

REPORT TO: Audit and Governance Committee
MEETING DATE: 29 November 2022
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Report – November 2022

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee, provide details of Internal Audit's follow-up work undertaken and provide an update on progress made against the 2022/23 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 2022 to November 2022 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 2022/23 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: IT Asset Management, Sundry Accounts, Data Protection, and City Deal Governance and Monitoring.
- 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:
- IT Asset Management – Limited Assurance
 - Sundry Accounts – Reasonable Assurance
 - Data Protection – Reasonable Assurance

➤ City Deal Governance and Monitoring – Reasonable 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 three audits that were reported in previous years. Our findings are detailed below.

Non-Domestic Rates Reliefs and Recoveries

- 3.5 Internal Audit's report on Non-Domestic Rates Reliefs and Recoveries was issued in September 2021. Our follow-up review has highlighted that of the 14 recommendations made, 12 of the recommendations have been implemented. The two final recommendations relate to a review of the discretionary relief policy which has been delayed as a result of expected changes to the delegation of reliefs in April 2023. These two recommendations will be reviewed for completion by Internal Audit in April 2023.

Council Tax Reliefs and Recoveries

- 3.6 Internal Audit's report on Council Tax Reliefs and Recoveries was issued in September 2021. Our follow-up review has highlighted that each of the three recommendations made have been implemented.

Restart of Capital Projects

- 3.7 Internal Audit's report on Restart of Capital Projects was issued in February 2022. Our follow-up review has highlighted that the two recommendations made have both been implemented.

Progress Report 2022/23

- 3.8 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 2022/23.

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	18 November 2022

Appendix 1 Executive Summary: IT Asset Management

Conclusion: Limited Assurance

Whilst IT have appropriate systems in place to record all devices that are logged on to the Council network, there is no clear record maintained of devices from original purchase through to eventual destruction, in either the Council or the Education asset estate. This provides a significant weakness in the overall control environment for IT Asset Management resulting in limited assurance over the appropriate maintenance of the asset estate, and limited ability to control the risk of inappropriate management of devices, refresh requirements and loss or theft of increasingly mobile devices.

Background

The Council IT team has responsibility for authorising all IT device purchasing for use on the Council network. Assets with data processing capabilities are asset tagged when they are first procured. Whilst a system was in place to record all assets and their initial transferred ownership, this system has fallen into disuse over the last three years as a result of the IT teams being required to rise to the challenge of the significant demands placed on them due to the increased requirement for mobile devices to meet the COVID -19 pandemic and changes in the ways of working. This report reflects the need for recovery of control process to reflect the new ways of working. Excluding servers, routers, etc. the Council has an approximate total of 6,200 assets with network access.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager – IT**:

- There is no IT Asset Management procedure currently in place for the Council. *Management have agreed to develop an Asset Management procedure by July 2023.*
- Whilst there are systems in place to initially tag assets when issued and to establish which IT assets are currently using the Council network, no IT Asset Management system is currently being used to confirm the individuals currently responsible for each device and track the device from original purchase through to destruction. *Management have agreed to put in place an IT Asset Management system, and reconcile to purchases by September 2023.*
- The current process to manage reallocation of devices when staff are leaving and management of internal staff job transfers can be improved by clarifying responsibilities for return of devices that are not continuing to be used in the service, and confirmation of completion of IT requirements following transfer of roles. *Management have agreed to introduce requirements in the new Asset Management procedure which will clarify line management responsibilities by July 2023.*
- There are currently no regular checks and reconciliations on the IT equipment issued within East Lothian schools, a recent check completed within one school resulted in the blocking of 41 devices, where the current whereabouts could not be identified following a lengthy checking exercise. *Management have agreed to introduce appropriate annual exercises by April 2023.*
- A reconciliation of IT and Internal Audit data indicated that not all lost/stolen devices are being reported through appropriate channels. *Management have agreed to alter systems to ensure that reconciliations can take place to ensure all reported devices are resolved by July 2023.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	1	11	1	13
Prior Report*	N/A	N/A	N/A	N/A

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

Materiality

For the financial year 2022/23 the IT service has a capital budget of £2.1 million for the IT replacement programme and digital opportunities, which is a reduction of £0.7 million from 2021/22. The additional funding in the previous year related to exceptional funding to provide equipment required during the pandemic. The capital estate that IT manage had a NBV of approximately £7.5m at 31 March 2022, together with intangible assets and software of approximately £0.9m.

