

REPORT TO: Audit and Governance Committee
MEETING DATE: 30 November 2021
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Report – November 2021

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee, the findings from Internal Audit's follow-up work and to provide an update on progress made against the 2021/22 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 September 2021 to November 2021 as contained in Appendices 1 & 2;
 - ii. the findings from Internal Audit's follow-up work;
 - iii. Internal Audit's progress against the annual audit plan for 2021/22 as set out in Appendix 3.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: East Lothian Mid-Market Homes LLP and Corporate Appointeeship.
- 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 In addition, since the last meeting of the Committee an Assurance review on School Excursions has been completed.
- 3.4 The main objective of the Assurance exercise was to establish if the internal controls in place provide an appropriate control environment. A summary of the

main findings and recommendations from the Assurance exercise is contained in Appendix 2.

- 3.5 As the Assurance exercise is not a complete audit of this emerging process it has not been assessed with an assurance level. However a conclusion on how appropriate the internal control processes are has been provided.
- 3.6 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- East Lothian Mid-Market Homes LLP – Limited Assurance
 - Corporate Appointeeship – Reasonable Assurance
- 3.7 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 two audits that were reported in previous years. Our findings are detailed below.

Section 75 Developers Contributions

- 3.8 Internal Audit's report on Section 75 Developers Contributions was issued in November 2020. Our follow-up review has highlighted that all of the seven recommendations made have been implemented.

Treasury Management

- 3.9 Internal Audit's report on Treasury Management was issued in June 2020. Our follow-up review has highlighted that all of five recommendations four of the recommendations have been fully implemented. The final recommendation relates to a low graded recommendation for a minor update to incorporate a reference to the 2017 prudential code in the Financial Regulations, which currently refer to the 2009 code. This will be incorporated at the next update to the Financial Regulations whilst the 2017 prudential code continues to be followed.

Progress Report 2021/22

- 3.10 A progress report attached as Appendix 3 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan for 2021/22.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DATE	19 November 2021

Appendix1 Executive Summary:East Lothian Mid-Market Homes LLP

Conclusion: Limited Assurance

At this early stage in the development of East Lothian Mid-Market Homes LLP improvements are required in governance, risk management and control to ensure that the objectives of the partnership with the Council can continue to be met moving forward. In particular governance arrangements with the Council and the partnership should be implemented. A focus on maintaining and monitoring risk management arrangements to ensure continued affordable housing provision to tenants and minimising risk to the Council is required to be put in place. Key control policies and procedures that were to be in place before the properties were acquired have not been put in place which may require increased focus and staff resource to implement in a timely basis.

Background

In 2016 Planning consent was granted for 240 homes in Dunbar to include 60 affordable homes. The Council and the Developer agreed that 50 of these would be built as mid-market homes. A pension fund would fund the building of the homes and would lease them to East Lothian Mid-Market Homes (ELMMH) LLP for 40 years, after which the Council has the option to buy them for £1 per property. In completing this arrangement 50 affordable homes have been added to the stock of housing within East Lothian with no requirement for funding from the Public purse. The mixture of 2 and 3 bedroom homes were initially let from July 2019 at 80% of the Local Housing Allowance (LHA) level for these homes. Current rental levels for 2021/22 for these homes are at 65% of the LHA level for the 2 bedroom homes and 61% of LHA for the 3 bedroom homes comparing favourably with similar mid market housing association rents which are typically 70% to 85% of LHA within East Lothian.

Scottish Government Planning advice note 2/2010 published in August 2010 defines different housing tenures as affordable housing including Mid Market or Intermediate rent which was defined as “Private rented accommodation available at rents below market rent levels in the area and which may be provided either over the medium or long term.” LHA rates are based on private market rents being paid by tenants in the broad market rental area (BRMA) and are calculated by The Valuation Office Agency Rent Officers. LHA rates are therefore are the best independent measure of market rent levels.

Following Cabinet approval of this approach in January 2017 ELMMH LLP was created as a partnership vehicle between the Council and Scottish Futures Trust (SFT) initially to facilitate the leasing of these 50 homes. Void levels have been minimal and repair issues with the original 50 houses are or have been resolved through developer guarantees. During 2020 and 2021 COVID letting processes have been adopted by ELMMH.

