3.9 The majority of Internal Audit recommendations made in 2020/21 were categorised as medium risk (i.e. recommendations which will improve the efficiency and effectiveness of the existing controls). A summary of all recommendations made during 2020/21 is outlined below:

Recommendations Priority Level	Number of Recommendations	Recommendations %
Medium	101	90
Low	6	5
Not Graded	5	5
Total	**112**	**100**

3.10 In addition to the Internal Audits completed, 6 Assurance reviews of areas with newly altered control environments, as a result of COVID19 were reported to the Audit & Governance Committee. These reviews had a total of 10 recommendations all of which have now been implemented.

3.11 During 2020/21, areas identified with scope for improvement included the following:

- Payroll procedures are required to be refreshed and control processes consistently operated to continue ensuring accurate payments;
- Transformation programme processes require to be updated to ensure they comply with best practice in programme and project management;
- Increased focus of resources on cybersecurity control measures are required to ensure continued mitigation of increased risks;
- Complete policy and procedures, and consistent delivery of control processes for Residential and Non-residential care charging is

required to ensure operation of effective charging and recovery processes.

3.12   The implementation by Management of agreed actions to address the weaknesses identified should provide assurance that the system of internal control is operating as intended. The follow up work completed during 2020/21 identified that at least 85% of the 172 recommendations made during 2019/20 have been fully implemented.

3.13   In March 2020 the COVID-19 pandemic provided a test for the risk management and business continuity framework of the Council. There have been many examples of technology being rapidly embraced to deliver critical services to the community. This was achieved using amended governance arrangements, new ways of decision-making, leadership and implementation including virtual meetings, conference calls, and systems remote access and authorisation processes.

3.14   During 2020/21 many of the services, processes and governance structures within the Council adapted to new ways of working. Control environments have been at increased risk for short periods of time whilst appropriate controls have been implemented. Lessons learned have continued to be captured during the year and recovery processes are underway across the Council.

3.15   The opinion is restricted by the assurance work that has not yet been completed, however a 70% audit plan full completion, in conjunction with additional assurance work completed allows a formal assessment to be made on substantial evidence. The assurance work completed by Internal Audit will continue be adjusted to take account of the altered working arrangements throughout 2021/22.

Opinion

3.16   It is Internal Audit's opinion, subject to the weaknesses outlined in section 3.11 above, that reasonable assurance can be placed on the overall adequacy and effectiveness of East Lothian Council's framework of governance, risk management and control for the year ended 31 March 2021.

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

AUTHOR'S NAME	Duncan Stainbank
DESIGNATION	Service Manager – Internal Audit
CONTACT INFO	dstainbank@eastlothian.gov.uk
DATE	07 June 2021

# East Lothian Council

Annual Audit Plan 2020/21

5

AUDIT SCOTLAND

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.
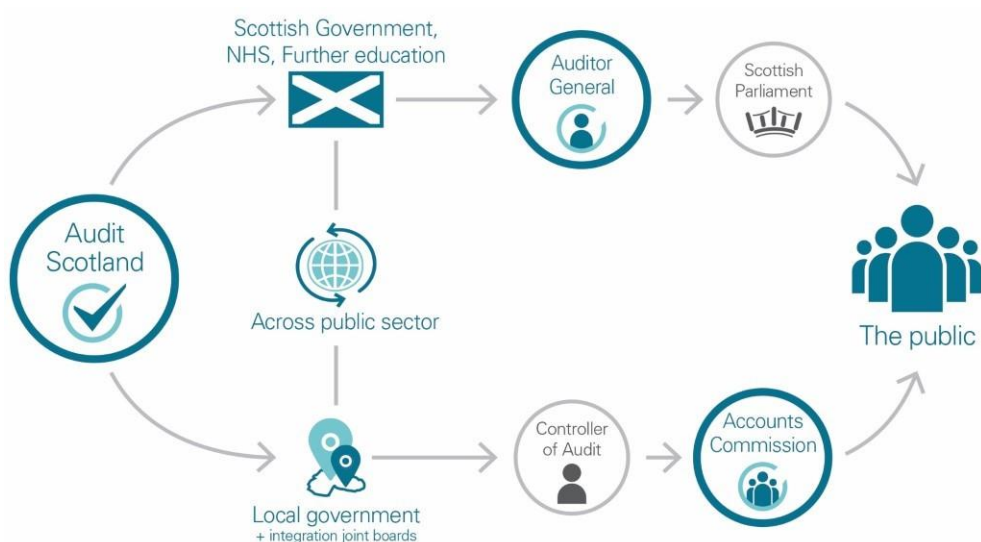
About us

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

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the Code of Audit Practice, and guidance on planning the audit. This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit, including the audit of Best Value.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

3. The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

4. Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from COVID-19 across the full range of audit work including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

Adding value

5. We aim to add value to East Lothian Council (ELC) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the council promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

6. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risks for ELC. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in Exhibit 1.

Exhibit 1
2020/21 Significant audit risks

⚠ Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
1 Risk of material misstatement due to fraud caused by management override of controls International Standards on Auditing require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls. This risk includes the potential for management to influence the results in the financial statements through estimates and judgements. In response to Covid-19, some internal controls were amended to maintain processing levels and, in some instances, this may have increased the opportunity for management override.	Owing to the nature of this risk, assurances from management are not applicable in this instance.	• Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business.
2 Risk of material misstatement caused by fraud in revenue recognition. As set out in ISA (UK)240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. ELC receives a significant amount of income from several sources, in addition to Scottish Government funding, including income from fees and charges. The extent and complexity of income means that there is an inherent risk of fraud.	All income is reviewed monthly. Monthly monitoring and performance reporting for council tax and rental income. Specific grant/account codes used for other income and verified via monthly monitoring and bank reconciliations.	• Analytical procedures on income streams. • Detailed testing of revenue transactions focusing on the areas of greatest risk. • Assess high level controls in significant areas of income.
3 Risk of material misstatement caused by fraud in expenditure As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements. The extent of ELC's expenditure means that there is an inherent risk of fraud.	Clear procedures in place for staff and key controls are working. Financial authorisation limits in place for authorising and approving expenditure. Budget monitoring and review with significant variances investigated and discussed with budget holders.	• Review work on the National Fraud Initiative. • Assess high level key controls in significant areas of expenditure. • Focused substantive testing of expenditure and housing benefit transactions.

⚠ Audit Risk	Source of assurance	Planned audit work
As a consequence of Covid-19 there are changes in the pattern of expenditure, and in the processing of transactions, with staff working from home. Both factors increase the risk of fraud and error.		
4 Estimation and judgements There is a significant degree of 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.	Valuations carried out every five years for all assets as part of rolling revaluation programme. Procurement and contract criteria ensure valuations are carried out by reputable valuers. Detailed discussions between valuers and ELC Estates team. Detailed working papers retained to support asset reviews and impairments. IAS19 estimates at year end.	• Completion of 'review of the work of an expert' in accordance with ISA 500 for the professional valuer(s) and actuary. • Focused substantive testing of asset valuations and asset useful lives. • Focused substantive testing of provisions. • Review of work by ELC to ensure adequate review, presentation and disclosure of provisions / contingent liabilities.
5 Presentation and disclosure of Covid-19 transactions, as principal or agent Depending on the nature of the arrangement, the council acts as principal or agent and, consequently, different accounting treatment applies. There is a risk that Covid-19 transactions are incorrectly presented and disclosed in the financial statements.	Detailed tracker of all COVID funding. Review of carry forward control tracker and corresponding accounting.	• Confirm that arrangements put in place conform to Scottish Government guidance • Review and assess systems of internal control, as appropriate • Review disclosure of agency transactions • Substantive testing of principal transactions
Wider dimension risks		
6 Financial sustainability The council operates in an increasingly challenging and uncertain financial and economic environment, where the demand for services is also increasing. The council are anticipating to achieve financial balance in 2020/21 however, this will largely be due to one-off interventions and additional non-recurring savings. For 2020/21 there are a higher number of services than normal that are categorised as High or Medium risk of not operating within approved budgets.	Financial and Capital Strategy was approved by Council in December 2020. The 2020/21 General Services Budget was approved by Council in March 2020. Frequent financial reviews are presented to Council. 2020/21 Quarter 3 Financial Review was approved by Council in February 2021. 2020/21 Financial Review to be considered by Council June 2021.	• Review ELC's progress towards delivery of its transformation and savings plans as part of our normal audit procedures. • Review of financial monitoring reports and the council's financial position.

⚠ Audit Risk	Source of assurance	Planned audit work
Some Scottish Government Covid-19 funding will be provided for 2021/22, but this is currently significantly lower than that provided nationally in 2020/21. At the end of December 2020, in-year Covid-19 pressures, many of which are recurring, amounted to over £16 million. This will impact on future spending plans unless additional funding is provided.		

Source: Audit Scotland

Reporting arrangements

7. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in Exhibit 2, and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

8. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

9. We will provide an independent auditor's report to ELC and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Section 95 Officer and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2
2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	30 April 2021	15 June 2021
Management Report	15 June 2021	15 June 2021
Independent Auditor's Report	By 30 November 2021	By 30 November 2021
Annual Audit Report	By 30 November 2021	By 30 November 2021

Source: Audit Scotland

The audit of trusts registered as Scottish charities

10. Members of ELC are sole trustees for the Dr Bruce Fund, a charitable trust, registered as a Scottish charity, with total assets of £17,263 (2019/20: £18,360). The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

11. The Charities Accounts (Scotland) Regulations 2006 require charities to prepare annual accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Therefore, a full and separate audit and independent

auditor's report is required for each registered charity where members of the council are sole trustees, irrespective of the size of the charity.

12. Based on our discussions with staff and planning work we have identified a risk relating to the overall operation of the Dr Bruce Fund. There have been no trustee meetings held for 2020/21, nor in the previous year. The grants awarded, £60, remain the same since 2017/18 and each financial year since. There remains a lack of genuine activity in the trust. There is a risk that the trust may be failing to meet its charitable objectives and the trustees not discharging their duties accordingly.

Audit fee

13. The proposed audit fee for the 2020/21 audit of East Lothian Council is £252,490 and the Dr Bruce Fund Charitable Trust is £1,000 (2019/20: £247,080 and £1,000 respectively). In determining the audit fee we have taken account of the risk exposure of tEast Lothian Council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package by 30 June 2021.

14. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit & Governance Committee and Accountable Officer

15. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

16. The audit of the annual accounts does not relieve management or the Audit & Governance Committee as those charged with governance, of their responsibilities.

Appointed auditor

17. Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

18. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

19. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of ELC and the associated risks which could impact on the financial statements

- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements

- identifying major transaction streams, balances and areas of estimation and understanding how the council will include these in the financial statements

- assessing the risks of material misstatement in the financial statements

- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

20. We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 and of the income and expenditure of the council and its group for the year then ended

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code

- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

characteristics

responsibilities

£ principal activities

risks

governance arrangements

Statutory other information in the annual accounts

21. We also review and report on statutory other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

22. We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

Materiality

23. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

24. We calculate materiality at different levels as described below. The calculated materiality values for ELC are set out in Exhibit 3.

Exhibit 3
Materiality values

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2021 based on the latest audited accounts.	£4.1 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 60% of planning materiality.	£2.4 million
Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£41,000

Source: Audit Scotland

Timetable

25. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at Exhibit 4.

Exhibit 4
Annual accounts timetable

Key stage	Date
Consideration of unaudited annual report and accounts by those charged with governance	22 June 2021
Latest submission date of unaudited annual report and accounts with complete working papers package	30 June 2021
Latest date for receipt of assurances from Group's Component Auditors	31 August 2021
Latest date for final clearance meeting with Chief Financial Officer	21 September 2021
Issue of Letter of Representation and proposed independent auditor's report	11 October 2021
Agreement of audited unsigned annual report and accounts	11 October 2021
Independent auditor's report signed	By 30 November 2021
Issue of Annual Audit Report to those charged with governance	By 30 November 2021
Latest date for signing of WGA return	31 December 2021

Internal audit

26. Internal audit is provided by ELC's Internal Audit section. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA (UK)610 requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This includes:

- the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors

- the level of competence of the internal audit function

- whether the internal audit function applies a systematic and disciplined approach, including quality control.

27. We will report any significant findings to management on a timely basis.

Using the work of internal audit

28. International Standards on Auditing require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently and effectively.

29. From our initial review of internal audit plans we plan to take some assurance from the work of internal audit work for Covid-19 Lessons Learned, Section 75 (Developer Contributions), Housing Rents, Payroll, Council Tax and Non-Domestic Rates. No formal reliance will be placed on the work of internal audit to reduce final accounts testing.

30. Internal audit presented two Covid-19 Control Assurance Reports to the Audit and Governance Committee during 2020/21. The reports considered changes in the control environment implemented as a result of the Covid-19 Pandemic and whether appropriate internal controls are in place. These were not full audit reports and no assurance level was provided. As above, we plan to take some assurance from these reports but no formal reliance will be placed on them to reduce our work at final accounts.

Audit dimensions

31. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in Exhibit 5.

Exhibit 5
Audit dimensions

Source: Code of Audit Practice

32. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

Financial sustainability

33. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term

- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

- whether there are arrangements in place to demonstrate the affordability and effectiveness of funding and investment decisions.

Financial management

34. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether arrangements are in place to ensure systems of internal control are operating effectively

- the effectiveness of budgetary control systems in communicating accurate and timely financial performance can be demonstrated

- how ELC has assured itself that its financial capacity and skills are appropriate

- whether there are appropriate and effective arrangements in place for the prevention and detection of fraud and corruption.

Governance and transparency

35. 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. We will review, conclude and report on:

- whether ELC can demonstrate that the governance arrangements in place are appropriate and operating effectively including timely reporting of Group results to those charged with governance

- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports

- the quality and timeliness of financial and performance reporting.

Value for money

36. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether ELC can demonstrate:

- value for money in the use of resources

- there is a clear link between money spent, output and outcomes delivered

- that outcomes are improving

- there is sufficient focus on improvement and the pace of it.

Best Value

37. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincided with the new five-year audit appointments. Auditors started using the framework for their audit work from October 2016.
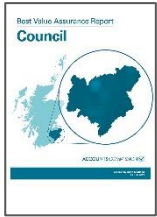
38. A key feature of the new approach is that it integrates Best Value into the wider scope annual audit, which will influence audit planning and reporting. Best Value will be assessed comprehensively over the five-year audit appointment, both through the ongoing annual audit work, and through discrete packages of work to look at specific issues. Conclusions and judgements on Best Value will be reported through:

- the Annual Audit Report for each council that will provide a rounded picture of the council overall

- an annual assurance and risks report that the Controller of Audit will provide to the Commission that will highlight issues from across all 32 council annual audit reports

- a Best Value Assurance Report (BVAR) for each council that will be considered by the Accounts Commission at least once in a five-year period.

The four councils on which a BVAR will be published during the fifth year of the new approach are listed in Exhibit 6. Reports will be considered by the Accounts Commission in the period between March and November 2021.

Exhibit 6
2020/21 Best Value Assurance Reports

Aberdeen City Council	East Dunbartonshire Council
Falkirk Council	South Ayrshire Council

Source: Audit Scotland

39. ELC was the subject of a BVAR in 2017/18 published in October 2018. Best value work planned this year will focus on the council's progress against the 2017/18 ELC BVAR recommendations to ensure sufficient progress is being made against action plans.

Independence and objectivity

40. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

41. The engagement lead (i.e. appointed auditor) for ELC is Gillian Woolman, Audit Director and Esther Scoburgh, Senior Audit Manager for the Dr Bruce Fund. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of ELC or the Dr Bruce Fund.

Quality control

42. International Standard on Quality Control 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

43. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

44. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

East Lothian Council
Annual Audit Plan 2020/21

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AUDIT SCOTLAND

Sarah Fortune
Head of Finance
East Lothian Council
John Muir House
Haddington
EH41 3HA

8 June 2021

Dear Sarah

East Lothian Council

6

Management Letter 2020/21

Audit Scotland's Code of Audit Practice requires us to assess the systems of internal control put in place by management. In carrying out this work, we seek to gain assurance that East Lothian Council:

- has systems for recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests

- has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption

- complies with established policies, procedures, laws and regulation.

System coverage

We have reviewed and tested the following key systems as part of the interim audit for financial year 2020/21:

General Ledger	Payroll
Trade Payables	Trade Receivables
Cash Receipting and Banking	Council Tax
Non-Domestic Rates (NDR)	Housing Rents

2020/21 Key findings

Control issue noted	Management response / resolution
Changes to supplier bank details We first reported in our 2018/19 Management Letter that supporting documentation provided for a sample of changes to supplier bank details during the year did not evidence that the Council's checks had always been carried out. We planned to follow up and test this key control in 2019/20 however this was not possible as we were unable to access the evidence held by the Council due to the restrictions in place for the COVID-19 global pandemic. Similar restrictions were in place during the 2020/21 audit, whereby the reports detailing changes to supplier bank details could not be run in a WFH environment. Therefore, we were unable to test this control.	Information is held with a separate control sheet for each change to current supplier details. Further checks are done to ensure that the details are correct including asking for a form of authorised documentation to show that the supplier is who they say they are. The associated report detailing the activity during the year has been unable to be run to verify the details and this is currently under review.

Control issue noted	Management response / resolution
The checks for changes to supplier bank details represent a key control against fraud. There is an increased risk of fraud and/or error if this control is not operating effectively. We will continue to work with management to determine how they can demonstrate to us that this control has been operating effectively during 2020/21.	