Headlines

Objectives	Conclusion	Comment
1. Clear, accessible, relevant and appropriate policies and procedures are in place to manage IT assets effectively.	Limited	IT have responsibility for managing all computer equipment and systems used by the Council and need to know what equipment is in use by staff. The procedures currently being followed simply require IT to acquire equipment, asset tag it, which forms part of it's name, and record everything that is attached to the network. Three separate systems all record assets attached to the network, Configuration Manager, Active Directory and Sophos. No procedure exists for the management of IT assets.
2. A complete and accurate asset register is in place containing all relevant details of all IT assets, both hardware and software.	Limited	A number of systems are in use to record assets connected to the network, but each of these systems are used for different purposes and none of them actually record the full life history of each item of equipment from being ordered to their final destruction. Currently no comprehensive Asset Management system is in place and a detailed list of current assets is not available, with all of these systems showing significantly different asset numbers.
3. Procedures are in place to ensure that all equipment is returned to the Council for reuse or disposal when staff, workers and service users no longer require the equipment.	Limited	Exit procedures have been put in place by HR, these procedures state that line managers are responsible for recovering equipment when staff leave. Without a complete Asset Management system there is no assurance that any line manager will be fully aware of the equipment that any member of staff has been issued with. No processes are in place for return of the equipment centrally to IT for securely ensuring reissue. Line management retain equipment for reissue to new staff. When new staff are not recruited immediately this increases the risk of asset loss, data protection breaches and security breaches.
4. Procedures are in place to ensure that all software used by Council services is recorded and reconciled to records of software used on the Council's network.	Reasonable	Software is recorded on two systems, those that can be installed and updated automatically are recorded within the Configuration Manager system and a separate record is maintained of all the main systems hosted internally within the Council servers, however some of the details within this record are not up to date.
5. Adequate procedures are in place to ensure that IT equipment allocated to schools, teaching staff and pupils is appropriately recorded to individuals holding the equipment and regular reconciliations are carried out to confirm assets to the Asset Management system.	Limited	Historically a report was sent to each school to allow them to check all the equipment held against the central record of equipment issued. However we have been advised that this annual check has not been carried out for over 10 years. One school recently completed a similar check and it was established that 41 devices required to be blocked as there current whereabouts could not be established.
6. Procedures are in place to monitor loss and breakage of IT assets across the Council to confirm that registers remain up to date and potential fraud is being investigated.	Reasonable	Breakages are recorded within the IT Service Desk and can be readily identified, however the system has not been configured to enable losses to be identified. Losses have to be reported to the Police, Risk and Internal Audit as well as IT. The lack of a record within the IT Service Desk resulted in reconciliation with the Internal Audit record not being possible.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	Systems are in place which allow all assets attached to the Council's networks to be recognised.
2.	A Configuration Management system is in place that identifies core software installed in all network equipment.
3.	Processes are in place and operating to remove systems access for staff who leave the Council.
4.	Procedures to advise line management to recover IT equipment from staff leaving the Council are being enacted to the best of line management's capability, on the basis of the sample testing completed.

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.

Executive Summary: Sundry Accounts

Conclusion: Reasonable Assurance

The Council has a process in place to raise sundry accounts in an appropriate manner and to follow those accounts through a collection process, with timely reminders and final notices being issued. Staff are appropriately allocated to service areas to provide further communication and assistance to debtors to help ensure payments are received. Improvements in authorisation, verification, training, regular review of accounts, systems and use of Sheriff Officer collection can be made to improve the collection rates being achieved.