ELMMH LLP has purchased 2 further houses with grant funding from the Second Home Council Tax Fund that are rented on a similar basis by ELMMH LLP. These acquisitions have been completed to prevent these properties being removed from the affordable housing portfolio within East Lothian as new buyers of these properties on an affordable housing basis had not been identified. Letting of all of these properties is being completed successfully using Council and contract staff.

Further acquisitions may be completed for ELMMH in the future to meet the Council 2017-2022 plan objective of increasing the supply of affordable housing, as identified through the Local Development Plan, which, over the lifetime of the Plan aims to deliver a total of 2500 new affordable homes, including 2000 council or Housing Association houses for rent. ELMMH forms part of the solution for achieving this objective.

Executive Summary Cont'd: East Lothian Mid-Market Homes LLP

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Head of Housing**:

- In line with the Agreement the Council has appointed five representatives as Members of ELMMH LLP, however the same five staff are also acting as the Senior Management, whilst this allows for speed of understanding and decision making in the early stages of development scope for segregation of duties is required going forward and a specific written agreement on roles and responsibilities. *Management have agreed to complete a current ongoing review of Board membership and then continue to review membership on an annual basis thereafter **by March 2022**.*
- An initial template financial model over a 40 year period was developed utilising an SFT model whilst this potentially demonstrated unmet funding requirements in the final 10 years of the 40 year period no updated model has been developed for the final agreed position, nor has the model been updated for actual outturns or updated projections on income and expenditure. Final accounts as at 31 March 2021 for ELMMH demonstrate a cash balance of £124,589, however a financial model is required to establish if this figure provides an appropriate balance for lifecycle and reserve accounts moving forwards *Management have agreed that the financial model will be updated for the initial position and then further updated for changes in ELMMH initially **by March 2022 and then on an annual basis thereafter**.*
- The Membership Agreement requires that Reserve and Lifecycle accounts are required to be put in place and adequately funded, these have not been put in place and no policy on funding agreed. *Management have agreed to ensure that these will be in place and funded **by March 2022**.*
- A risk matrix was developed for the initial decision to enter into ELMMH LLP as a special purpose vehicle for the leasing of the 50 homes for mid market rent this has not been updated since this initial risk register. *Management have agreed to update this risk matrix and then review and update at each Senior Management Team meeting moving forwards **by March 2022**.*
- The Membership Agreement requires that specific agreements and policies, including an acquisitions and allocation policy should be in place but these have not been put in place prior to acquisition and allocation whilst good practice principals have been followed a clear set of policies and procedures are required. *Management have agreed to formally agreed all of the required policies **by June 2022**.*
- Costs charged by council staff require review along with required resources for operating ELMMH LLP and a formal agreement should be put in place to manage this. *Management have agreed that this agreement will be in place and operating **by June 2022**.*
- Regular Governance reporting to the Council Audit & Governance Committee is required for the operation of ELMMH LLP. *Management have agreed to start annual reporting **by June 2022**.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	16	1	17
Prior report	N/A	N/A	N/A	N/A*

* This control review is new and no prior report exists for comparison

Materiality

ELMMH LLP has taken on the management of Private Residential Tenancy Agreements for 50 mid market rent homes in Dunbar with a lease being guaranteed by the Council of approximately £245K per annum. The homes had an approximate market value of £10.5million at the start of the agreement. Two additional homes have been purchased with an asset value of £284K.