NDR and Council Tax relief quality checks

NDR - we confirmed during our 2020/21 controls testing that no quality reviews had been carried out in respect of property reliefs during the year and there was no independent checking of reliefs. Monthly performance reviews were suspended until October 2020 due to a software update issue and, the mid-year review of expected rates income was not carried out, as accurate data could not be obtained from the system. Regular quality reviews of discounts and exemptions should be recommenced as soon as possible and copies of supporting evidence for weekly reconciliations should be retained.	An automated report is run once a week to evidence any Business Rates reliefs amended in the past 7 days. The report is viewed by staff but a sample has not been evidenced. When an account is accessed, a review and quality check on the status of the account and any reliefs awarded is carried out. Management will ensure that they meet the recommendations as set out in this letter and sample check the weekly report as an additional review.
Council Tax - we confirmed that regular quality review checks for discounts and exemptions were not carried out during 2020/21. We also noted that the weekly updates of the standing data for changes reported by the Lothian Valuation Joint Board were not being reconciled on a weekly basis and there was insufficient evidence to confirm that an independent review was undertaken. Now that the service review has been completed regular quality reviews of discounts and exemptions should be recommenced as soon as possible. Weekly reconciliations of assessor reports should be prepared on a timely basis and reviewed by a party independent from the uploading of the information into Capita. There is a risk that NDR and Council Tax reliefs are incorrectly or fraudulently applied.	Throughout 2020/21 the Council remained in Business Critical activities and this has impacted upon normal scheduled work, with some being suspended or delayed due to work pressures. In early 2020/21 the focus for the Council Tax & Debt Management Team was to provide advice and support to anyone affected financially by Covid-19 who had concerns about paying Council Tax. The service has been impacted by the wider roll out of a wider integrated service review, and key staffing changes within the team. A Team Leader and Senior Officer is in place, and a monthly schedule of quality assurance will be implemented.
We have reported this previously in our 2019/20 Management Letter.	

Council Tax reduction and Housing Benefit quality checks

We confirmed during the 2020/21 controls testing that quality checks were not carried out during the year until January 2021. No other quality reviews have been undertaken by ELC in respect of Housing Benefit claims / cases during the year.	Business Critical activities have been in place during the financial year and this has impacted on the ability of the teams to deliver a normal workload. Pressures on staff resulting from Covid-19, remote working and the service review has resulted in delays carrying out quality checks in a regular manner. Additional workload from administering initiative such as Self-Isolation Support Grants and Financial Insecurity payments have impacted on the delivery of wider activity within the benefits service.
The DWP Housing Benefit Accuracy Review was originally scheduled to become mandatory for all Councils from April 2020 to improve accuracy of Housing Benefit and controls in place to mitigate the risk of fraudulent applications being processed. The initiative was to set targets for the reviews to be carried out including full case reviews, HB matching service referrals and self-employed reviews. Due to the Covid-19 pandemic the launch for 2020/21 was suspended however, the DWP asked councils to consider adopting the principals on a voluntary basis for 2020/21. East Lothian Council agreed to participate in 2020/21. The agreed start date was November 2020 however, there were delays experienced with meeting this	Management will continue to work to ensure that recommendations are met.

Control issue noted	Management response / resolution
date and the required reviews have only been carried between January - March 2021.	
We have reported this previously in our 2019/20 Management Letter. There is a risk that Council Tax reductions and Housing Benefits were incorrectly or fraudulently applied.	
Partnership Grant Payments	
We were unable to obtain supporting evidence to confirm that controls over partnership grant payments were operating satisfactorily during 2020/21. We will work with management to determine how they can demonstrate to us that controls have been in place and have operated effectively during the year. We will carry out substantive testing of these grant payments as part of our 2020/21 financial statements audit.	Management will ensure that supporting information is provided as part of Audit final work.

Prior year controls testing – follow up

Our 2019/20 audit testing did not identify any significant control weaknesses. We did identify some less significant issues in relation to changes to supplier bank details, quality checks for NDR and Council Tax relief, and quality checks for Council Tax reduction and Housing Benefit. Progress against these actions has been considered and reported above together with our findings for 2020/21.

Conclusion
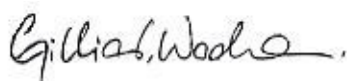
On the basis of audit work undertaken and for those key controls tested, we were able to conclude that appropriate and effective internal controls were in place for the General Ledger; Cash Receipting and Banking; Payroll and Trade Receivables. We are unable to conclude that appropriate and effective internal controls were in place for Trade Payables; Housing Rents; Council Tax and NDR. We will continue to work with management to determine how they can demonstrate to us that controls have been operating effectively in these areas during 2020/21 and/or carry out additional substantive as part of our 2020/21 financial statements audit as appropriate.

The issues identified in preparing this management letter are only those which have come to our attention during the course of our normal work and are not necessarily, therefore, all the risk areas that may exist. It remains the responsibility of management to determine the extent of the internal control system appropriate to East Lothian Council. We would stress, however, that an effective system of internal control is an essential part of the efficient management of any organisation.

Acknowledgement

The contents of this letter have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit from East Lothian Council is gratefully acknowledged.

Yours sincerely

Gillian Woolman, Audit Director

Cc (email):
Ann-Marie Glancy, Finance Manager Corporate Accounting
Kenny Christie, Service Manager Revenues
Fiona Currie, Committees Officer - Democratic Services

REPORT TO: Audit and Governance Committee

MEETING DATE: 15 June 2021

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BY: Executive Director for Council Resources

SUBJECT: Annual Treasury Management Review 2020-21

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1   PURPOSE

1.1   To update the Committee on Treasury Management Activity during 2020-21.

2   RECOMMENDATIONS

2.1   The Committee is asked to note the report.

3   BACKGROUND

3.1   The Council is required by regulations issued under the Local Government Scotland Act 2003 to produce an Annual Treasury Management Review, in accordance with the CIPFA Treasury Management Code of Practice and Prudential Code.

3.2   The review set out in **Appendix 1** updates members on the Treasury Management activity during 2020-21, and reported relative to the indicators set out in the Treasury Management Strategy approved in March 2020.   The figures contained within the report are based on the draft unaudited accounts, and therefore remain subject to change during the course of the audit. Members will be kept informed should there be any significant change arising during this period.

4   POLICY IMPLICATIONS

4.1   There are no direct policy implications associated with this report; however the council's treasury management activity is determined by the policy framework set out in the approved Treasury Management Strategy.

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 – There are no direct financial implications associated with this report however the Council's Treasury Management activity clearly has a significant impact on the management of the Council's financial resources.

6.2   Personnel - none

6.3   Other - none

7   BACKGROUND PAPERS

7.1   Treasury Management Strategy 2020-21 to 2024-25 – East Lothian Council 3 March 2020.

7.2   Treasury Management Mid-Year Review 2020-21 – Audit & Governance 24 November 2020.

AUTHOR'S NAME	Sarah Fortune
DESIGNATION	Head of Finance
CONTACT INFO	sfortune@eastlothian.gov.uk
DATE	8 June 2021

Annual Treasury Management Review
2020-21

Annual Treasury Management Review 2020-21

1. Introduction

This Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020-21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code). The review is based on figures contained within the draft unaudited accounts, and should any significant and material changes arise during the course of the audit, updated information will be made available and communicated to members.

During 2020-21 the minimum reporting requirements were that members of the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 03/03/2020)
- a mid-year (minimum) treasury update report (Audit and Governance 24/11/2020)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit and Governance Committee with the annual strategy approved by Council.

2. The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc), with expenditure in excess of these resources giving rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed. The results from 2019-20 are shown for illustrative purposes.

	2019-20 Actual £m	2020-21 Budget £m	2020-21 Actual £m
General Services			
Capital expenditure	42.260	96.199	35.769
Financed in year	(37.528)	(47.468)	(23.748)
Net borrowing need in year	4.732	48.731	12.021
HRA			
Capital expenditure	29.929	33.540	21.233
Financed in year	(15.134)	(11.217)	(9.092)
Net borrowing need in year	14.795	22.323	12.141
Total Net Borrowing need in year	19.527	71.054	24.162

3. The Council's Overall Borrowing Need

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and deemed only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019-20) plus the estimates of any additional capital financing requirement for the current (2020-21) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure but allows the Council some flexibility to borrow in advance of its immediate capital needs if required.

The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2020 Actual £m	31 March 2021 Budget £m	31 March 2021 Actual £m
General Services			
CFR	258.767	272,222	225,560
External borrowing position	238.944	228,158	193,741
(Under) / over funding of CFR	(19.823)	(44,064)	(31,819)
HRA			
CFR	198.521	218.836	206.609
External borrowing position	180.784	202,329	171,808
(Under) / over funding of CFR	(17.737)	(16,507)	(34,801)
Total (Under) / over funding of CFR	(37.560)	(60.571)	(66,620)

4. Treasury Position as at 31 March 2021

At the beginning and the end of 2020-21 the Council's treasury, (excluding borrowing by PPP and finance leases), position was as follows:

	31 March 2020 Principal £m	31 March 2021 Principal £m
CFR	420	432
Over / (under) borrowing	(38)	(67)
Total external debt	382	365
Total investments	(9)	(9)
Net debt	373	356

The graph below highlights the level of External Debt against approved boundary limits set out within the approved Treasury Strategy.

- **The authorised limit** - the Council has kept within its authorised external borrowing limit as shown in the table below.

- **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. This indicator is set at the start of the financial year and is as per the Treasury Strategy.

	2019-20 Actual £m	2020-21 Budget £m	2020-21 Actual £m
Authorised limit	481	550	550
External Debt	382	430	365
Operational Boundary	420	491	491

As at 31 March 2021 the average interest rate for all external debt was 3.56% (3.52% 31 March 2020) and the average life across all loans was 26 years (26 years 2020)

The maturity structure and profile of the debt portfolio is set out in the tables below:

	31-Mar-20 Actual £m	(Paid) or New Loan* 2020-21 £m	31-Mar-21 Actual £m	Net movement** 2020-21 £m
Under 12 months	17.27	-17.28	20.77	3.50
12 months and within 24 months	20.77		13.23	-7.54
24 months and within 5 years	32.68		20.52	-12.16
5 years and within 10 years	31.69		40.88	9.19
10 years and within 15 years	43.61		45.84	2.23
15 years and within 20 years	27.50		15.00	-12.50
20 years and within 25 years	-		-	
25 years and within 30 years	10.90		10.90	0.00
30 years and within 35 years	44.00		63.00	19.00
35 years and within 40 years	47.50		33.50	-14.00
40 years and within 45 years	33.90		58.90	25.00
45 years and over	73.00		43.00	-30.00
Total	382.82	-17.28	365.54	-17.28

* More detail on this is set out in Section 6 below
** Net movement shows the change between the maturity bands for existing loans

Maturity Profile — bar chart comparing 31-Mar-20 actual (£'000) and 31-Mar-21 actual (£'000) across maturity bands: 0-1, 1-2, 2-5, 5-10, 10-15, 15-20, 20-25, 25-30, 30-35, 35-40, 40-45, 45 and over.
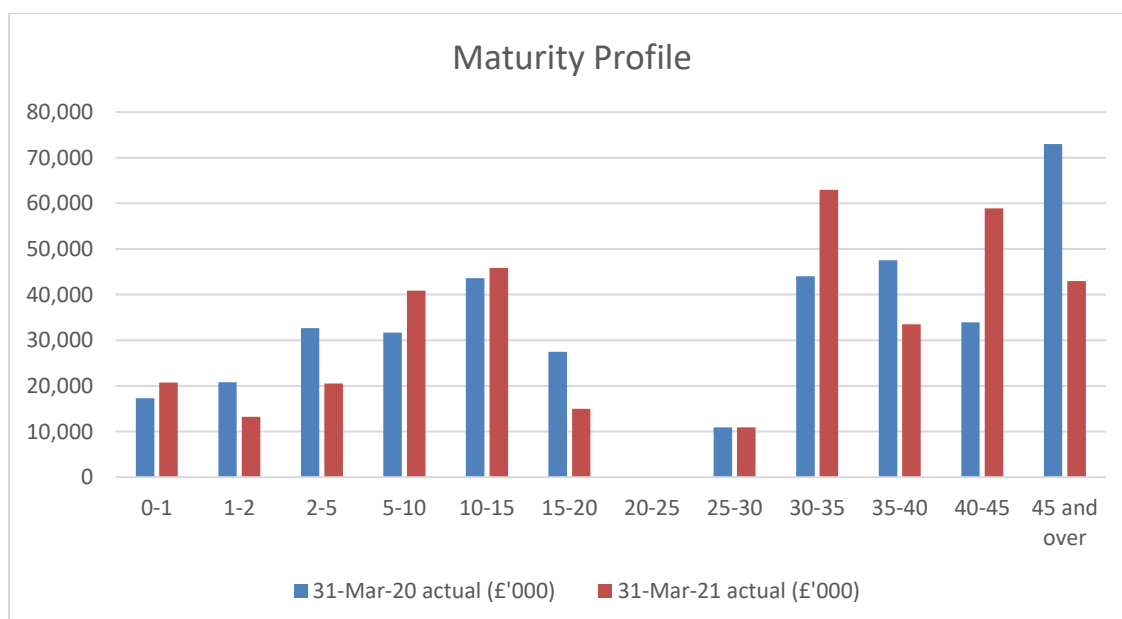
5. The strategy for 2020-21

5.1 Investment strategy and control of interest rate risk

The Council's approved investment strategy by priority is; security, liquidity and then return. The Council adopts a prudent approach to managing risk and followed the approved 2020-21 Strategy where investments were only considered where the type of investment and exposure to risk was low or very low. Limits were set for fixed and variable interest rate exposure which were not exceeded during the year.

Investment returns which had been low during 2019-20, plunged during 2020-21 to near zero or even into negative territory. The expectation for interest rates within the treasury management strategy for 2020-21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022-23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic from March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the negative impact of the national lockdown on the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with cheap credit so banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

5.2 Borrowing strategy and control of interest rate risk

During 2020-21 the Council continued to maintain an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded by external borrowing as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This was a prudent strategy as investment returns were low and minimising of counterparty risk on investments needed to be considered.

The policy of avoiding new borrowing where possible by close monitoring of cash balances is kept under continual review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2020/21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

The table below shows the interest rate forecasts from our Treasury advisors. As of 31 March 2021 the bank interest rate is forecast to remain at 0.10% and PWLB rates may gradually increase over the next 3 years.

Link Group Interest Rate View	8.3.21											
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.40	1.40	1.40	1.40
10 yr PWLB	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	1.90
25 yr PWLB	2.10	2.10	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50	2.50	2.50
50 yr PWLB	1.90	1.90	1.90	2.00	2.10	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.30

HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019-20 without any prior warning. The first took place on 9 October 2019, adding an additional 1% (100 basis point) margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11 March 2020, but not for mainstream non-HRA capital schemes.

A consultation was then held with local authorities and on 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme.

The new margins over gilt yields are:

- **PWLB Standard Rate** - gilt plus 100 basis points
- **PWLB Certainty Rate** - gilt plus 80 basis points
- **PWLB HRA Standard Rate** - gilt plus 100 basis points
- **PWLB HRA Certainty Rate** - gilt plus 80 basis points
- **Local Infrastructure Rate** - gilt plus 60 basis points

There is likely to be only a gentle rise in gilt yields and PWLB rates over the next three years as Bank Rate is not forecast to rise from 0.10% by March 2024.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.65%	0.72%	1.00%	1.53%	1.32%
Low date	04/01/2021	11/12/2020	11/12/2020	11/12/2020	11/12/2020
High	1.94%	1.99%	2.28%	2.86%	2.71%
High date	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
Average	1.43%	1.50%	1.81%	2.33%	2.14%

6. Borrowing Activity during 2020-21

Borrowing – the following loans were taken during the year:-

Lender	Principal	Type	Interest Rate	Maturity	Date
Renfrewshire Council	£ 10m	Fixed interest rate	0.08%	6 months	15/02/2021
Total	**£10m**				

This was a short term loan. The budget assumption of borrowing at an interest rate of 3.20% was for long term borrowing.

Borrowing in advance of need
The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling
No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Repayments
The following loans were repaid in full during the year:-

Lender	Principal	Type	Interest Rate	Maturity	Date
PWLB	£14m	Fixed interest rate	4.20%	10 years	24/09/2020
PWLB	£0.662m	Fixed interest rate	8.375%	25 years	03/08/2020
Salix	£0.025m	Interest free	0.00%	3.5 years	01/10/2020
Total	**£14.687m**				

Instalments of £2.5m were also paid on 10 loans which are payable as an Annuity or EIP (equal instalments of principal) basis rather than on maturity.

7. Investment Activity for 2020-21

Investment Policy
The Council's investment policy is governed by Scottish Government investment regulations which have been implemented in the annual investment strategy approved by the Council on 3 March 2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy as set.

Investments held by the Council
During 2020-21 and in accordance with the approved strategy 2 short term investments were made and repaid. Any other surplus cash balances were held in the Council's bank account, which is an interest bearing account.

Date of Investment	Borrower	Amount	Interest rate	Date repaid
19/08/20	Standard Chartered Sustainable	£ 5m	0.16%	19/11/20

19/08/20	Lloyds 95 day notice	£ 5m	0.20% to 27/11/20 then 0.10%	15/03/21
	Total	£10m		

The Council also has the following loans to third parties which fall under the scope of the Council's approved Investment Strategy

	Loan balance at 31 March 2020 £m	Loan balance at 31 March 2021 £m
East Lothian Housing Association	8.959	8.712
East Lothian Investments	0.228	0.128

Under accounting standard IFRS9 effective from 1 April 2018, an expected credit loss for all loans to third parties must be obtained and recognised in the Council's Income and Expenditure account within Surplus/Deficit on Provision of Services. This was £36k for 2019-20 and increased to £70k for 2020-21 to reflect the current general economic climate.