Background

The Council has a Non-Domestic Rates and Sundry Accounts team that, in addition to responsibility for Non-Domestic Rates, provides a service for the raising of Council invoices where this is required and follow-up and collection of the fees and charges due for the invoices raised by other Council services. The Council has a Charging Policy that has been in place since 2019 and invoices should be raised in accordance with this policy. Invoices are raised for many Council services including residential care charges, trade and special waste collection and Section 75 contributions. Invoices are raised through the Great Plains general ledger system and the Non-Domestic Rates and Sundry Accounts team use the Credit Hound collection system to monitor debt collection and produce reminders and final notices. During the COVID pandemic the Council did not issue reminders and final notices for defined periods, however ongoing conversations with significant debtors continued to encourage payments when possible.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager Revenues and other Service Managers**:

- 10% of the invoices tested had been undercharged to a value of £25,000 due to a lack of appropriate completion of verification and authorisation processes. *Management within Council services raising these invoices have agreed to improve verification and authorisation processes and to undertake further training of staff raising invoices to avoid these errors by April 2023.*
- For three of the invoices tested there was a delay of between four and ten months in raising the invoices. *Revenues management have agreed that any delays in the raising of invoices by Council services will be monitored and raised with those Council services in regular meetings which are **in place**.*
- Three of the invoices tested had been originally raised in 2009, 2011 and 2015 and all fell into the remit of Legal Services for recovery, one of these accounts had not had notes updated since 2019. *Management have agreed to recommence regular meetings with Legal Services for recovery of overdue accounts when Legal Services have capacity to move away from current business continuity measures.*
- Until recently the core processes of debt collection action completed by the Sundry Accounts team formally finished when final notices had been issued and followed up by further contact and the systems did not allow for automatic file transfer to Sheriff Officers. A trial has recently commenced of sending four accounts to Sheriff Officer. *Revenues Management are in the process of working with software suppliers to develop a mechanism for transferring appropriate debt cases to Sheriff Officers, and a suitable solution should be in place by June 2023.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	11	6	17
Prior report (2018)	3	16	-	19

Materiality

The Council raised on average over the last three full financial years, 2019/20, 2020/21 and 2021/22, 14,051 invoices a year to a value of £28.4 million. In 2019/20 17,194 invoices to a value of £39.7 million had been raised. Current outstanding debt is £3.4 million of which 60% is over 90 days overdue to the Council.