Headlines

Objectives	Conclusion	Comment
1. Clear, accessible, relevant, and appropriate Governance arrangements are in place between the Council and ELMMH LLP.	Limited	A Membership Agreement has been approved by both members of the LLP outlining the membership and control of the Council within the ELMMH LLP. The accounts of ELMMH LLP are included in the Group Accounts of the Council and reported appropriately as such. There is however no formal Governance mechanism through Council Committee and it is recommended that regular reporting is put in place to the Audit & Governance Committee.
2. Processes are in place to ensure that all parties are complying with the terms of the agreements.	Reasonable	Meetings were not always held in line with the Members Agreement, although this was impacted by the COVID pandemic. Membership of the Board and the Senior Management team are the same and no clear written responsibilities have been clarified for members.
3. An adequate long-term business case has been put in place clearly defining the extent of the Council's potential liabilities and risks, and that appropriate processes and governance arrangements are in place to regularly monitor progress against the business plan and recommend action if required.	Limited	An initial business model was put together using an SFT template during the early stages of negotiations but there was no evidence to show that this had been revised to reflect the final position before the Members Agreement was signed, this model identified the potential for an unmet lifecycle expenditure in the final 10 years of the lease. Business financial models should be revised regularly once a project has started to reflect both the live situation and additional properties purchased. There is no evidence that the Business model has been requested to be reviewed to indicate the live situation nor have resources been allocated to complete this within ELMMH LLP or the Council.
4. Appropriate operational policies have been put in place covering key areas such as the acquisitions and allocations, tenancy arrears, adaptations and voids.	Limited	The Members Agreement requires that key policies are put in place before any properties are acquired. One of these was in draft but none had been finalised and approved before the properties were acquired. Reserve and Lifecycle Accounts had not been put in place and adequately funded as a result additional lending to the partnership from the Council was required in the initial years of operation.
5. Tenancy arrangements in place are in accordance with the policies and procedures, business case assumptions and all agreements in place.	Limited	The Scottish Government Private Residential Tenancy Agreement has been adopted and agreements were in place but copies of signed agreements were not all held centrally. Rent deposits have been deposited with an approved rent deposit Scheme. As a result of the lack of updating of business case assumptions clarity on maintaining the business case assumptions for rental income cannot be assured.
6. Adequate recharges for all work completed are made on a timely basis by the Council for services provided to the LLP, and are monitored for continued compliance with business case assumptions.	Limited	In line with the Agreement the Council is recharging costs relating to services provided to the LLP, however these do not include time taken by staff preparing for and attending meetings. A management charge should be considered to reflect the Council's role in providing a service. Consideration should also be given to providing further support to improve financial monitoring and Policies and Procedures Development as part of an SLA.

Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	The Scottish Government Private Residential Tenancy Agreement has been adopted by ELMMH LLP.
2.	A Members Agreement, setting out the responsibilities of the members and how the LLP should be operated, has been put in place and agreed by both of the members being East Lothian Council and the Scottish Futures Trust.
3.	Leases have been put in place between the owner of the properties and the Partnership. A guarantee has been put in place between the landlord and the Council to act as Guarantor to the LLP.
4.	Approval for the setting up of East Lothian Mid-Market Homes LLP was given by the Council through a paper to Cabinet.
5.	ELMMH LLP is registered under the Landlord registration Scheme.
6.	Tenants deposits are held by Safe Deposits Scotland as a secure deposit.
7.	An Initial risk register was completed and presented to Cabinet identifying the risks in developing a partnership for the initial 50 homes.

A Recommendation Grading/Overall opinion definitions

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

Levels of Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

1 Executive Summary: Corporate Appointeeship

Conclusion: Reasonable Assurance

The HSCP has set up an in-house Corporate Appointeeship service and we found that clear and appropriate procedures and guidance documents are in place; comprehensive records and a clear audit trail of all actions taken are maintained; appropriate processes are in place for setting up client bank accounts and transferring responsibility for Corporate Appointeeship to the HSCP; and key financial controls are in place for client budgeting and for the creation, authorisation and recording of payments. Areas which will require focus going forward include the arrangements for ensuring that clients are receiving all the benefits to which they are entitled and the processes for identifying, and taking appropriate action, where clients have surplus funds.

Background

A Corporate Appointee is where an organisation has been appointed by the DWP to manage and look after a client's welfare benefits, to make sure they are receiving all the benefits to which they are entitled and to support clients who have no other means of accessing/managing their finances. Corporate Appointeeship and financial management services for clients in East Lothian have in recent years been provided by an external provider. Although staff and service user opinion of the external provider was generally very positive, there was uncertainty as to the external provider's ability to continue to provide the service going forward. An option appraisal was carried out, the outcome of which was a decision to bring the Corporate Appointeeship service in-house. The Council does not currently charge clients for providing a Corporate Appointeeship service.