Investments held by fund managers

The Council uses Investec as external fund managers to invest cash balances on behalf of the 4 Common Good Funds and the ELC Charitable Trusts. The performance of the managers against the benchmark return was:

	Investments held 31 March 2020 £m	Investments held 31 March 2021 £m	Return	Benchmark
Charitable Trusts	2.994	3.644	24.75%	21.96%
Common Good Funds	3.012	3.679	25.10%	21.96%
Total	6.006	7.323	£1.317m	

The increase this year is due to the recovery of the financial markets after significant negative impact of Covid-19 on the financial markets at the end of 2019-20.
The return achieved was above the benchmark for both portfolios.

Appendix 1: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2019-20	2020-21	2020-21
	Actual £m	Budget £m	Actual £m
Capital Expenditure			
General Services	42.260	96.199	35.769
HRA	29.929	33.540	21.233
TOTAL	72.189	129.739	57.002
Ratio of financing costs to net revenue stream			
General Services	6.55%	6.03%	5.62%
HRA	32.23%	31.92%	28.56%
Gross borrowing requirement - General Services			
brought forward 1 April	225.804	230.789	221.870
carried forward 31 March	221.870	272.222	225.561
in year borrowing requirement	(3.934)	41.433	3.691
Gross borrowing requirement - HRA			
brought forward 1 April	187.528	200.567	198.521
carried forward 31 March	198.521	218.836	206.609
in year borrowing requirement	10.993	18.269	8.088
CFR			
General Services	221,870	272.222	225.560
HRA	198.521	218.836	206.609
TOTAL	420,391	491.058	432.170
Annual Change in Capital Financing Requirement			
General Services	(3.934)	41.433	3.691
HRA	10.993	18.269	8.088
TOTAL	7.059	59.702	11.779
Annual Impact of Capital Investment Decisions			
General Services – Debt per Band D equivalent	£4,522	£5,389	£4,504
HRA – Debt per dwelling	£22,457	£24,476	£23,149

	2019-20	2020-21	2020-21
2. TREASURY MANAGEMENT INDICATORS	Actual	Budget	Actual
	£m	£m	£m
Authorised Limit for External Debt -			
Borrowing	481	550	550
Other long term liabilities	37	36	36
Total	518	586	586
Operational Boundary for External Debt -			
Borrowing	420.391	491.056	491.056
Other long term liabilities	36.897	35.352	35.352
Total	457.288	526.408	526.408
Actual External Debt			
Borrowing	382.831	430.487	365.549
Other long term liabilities	36.897	35.352	35.352
Total	419.728	465.839	400.901
3. LOANS FUND			
General Services			
Opening balance	226	230	222
Add advances	5	49	12
Less repayments	(9)	(7)	(8)
Closing balance	222	272	226
HRA			
Opening balance	187	201	199
Add advances	15	22	12
Less repayments	(4)	(4)	(4)
Closing balance	198	219	207
Total			
Opening balance	413	431	421
Add advances	20	71	24
Less repayments	(13)	(11)	(12)
Closing balance	420	491	433

ABBREVIATIONS USED IN THIS REPORT

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

GDP: gross domestic product – a measure of the growth and total size of the economy.

HRA: housing revenue account.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

PPP: Private Public Partnership – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

East Lothian Council

REPORT TO: Audit and Governance Committee

MEETING DATE: 15 June 2021

BY: Chief Executive

SUBJECT: Corporate Governance Self-evaluation and Annual Governance Statement 2021

8

1 PURPOSE

1.1 To advise Members of the results of the Corporate Governance Self-evaluation 2021 and the proposed Annual Governance Statement to be included in the 2020/21 Annual Accounts.

2 RECOMMENDATIONS

The Committee is asked to:

2.1 Note the results of the self-evaluation carried out using the Framework (Appendix 1) and consider whether any additional improvement actions should be added.

2.2 Note the progress made with the actions included in the 2021-2022 Council Improvement Plan (Appendix 2).

2.3 Agree the Annual Governance Statement to be included in the 2020/21 Annual Accounts as set out in paragraph 3.13.

3 BACKGROUND

3.1 The Council adopted the principles of Corporate Governance based on the CIPFA / SOLACE guidance in 2010. CIPFA / SOLACE published a new 'delivering good governance' framework in 2016. This is based on Section 3.7 of the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom which governs the preparation and publication of an Annual Governance Statement. The framework defines the principles that should underpin the governance of each local government organisation. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the framework.

3.2   The Framework has seven core principles:

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B: Ensuring openness and comprehensive stakeholder engagement

C: Defining outcomes in terms of sustainable economic, social and environmental benefits

D: Determining the interventions necessary to optimize the achievement of the intended outcomes

E: Developing the council's capacity, including the capability of its leadership and the individuals within it

F: Managing risks and performance through robust internal control and strong public financial management

G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

3.3   These seven core principles are supported by 21 sub-principles each of which has a set of behaviours and actions against which good governance in practice can be assessed.

3.4   A self-evaluation exercise based on this framework has been undertaken by the Council Management Team, testing the council's governance arrangements against the Good Governance Framework. The self-evaluation has drawn on extensive evidence from council policies and practices and also from the Best Value Assurance audit undertaken by Audit Scotland in 2018 which is still relevant. Assurance is also provided by the external auditors' reviews of internal controls in financial systems and audits which have not identified any significant governance or control weaknesses.

3.5   The self-evaluation (Appendix 1) provides evidence to show how the council complies with each of the sub-principles. A self-evaluation score from 1 – 6, where 1 = Unsatisfactory (major weaknesses), and 6 = Excellent (outstanding, sector leading) has been given against each sub-principle.

3.6   The council adopted a 2018-2020 Improvement Plan based on the findings and recommendations of the Best Value Assurance Report and the Recognised for Excellence accreditation. This Plan was revised and updated with actions identified by the 2020 Corporate Governance Self-Evaluation and the external auditors' 2019/20 Annual Audit. The 2021-2022 Council Improvement Plan was approved by Council in February 2021. An update on progress with the 2021-2022 Council Improvement Plan (Appendix 2) shows that limited progress has been made against improvement actions, as the council has continued to operate in Business Continuity Plan mode throughout 2020/21 and actions were put

on hold as they are not critical activity. Revised timescales and deadlines have been given to all the actions to be completed by 2022.

3.7 The altered working arrangements caused by the invoking of the Council's Business Continuity Plans in response to the COVID-19 emergency have been taken into account in the self-evaluation as has the update on progress made with improvement actions contained in the Council Improvement Plan 2021-2022.

3.8 The 2021 Corporate Governance self-evaluation has found that the council continues to comply well with the principles of the framework. Most sub-principles have been scored as 5 (very Good – major strengths) and the remainder as 4 (Good – important strengths with areas for improvement).

3.9 The self-evaluation has not identified any additional improvement actions over and above those already included in the 2021-2022 Council Improvement Plan. However, the council is committed to Continuous Improvement and as well as ensuring that the Plan's improvement actions are concluded as planned over the next year it will continue to review its policies and practices.

3.10 Council Management team will undertake a COVID-19 Interim Lessons Learned Structured Debrief in June 2021. It is also proposed to hold an Interim Structured Debrief Workshop for all Elected Members. This debrief with Elected Members will explore the experiences – positive and negative – of Members and capture their lessons learned in order to ensure the Council, Elected Members and communities are better prepared for any future pandemics or similar emergency incidents. A final Structured Debrief will be held by the Council Management Team once the Council ceases to be in Business Continuity mode.

3.11 This de-brief will include reviewing matters such as Council decision-making, leadership, managing risks and stakeholder engagement. Any corporate lessons learned and relevant improvement actions will be incorporated into an updated Council Improvement Plan.

3.12 The Council has a duty under the Scottish Regulator's Strategic Code of Practice to publish an annual statement on compliance with the Code (arising section 5 of the Regulatory Reform (Scotland) Act 2014). The Council fulfils this requirement by incorporating a statement of compliance within the Corporate Governance Self-evaluation.

3.13 Taking into account the findings of the Corporate Governance Self-evaluation the following is proposed as the Annual Governance Statement for inclusion in the Council's 2020/21 Annual Accounts.

The 2021 corporate governance self-evaluation has found that East Lothian Council continues to have good governance and control arrangements in place across the seven corporate good practice principles.

In March 2020 the Covid-19 emergency provided a serious test for the Council's risk management and business continuity frameworks. The Business Continuity Plans that were invoked as the UK and Scottish Government's declared the COVID-19 public health emergency on 23rd March provided the basis for the Council's response to the emergency and the 'lockdown' measures imposed by Government.

There have been many examples of service redesign, technology and culture change being rapidly embraced to deliver critical services to the community. The council's ELC values – Enabling, Leading and Caring – and the East Lothian Way behaviours have underpinned the Council and council staff response to the emergency.

The Council has implemented amended governance arrangements, significant investment, new ways of decision-making, leadership and implementation including virtual meetings, conference calls, and systems remote access and authorisation processes. Control environments have been at increased risk for short periods of time whilst appropriate controls have been implemented. The Council will to carry out a structured debrief which will highlight any lessons learned and improvement actions.

The Council's 2021 governance self-evaluation has not identified any further areas for *development and improvement above those that were identified in the 2020 self-evaluation and were subsequently included in the 2021-2022 Council Improvement Plan. Just as importantly, it has re-affirmed, that it will continue to review and benchmark its practices and policies to build on existing good practice and improvement actions already being implemented, in order to ensure the Council continues its progress from continuous improvement through to excellence.*

4   POLICY IMPLICATIONS

4.1   The corporate governance code and self-evaluation framework detailed in Appendix 1 complement the Council's *How Good is Our Council* self-evaluation. The corporate governance self-evaluation fulfils the Council's commitment to assess whether it meets the principles and requirements set out in the guidance on Delivering Good Governance in Local Government. The addition of the summary of the self-evaluation to the Internal Financial Control statement will fulfil the remit to include an Annual Governance Statement in the Council's Annual Accounts.

5   INTEGRATED IMPACT ASSESSMENT

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

6   RESOURCE IMPLICATIONS

6.1   Financial – none.

6.2   Personnel – none.

6.3   Other – none.

7   BACKGROUND PAPERS

7.1   Delivering Good Governance in Local Government Framework; CIPFA/ SOCLACE, 2016

Appendices:

Appendix 1: Corporate Governance Self-Evaluation 2021

Appendix 2: Council Improvement Plan 2020-2021 – Update (May 2021)

AUTHOR'S NAME	Paolo Vestri
DESIGNATION	Service Manager Corporate Policy & Improvement
CONTACT INFO	pvestri@eastlothian.gov.uk
DATE	4 June 2021

APPENDIX 1: Corporate Governance Self-Evaluation 2021

[Evaluation scored on a scale of 1 – 6: where: 1 = Unsatisfactory – major weaknesses; 2 = Weak – important weaknesses; 3 = Adequate – strengths just outweigh weaknesses; 4 = Good – important strengths with areas for improvement; 5 = Very Good – major strengths; 6 = Excellent – outstanding, sector leading]

<u>PRINCIPLE A:</u> **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

A.1 Behaving with integrity	
A.1.1 Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	
A.1.2 Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	
A.1.3 Leading by example and using the above standard operating principles and values as a framework for decision making and other actions	
A.1.4 Demonstrating, communicating and embedding standard operating principles and values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	
Evidence	**Evaluation**

	Evaluation
• Council Standing Orders and Schemes of Administration and Delegation and are reviewed regularly or when required • Councillors' Code of Conduct (and members training on the Code) • Officers' Code of Conduct • Council Values and East Lothian Way Behaviours understood by senior management and staff • Policies and procedures in place for key activities such as Procurement, Treasury Management, Complaints, Health and Safety and HR • External audit and Internal Audit audits and report provide assurance and the council responds positively to any recommendations arising from external and internal audits. • Best Value Assurance Report 2018 provided assurance: *East Lothian Council has significantly improved since our last Best Value Report in 2007. The council has improved its governance arrangements, leadership and scrutiny, and demonstrates a focus on continuous improvement. The council has a clear vision which is based on a good understanding of local communities and partners and is understood by employees. Council business and decisions are clearly documented in the Council, Cabinet and committee minutes.* • Council adopted an improvement Plan to respond to the recommendations arising from the Best Value Assessment and R4E assessment. Completion of some actions has been delayed due to the impact of the COVID-19 emergency • 2020 Improvement action, that in order to ensure the council continues to have relevant governance policies, guidance, regulations and internal controls that are reviewed and kept up-to-date a register of such documentation will be prepared and reviewed annually was put on hold as this area of work is not deemed critical within Business Continuity Plans. It will recommence after recovery from the COVID-19 emergency	5. Very Good

A.2 Demonstrating strong commitment to ethical values

A.2.1 Seeking to establish, monitor and maintain the organisation's ethical standards and performance

A.2.2 Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture

A.2.3 Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values

A.2.4 Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation

Evidence	Evaluation
As above and in addition: • Whistleblowing Policy • Customer Feedback policy and procedure • Contract conditions and monitoring	5. Very Good

A.3 Respecting the rule of law

A.3.1 Ensuring members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations
A.3.2 Creating the conditions to ensure that the statutory officers, other key post holders, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirement
A.3.3 Striving to optimise the use of the full power available for the benefit of citizens, communities and other stakeholder
A.3.4 Dealing with breaches of legal and regulatory provisions effectively
A.3.5 Ensuring corruption and misuse of power are dealt with effectively

Evidence	Evaluation
As A.1 and A.2 and in addition: • Statutory Officers job outlines included in Scheme of Administration • Statutory Officers are members of CMT and attend relevant Council, Cabinet and Committee meetings • Internal Audit used to investigate any alleged incidents of breaches of legal and regulatory provisions, corruption or misuse of power • Elected members have received training from the Standards Commission on the Code of Conduct. • Further 'refresher' training was to be provided in 2020/21 but was put on hold due to the pandemic. This will be considered as part of the development of a comprehensive elected members' induction programme being planned for post 2022 Council elections	5. Very Good

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

B.1 Openness
B.1.1 Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness
B.1.2 Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. It that is not the case, a justification for the reasoning for keeping a decision confidential should be provided
B.1.3 Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear
B.1.4 Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action

Evidence	Evaluation
- Compliance with the Freedom of Information Act and Data Protection Act - Council, Cabinet and Committee meetings held in public - Agendas for meetings, minutes and reports published on the Council website. By exception, some items are held in private and the reasons for this are documented - Living newspaper, press releases and social media used to inform the public of council policies and decisions - Community Asset Transfer and Participation Request processes in place with open and transparent decision making which can be challenged - Community Participation Opportunities Guide 2018 provides comprehensive list of ways in which the council consults and engages with citizens, communities and service users - The Best Value Assurance Report found: *"Council business and decisions are clearly documented in Council, Cabinet and committee minutes. Decision-making processes are more clear and open. [than was found in 2007] The council has well-established methods for consulting with the public. The council engages effectively with communities.* - Emergency arrangements for dealing with Council business were put in place in March 2020 as a result of the COVID-19 emergency, including weekly meetings between the Chief Executive and the three Group Leaders, emergency business reporting and special arrangements for Planning and Audit & Governance Committee 2020 improvement action to undertake a review of the arrangements for dealing council business arrangements when the council's Business Continuity Plan has been invoked will form part of the structured de-brief and elected members' de-brief session that will be held following the pandemic	5. Very Good

B.2 Engaging comprehensively with institutional stakeholders (including other public and third sector organisations and commercial partners)
B.2.1 Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder are clear so that outcomes are achieved successfully and sustainably

B.2.2 Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively

B.2.3 Ensuring that partnerships are based on: - Trust - A shared commitment to change - A culture that promotes and accepts challenge among partners And that the added value of partnership work is explicit

Evidence	**Evaluation**
- East Lothian Plan clearly sets out the objectives and outcomes for the East Lothian Partnership and each member; as do the Children and Young People Plan, Community Justice Outcome Improvement Plan and various other joint strategies - The City Region Deal is a clear example of how effectively the council works in partnership with institutional stakeholders requiring trust, a shared commitment to change and a culture that promotes and accepts challenge among partners - The council is an active partner in the education regional collaborative - The Best Value Assurance Report found: *"The council has strong links with its partners and works well with local communities. East Lothian Partnership is working to a shared vision and there are good relations between partners. The health and social care partnership is well established and there is evidence of good cooperation between the council and NHS Board."* - Partnership and collaborative working are integral elements of any options appraisal carried out by the council. Examples of partnership and collaborative working to achieve best value include the proposal to co-locate police in a new collaborative hub in John Muir House; partnering with HubCo South East in various capital projects; the development of the Food and Drink hub in partnership with Queen Margaret University - The council has had extensive engagement with statutory partners, in particular the NHS and Police Scotland, and with the third sector interface, VCEL and community groups in responding to the COVID-19 emergency. The council supported and worked very closely with 20 local Resilient Community Groups providing extensive voluntary support to shielded people and other vulnerable people in local communities - The council has a strong and positive working relationship through the COVID-19 emergency with VCEL, East Lothian's Third Sector Interface - A multi-agency Recovery and Renewal Group has been established to co-ordinate the recovery from the COVID-19 Emergency - A multi-agency Communities Recovery and Renewal Group has been established - The East Lothian Partnership was to undertake a self-evaluation exercise drawing on frameworks developed by Audit Scotland, the Improvement Service and EFQM in Spring 2020. This project was put on hold as this area of work is not deemed critical within Business Continuity Plans. It will recommence after recovery from the COVID-19 emergency	5. Very Good