Summary of findings & recommendations

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

- Monthly bank reconciliations require to be reviewed by a second member of staff independent of the preparer. *Management have confirmed that a sample of monthly bank reconciliations will be spot checked by the Senior Business Support Administrator and this is now **in place**.*
- Arrangements should be made to enable designated staff within the HSCP to directly communicate with the Bank, to assist them in addressing transaction errors and in following up the non-receipt of key information. *Management have agreed to put arrangements in place **by January 2022**.*
- Appropriate processes are required for ensuring that clients are receiving all the benefits to which they are entitled and for identifying, and taking appropriate action, where clients have surplus funds, which may impact on their entitlement to benefits. *Management have agreed that processes will be put in place and clearly documented **by February 2022**.*
- The procedures for Dealing with Funds on the Death of a Client require to be finalised. *Management have confirmed that the procedures will be finalised as soon as all outstanding legal queries have been clarified **by December 2021**.*
- Consideration should be given as to whether it would be appropriate to charge clients for providing a Corporate Appointeeship service. *Management have agreed to consider this when transfers are complete and the overall cost of the in-house service has been reviewed **by September 2022**.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	8	-	8
Prior Report	N/A	N/A	N/A	N/A*

* This control review is new and no prior report exists for comparison.

Materiality

As at 12 November 2021:

- 159 bank accounts have been applied for and of these 157 have been opened (12 of which have subsequently been closed due to the client's death or no longer being required). The bank accounts opened include both transfer clients and new clients.
- Applications have been sent to the DWP in 102 cases and of these 88 clients are receiving some or all of their benefit payments into their bank accounts.
- 47 clients have been fully transferred and 2 new clients are fully set-up. It is hoped to continue to make progress in closing off 2 to 3 clients per week.

2 Headlines

Objectives	Conclusion	Comment
1. Clear and appropriate procedures and guidance documents are in place for all aspects of the Corporate Appointeeship process.	Reasonable	A comprehensive guidance document “Corporate Appointeeship and Access to Funds: Procedures for Managing the Finances of Service Users” has been drawn up and is regularly updated, which outlines the key principles and processes relating to Corporate Appointeeship. In addition, detailed individual procedures are in place for the initial set-up, ongoing management and closure/relinquishment of Corporate Appointeeship accounts, however the procedures for Dealing with Funds on the Death of a Client are currently in draft, awaiting clarification of certain legal matters, and require to be finalised.
2. There is clear record keeping and documentation in place for the Corporate Appointeeship process, including a clear audit trail of all actions taken and appropriate arrangements in place for storing information.	Substantial	Appropriate processes are in place for the submission and authorisation of client referrals for a Corporate Appointee service on the Mosaic system, key steps and actions taken are recorded for each client in the Financial Management Activity Log and key documentation is retained. Comprehensive records are maintained by the HSCP Financial Management Service, each client has an individual folder containing details of banking, budgets, correspondence, DWP, invoices and (where relevant) transfer information from ICMS. Detailed spreadsheets are maintained – a Master spreadsheet containing key information for each client, a DWP Status spreadsheet providing details of the benefits each client receives and the status of the transfer process and a Standing Order/Direct Debit spreadsheet.
3. A clear and timely process is in place for the initial set-up of clients’ Corporate Appointeeship accounts.	Reasonable	Comprehensive processes are in place for setting up client accounts, however many of the processes have taken longer than expected to complete due to the time taken to set-up bank accounts, delays experienced with the internal processes of the DWP when processing applications and issues with setting up direct debits with utility providers.
4. Appropriate processes are in place for the creation, authorisation and recording of all payments, including the setting up and authorisation of standing orders and direct debits.	Reasonable	Appropriate processes and segregation of duties are in place for the creation, authorisation and recording of payments from individual client’s Corporate Appointeeship bank accounts. All payments are created on the online banking system by a Senior Business Support Assistant and are authorised on the online system by a more senior member of staff, while payments above £500 require authorisation by a manager. Regular payments are set up by Standing Order, which require to be authorised by two members of staff. The Corporate Appointeeship bank accounts are set up under the Council’s banking services contract, which went out of contract on 30 September 2021, but has been formally extended for a further year, and bank charges to client accounts require review.
5. Appropriate processes are in place for client budgeting and for undertaking monthly reconciliations of each individual client’s bank account.	Reasonable	For all Corporate Appointeeship clients, an individual Budget Plan is prepared on a standard template, which includes details of the date the Budget Plan was last reviewed, the reviewing officer, monthly income and monthly outgoings. Bank reconciliations are carried out on a monthly basis – for each individual client’s account the budget figures for total monthly income and total monthly expenses are directly linked to the reconciliations and details of any adjustments or variations are clearly recorded.
6. Appropriate processes are in place for ensuring clients receive all the benefits to which they are entitled and for liaising with the DWP.	Limited	The responsibilities of a Corporate Appointee include claiming benefits, completing and signing any claim forms and reporting any changes in circumstances to the DWP. In respect of surplus funds, these require to be monitored to ensure funds do not exceed levels, which may impact on clients’ entitlement to benefits. These areas will require future focus to ensure that all responsibilities are fully discharged.