B.3 Engaging with individual citizens and service users effectively	
B.3.1 Ensuring a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other provision) is contributing towards the achievement of intended outcome	
B.3.2 Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	
B.3.3 Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	
B.3.4 Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account	
B.3.5 Balancing feedback with more active stakeholder groups with other stakeholder groups to ensure inclusivity	
B.3.6 Taking account of the impact of decisions on future generations of tax payers and service users	
Evidence	**Evaluation**

• Community Participation Opportunities Guide 2018 provides comprehensive list of ways in which the council consults and engages with citizens, communities and service users • Communications Strategy • Community Planning Community Engagement Strategy • Citizens' Panel • Consultation and Engagement Strategy • Complaints procedures and monitoring reports • The Council Improvement Plan 2018-2020 included an action to review the Consultation and Engagement Strategy. A revised strategy has been developed and the Community Participation Opportunities Guide 2018 providing information on the ways in which council consults and engages with citizens, communities and service users has been published on the council website • The Best Value Assurance Report found: *"The council has well-established methods for consulting with the public. The council engages effectively with communities"* • The Council received a Recognised for Excellence Good Practice Award which provided a high degree of assurance: *"This organisation clearly has a culture of working in partnership that is deployed right across the organisation. Reviews take place to assess the approaches taken both by the organisation and their strategic partners and staff are encouraged through workshops to look at how they can better work with others both inside and outside the organisation.* • The Council has provided regular communications with the general public and briefings for elected members and staff on its response to the COVID-19 emergency • The council will build on the very positive experience of community resilience and engagement during the COVID-19 emergency to develop its proposal for Community Charter as part of the new approach based on the council moving away from doing things, for or to, communities and individuals, to the council and its communities and citizens working together to identify and then meet their needs in partnership and co-operation	5. Very Good

PRINCIPLE C: **Defining outcomes in terms of sustainable economic, social and environmental benefits**

C.1 Defining outcomes
C.1.1 Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions
C.1.2 Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year of longer
C.1.3 Delivering defined outcomes on a sustainable basis within the resources that will be available
C.1.4 Identifying and managing risks to achievement or outcomes
C.1.5 Managing service users' expectations effectively with regard to determining priorities and making the best use of resources available

Evidence	Evaluation
- Council has a clear vision - Council Plan 2017-2022 and East Lothian Plan 2017-27 set out clear objectives, strategic goals and outcomes that are clearly linked to the vision and form the basis of overall strategy, other strategic plans and Service Plans - The council has identified Top 50 Council Plan indicators to map out progress against the Council Plan objective, strategic goals and outcomes - The Best Value Assurance Report concluded: *"The Council has a clear vision (of inclusive economic growth) which is based on a good understanding of local communities and partners and is understood by employees. "The council has an ambitious vision of inclusive economic growth that is linked to council objectives and strategic goals, and is understood throughout the organisation."* - The council's financial strategy and revenue and capital budgets are based on delivering the Council Plan's outcomes on a sustainable basis within the resources that will be available - Corporate and service Risk Registers identify the risks and mitigating actions - The City Region Deal provides significant inward investment in East Lothian's infrastructure that will support the achievement of the Economic Development Strategy and Local Development Plan - The multi-agency Connected Economy Group has been involved supporting the response to the COVID-19 pandemic to mitigate the negative impact on businesses and will lead the economic recovery from the emergency	5. Very Good

C.2 Sustainable economic, social and environmental benefits
C.2.1 Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision
C.2.2 Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints

C.2.3 Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	
C.2.4 Ensuring fair access to services	
Evidence	**Evaluation**
- The Council Plan and East Lothian Plan are set within the context of the social, economic and environmental challenges faced by East Lothian and the council - Integrated Impact Assessment covers protected characteristics, Human Rights, sustainability, corporate parenting and the Fairer Scotland Duty - Poverty Commission report led to the adoption of a 50 point Poverty Action Plan - Reducing inequalities is the overarching objective of the Council and East Lothian Plans - Five-year financial strategy, three-year revenue budget ad five-year capital budget are based on a longer-term view and balance wider public interest with conflicting interests - Best Value Assurance Report stated: *"Financial management is effective with a budget setting process focused on the council's priorities."* - The council has undertaken budget consultation exercises to gauge public opinion on the 'hard choices' and 'trade-offs' it needs to make to balance budgets when resources are constrained and demand for service is rising - Corporate and Service Risk Registers - The council has adopted an ambitious Climate Change strategy with a detailed action plan 2020 Improvement Action to monitor the implementation of the Climate Change Strategy Action Plan, Implementation of the Climate Change Strategy Action Plan is being carried out by the Climate Change Planning Group and reported to Council annually	4. Good

PRINCIPLE D: Determining the interventions necessary to optimize the achievement of the intended outcomes

D.1 Determining interventions	
D.1.1 Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided	
D.1.2 Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts	
Evidence	**Evaluation**
As B.1 and in addition: • Capital projects, new income charge proposals and transformation change projects are accompanied by business cases which include options appraisal, outcome or benefits projection and risk assessment • Customer feedback, users surveys, Citizens Panel and Residents Survey are all used to inform decisions about services • Council has undertaken budget consultation exercises to gauge public opinion on the 'hard choices' and 'trade-offs' it needs to make to balance budgets when resources are constrained and demand for service is rising	5. Very Good

D.2 Planning interventions	
D.2.1 Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	
D.2.2 Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	
D.2.3 Considering and monitoring risks facing each partner when working collaboratively, including shared risks	
D.2.4 Ensuring arrangements are flexible and agile so that mechanisms for delivering goods and services can be adapted to changing circumstances	
D.2.5 Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is measured	
D.2.6 Ensuring capacity exists to generate the information required to review service quality regularly	
D.2.7 Preparing budgets in accordance with objectives, strategies and the medium term financial plan	
D.2.8 Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	
Evidence	**Evaluation**

As C1 and C2 and in addition • The Best Value Assurance Report concluded: "*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 overall budget. A five-year financial strategy was approved in December 2017. [and subsequently in December 2018]. The council has developed proposals to address its projected funding gap of £12.5m for the next three years and has presented a three-year balanced budget.*" • In addition, the external auditors' reports provide assurance that the council has a sustainable financial strategy • As well as the Top 50 Council Plan indicators the council has an extensive and comprehensive set of key performance indicators covering all services • The Council invoked its Business Continuity Plans as soon as the COVID-19 emergency had been declared by the Government. The Plans have been implemented effectively and have ensured that critical services have been delivered, supporting the national effort to control the virus and protect vulnerable people • A Recovery and Renewal Framework has been put in place to support the preparations for recovery and renewal from the COVID-19 emergency	5. Very Good

D.3 Optimising achievement of intended outcomes	
D.3.1 Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	
D.3.2 Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	
D.3.3 Ensuring the medium term financial strategy sets the context for ingoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	
D.3.4 Ensuring the achievement of 'social value' through service planning and commissioning	
Evidence	**Evaluation**

As D2 and in addition • Quarterly financial reports are presented to Council highlighting variations between expenditure and budge and associated risks • Annual Audit Report presented by the council's auditors • Recovery plans are put in place to address areas of significant overspend and these are monitored by chief officers • The council has closely monitored the financial implications of the COVID-19 emergency and has worked to maximise the allocation of additional resources from the Scottish Government • It is anticipated that the council will review and amend its Financial Strategy in light of the COVID-19 emergency • 2020 Improvement Action to review and take action to minimise any negative impact of the COVID19 emergency on the council's revenue and capital budgets. Quarterly financial monitoring reports to the council provide updates on expenditure against budgets and on the impact of the COVID response on the council budget. The Council's Financial Strategy and revenue and capital budgets take account of, and try to minimise any negative impacts of the COVID-19 emergency	5. Very Good

PRINCIPLE E: Developing the council's capacity, including the capability of its leadership and the individuals within it

E.1 Developing the council's capacity
E.1.1 Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness
E.1.2 Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently
E.1.3 Recognising the benefits of partnerships and collaborative working where added value can be achieved
E.1.4 Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources

Evidence	Evaluation
- Performance indicators are reviewed quarterly or annually - The council uses the Local Government Benchmarking Framework and takes part in relevant benchmarking exercises run by the Improvement Service, APSE and other networks - All services undertake a How Good is our Service self-evaluation exercise and annual reviews of three-year Service Plans - Workforce Plan adopted in 2018 2020 Improvement Action to review the Workforce Plan to take account of and mitigate the impact of the COVID-19 emergency. Over half of the actions in the plan have been completed and progress has been made on the remaining actions. The Plan is being revised to take account of the impact of the COVID-19 emergency.	5. Very Good

E.2 Developing the capability of the council's leadership and other individuals
E.2.1 Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding on roles and objective is maintained
E.2.2 Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body
E.2.3 Ensuring the leader and chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority

E.2.4 Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successively to changing legal and policy demands as well as economic, political and environmental changes and risks by:	
- ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged	
- ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis	
- ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external	
E.2.5 Ensuring that there are structures in place to encourage public participation	
E.2.6 Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	
E.2.7 Holding staff to account through regular performance reviews which take account of training or development needs	
E.2.8 Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	
Evidence	**Evaluation**

• Council Standing Orders, Officers and Councillors Codes of Conduct set out the roles and responsibilities of elected members and senior officers • The Scheme of Delegation clearly specifies remit of Council, Cabinet and Committees and specifies what is delegated to officers • The Management and Leadership Development programmes for Managers and the CMT is reviewing its development needs • The council has a rigorous annual Performance Review and Development process in place whereby all staff should have PRD session which takes account of training or development needs. During 2020/21 the number of staff receiving a PRD reduced. • Community Participation Opportunities Guide 2018 provides comprehensive list of ways in which the council consults and engages with citizens, communities and service users • Healthy Working Lives activities and renewed emphasis on initiatives aimed at improving the mental wellbeing and resilience of staff • The council has developed a Staff Charter setting out its commitments to all staff and the behaviours that staff are expected to follow • The response of council staff to the COVID-19 emergency has exemplified the East Lothian Way behaviours – Working Together, Be the Best We Can Be, Initiate and Embrace Change, Make Things Happen, Customer Focused. Over 2,000 staff adapted to and were supported to work from home, staff have continued to provide critical services or were deployed into providing new critical and redesigned services • The council's Leadership and Management Development Programme will be revised to take account of the impact of the COVID-19 emergency and to support Recovery and Renewal including staff engagement and supporting processes such as Personal Review and Development	5. Very Good

PRINCIPLE F: **Managing risks and performance through robust internal control and strong public financial management**

F.1 Managing risk	
F.1.1 Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	
F.1.2 Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	
F.1.3 Ensuring that responsibilities for managing individual risks are clearly allocated	
Evidence	**Evaluation**
• Risk Strategy • Corporate and Service Risk Registers – reviewed and revised regularly • Responsibilities for risks are set out in the registers • The Corporate Risk Register was reviewed to take account of and reflect the risks arising from the COVID-19 emergency • The council will continue to review its policies and processes to support its continuous improvement	5. Very Good
F.2 Managing performance	
F.2.1 Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	
F.2.2 Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risk inherent in the organisation's financial, social and environmental position and outlook	
F.2.3 Ensuring an effective scrutiny and oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making	
F.2.4 Providing members and senior management with regular reports on service delivery plans and progress towards outcome achievement	
F.2.5 Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)	
Evidence	**Evaluation**

• How Good is our Service provides the framework for self-evaluation carried out by each service	4. Good
• Service Plans take account of improvement actions arising from the self-evaluation	
• Performance against service Key Performance Indicators are taken into account in the self-evaluation	
• The council's three scrutiny committees – Police Performance and Review; Audit & Governance; and Police, Fire and Community Safety – operate effectively and provide challenge to senior officers and the Administration	
• The Guide to Scrutiny encourages constructive challenge and debate	
• A revised Improvement to Excellence framework has been developed t take account of recommendations from the Best Value Assurance Report and Recognised for Excellence assessment	
• Quarterly and Annual Performance Reporting	
• The Top 50 Council Plan Indicators was reported on for the first time in June 2019	
• Quarterly financial statements detail the variances against the budget	
• The Best Value Assurance Report concluded: *The council has a well-established improvement framework and extensively reviewed a range of its services. Streamlining performance reporting would provide a better basis for prioritising improvement activity and demonstrating achievement of outcomes. Performance management if thorough and elected members and officers kame good use of reports to evaluate performance. It could be improved by linking the various reports and explaining more clearly whether performance is on track against target. The PPR Co scrutinises performance effectively.*	
• Performance reports in 2020/21 have identified indicators that have been impacted by the pandemic and a COVID-19 Performance Indicators report will be presented to the PPR Committee in June 2021	
• 2020 Improvement Action to review how the Improvement to Excellence framework and new Council Plan performance reporting is operating in Autumn 2020 has been delayed due to the pandemic, the review will take place in Autumn 2021	

F.3 Robust internal control
F.3.1 Aligning the risk management strategy and policies on internal control with achieving objectives
F.3.2 Evaluating and monitoring risk management and internal control on a regular basis
F.3.3 Ensuring effective counter fraud and anti-corruption arrangements are in place
F.3.4 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
F.3.5 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and that its recommendations are listened to and acted upon

Evidence	**Evaluation**

As F.1 and in addition • Counter fraud and anti-corruption arrangements are in place and audited by external and internal Auditors • External and Internal auditors provide assurance on the adequacy and effectiveness of all control measures • The Audit & Governance committee is independent of the Executive. It is chaired by a member of the Opposition, has a majority of opposition members and no Cabinet members • Internal Audit has worked with services to ensure that internal control arrangements are reviewed and adapted to take account of the impact of COVID-19	5. Very Good

F.4 Managing data

F.4.1 Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data

F.4.2 Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies

F.4.3 Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring

Evidence	**Evaluation**
• GDPR policy and processes • Records Management Policy • Data sharing protocols are in place • Performance Data is audited by Internal Audit • Data sharing agreements and arrangements have had to be reviewed / put in place as a result of the COVID-19 emergency, in particular around managing the personal data of over 3,600 Shielded People	5. Very Good

F.5 Strong public financial management

F.5.1 Ensuring financial management supports both long term achievement of outcomes and short term financial and operational performance

F.5.2 Ensuring well developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

Evidence	**Evaluation**
• Financial Management Strategy • No significant recommendations arising from external audit • The Best Value Assurance Report concluded: *"The council has well-established processes for setting and monitoring budgets."*	5. Very Good

PRINCIPLE G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

G.1 Implementing good practice in transparency
G.1.1 Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate
G.1.2 Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand

Evidence	Evaluation
• The Best Value Assurance Report provided a high level of assurance. It concluded: *"In 2007, we reported that there was an informal approach to conducting business and many meetings were held in private. Council business is now conducted in public and in a formal manner. Agendas, minutes and reports are available on the council website. By exception, some items are held in private and the reasons for this are documented. Working relationships between officers and councillors are professional and constructive."* *"Council business and decision are clearly documented."* *"The standard of scrutiny by members of the two main scrutiny committees is good."* *"The council's decision-making processes are clear and open."* *"Performance management is thorough, and elected members and officers make good use of reports to evaluate performance. If could be improved by linking the various reports and explaining more clearly whether performance is on track against target."*	5. Very Good

G.2 Implementing good practice in reporting
G.2.1 Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way
G.2.2 Ensuring members and senior management own the results reported
G.2.3 Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)
G.2.4 Ensuring this Framework is applied to jointly managed or shared service organisations as appropriate

G.2.5 Ensuring the performance information that accompanies the financial statement is prepared in a consistent and timely basis and the statements allow for comparison with other similar organisations	
Evidence	**Evaluation**
- The council produces quarterly performance reports and an Annual Public Performance Report which are reported to PPR Committee - The Council Management Team (CMT) reviews the quarterly and annual performance reports - The CMT reviews the Corporate Governance Framework and self-evaluation before it is reported to Audit & Governance Committee - The council participates fully in the Local Government Benchmarking Framework and the annual LGBF report which includes a wide range of performance benchmarking data is considered by CMT and then members	4. Good
G.3 Assurance and effective accountability	
G.3.1 Ensuring that recommendations for corrective action made by external audit are acted upon	
G.3.2 Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon	
G.3.3 Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	
G.3.4 Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	
G.3.5 Ensuring that when working in partnership arrangements for accountability are clear and the need for wider public accountability has been recognised and met	
Evidence	**Evaluation**
- Actions identified by external audit are reported to members via the Audit & Governance Committee and are acted on - All internal audit reports are reported to members via the Audit & Governance Committee and all recommendations are acted on - The Best Value Assurance Report stated: *"The council considers a wide range of scrutiny and inspection reports at Council, Committee and senior management level. This includes Audit Scotland and inspectorate reports. The council is pro-active in this area ensuring national reports are presented to relevant committees. Elected members use these reports to discuss and challenge officers about the implications of the report findings for the council, what actions are required and how services are performing."* - The council has actively sought external peer review and challenge by applying for Investors in People and Investors in Young People and then Recognised for Excellence accreditation.	5. Very Good

APPENDIX 2: Council Improvement Plan 2021-2022 – Update (May 2021)

		ACTION	LEAD OFFICER(S)	DEADLINE	Update
		Council Improvement Plan 2021 – 2022 – Update May 2021			
1		Implement the Council Workforce Plan 2018-2022. The implementation plan has 48 actions within 7 workstreams Source: 2018-20 Improvement Plan and 2020 Corporate Governance Self-evaluation	Service Manager Improvement and Policy	The Plan will be revised by October 2021	Over half of the actions in the plan have been completed and progress has been made on the remaining actions. The Plan will be revised to take account of the impact of the COVID-19 emergency.
2		Continue to embed transformational change across the Council and ensure it delivers expected improvement and benefits within planned timeframes, prioritising projects that are most likely to lead to major change and significant benefits Source: 2018-20 Improvement Plan	Chief Executive	Ongoing to March 2022	Transformation principles are being embedded across all services. Key projects (such as the HR/ Payroll system) are being completed and capacity has been created to support the delivery of major change with significant benefits such as the Assets Review, Homeworking and transformation of Children's Services.
3		Continue to focus on improving education performance for all children and young people in East Lothian Source: 2018-20 Improvement Plan	Head of Education	Ongoing to March 2022	The council has adopted the Education Service Improvement Plan and all schools continue to focus on improving attainment and on School Improvement Plans
4		In order to ensure the council continues to have relevant governance policies, guidance, regulations and internal controls that are reviewed and kept up-to-date, a register of such documentation will be prepared and reviewed annually Source: 2018-20 Improvement Plan	Service Manager Improvement and Policy / Service Manager People and Governance	March 2022	This project was put on hold as this area of work is not deemed critical within Business Continuity Plans. It will recommence after recovery from the COVID-19 emergency

5	Establish formal mechanism for evaluating partnership working and the effectiveness of partnerships based on an agreed partnership self-evaluation framework Source: 2018-20 Improvement Plan and 2020 Corporate Governance Self-evaluation	Service Manager Improvement and Policy	March 2022	The East Lothian Partnership was to undertake a self-evaluation exercise drawing on frameworks developed by Audit Scotland, the Improvement Service and EFQM in Spring 2020. This project was put on hold as this area of work is not deemed critical within Business Continuity Plans. It will recommence after recovery from the COVID-19 emergency
6	The council will explore the development of a Community Charter in partnership with civic society and the communities and citizens of East Lothian Source: 2018-20 Improvement Plan and 2020 Corporate Governance Self-evaluation	Chief Executive	March 2022	Work commenced on developing the Community Charter but was delayed in order to reflect the development of the Climate Change Charter following the adoption of the Climate Change Strategy. Further work is required on the Charter to reflect the extensive community engagement of our local resilient community groups in responding to the COVID-19 emergency
7	The Council will ensure it meets any additional requirements to further develop community participation in decision-making arising from the Local Governance Review Source: 2018-20 Improvement Plan	Chief Executive	Ongoing to March 2022	This was put on hold as progress with the Review was put on hold by the Scottish Government and COSLA. It is expected that the Review will re-commence after the Scottish parliament elections and as recovery from the pandemic takes place
8	Review reporting and monitoring of expenditure against budgets and recovery plans in order to deliver outcomes within agreed budgets Source: 2018-20 Improvement Plan	Head of Finance	Ongoing to March 2022	Quarterly financial monitoring reports to the council provide updates on expenditure against budgets and any recovery plans that may be required to ensure the council delivers outcomes within agreed budgets
9	The roll out and adoption of the Staff Charter will be monitored and the Charter will be reviewed Source: 2018-20 Improvement Plan	Service Manager Improvement and Policy	Ongoing to March 2022	The Staff Charter will be reviewed as part of revised Workforce Plan (see Action 1)

10	The Council should review how the Improvement to Excellence framework and new Council Plan performance reporting is operating Source: 2018-20 Improvement Plan and 2020 Corporate Governance Self-evaluation	Service Manager Corporate Policy & Improvement	March 2022	The Council will review how the Improvement to Excellence framework and new Council Plan performance reporting is operating in Autumn 2021
11	It is important the council ensures its performance reports are improved to that it is easier for elected members and the public to evaluate performance across equalities Source: 2019/20 Annual Audit Report	Service Manager Corporate Policy & Improvement	April 2021 – extended to December 2021	The council is developing a new Equality Plan 2021-2025. This will include a new set of equality performance indicators. The Plan will be presented for approval to Council in October 2021
12	The council's reporting and monitoring against its improvement plan could be further improved to update members on what has been achieved through its improvement actions Source: 2019/20 Annual Audit Report	Service Manager Corporate Policy & Improvement	April 2021 – extended to December 2021	Officers will review how the Council Improvement Plan is monitored and reported to members
13	Refresher training on the Code of Conduct will be provided to elected members in 2020/21 Source: 2020 Corporate Governance Self-evaluation	Service Manager People and Governance	March 2022	This will be considered as part of the development of a comprehensive elected members' induction programme being planned for post 2022 Council elections
14	Undertake a review of the arrangements for dealing council business arrangements when the council's Business Continuity Plan has been invoked 2020 Corporate Governance Self-evaluation	Head of Corporate Resources	March 2022	This will form part of the structured de-brief and elected members' de-brief session that will be held following the pandemic
15	Monitor the implementation of the Climate Change Strategy Action Plan 2020 Corporate Governance Self-evaluation	Head of Development	Ongoing to March 2022	Implementation of the Climate Change Strategy Action Plan is being carried out by the Climate Change Planning and Monitoring Group and reported to Cabinet annually

| 16 | Review and take action to minimise any negative impact of the COVID19 emergency on the council's revenue and capital budgets

2020 Corporate Governance Self-evaluation | Head of Finance | Ongoing to March 2022 | Quarterly financial monitoring reports to the council provide updates on expenditure against budgets and on the impact of the COVID response on the council budget. The Council's Financial Strategy and revenue and capital budgets take account of, and try to minimise any negative impacts of the COVID-19 emergency |
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East Lothian
Council

REPORT TO: Audit and Governance Committee

MEETING DATE: 15 June 2021

BY: Chief Executive

9

SUBJECT: Corporate Risk Register

1 PURPOSE

1.1 To present to the Audit and Governance Committee the Corporate Risk Register (Appendix 1) for discussion, comment and noting.

The Corporate Risk Register has been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Corporate Risk Working Group (RWG).

2 RECOMMENDATIONS

2.1 It is recommended that the Audit and Governance Committee notes the Corporate Risk Register and in doing so, is asked to note that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.

- the total profile of the Corporate risk can be borne by the Council at this time in relation to the Council's appetite for risk.

- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks and are likely to be a feature of the risk register over a number of years.

- note that the Council Management Team will review all risks in the Corporate Risk Register on a regular basis.

3 BACKGROUND

3.1 The Risk Register has been compiled by the Corporate RWG on behalf of and in consultation with Council Management Team. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) which involves multiplying the likelihood of occurrence of a risk (scored 1-5) by its potential impact (scored 1-5). This produces an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).

3.2 The Council's response in relation to adverse risk or its risk appetite is such that:

- Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;
- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;
- Medium risk is tolerable with control measures that are cost effective;
- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

3.3 The Corporate Risk Register includes 1 Very High, 8 High, 9 Medium and 1 Low Risks. As per the Council's Risk Strategy, only the Very High and High risks are being reported to the Committee.

4 POLICY IMPLICATIONS

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

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

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 None.

Appendix 1 – Corporate Risk Register
Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy
DESIGNATION	Emergency Planning, Risk and Resilience Officer
CONTACT INFO	skennedy@eastlothian.gov.uk 01620 827900
DATE	03 June 2021

East Lothian Council Corporate Risk Register 2021

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
ELC CR 1	**COVID19** If East Lothian Council does not have the appropriate plans/contingency in place to ensure continued delivery of business critical service during the COVID 19 outbreak there is a risk to our ability to provide an effective critical and emergency service to East Lothian's residents, communities and businesses. The current novel coronavirus (COVID-19) outbreak, which began in China in December 2019, presents a significant challenge for the entire world. The UK government and the devolved administrations, including the health and social care systems, have planned extensively over the years for an event like this, and the UK is prepared to respond. East Lothian Council is also well prepared to respond in a way that offers substantial protection to the public. Scottish Government implemented a wide range of strategy, legislation, policy and funding arrangements intent on supporting the containment of the spread of the virus across the country, whilst supporting communities and the economy sustain throughout the various stages of lockdown and easing of restrictions, resulting in a risk that the Council may not be able to flex and respond quickly enough to meet the developing situation and expectations set within these national strategies etc., particularly given the impacts of the virus on the Council's operating arrangements and staffing capacity .	Proactively communicating, and encouraging compliance with all government and public health authorities' advice and reducing the impact and spread of misinformation by relying on information from trusted sources e.g. NHS, Public Health Scotland and Scottish Government. Scottish Government Coronavirus Strategy, Legislation and Guidance is followed in responding to the impacts of COVID-19 within East Lothian. Council Management Team (Critical Incident Response Team) meets weekly to oversee and direct the Council's COVID-19 response. Emergency Co-ordination Centre stood ready for Crises Response if required. Services produce a Commonly Recognised Information Picture (CRIP) of local issues. COVID-19 and Concurrent Risks Oversight Group oversees the cross service COVID-19 response planning and operational service delivery ,considering implications of any relaxation of lockdown on ongoing service response, responding to Scotland's Strategic Framework and overseeing the work of a number of sub-groups which are covered in more detail within the full COVID Risk Register: COVID 19 Recovery and Renewal Coordination Group is deployed overseeing planning for recovery and renewal across East Lothian, overseeing a number of sub-groups: • Environment and Infrastructure Recovery and Renewal Group • Education Recovery Group • Connected Economy Group • Communities Recovery & Renewal Group • Health & Social care Recovery & renewal Group Resilience Direct is being used to share information on a multi-agency basis. Business Continuity Plans deployed in all services leading to ELC staff working from home unless it is essential for them to be in their place of work. Protective Services (Environmental Health and Trading Standards) support local businesses to ensure Covid-compliant business operations for their staff and customers. Protective Services are working in partnership with NHS Lothian in relation to the investigation of local Covid-19 cases/clusters and will, if required, attend PAG/IMT's, in support of Track and Trace national procedures to constrain the spread of the virus across communities..	5	4	20 107	Planning across Services re ongoing COVID19 response to national relaxation of lockdown. Ongoing deployment of JCVI vaccine programme and monitoring of Covid case prevalence across East Lothian to inform service interventions and timely community information and updates re service delivery and ongoing safety measures. Support the business, retail, hospitality and tourism sectors to recover, providing timely advice, guidance and support to ensure safe operation within COVID-19 Guidelines. Develop service plans for reopening of Council services as Scottish Government's Strategic Framework progresses and Scotland and East Lothian are placed in lower Protection Levels.	5	4	20	Council Management Team (Crisis Response Team) Council COVID 19 Oversight Group	All measures are live and monitored on a weekly basis.	New Corporate Risk created 18th March 2020 in response to COVID 19 by Risk Officer in collaboration with Head of Communities & Partnerships. Refreshed on a regular basis and reviewed at CMT meetings.

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			L	I	L x I		L	I	L x I			
		Joint working with Police Scotland across all aspects of community life to constrain the spread of the virus and support local residents, business and visitors' community safety,										
		Extensive Elected Member Briefings, Staff Briefings and Manager Guidance issued.										
		Mass Fatality Plan refreshed while a remote registration of deaths is now in place with new procedures issued by National Registers of Scotland.										
		Resilient Communities Groups exist in each Community Council area and Groups are ready to stand-up when required.										
		Volunteer Centre East Lothian collaboration over support for local Third and Voluntary sector organisations responding to COVID-19 consequences across communities.										
		The Council provides a prime source of local EL public information, constantly updated, in the Council Website as well as regular updates on Social Media platforms.										
		Testing for all key workers is in place and readily available in the H&SCP.				Promote deployment of National Mobile Asymptomatic testing Units to new locations county-wide.				Council COVID Oversight Group and Community Testing Sub Group	Review June 2021	
		Cockenzie operates as a part-time Symptomatic testing site, operated by the Scottish Ambulance Service.				Establish and communicate details of the Council's Asymptomatic Testing provision.						
		National Mobile Testing Units, operated by Scottish Ambulance Service, operate as Asymptomatic Testing provision within targeted communities, in response to Covid case prevalence.										
		Static Asymptomatic Testing will operated out of the previous Stoneyhill Community Centre, Musselburgh. Mobile Asymptomatic Testing Units, Home delivery and Collect Asymptomatic testing provision will be available from May 2021, funded by Scottish Government but operated by East Lothian Council.										
		Local promotion of Scottish Government's on-line asymptomatic Universal Testing Offer effective 26 April 2021.										
	There is an ongoing risk as regards the Capacity and Resilience of the Council's workforce in responding to the pandemic alongside management and delivery of the Council and its services. There is an additional strain on all staff from anxiety on individuals who have family members who are suffering and additional work caused by large numbers of absences.	Wellbeing implications for our workforce have been addressed re-mental health risks, health & safety risks, home working risks via employee and line manager briefings and guidance on wellbeing, health & safety, homeworking checklists. Guidance for managers and the employee wellbeing programme are available online.				Services review Service Delivery and prioritise essential critical and emergency service provision, and sustain essential corporate service provision e.g. IT systems, Payroll, Contact Centre et al. Management of planned return to workspaces in accord with national guidance and local review of Assets and New Ways of Working.				Heads of Service and Service Managers	Ongoing	

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			L	**I**	**L x I**		**L**	**I**	**L x I**			
	Increased Financial Hardship From March 2020, the financial impact of Covid-19 on local business and local households, and the Council has been severe. Some welfare benefits have changed in response to this in order to help alleviate financial hardship. In addition, new funds, schemes and grants have been made available to support those in need. Although the early impact has been partially mitigated by the additional funds, schemes and grants, there is concern when some of this ends, for example the furlough scheme and the £20 additional weekly payment for Universal Credit claimants, Council income streams could be more severely impacted. Higher levels of unemployment or debt could result in more personal insolvency which would have a detrimental effect on the Council's ability to collect money owed. Notwithstanding the UK/Scottish Government's commitments to support individuals and businesses in financial hardship due to covid-19, e.g. Further extension of the furlough scheme to September 2021, further extension to the Universal Credit £20 weekly payment to September 2021 etc., there is a risk that the Council and key support services e.g. Social Work, Revenues etc., may face greater demands for financial support from local residents and business. It has been announced that UK Government will be leading on the UK Prosperity Fund and have confirmed that this will not be within the jurisdiction of the UK Devolved Administrations. Management of State Aid – COVID Business Support Grants currently administered by ELC constitute State Aid (now known as Subsidy Control under UK legislation). There is an uncertainty regarding risk ownership between Local Authorities and Scottish Government.	**Temporary Suspension of Statutory Debt Recovery Work** Statutory debt recovery work has been temporarily suspended during periods of national lockdown to prevent additional financial pressures for many local residents already facing hardship as a result of the pandemic. Officers are also providing support and advice to residents and business owners struggling financially, assisting with eligibility checks and applications for a number of the items listed below. **Support for Local Business** The Revenues Service developed processes and administered applications and payments for the new Business Support Grant from April to July 2020. The Economic Development team administered Business Support Grants on behalf of Scottish Government, covering: • Business Closure • Business Restrictions • Soft Play Business Contingency Fund • One-off Furlough Payments to businesses • Strategic Framework Business Fund • Retail, Hospitality and Leisure Top-ups • Taxi Driver Fund Grants • East Lothian Council Discretionary Business Fund • Contingency Fund Plus (travel agents, brewers support fund and indoor football centres) • Self-Catering Accommodation Grant • Bed & Breakfast and Guest House Support Grant **Support for Local Households** The Revenues Service administer a number of financial support grants on behalf of the Scottish Government: • Covid-19 Self-Isolation Support Grant • Period Poverty Fund via the Scottish Welfare Fund. • Coronavirus Fuel Poverty Fund, via the Scottish Welfare Fund. • Additional SG funding for Discretionary Housing Payment is in the process of being awarded where eligibility has been identified. Refreshed and regularly updated public information leaflets and web content providing information about help and support available from a number of Council services and external agencies e.g. access to fuel, food and warm clothing over the winter months. Performance monitoring and reporting is in place to measure the financial impact of Covid-19 on all Revenues income streams and collection rates.			█				█			

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			L	I	L x I		L	I	L x I			
	Education There is a risk to the continuing education for all Children and Young People as a result of the continued uncertainty around any future outbreaks of the virus. From the 20th of April all Primary and Secondary pupils returned to school buildings. Scottish Government confirmed the following plans for SQA Awards in 2021: • Higher and Advanced Highers exams and also National 5 exams, will be replaced with awards based on coursework, assessments and teacher professional judgement. There is a risk with increasing numbers returning to school buildings of an increase in the number of positive COVID related cases within our schools. Whilst Head Teachers and Central Management staff will deal with these and engage with the Health Protection Team this may place additional pressures on service delivery and, may impact on the SQA Awards assessment programme, particularly in instances that occur out-of-hours. Education are facing significant financial risks as a result of drop-out rates from Foundation Apprenticeships while there are also significant risks to the participation rates, positive destinations- potentially leading to rising youth unemployment- especially for Winter Leavers- as access to college campuses is restricted and most learning has moved to an online delivery model.	**Education** Education follows Scottish Government and Public Health Guidance in developing service delivery plans. Mass asymptomatic testing commenced for all school staff and for secondary school pupils with test kits delivered to schools and issued to school staff and senior pupils to be administered at home. Cleaning and risk assessments are an ongoing priority in relation to the School Environment and the risk assessments are refreshed and updated in line with national guidance. Additional fogging is taking place in any schools where there is a significant increase in number of positive cases. Free school meals are being provided in all schools and for those who may need to self-isolate. BACS continues to be used where payment is required over a school holiday or for any future full or partial school closure. All Schools have Business Continuity contingency plans in place in the event that schools have to close. Education Recovery Group continues to meet fortnightly. Work streams continue to review and update guidance for schools and they continue to reflect any revised guidance from Scottish Government. Regular meetings with Trades Unions representatives take place to ensure positive collaborative working in order to ensure any areas of concern are discussed and addressed. Ongoing and effective communication to pupils, parents and staff of education provision and safe operating arrangements. Face coverings are now mandatory on transport contract or public transport as per Scottish Government guidance while secondary students are required to wear them in public areas around the school and staff are also encouraged to wear them. Return of schools per national guidance requires alteration to timetables of routes; 20 April allows primary & secondary educated children to travel without any social distancing. Additional support needs children may still have split day attendance and some will continue to shield till 26th April or longer dependant of risk assessment.			🟥				🟥	Executive Director, Education and Children's Services, Education Recovery Group		
	IT and Digital Resilience Network usage has increased significantly due to the reliance on digital technologies. Whilst the schools were off during March – August this was not a problem. However the return of schools and their own increased use of digital technology has resulted in the network reaching capacity. The rapid increase of remote working increases the likelihood and impact of cyber-attack against organisations as attackers exploit the situation. Also	**IT and Digital Resilience** IT have purchased and deployed more than 500 laptops as well as supporting services to bring many others already issued into service. IT are now providing home based working support across the Council to more than 2,000 staff from an initial base of 12 contracted home workers. Maximising ELC staff mobile working technology e.g. Skype and Laptop facilities & reviewing regularly.			🟥	A project is underway to upgrade the Wide Area Network (based on pre-Covid requirements). A 10gb core has now been established and sites are being added to this on a weekly basis. Upgrade the local area networks (especially in schools). There is a programme for this underway but it has stalled due to budgets being diverted to other areas and staff having to focus on			🟥	Head of Council Resources		