3 Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	A comprehensive guidance document is in place which clearly outlines the key principles and processes relating to Corporate Appointeeship and includes sections on Determining the Correct Financial Intervention; Responsibilities of an Appointee; Staff involved in Corporate Appointeeship; Recording Financial Management Activity on Mosaic; Applying for Corporate Appointeeship; Creating a Budget Plan; Managing a Corporate Appointee Account; Changes to Disbursements of Funds; Requests for Additional Funds by the Client; Changes to DWP Benefit Payments; Client Surplus Funds; Changes in Circumstances and the Access to Funds Scheme. In addition, to supplement the main guidance, detailed individual procedures have been drawn up covering the initial set-up, ongoing management and closure/relinquishment of Corporate Appointeeship accounts.
2.	Appropriate processes are in place for the submission and authorisation of client referrals for a Corporate Appointeeship service on the Mosaic system, key steps and actions taken are recorded for each client on the Financial Management Activity Log and copies of key documentation are retained on the system. The HSCP Financial Management Service maintain comprehensive records for all key areas of the Corporate Appointeeship process which are regularly updated, with each client having an individual folder containing details of banking, budgets, correspondence, DWP, invoices and (where relevant) transfer information from ICMS. Detailed spreadsheets are also maintained – a Master spreadsheet containing key information for each client, a DWP Status spreadsheet providing details of the benefits each client receives and the status of the DWP transfer process and a Standing Order/Direct Debit spreadsheet, which tracks progression on setting up Standing Orders and Direct Debits for each client.
3.	Appropriate processes are in place for the initial set-up of client accounts. Detailed procedures and processes are in place covering both transfer (from ICMS) and non-transfer clients, and for each client a detailed Financial Management Activity Log is maintained, which records key information including client folder set-up on activity log, client budget sent to Community Care Worker for approval, client added to Master Spreadsheet, receipt of information from ICMS, client bank account set-up online and Corporate Appointee application paperwork sent to DWP. In addition, clear processes are in place for the completion of the banking information required to provide Corporate Banking with the appropriate details requested by the Bank to open a new bank account. A detailed process is in place for informing the DWP of the HSCP taking on Corporate Appointeeship responsibility for the client and for requesting that funds are paid into the client's new Corporate Appointee bank account.
4.	Appropriate processes and controls are in place for all payments made from individual client's Corporate Appointeeship bank accounts, including clear segregation of duties between the creation and authorisation of payments – payments are created on the online banking system by a Senior Business Support Assistant and are authorised by a second member of staff who is independent of the preparer. Regular payments are set-up by Standing Order, which require to be authorised by two members of staff, while one-off payments are recorded in the client's log of Unplanned Income and Spending within the budget spreadsheet. Appropriate supporting documentation is retained for all payments made.
5.	Appropriate client budgeting and reconciliation processes are in place. All clients have an individual Budget Plan in place and as part of the process for transferring Corporate Appointeeship clients, the documentation provided by ICMS includes a copy of the client's budget summary, which is reviewed and approved by the Community Care Worker, while for new clients HSCP staff work with the client in drawing up the budget. On a monthly basis a bank reconciliation is carried out of each client's bank account. The Budget Plan figures for Total Monthly Income and Total Monthly Expenses are directly linked to the bank reconciliations, unplanned income and unplanned spending (i.e. not included in the budget) is clearly recorded and details provided in the log of Unplanned Income and Spending, and details of any adjustments or variations are clearly recorded.

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.
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.

Appendix 2



East Lothian Council Assurance Statement

From:	Duncan Stainbank, Service Manager – Internal Audit
To:	Nicola McDowell, Head of Education Richard Parker, Service Manager – Education (Strategy & Operations) Bev Skirrow, Principal Officer
Date:	19 November 2021

School Residential Excursions

1. Background

As a result of the COVID Pandemic during 2020/21, 72 school residential trips were cancelled with a significant financial impact with potential loss of approximately £1.3 million. The Council agreed that the liabilities would be negotiated using officer time to negotiate and recover the financial liability. Some of this work is still ongoing with a current liability as at November 2021 of £38.5K unrecovered, but further potential recovery via insurance claims is anticipated to reduce this figure further.

Following Scottish Government guidance in June 2020 and subsequent advice, CMT issued an instruction to schools not to organise residential school trips and schools were not able to make provisional bookings for the 2021/22 academic year. Scottish Government guidance has now been changed and bookings nationally for UK residential school trips are permitted with consideration of mitigation measures, but East Lothian Council continue with an embargo on any residential school visits until further notice, kept under regular review. Residential trips in our secondary schools take place predominantly in May to June each year and P6/7 camps in our primary schools normally take place from March to June.

Education Services lead a cross-department School Trips Review Working Group looking at lessons learned from the impact of Covid restrictions in 2020/21 on school residential trip cancellations that resulted in financial liability for the Council. The group focused on developing the following:

- a) a pre-vetted approved provider list for all residential trips;
- b) a central process for pre-authorisation for all residential trips; and
- c) additional staff training for the “business aspects” of running a trip i.e. checking insurance is adequate, terms and conditions of bookings, fundraising and financial good practice.

2. Findings

Internal Audit sought to review the adequacy of the process being developed to ensure appropriate authorisation of school residential trips going forward. A review of the process as documented in the developing staff training documentation was completed, in addition to interviews with education, insurance and procurement staff. The following findings are noted:

- A provisional list of providers has been developed based on the providers that have worked appropriately with the Council to resolve financial obligations in relation to the trips that have been cancelled for the 2020/21 year. Further work is still to be completed on providing an appropriate vetting and tender route for further providers to be assessed for this list within procurement. Processes outline that this will be completed between January and April on an annual basis with criteria still to be developed.
- The Evolve system was already in place to complete risk assessments of proposed school trips and this has now been enhanced to ensure that there is a pre-authorisation by Head Teachers and Education Services of all residential trips prior to booking. Enhanced further authorisation based on both the value of the trip being undertaken and the risks and educational value of the trip is also tested by an Education Officer, Outdoor Education Principal Teacher and Health & Safety Officer to ensure appropriate consideration is given to all risks prior to booking and payment of deposits.
- The training that has been put in place appropriately covers the aspects of insurance, terms and conditions, fundraising and financial good practice. Training is being made mandatory for all trip leaders prior to being authorised to lead and book trips and has been reviewed in accordance with experienced teacher school trip leaders.
- An insurance policy is in place from the 1st November providing adequate coverage for all school trips that have been properly authorised through this process. This insurance has certain exclusions, including:
 - No coverage for cancellation due to pandemic as this would not be possible at an appropriate cost;
 - Exclusions for high risk activities including winter sports, football/rugby, mountaineering, and cliff/rock climbing; and
 - A limit on overall trip cost of £50,000.
- Procedures are in place to provide a standard letter to parents/pupils making them aware of the insurance coverage and clarity that there is no cover due to pandemic cancellation, which may impact upon a return of deposit in these circumstances, which will not be underwritten by the Council.
- Procedures are also in place to guide trip leaders to seek further insurance cover to be put in place should high risk activities or the overall cost of the trip be in excess of £50,000. Authorisation approval routes would also ensure that adherence to this process was considered at the time of authorisation.

Areas where further clarification in the process is still required have been identified as noted below:

- The process allows for exception trips that are booked through providers that are not on the agreed listing of providers. This is intended to allow for short length trips to local areas for trips such as Duke of Edinburgh award scheme trips that may involve camping at sites that are not currently on the list of providers. In order to ensure that exception trips are authorised only in circumstances that are intended, clear guidance is required to define an exception trip.