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			L	I	L x I		L	I	L x I			
	cyber security good practice for the office does not necessarily transfer to the home working environment – for example, staff may be working in an area shared with family meaning confidentiality of data on screens/during voice and video calls may be compromised. IT Supply Chain Issues have come to the fore in March 2021. The lead time for laptops, Chromebooks and iPads have now stretched to 6 months. This is causing problems for services, especially those with new starts requiring equipment. Scottish Procurement have indicated that this is a World Wide problem mainly due to the shortage of components such as microchips and screens.	IT have upgraded the Skype For Business Platform to increase capacity and make it more resilient. Email alerts have been used to remind staff of our security policies and good security practice whilst working from home. IT staff provide guidance on security issues as and when they arise. Increased security monitoring now in place on infrastructure.			[RED]	COVID response. Capital funding is also an issue with this as it costs approx. £150k per secondary school and up to £100k per Primary school so the project will run over many years. Increase capacity of the Internet Pipe by installing a second connection and splitting schools and corporate traffic. This has now been ordered and installation dates are awaited from BT.			[RED]			
ELC CR 2	**Climate Emergency** The Council declared a Climate Emergency in August 2019, resolving to take urgent action to make all our Council Services Net Zero Carbon as soon as reasonably practicable or in any case by 2045, and to work with our communities and partners towards a Carbon Neutral East Lothian, enabling the county to deliver its part of wider national and international commitments. The Climate Emergency motion also recognised that the impacts of climate change are having a serious effect on our communities. The Council has statutory duties under the Climate Change (Scotland) Act 2009 to reduce its carbon emissions, adapt to climate change and endeavour to act sustainably. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 set a target for Scotland of Net Zero greenhouse gas emissions by 2045, with the expectation that public bodies will lead by example to reach Net Zero. The risks are: • Lack of resources (both financial and staff capacity) to enable the Council to achieve Net Zero, realise the opportunities, and deliver a Carbon Neutral and sustainable East Lothian; • Increased potential for unbudgeted costs without a clear funding mechanism for the transformational changes needed, particularly in relation to Fleet and Asset Management; • Unknown costs of transformational change and implementing measures to reduce emissions and reduce climate change impacts; • Risk aversion, particularly in relation to new and emerging technologies; • Failure to meet the Net Zero target of 2045 at the latest; • Failure to mainstream and embed action to tackle climate change may harm the Council's reputation (in terms of corporate social responsibility);	The Council approved its Climate Change Strategy in January 2020, setting out its commitment to tackling the Climate Emergency at a local level; the vision and overall aims for a 'Net Zero Council' and a 'Carbon Neutral East Lothian', and ensuring preparedness for the impacts of climate change; and the specific outcomes, key priority areas and actions over the next five years towards achieving these overall aims. Progress with delivering the actions in the Climate Change Strategy was reported to Cabinet in January 2021. COVID-19 has impacted on the timescale for delivery of some actions; approval was obtained from Cabinet in January 2021 for amendments to the target dates of some actions due to COVID. In addition, some new actions were added to the Action Plan. Since 2014/15, the Council has reported annually to the Scottish Government on its carbon footprint and progress with delivering its statutory Public Bodies Climate Change Duties under the Climate Change (Scotland) Act 2009. These reports are publicly available. A Climate Change Planning and Monitoring Group is established, chaired by the Executive Director for Place, which is responsible for overseeing, developing and monitoring progress with delivering the actions in the Climate Change Strategy, and has a critical role in driving and coordinating the work of the Council to meet its climate change obligations and commitments. Heads of Service, Service Managers and Officers from across the Council are represented on the Group, tasked with implementing the actions and plans identified in the Climate Change Strategy relevant to their Service Areas. Ongoing liaison is underway with the Scottish Government at a national level via the Sustainable Scotland Network (SSN), around implementation of the Scottish Government's Climate Change Plan Update (publication of which was delayed due to COVID), setting out its policies and procedures for Scotland to reach Net Zero by 2045. Ongoing liaison is also underway with other public bodies and key partners via organisations such as the Sustainable Scotland Network and Adaptation Scotland to ensure consistency of Climate Emergency	4	4	16	Identification of budget and funding streams to enable the Council to continue to deliver the transformational change needed, particularly in relation to Fleet and Asset Management; for example, staff resource to chase funding opportunities and support services to access them. Continue to implement and deliver the actions set out in the Climate Change Strategy over the five years of the strategy, with ongoing review of the strategy in line with the changing policy and legislative context, and annual reporting to Cabinet of progress with the delivery of actions. The Scottish Government's Climate Change Plan Update was published in December 2020. Officers are currently considering the implications for our own Strategy and Action Plan; any material implications will be reported to Cabinet in due course. Work with the Scottish Government to secure the tools, powers and resources to enable the Council to deliver Net Zero. Work to identify interim emission reduction targets across Council Services, including implementation of a monitoring and evaluation framework. Production of a Climate Change Communications and Engagement Plan. Engagement has been underway with external partners, including: the East Lothian Partnership, which is aiming to review the East Lothian Plan to include emissions reduction and tackling climate change (although this has been delayed due to COVID); the Area Partnerships, several of which now have 'Sustainability' sub-groups; young people via the East Lothian Youth Council and schools' Eco Groups; local groups and organisations; and local businesses. COVID has	4	4	16	Chief Executive Head of Development Sustainable Energy and Climate Change Officer	Ongoing with annual review 2025 / reviewed annually Ongoing with annual review Ongoing with annual review December 2021 December 2021 – dependant on when we move out of COVID response mode and opportunities for engagement	Risk refreshed by Sustainable Energy and Climate Change Officer March 2021 with no change to risk scores. 'Carbon Management' Risk refreshed revised and renamed Climate Emergency Risk in relation to the Council's Climate Emergency Response. Current and Predictive Risk scores increased from 9 and 6 to 16 due to the declaration of a Climate Emergency.

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			L	**I**	**L x I**		**L**	**I**	**L x I**			
	• Failure to meet our public bodies duties under the Climate Change (Scotland) Act 2009; • Potentially there might be financial penalties for non-compliance although this is not yet known; The Council has made a lot of progress as noted within the risk, however, there is an urgent need to secure the resources, tools and powers to enable the Council to deliver Net Zero; until then there is an uncertainty as to whether the Council will be able to drive forward the transformational change needed and reduce the risk. In relation to Fleet management: the aim is to meet climate change targets, with the objective to replace fleet vehicles with ULEV equivalents by 2025 for public sector fleet. However, this comes with cost implications to achieve – Scottish Government support funding is limited and at present primarily focused on smaller vehicles such as cars and small vans. The modal shift for the heavy commercial fleet to an ULEV platform will require additional unbudgeted funding. For example, the purchase cost of an EV refuse collection vehicle is currently 2.5 times more expensive to purchase than a current fossil-fuelled equivalent. This form of modal shift also requires a charging infrastructure capable of supporting these vehicle formats. 2030 will see the removal of primarily fossil-fuelled vehicles available to be supplied by manufacturers. In relation to Asset management: the costs of transformational change for our built assets to reach net zero are anticipated to be substantial. Ensuring the availability of capital to achieve this (for example, capital for asset reconfiguration, energy efficiency measures, energy generation, etc.) is pivotal to meeting our targets and managing our assets in line with the climate change agenda.	response, to share best practice, and to drive forward innovation and transformative change. The Sustainable Energy and Climate Change Officer liaises closely with SSN and leads on driving and coordinating the work of the Council to meet its climate change obligations and commitments. Climate Change is a key consideration in the Council's COVID Recovery and Renewal Framework, and one of the key principles of the Framework is a sustainable and Green Recovery from COVID. Work is underway with external partners to deliver transformational change in transport, waste & recycling, planning, housing, energy efficiency and renewable energy supply across the county. However, unless and until further resources and funding mechanisms are urgently put in place, particularly in relation to Fleet and Asset Management, the Council will find it challenging to continue to drive forward transformational change and reduce the risk. Support funding by Transport Scotland to meet the 2025 public fleet sector objective is being provided, however the ability of services to shift their operating model to utilise ULEVs in full is challenging. Funding has limited options – lease or part funded purchase. An Energy Transformation Board has been formed, which has been tasked to look at generating income from installing low carbon technologies across the Council's estate and improving energy efficiency and energy supply from renewable sources. The Sustainable Transport Officers Group coordinates multi-departmental responses to transformational change and modal shift in transport towards active and sustainable travel. Preparing for the impacts of climate change, including an increase in the frequency and severity of severe weather events, sea level change, and preparation of business continuity plans, are covered by other Risks identified within this Corporate Risk Register and Service Level Risk Registers. The Resilient Communities initiative is already underway across East Lothian to prepare our communities for emergencies and severe weather events.				impacted on engagement opportunities with some of these groups during 2020/21, however, this will be progressed again at the appropriate time. Development of a 'Climate Resilient Communities' network and the setting up of a Citizens Assembly or Climate Change Forum to work in partnership with our communities, local businesses, organisations and national agencies to develop our county-wide Climate Emergency response. COVID has impacted on the opportunities to progress this with communities during 2020/21; this will be progressed again at the appropriate time.					December 2021 – dependant on when we move out of COVID response mode and opportunities for engagement	
ELC CR 3	**Brexit** The Trade Co-operation Agreement (TCA) was agreed on Christmas Eve 2020 and ratified by UK Parliament on 30th December 2020 via the European Union (future relationship) Act 2020. The TCA is wider in scope than most free trade agreements and also covers the most urgent matters, however, remaining provisions such as rules on state aid are in preparation. The agreement has reduced a number of trade barriers in relation to cross-border services.	The wider ramifications of the decision to leave the European Union are yet to be fully realised and felt in national and local economy. Whilst there will be some opportunities there is also uncertainty that may affect areas of the economy, financial markets, interest and exchange rates, construction, grants from the EU, Investment and other non-financial aspects. The CMT has appointed a strategic and tactical level Lead Officer to keep an oversight on ongoing EU Exit developments.	4	4	16	We continue to seek clarity over how the Government plans to address the potential EU funding gap, retain highly skilled migrants and support trade. Seeking guidance at early stage from COSLA, SG and other sources around emerging thinking on Shared Prosperity Fund and Rural Development Fund as replacement support for ESF/ERDF and LEADER/Fisheries.	3	4	12	Council Management Team	All actions ongoing and dependant on decisions taken by UK Government	The risk continues to be reviewed on a monthly basis throughout 2021. Following the TCA being in place the current risk was reduced from 25 to 16 and the predictive risk

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			L	**I**	**L x I**		**L**	**I**	**L x I**			
	This agreement will have an impact on the local economy, local funding and the delivery and funding of council services. With a fast-changing political environment, the wider ramifications of the decision to leave the European Union are yet to be fully identified. Whilst there may be some opportunities, there is also considerable uncertainty that affects areas of the economy, financial markets, interest and exchange rates, construction, grants from the EU, Investment and other non-financial aspects.

We may see a gradual slow down during period of uncertainty. A potential council impact (+/-) on:
• Inward investment and positive awareness of the UK;
• EU funding for council-led business and training projects is known with the timescale permitted for delivery, however the university, farm businesses and other players will be accessing funding from EU sources which will be stopped at some point. There has been an announcement on a replacement funding model on which the detail of this is being assessed.
• It has been announced that UK Government will be leading on the UK Prosperity Fund and have confirmed that this will not be within the jurisdiction of the UK Devolved Administrations.
• Management of State Aid – COVID Business Support Grants currently administered by ELC constitute State Aid (now known as Subsidy Control under UK legislation). The UK Government has launched a consultation on Subsidy Control seeking views on a new UK framework. There is an uncertainty regarding risk ownership between Local Authorities and Scottish Government.
• Increased import and export costs for local businesses due to increased administration overhead and introduction of tariffs in accordance with the UK Governments border operating model. Trade and Co-operation Agreement makes most trade tariff free, however, there are still administration costs.
• Council and local business workforce pressures
• Procurement
• Potential Supply Issues for IT Hardware
• Inflationary pressures. Which could reduce and could in turn impact on the council, the university, housing market, capital costs resulting from increased cost of labour which could slow business rates growth (Inflation risk based on latest OBR predictions), workforce pressures e.g. regulatory services, social care providers, procurement costs, inflationary pressures caused by fluctuations in sterling value and potentially a loss of EU grants funding.
• Price increases related to Services, Materials and in particular fresh food supplies.

Key potential causes are:
• Gradual slow down during period of uncertainty.
• Border disruption | "EU-exit" has been acknowledged and remains a Corporate Risk.

"EU-exit" contingency planning is a standing item on the CMT agendas.

COSLA published a paper in January 2021 on "UK EU Post Transition" providing Council leaders with an update on the TCA and potential issues for local government.

CMT has established an appropriately represented corporate level "D20 EU-Exit Working Group" chaired by the appointed Strategic Lead Officer which meets on a monthly basis.

The Council has also established a Connected Economies Group (CEG) which has a multi-agency membership, providing the Council with a forum to communicate and link with Elected Members, Local Trade Agencies and Organisations, Tourism representatives, the DWP and Scottish Enterprise.

The "D20 EU-Exit Working Group" is appropriately engaged with internal subject matter experts on sectoral vulnerabilities and have a mechanism in place to rapidly assess and escalate these risks where appropriate.

CMT and Full Council considered a detailed Brexit Preparations and Response Report presented on 27th October 2020. There was a Members Briefing on the 22nd December 2020 and a report submitted into the Members Library detailing the Council's Service Impact Assessment of a "No Deal Brexit" and preparations that were in place.

Council Officer representatives have attended EU-Exit related meetings, national Brexit preparedness sessions and training run by COSLA, RRP, LARGS and Scottish Government and have contributed to Resilience Partnership Planning for Reasonable Worst-Case outcomes and the layering of multiple scenarios and outcomes.

D20 EU-Exit Working Group are using a reasonable worst case scenario as published in the UK Government Planning Assumptions as its Terms of Reference. The Group have undertaken Service Impact Analysis on this basis and created an overall EU-Exit Risk Register.

Specific HR Actions for EU National Employees:
• Project plan created to capture major milestones and actions from November 2018 to June 2021
• Right to Work checklist introduced at recruitment stage which will ensure EU nationals can be identified
• Identified EU nationals through use of equalities information and manual checks of employee records to obtain right to work information and issued letter to impacted employees.
• Presented paper to CMT : EU Settlement Scheme overview and recommended actions | | | **113** | There are 3 new funding schemes taking us beyond EU funding including one which serves as the Shared Prosperity Fund (SPF) pilot:
• UK Community Renewal Fund (SPF pilot) – 2021/22
• Levelling Up Fund – 21/22 – 24/25
• Community Ownership Fund

A certification hub at Cockenzie site (including TOSCC) is in a state of readiness should it be required. | | | | | | from 25 to 12 in February 2021.

The risk score was increased from 16 to 25 during December 2020.