- The process of arranging insurance is that disclosure of the details of the people attending the trip should be input as soon as they are reasonably known (following trip sign-up) and then confirmation of names/numbers and any pre-existing medical conditions should be completed 4 to 8 weeks prior to the trip. Whilst the trip leader is responsible for ensuring that this information is recorded at the appropriate time, clarification on who will be responsible for ensuring that this is completed is still required.

3. Conclusions

Based on our review of the processes still in development, and without the ability of having been able to test the process being used, there is reasonable assurance that an effective control environment around school residential trips has been created. Improved training and authorisation processes should provide assurance that all risks are being identified and minimised appropriately. It is understood that a further review of the process by Education staff will be carried out a year after bookings commence in order to ensure that processes are operating effectively and any further improvements implemented, providing assurance that continued improvement is being embedded.

4. Recommendations

Recommendation 1: Detailed guidance on what constitutes an exception trip should be developed and distributed to school trip leaders and authorisers prior to exception trips being authorised.

Management Response and Timescale:

Agreed, this is to be further explored with the School Trips Review Working Group and addressed within the guidance documentation and process flow diagram. The Evolve system can implement a “stop” on progressing through the pre-authorisation process if any parameters are not met.

January 2022.

Recommendation 2: Clarity on who will confirm that trip leaders have updated all required medical information at an appropriate point prior to the start of the trip should be included in the procedures, to provide an appropriate control that the required insurance processes are being completed in each case for all school residential trips.

Management Response and Timescale:

Agreed, this will be clarified in the final agreed procedures. This will be reviewed when the self-service process with CEC is clearer post our meeting with them at the end November 2021.

January 2022.

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Scottish Welfare Fund	We will examine the control processes in place over the last year and the changes in control processes implemented as a result of the Covid pandemic.	June 2022	
Lower Value Purchasing	Focusing on purchasing and procurement below £50k, examining that appropriate authorisation and procurement routes are in place prior to making purchases. Reviewing that aggregated expenditure levels are monitored and appropriate action taken on a regular basis.	February 2022	
Payroll Overtime Payments	We will review the processes for making overtime payments from authorisation to payment.	June 2021	Completed
Property Maintenance Stores	This audit was rolled forward from the 2019/20 Internal Audit Plan and will focus on the controls in place for managing and maintaining the stores assets and purchasing of stores materials to support property maintenance requirements.	February 2022	In Progress
IT School Procurement	We will examine the strategy and compliance with processes around ICT purchases for schools.	February 2022	Planning Commenced
Digital Learning Strategy	We will review the Digital Learning Strategy progress and assess the governance and control environment in place to establish if this is robust to deliver the strategy.	June 2022	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Prevent & Return Strategy Children's Services	We will review the Governance and Control structures in place to support this strategy and examine if they provide an appropriate embedded framework for the future.	February 2022	In Progress
COVID Support and Grants	We will review the processes in place for provision of COVID Support Grants and other support offered across the Council including reconciliation and recovery of support when required.	June 2022	
Restart of Capital Projects	As Projects that have been delayed or progress paused as a result of the COVID pandemic recommence, risks will arise in relation to tendering, budget management, timescale delivery and clarity on continued appropriate specification. We will review the controls in place to manage these risks.	June 2022	In Progress
Waste Management	We will review the policies, procedures and processes in place for provision of waste management services.	June 2022	
General Data Protection Regulations (GDPR)	This audit was rolled forward from the 2019/20 Internal Audit Plan and will focus on the arrangements in place within the Council for ensuring compliance with the provisions of GDPR.	June 2022	
Corporate Appointeeship	We will examine the implementation of a corporate appointeeship scheme for social work clients being taken into East Lothian Council responsibility during 2021.	November 2021	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
ALEO East Lothian Mid-Market Homes LLP	We will review the governance and operational control processes in place within the Council in relation to the East Lothian Mid-Market Homes LLP.	November 2022	Completed
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 2022	
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulator's Chapter 3 of the Regulatory Framework.	September 2021	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