New risk created and evolved by CMT and Brexit Working Group during 2019/20. |

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			L	I	L x I		L	I	L x I			
	• Workforce pressures e.g. regulatory (food imports/export), social care providers. • Inflationary pressures caused by fluctuations in sterling value. • Loss of EU grant funding Free movement of EU Nationals ceased on 31st December 2020 and new migration policy has been implemented. EU Nationals who do not apply for Settled or Pre-settled status and have no right to remain in the UK. This may result in staffing issues in a number of roles e.g. teachers, social care workers, social workers. From January 2021 job offers to workers from the EU will become based on satisfying a skill level. Overall national and local economic impact in relation to: · RPI, cost of goods, services, supplies · Overall employment · Cost of borrowing · Availability of goods on import and cost if available · General value of our currency Certification Hub Funding has already been agreed with Scottish Government as part of a £1.2m bid which Protective Services applied for. A Certification facility has been set-up should there be an increased demand in relation to Export Health Certificates and Import checks.	• Joint Trade Union engaged, advised of actions and provided all communication materials • Create and issued LM pack, providing overview and copy of letter for information with Home Office posters for display • Direct Mail to introduce, remind and highlight key messages throughout • Monthly inform article which counts down until the full scheme is live and quarterly Inform articles reminding of the deadline to apply. • Reviewed and amended job adverts to signpost EU nationals to sponsorship arrangements and thresholds. • Communications issued to managers to advise of new requirements necessary to employ an EU national. • The Council has renewed and increased its Certificate of Sponsorship allocation. • Created additional capacity within HR Payroll System to easily capture and report on nationality and right to work. A Lothian & Borders Local Resilience Forum is in place, including the ELC EP, Risk & Resilience Manager, engaging and liaising with partner agencies through the East Regional Resilience Partnership (RRP) and Lothian & Borders Local Resilience Partnership (LRP). This ensures partnership working processes are in place and understood, should such processes be invoked. Economic Development has signposted all businesses to the Scottish Enterprise website (prepareforbrexit.scot) and continues to liaise with businesses as to their concerns and issues. Ongoing intelligence gathering through other local authorities and national agencies. Economic Development are continually reviewing and updating website business pages and its' Business Gateway (webinar offerings). Through the Brexit Working Group, the Council has engaged in internal and external communications, multi-agency decision-making and response arrangements. Through the Brexit Working Group, the Council has engaged in business continuity collaboration arrangements with local partners and neighbouring Local Authorities: via LRP/RRP. The Council has assessed internal essential services business continuity arrangements. Through the Brexit Working Group, the Council has employed horizon-scanning activities to identify and communicate emerging risks. EU Settlement Scheme – UK/Scottish Government paying fee for this – COSLA are working with Local Authorities to provide case management assistance in relation to applications and assisting those people who are affected.										

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			L	**I**	**L x I**		**L**	**I**	**L x I**			
ELC CR 4	**Managing the Financial Environment** The Council may not be able to manage its obligations within the resources available. Reducing levels of core national funding relative to rising demand, increased ring fenced and short term funding settlements, and rising demand for services, creates significant challenges to ensure that the Council remains financially resilient and services can be delivered sustainably. The Council is managing a multitude of pressures, and these have been increased significantly in recent months due to the financial implications arising from COVID 19. If these pressures are not successfully planned for and managed effectively over the short, medium and longer term there would be a serious risk of unplanned / reactive budget realignments with significant adverse impact on availability and quality of both front-line services and necessary investment in the Council's infrastructure and asset base. This includes the requirement to successfully plan and deliver recurrently identified savings proposals. Over the medium term it is highly likely that the Council's grant from Scottish Government will, at best, remain static and may even reduce. At the same time the Council continues to face significant cost and demand pressures. These pressures have significantly been enhanced due to on-going implications faced by COVID-19 but also include: (1) Supporting the resource requirements associated with the delivery of the growth agenda resulting from the Local Development Plan; (2) Associated demographic change and social-economic pressures; (3) Growing inflationary pressures and contractual commitments including pay and pensions; (4) Potential financial costs associated with a wide range of new obligations or legislative changes. In supporting the national response to manage the on-going implications of COVID-19, the Council has supported a wide range of enhanced support to Communities in line with national guidance. In addition, many Council services are facing significant additional costs and obligations to enable them to operate safely and in line with continued guidance and health and safety requirements. There remains an on-going risk that if these interventions are not fully funded, the Council will be unable to comply with national policy and guidance and may impact on service delivery to ensure it can be delivered within available resources.	The Council has well developed medium term financial planning arrangements. These include: • Five year financial strategy; • Three year General Services revenue budgets; • Five year General Services capital plan budgets; • Five year Housing Revenue Account revenue and capital budgets. The Financial Strategy contains an enhanced reserves strategy which sets out the current level of reserves and associated commitments, including a requirement to maintain a minimum level of uncommitted reserves to support any unforeseen event. The Council has an enhanced range of cost control and financial management arrangements to manage in year budget performance and delivery of planned efficiencies. This includes monthly management information to CMT and wider Council management, and quarterly financial information to Council. This provides mitigating controls in terms of the immediate financial risk and pressures the Council is faced with. A Transformation Programme is in place which is monitored monthly by the Council Executive Team, and mitigating actions taken on projects as required to bring them to successful conclusion A Financial Monitoring Risk Assessment is in place where services are assessed and provided within a risk rating. Any service areas which are classified as High Risk are asked to prepare financial recovery plans, and enhanced financial controls are in place. Continue to closely monitor information arising from both UK and Scottish Financial settlements through intelligence gathered from COSLA, professional bodies such as CIPFA Directors of Finance and also credible professional commentators. Quarterly financial reviews are reported formally to Council for wider scrutiny setting out the in-year financial performance against approved budgets. Relating to COVID, he Council has enhanced the in-year financial monitoring to include the financial support received to date and implications faced by COVID-19. Enhanced arrangements are now in place to support increased Scottish Welfare Fund including Crisis Grant and Community Care grant activities and significant levels of additional support for businesses. Payment processes have been amended to accommodate remote working, ensuring creditors obligations can continue to be paid and allow use of direct banking faster payments. Monitoring and clear reconciliation arrangements are in place to track all funding announcements and	4	4	16	Enhanced in year monitoring and review of expenditure commitments against approved budgets. Support the delivery of a Council budget, and implementation of spending plans aligned to ensure that the Council can continue to deliver its obligations within financial resources. Continued development of longer term scenario based financial planning to inform future decisions and longer term financial strategies and financial plans. Continued scrutiny and challenge of planned efficiency measures to ensure they can be delivered and achieved within agreed timescales. Development of a refreshed Capital and Treasury Strategy supporting the future capital programme and treasury management and investment requirements. Explore new options for enhanced commercial opportunities within the organisation to maximise income generation for the Council. Ensure the financial strategy sets a clear financial framework for the Council to operate within and that it is appropriately implemented and monitored. The Transformation Board continues to oversee delivery of a transformational programme of strategic change projects to improve services and secure planned efficiencies. A Budget Review Group chaired by the Chief Executive which will provide enhanced budget scrutiny on the financial performance of the Council. Enhanced financial scrutiny and monitoring in place, which assess financial impacts of COVID against all approved council budgets and the Financial Strategy. Enhanced financial update and reviews provided as part of quarterly financial reports.	3	4	12	Chief Executive Head of Finance Council Management Team	Actions ongoing and under continuous review while monitoring arrangements will continue to be applied.	Risk reviewed by Head of Finance March 2021 with no change to assessment of scores. Risk reviewed by Head of Council Resources and Service Managers - Finance May 2017 with Current Score reduced from 20 to 16.

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Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
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			L	**I**	**L x I**		**L**	**I**	**L x I**			
	The Council has received significant additional national funding to support the current COVID-19 response, but this has been received on a non-recurring basis, and there is a risk that many of these interventions and additional financial costs will remain in place going forward. The complexity of the number of funding streams, timing of when they have been announced, reporting arrangements and flexibilities available to the Council received this year are significant, with over 90 additional funding streams received this year, all of which require additional monitoring and delivery of new policy obligations to manage and consider, and there is a risk that this is not appropriately monitored and controlled.

There is a risk that the Council does not have clear monitoring and reporting arrangements which accurately reflects the cost and pressures.

Given that the scale of the additional financial pressures and challenges, unless fully funded by Government, there is a risk that current resources are not sufficient to meet on-going statutory requirements and services due to additional unbudgeted spend and increased costs with reduced income. | allocations made by UK and Scottish Government and regular returns on financial pressures are now being made to COSLA.

Ongoing engagement with COSLA, to monitor national financial implications and support political lobbying.

Regular financial management updates have been provided to Councillors, with more detailed financial updates provided as part of the regular quarterly monitoring reviews. | | | | | | | | | | |
| ELC CR 5 | **Information Security and Data Protection**

Information Security
Failure to have comprehensive council wide Information Security Management (ISM) measures in place will put at risk the availability, integrity and confidentiality of the councils information and may cause a Council wide failure of central I.T. systems (incl. Telephony) caused by a malicious attack by hackers, virus, trojan, disclosure of information or Fire/Flood event.

Attacks via spam emails containing infected ransomware attachments are on the increase amongst local authorities and should these emails manage to break through Firewalls and Intrusion Detection Systems there is a high possibility of file encryption at both a local and network wide levels. During 2020/21 high profile attacks against supply chain and other Scottish public bodies has shown this risk has not decreased.

An increase in the use of Cloud facilities means our security risk from external influences has increased and our security posture needs to change to meet these new challenges

The Cabinet Office has introduced zero tolerance for all LA's connected to the Public Sector Network (PSN). All Scottish LA's use the PSN to register Births, Marriages & Deaths and connection to DWP for benefit provision. We have to re-accredit to this network every year and must meet stringent requirements. Failure to do so would mean disconnection from the PSN. The PSN network is being redeveloped over the next 2 years | **Information Security**
The Council uses the international standard ISO 27001:2017 as the framework for its ISM system.

As part ISO27001:2017 a number of control areas are set out : IS policy; IS organisation; Human resources security; Asset management; Access controls and managing user access; Physical & Environmental security of all sites/equipment, Secure communications, Data handling and Data Protection (including paper documents); Secure acquisition, development, and support of information systems; Security for suppliers and third parties; Information Security Incident management; Business continuity/disaster recovery (to the extent that it affects information security);

Annual IT health checks on the existing infrastructure.

New systems introduced are risk assessed and security checked to ensure they meet the criteria.

Council Information Governance and Security (IGS) Forum co-hosted by the IT Team Manager – Infrastructure and Security and the Team Manager – Information Governance / Data Protection Officer.

The Team Manger – IT Infrastructure & Security sits on the Scottish Governments working group for the redevelopment of the PSN network in Scotland.

ISO27001 covers all areas detailed in this plan.

The DPO/Team Manager-Information Governance & Team Manager – Infrastructure & Security (CISO) are members of the Collaborative Hub Working Group and the JMH User Group and provide advice and support re: compliance & Info Security. | 4 | 4 | 16 | **Information Security**
Upgrade of external facing systems taking place to increase security of our internet facing gateways. Due to increased use of cloud systems at ELC, we need to review our security posture & systems to ensure we are covering this area. We are reviewing all security systems to ensure protection

Acceptable use policy for all ELC employees is to be refreshed during 2021 with an online version introduced to enable easier review and signing by all employees.

Investigating ways to deliver and then deliver remote refresher awareness sessions on IS & DP to all Council staff and Education facilities.

Info Sec/DP are working together on an information asset register & Information Governance Transformation Strategy update. | 3 | 4 | 12 | Executive Director – for Council Resources

Head of Corporate | December 2021

August 2021

December 2021

August 2021 | Risk updated April 2021 by Team Managers – IT Security and Information Governance with on change to scores. |
| | | **116** | | | | | | | | | | |

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			L	I	L x I		L	I	L x I			
	In 2017 the Scottish Government introduced the Cyber - Public Sector Action Plan which sets out the minimum security standards for all public bodies

New ways of working and shared buildings including the proposed Collaborative Hib between the Council, Police and other parties present new risks and challenges to maintaining IT Security and Data Privacy. New procedures, appropriate design of workspaces and staff training will be needed to mitigate risks.

Data Protection
In May 2018 the UK Government introduced the Data Protection (DP) Act 2018. As of 01/01/2021, this is now underpinned by the UK General Data Protection Regulations (UK GDPR) which are distinct from the EU GDPR.

Breach of the Data Protection Act, other confidentiality requirements, any relevant laws or duty of care through the loss or wrongful transmission of information (including information stored electronically) could result in
- harm to individuals;
- legal action;
- fines of up to 20 million euros;
- requirement to pay compensation;
- adverse publicity;
- damage to reputation

The Act introduced a mandatory 72 hour window in which to report relevant breaches to the Information Commissioner's Office.

Limited security, procedural and environmental controls at the Dunbar Road records store mean that records and personal data are at risk of security breach and/or accidental loss or destruction. The shift to home/digital working in response to COVID-19 has also placed additional pressures to digitise paper records management systems.

DP compliance is dependent on good records management. The Council's Records Management Plan 2014-2019 needs to be formally updated to account for GDPR/DPA18 as well as changes to recordkeeping practice across the Council. | Info Sec & DP specialists are included during requirements/design and build phases on shared buildings.

Data Protection
Compliance – The Council takes measures to avoid breaches of law, statutory, regulatory or contractual obligations (including the DP Act 2018, GDPR and Public Records (Scotland) Act 2011).

The Council has reviewed and updated its Data Protection Policy

The role of Data Protection Officer is a statutory role filled in March 2018. The Council has a dedicated Data Protection inbox.

IS, DP and Records Management Awareness training forms part of our induction process. This incorporates a mandatory GDPR module supplemented by paper and person-to-person training. Data Protection and IS awareness training is mandatory for all employees and must be renewed every two years. The Data Protection Officer developed a GDPR toolkit including templates, guidance and information to support Corporate GDPR compliance. The Toolkit is updated and maintained on a continuous basis.

The Council's Records Management Plan (RMP) covers how the Council manages its records and includes links to our IS, DP policies and retention schedule. There is an annual approval of Progress of Records Management Plan by The Keeper. The Council is planning formal re-submission of its RMP for the Keeper's approval toward the end of 2021 (date tbd).

The Council will continue to ensure that all data subjects are informed through Privacy Notices how we use, share and retain personal information.

The DPO maintain a centralised register of all information sharing and information processing agreements.

CMT and SMT continue to receive briefings from the DP Officer and any other relevant staff.

The Council website includes a revised privacy statement and cookie policy.

Templates for Information Sharing Agreements and Data Processing Agreements have been produced and a joint strategy with Procurement, Legal and People and Governance is in place to roll out updates to all new and existing contracts. | | | | **Data Protection**
The Data Protection Officer will continue to oversee a series of "health checks"/audits in various Council departments to ensure compliance and to improve practice.

Work will continue to complete and publish a Corporate Information Asset Register which identifies all Council Information Assets and Data Flows.

The DPO will review the Council's Retention Schedule and will ensure that all staff are aware of and complying with it.

Annual reports on records management compliance will be submitted to PPRC.

The Council needs to review information sharing agreements and contracts to ensure they are fit for purpose. As part of the review the Council will introduce agreements where they are not in place.

A 2019-20 internal audit of records management compliance across the Council recommended that the existing Records Management e-learning module be made mandatory for all staff. The Team Manager-Information Governance and Service Manager-People and Governance will submit this recommendation to CMT.

The Council's Records Management Plan will be updated and formally re-submitted to the Keeper of the Records of Scotland for assessment under the terms of the Public Records (Scotland) Act 2011.

Options are currently being examined/costed for improving security of paper records storage, scanning paper records, creating new digital records management processes, and revising confidential waste procedures.

Improvements to technical and procedural arrangements at Dunbar Road store will be included in RMP re-submission and reported to PPRC. | | | | | March 2022

March 2022

March 2022

Spring 2021

March 2022

TBC following lifting of lockdown

December 2021

June 2021

Spring 2021 | |

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			L	I	L x I		L	I	L x I			
		The Council implements DP Impact Assessments (DPIA) for all new business processes which are incorporated into the Council's Integrated Impact Assessment Process. A standalone template has been produced to enable staff to complete DPIAs for individual processes/projects. DPIA is also embedded in the Transformation teams' project methodology. The DP Officer and the Communications team are creating a Communications Plan including Inform briefings, e-mail updates and other training and briefings. The Council has a close working relationship with SOLAR (Society of Local Authority Lawyers and Administrators) and attends meetings regularly. These meetings are also attended by the Information Commissioners office. The Council also attends and currently chairs ASLAWG (Archivists of Scottish Local Authorities Working Group) to share best practice with other record keeping professionals. **Data Breaches** A Data Breach Procedure has been approved by CMT including a mandatory reporting form for completion by staff upon discovering a breach. All breaches are reported to the Data Breach Team by phone or email within 24 hours of discovery.										
ELC CR 6	**Limitation (Childhood Abuse) (Scotland) Act 2017** On 4 October 2017 the Scottish Government introduced the Limitation (Childhood Abuse) (Scotland) Act to remove the three year limitation period for civil actions arising out of childhood abuse (defined to include sexual abuse, physical abuse, and emotional abuse) relating to children who have been in the care system. This means survivors no longer have to persuade a court to exercise its power to allow an action to proceed notwithstanding the three year limitation period and may raise action relating to the predecessors Councils responsibilities. In conjunction with the Scottish Child Abuse Inquiry there is an increased likelihood of claimants coming forward potentially resulting in financial implications if historic allegations of child abuse are made and upheld against East Lothian Council as the statutory successor. There is no way of knowing how many claims may be made (i.e. all 'living' potential claimants). The Council has received intimation of 19 claims for compensation (as of 5 March 2021). The introduction of the legislation generated the majority of the claims with one additional claim being received since June 2020 (last up date of this register). It therefore now not anticipated that this number will rise significantly, although claims may still be received. The Council's insurers have indicated that they will cover appropriate external legal costs and compensation payments but the cases will place considerable strain on internal resources within the	Child Abuse Claims Group and SCAI Overview Group – East Lothian co-ordination of responses, reported strategically, managed flow and collaboration. Close monitoring of the work of the Scottish CAI itself and review of any published materials. Records Management Expertise allows us to respond effectively to SAR requests and information requests / provide evidence. Cross Lothian collaboration on Lothian Region period 1975 to 1996 (and predecessor authorities) re-records management etc. Accurate records post 1996 relating to East Lothian Council clients. Scotland-wide networking and information sharing on SCAI between authorities. Council Financial Reserve – may reduce the impact to service provision if claims extend beyond budget. Continue current working practices with care experienced young people in accord with national legislation and care standards, reducing likelihood of any 'new' claims arising. As at March 2021 the Council has received 19 notifications of claims of which 5 have been withdrawn, 6 do not have sufficient evidence and 8 are live claims.	4	4	16	CACG and SCAIOG reports to CMT – to sustain level of awareness of risk. Monitor and build a timeline showing the Councils control of the schools from 1975 onwards. Monitor to ensure that there is sufficient staffing resource available to deal with claims, court actions and recovery of documentation and to preserve the Council's position. Make budgetary provision for any additional costs/claims that may not be covered by insurance.	3	3	9	East Lothian Council	Continue to progress all and report quarterly to CMT.	Risk reviewed March 2021 with no change to assessment of current scores.

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	legal, social work and records management teams for which there is no additional budget. Notwithstanding the above the Child Abuse Inquiry continues to extend its investigations into other areas which may affect the Council. The most recent of which is in relation to Foster Carers and at present no claims have come forward in relation to this area. NOTE: while not in force at present Scottish Parliament are considering Redress for Survivors (Historical Child Abuse in Care) (Scotland) Bill once in final form and passed we will need to consider any potential impact arising therefrom.	Scottish Government have set up in 2019 an Advance Payment Scheme for those who suffered abuse in care in Scotland before December 2004 and either have a terminal illness or are age 68 or over (age threshold lowered in December 2019 following a review). Annual Statistics are available from the Scottish Government website. Last published June 2020. On the 11th March 2021 MSPs passed legislation to establish a Redress Scheme for survivors of historical child abuse in care in Scotland to apply for financial payments. An independent body, Redress Scotland, to administer the scheme will be set up under the Redress for Survivors (Historical Child Abuse in Care) (Scotland) Act, which will be open for applications before the end of 2021, and will replace the Scottish Government's Advance Payment Scheme which has been running since early 2019.										
ELC CR 7	**Flooding and Coastal Erosion** As the incidence of flooding and coastal erosion increases as an impact of Climate Change, there is an increased risk of disruption to road and path networks, impact on public safety, damage to roads, property, harbours and natural heritage sites and an associated increase in claims against the Council.	Flooding and drainage issues are considered when processing planning applications. Inspection regimes and good housekeeping measures in place. The Severe Weather Response Plan has been developed and ensures a co-ordinated and consistent multi-agency response across the county. Emergency surface water, coastal and river flood procedures in place and have proven effective. Shoreline Management Plan has been produced. A National Flood Risk Management Strategy has been produced and a Local Flood Risk Management Plan for the Forth Area has also been published to meet the requirements of the Flood Risk Management (Scotland) Act 2009 which includes specific actions to be discharged by the Council. Flooding advice is on the Council website and directs people to the relevant pages on the SEPA website. The Council is working with various organisations to promote and progress "Resilient Communities" as per the Scottish Government initiative "Ready Scotland". Communication with vulnerable groups regarding access and assistance during severe weather events.	4	4	16	ELC have commissioned Flood Studies for Haddington and Musselburgh and are progressing a Flood Protection Scheme on the River Esk through Musselburgh. Further studies are proposed (subject to funding allocation) for Dunbar & West Barns to include North Berwick Coastal; and Cockenzie & Port Seton, Longniddry and Prestonpans. Flood Protection Schemes for Musselburgh and Haddington have been included in the List of Prioritised Actions in the Local Flood Risk Management Plan for the Forth Estuary Local Plan District. Implementation of Flood Protection Works is reliant on available funding. These two schemes are being funded 80% by Scottish Government and 20% by East Lothian Council. The Musselburgh Flood Protection Scheme is a fully established project. It has completed three of its nine stages, and is currently processing Stage 4 (Outline Design) of the Scheme Design in accordance with the project's PRINCE2 Project Management System. It is currently proposed that the scheme will start construction and have scheme in place by October 2024 (Subject to change as we move to next stage). The Council's Severe Weather Response will be tested in an Emergency Planning exercise during 2022 which will incorporate Flooding.	3	3	9	Executive Director for Place	2024 2016-2022 2016-2022 2024 August 2022	Risk further reviewed and updated March 2021 with no change to assessment of current scores.
ELC CR 8	**Expansion of Early Learning and Childcare (ELCC) to 1140 hours.** Scottish Government is implementing plans to expand ELCC to 1140 hours and have confirmed a revised statutory implementation date of August 2021.	The Council continues to develop and implement detailed plans and work with Scottish Government (SG) to take forward the expansion. Project board and associated working groups are in place and meet regularly to monitor progress.	3	4	12 **119**	Development of a dual qualification in Care in partnership with Edinburgh College. Working with UNISON to achieve agreement on the revised Early Years Practitioner (Nursery nurse) remit.	2	4	8	Executive Director for Education and Children's Services	August 2021 July 2021	Risk reviewed and refreshed at a Risk Session with managers 11 December 2020 and further refreshed April 21

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			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	**I**	**L x I**		**L**	**I**	**L x I**			
	Scottish Government have given flexibility in the use of the 1140hrs revenue funding for Education COVID19 expenses and our current rollout of the programme is being managed within the budget available. Potential risk that this cannot be delivered within the timescale due to challenges of expanding within existing resource, available funds and staffing. Risk that the revised Early Years Practitioner Job Outline is not accepted and agreed through discussion and negotiation with the Trade Unions. Risk that there is an impact on the quality in existing early years' provision because the focus is on the expansion. Reputational risk to the Council from Scottish Government reporting on progress in relation to the delivery of 1140hrs ELCC. Parents not able to access 1140hrs of ELCC. Risk that Partner Providers are not able to deliver the 1140 hours as they are no longer financially viable or meet the quality standard. Given the high numbers of staff required there is a risk of not being able to recruit sufficient staff to deliver on this commitment. The impact of this risk would be that the families do not receive their entitlement to Early Learning and Childcare. There is a risk that Capital costs exceed budget availability. The ongoing impact of COVID could risk the completion date of the programme.	Continue to engage with the Scottish Government Early Years team and senior officials to ensure that risks are flagged and that the service is aware of expectations and demands and to review the planning and preparation for full implementation. Scottish Government recently reported improved confidence in relation to our recent reporting of our timetable and implementation plan. Ongoing work with council departments to ensure key priorities are met. A county wide recruitment campaign took place in early 2020 along with a recruitment fair to attract new and returning staff to the profession. Further recruitment campaigns continue to be undertaken as and when required. Continue to engage and work collaboratively with the Trade Unions to actively work towards agreement on the revised Job Outline. Work continues to review current staff contracts and to recruit staff. Continued work on new pathways in to the profession to be developed including our Foundation Apprenticeship and work in Tots and Teens in 5 of our 6 secondary schools. Ongoing work to monitor and enhance quality of Early Learning and Childcare delivery. There is clear governance of the project through the 1140 hours project board to ensure careful planning, communication and monitoring of progress. Project Management support from the Transformation Team has been put in place to ensure clear monitoring of progress, assessment of risk and appropriate mitigations are in place. Ongoing support from Transformation Team and support from the Improvement Service to ensure key timescales and milestones are met. Baseline established and updated on quality across all provisions and ELCC across all settings will be supported and monitored by the early years' team. Scottish Government National Standard and associated guidance in place and ongoing discussion/collaboration with partners. Progress with the infrastructure programme is regularly reported to the Scottish Government and Scottish Futures Trust. Regular meetings are held with officials to provide detail on the cost implications and timelines for capital projects. 1140 is a standing agenda item for CMT at fortnightly business meetings where the 1140 dashboard is presented and progress and any risks are highlighted.								Executive Director for Council Resources Head of Finance		with no changes to risk scores. Current risk score reduced by Chief Operating Officer (Education) from 16 to 12 in November 2018 due to ongoing work with stakeholders and a continued focus on quality. Residual score also reduced from 12 to 8.

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
		Relationships are well established with neighbouring authorities as is learning from other approaches and ensuring that progress is on track. Positive engagement with partner nursery providers of early learning and childcare to ensure planning meets the SG brief regarding parental choice, flexibility, quality and accessibility. Work stream groups established, including cross sector representation and network meetings to feed in to the project board to ensure collective detailed planning across service areas & consider risks associated with delay. Nurseries - Scenario planning work is underway to determine how many places can be offered across EL. Ongoing work to determine the full costs of the current model for Early Learning and Childcare.										
ELC CR 9	**Duty of Care to Public and Public Protection** The Council has a responsibility to provide care and support for the people of East Lothian and East Lothian's environment. Any breach of this duty of care may compromise legislative duties, health, safety and wellbeing, impacting on, for example, the protection of children and adults. Failure to fulfil the duty of care could also result in serious harm/death to an individual/s, prosecution, having to pay compensation and have a negative impact on the reputation of the Council. A failure to secure efficient and effective Public Protection arrangements, covering Child Protection, Adult Support and Protection, Offender Management, Violence against Women and Girls (VAWG) and Substance Misuse services, may see the Council being unable to fulfil its statutory duties/duty of care which could contribute to a service user suffering harm/death or detriment. This would in turn result in reputational damage to and increased scrutiny of the Social Work services. Vacancy in the Lead Officer posts for Child Protection between 17.12.20 and 01.06.21, leading to gap in the progression of some of the priority areas of work of the Public Protection Office. The duty of care is at the heart of the Council's approach to risk management. The likelihood of this risk occurring is influenced by a range of factors including: 1) The impact of the Covid-19 pandemic. Those at risk of different forms of harm and abuse are overall less visible within our communities, including children who are experience neglect, women and children at risk of domestic violence, and those at risk of or affected by drug and/or alcohol use.	The East and Midlothian Public Protection Committee (EMPPC) incorporates the Adult Protection Committee, Child Protection Committee, Offender Management Committee and Violence Against Women Partnership and ensures robust links with Midlothian and East Lothian Drug and Alcohol Partnership (MELDAP). EMPPC has oversight of Public Protection work and performance across East Lothian and Midlothian Councils and Partnerships. Performance information in relation to KPIs, patterns and trends in referral rates and throughput of process activity is monitored on a quarterly basis via the Performance and Quality Improvement sub group and EMPPC. The suite of performance data has been reviewed and adapted in line with national initiatives. Marac (Multi-agency risk assessment conferences) continues to operate on a four weekly basis, by Microsoft Teams, with additional meetings scheduled to respond to increase in demand, ensuring that the needs of and supports to highest risk victims of domestic abuse are planned for on a multi-agency basis Following a case file audit of core Adult Support and Protection processes, aligned with the Care Inspectorate quality improvement framework, has identified areas for improvement which are being progressed through ELHSCP. The East Lothian and Midlothian Public Protection Committee has drafted a communications strategy for key areas of Public Protection, with the support of the Midlothian and East Lothian local authority communications teams, with input from Police Scotland and NHS Lothian. This will involve internal audiences and the broader public, through a range of media channels. Council communications teams have planned a communications workshop for the EMPPC with a view to this taking place during the latter half of 2021. There is now a regular monthly meeting between key	3	4	12	A single agency self-evaluation exercise for Child Protection, aligned with the Care Inspectorate quality improvement framework, is to be reinstated. Work is underway to prepare for Adult Protection inspection (no date identified/inspections resuming in June 2021) – programme of audit and self-evaluation is underway. A multi-agency strategic planning group has been established with key personnel from East Lothian HSCP, NHS Lothian, Police and Public Protection Office. This group will plan and oversee preparation activity. A Joint Strategic Needs Assessment for Public Protection is being developed, led by the Public Protection Manager and Detective Chief Inspector of the J Division Public Protection Unit. Analytical support has been provided by Midlothian Council, with an anticipated completion date of end May 2021. The findings and recommendations will thereafter be reported to the Critical Services Oversight Group. Public Protection Manager will review the 0.5 Learning and Development Co-ordinator post with senior managers across the EMPPC partnership, and will consider the most appropriate way of using this resource. EMPPC will develop a two year strategy for Learning and Development Strategy for 2021-23 to be taken to the June EMPPC for approval. This will outline the priorities and outcomes for Public Protection training/learning and development for the next two years.	2	4	8	Chief Executive Critical Service Oversight Group Executive Directors Director of East Lothian Health and Social Care Partnership Chief Social Work Officer Public Protection Team Manager Health and Safety Team	December 2021 June 2021 June 2021 June 2021 July 2021	Risk reviewed and refreshed by PPO Manager, May 2021 with no change to assessment of current scores. Former Public Protection and Duty of Care to Public Risks combined and reviewed May 2016. Current risk score reduced from 16 to 12 and Predictive Risk score reduced from 12 to 8 as likelihood reduced.

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Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
	(2) Complexity of service delivery, infrastructure, environment and partnership arrangements across the Council services;

(3) Increasing population and the number of vulnerable people in East Lothian;

(4) Increased population and more complex service demands presented by an increasing number of service users whilst resources have reduced

(5) Levels of deprivation in East Lothian;

(6) Capacity in partnership and purchased services.

As of April 2021 the full time Public Protection Learning and Development coordinator post remains unfilled. Authorisation has not been provided to fill this post to date.

Delivery of training has been impacted by COVID (unable to run face to face training during lockdown periods) and lack of compatible IT platforms – East Lothian does not have MS Teams and PPO staff are reliant on other agencies to set up MS Teams sessions.

At the moment the EMPPC website is not fit for purpose and does not meet the accessibility requirements. | communications personnel in Children's Services and East Lothian HSCP and the PPO Manager and Lead Officers, to agree and develop key Public Protection communication messages and the media channels that will be used – to raise awareness of risks/signs of harm and promote available supports.

Governance and scrutiny arrangements are through the Critical Services Oversight Group (CSOG), including Self Evaluation.

Policies, Protocols, Procedures and Guidance are in place, subject to ongoing review and update and available on Public Protection website: www.emppc.org.uk.

Chief Social Work Officer (CSWO) fulfils statutory role and responsibilities, overseeing and reporting on Public Protection issues to Chief Executive and Elected Members, reporting annually to Council giving oversight of Public Protection performance including assessment of risks and pressures.

The Council continues to work towards delivering the UK Governments Counter Terrorism strategy, known as CONTEST, of which Prevent is a key element. The EMPPO has led on revisions to our Prevent referral pathway.

The EMPPO will continue to coordinate Prevent Multi-Agency Panels (PMAPs), where an individual has been identified at risk of being drawn into terrorism.

Face to face ASP training for Council Officers (Level 3) was delivered in Dec-20 with all eligible staff now trained.

MS Teams has been implemented enabling PPO to arrange training via MS Teams.

The inter-agency learning and development strategy for public protection has been reviewed, with e learning becoming more accessible, courses becoming more targeted to workforce need and areas of local and national priority. Learning and Development responsibilities are now undertaken by the lead Officers for Child Protection, Adult Support and Protection, VAWG coordinator, MARAC coordinator and agency learning and development officers. All employees can access appropriate training or e-learning, free of charge.

Re-alignment of service areas and responsibilities across the HSCP has resulted in the creation of a dedicated team manager post in statutory services. This post holder will have responsibility for supporting the link between strategic and operational activities.

All Regulated Services e.g. Care homes for older people, residential units for young people, Schools are inspected by Care Inspectorate and Education Scotland. Improvement plans are implemented following on from all Regulated Services inspections. | | | | The Public Protection Manager is liaising with communications professionals in East Lothian to explore options for the development of either a new website for the EMPPC or a satellite website hosted within the East Lothian Council website. Resource requirements (financial and expertise) are being assessed by the Public Protection Manager in conjunction with East Lothian Communications Team Leader.

Training needs analysis to be completed – number of Council Officer staff who require to undergo two year refresher training to be collated, and CP training requirements (Level 2) to be assessed. Training programme for the remainder of 2021-22 being taken forward by the EMPPC Learning and Development sub-group. | | | | | September 2021

December 2021 | |

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			L	I	L x I		L	I	L x I			
		The Lead Officers for Child Protection and for Adult Support and Protection chair inter-agency meetings to review decisions taken at Inter-agency Referral Discussion where significant risk is identified.										

East Lothian Council Risk Matrix

Likelihood Description

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

Impact Description

Impact of Occurrence	Score	Description							
		Impact on Service Objectives	Financial Impact	Impact on People	Impact on Time	Impact on Reputation	Impact on Property	Business Continuity	Legal
Catastrophic	5	Unable to function, inability to fulfil obligations.	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances)	Single or Multiple fatality within council control, fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved.	Significant disruption to building, facilities or equipment (Loss of building, rebuilding required, temporary accommodation required).	Complete inability to provide service/system, prolonged downtime with no back-up in place.	Catastrophic legal, regulatory, or contractual breach likely to result in substantial fines or other sanctions.
Major	4	Significant impact on service provision.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty)	Number of extensive injuries (major permanent harm) to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Major adverse publicity (regional/national), major loss of confidence.	Major disruption to building, facilities or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council.
Moderate	3	Service objectives partially achievable.	Significant impact on budgets (can be contained within overall directorate budget)	Serious injury requiring medical treatment to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Some adverse local publicity, limited damage with legal implications, elected members become involved.	Moderate disruption to building, facilities or equipment (loss of use of building for medium period).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council.
Minor	2	Minor impact on service objectives.	Moderate impact on budgets (can be contained within service head's budget)	Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required).	Some - between 2 and 6 months to recover.	Some public embarrassment, no damage to reputation or service users.	Minor disruption to building, facilities or equipment (alternative arrangements in place and covered by insurance).	Reasonable back-up arrangements in place, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council.
Minimal	1	Minimal impact, no service disruption.	Minimal impact on budgets (can be contained within unit's budget)	Minor injury to employee, service user or public.	Minimal - Up to 2 months to recover.	Minor impact to council reputation of no interest to the media (Internal).	Minimal disruption to building, facilities or equipment (alternative arrangements in place).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council

Risk

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

Key

Risk	Low	Medium	High	Very High

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