Headlines

Objectives	Conclusion	Comment
1. Policies, processes and procedures are in place to ensure that Council debts are recovered in a complete, accurate and timely manner.	Reasonable	A Charging Policy for the Council has been in place since 2019 and there are appropriate procedural notes in place for staff working in Sundry Accounts. However the Charging Policy now needs refreshed and service staff provided with access to procedural notes.
2. Changes made to collection processes as a result of the COVID pandemic have been properly documented, authorised and communicated to Council staff and debtors.	Reasonable	During the COVID pandemic reminders and final notices were not issued on accounts, although work continued within the capacity of the Sundry Accounts team to communicate the requirement to make payments. Testing established one account on which appropriate recovery action had not been noted on the account, however this account was being resolved by being identified in regular high value reporting.
3. Processes are in place to ensure that timely invoices are raised for all appropriately approved chargeable services, in line with legislation and Council policies.	Limited	From a sample of 30 invoices, three errors were found in the amounts raised resulting in over £25,000 of income not being invoiced for. Authorisation processes for invoices were not appropriately completed in the case of ten invoices raised. Greater focus is required on ensuring that full appropriate authorisation processes are reintroduced to ensure amounts invoiced are correct and to appropriately maximise income due to the Council.
4. Processes are in place to identify all cases when full payment of debt has not been made in a timely manner, in accordance with the appropriate Council terms and conditions, and reminders are swiftly and appropriately issued.	Reasonable	The Credit Hound system employed by the Council automatically identifies accounts to produce invoice reminders 28 days after the original invoice was due for payment and a final reminder 14 days later. In testing sample of 30 sundry accounts, one case was found when a system error had prevented the timely issue of a reminder, however this would then have been picked up for a final notice.
5. Processes are in place to allow for charges to be amended and cancelled with appropriate authorisation and accounting implemented.	Reasonable	A digital cancellation form in in place, however from 15 appropriately cancelled invoices reviewed, three of them had been raised and cancelled by the same person, in seven cases no cancellation form had been completed and the cancellation was made on an email request, and in two of these cases the requester had no FAS authorisation level.
6. Segregation of duties is completed across all Sundry Accounts processes.	Reasonable	Processes are in place for authorisation and contact with FAS authorisers and budget holders when invoices are raised or cancelled, however, ensuring compliance with these processes should be improved.
7. Monitoring of debt recovery is completed with escalation of appropriate debts throughout the process when required.	Reasonable	Regular monitoring reports are made available for Sundry Accounts and service areas, however the current system is not able to create automatic files for Sheriff Officer referral. Revenues are working with the software supplier to develop this functionality and a small number of cases have been manually passed to Sheriff Officers for collection.
8. Training is provided to Sundry Accounts and service staff to operate Sundry Accounts processes efficiently and effectively at all times.	Reasonable	Whilst we have been advised that training to service staff is provided through individual Sundry Accounts staff, this was only identified as being the case for one of the five staff interviewed. Improvements in recording the provision of training is required.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	We can confirm that the Council has a Charging Policy in place which sets out the charges for the services that the Council has the discretion to set a charge for and how the charges should be collected.
2.	We can confirm that operational procedural notes are in place which provide guidance to Sundry Accounts staff.
3.	Income received is timeously recorded and updated on the Sundry Accounts system.
4.	The Credit Hound Debt Management system automatically produces debt recovery reminder letters. Reminder letters are automatically produced by the system after 28 days and a final notice letter sent after 14 days, unless the account is flagged as being in dispute, ensuring appropriate initial collection processes are in place for invoices raised by the Council.
5.	Debt follow-up is carried out by the Sundry Accounts Team (six Officers and one Modern Apprentice). Each member of the team manage their own individual service work areas, and use a range of collection methods, depending on the charge type and customer, to recover debt.

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.

Executive Summary: Data Protection

Conclusion: Reasonable Assurance

The Council has a comprehensive set of policies, procedures and guidance covering Data Protection, together with clearly defined roles and responsibilities which seek to ensure compliance with General Data Protection Regulations (GDPR) and the Data Protection Act 2018. The Council has a Data Protection Policy in place, which was approved by Cabinet on 12 June 2018, and the Information Governance section of the Council's intranet provides employees with a wide range of documentation on Data Protection, including the GDPR Toolkit, which contains guidance, templates, training and tools to assist staff to understand and comply with their Data Protection obligations. The Council's website provides members of the public with details of individuals rights to access their own personal data, including making a "Subject Access Request". However progress on the development of Information Asset Registers has been slow and staffing challenges within the Information Governance Team have resulted in delays in the implementation of some new processes.

Background

Data Protection is about safeguarding personal and sensitive information and empowering individuals to understand how and why we use their data. On 25 May 2018, the European General Data Protection Regulation (GDPR) came into effect, which in the UK was given effect by the Data Protection Act 2018 (DPA 2018). As of 1 January 2021, this is now underpinned by the UK General Data Protection Regulations (UK GDPR), which are distinct from the EU GDPR.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Team Manager – Information Governance and Service Manager – Governance**:

- There is a backlog of Information Sharing Agreements (ISAs) that require to be put in place with organisations with whom personal data is shared. *Management have confirmed that following recruitment of new posts, processes for approving ISAs are to be simplified and streamlined by June 2023*.*
- There has been limited progress on the development of Information Asset Registers for areas in the Council where data processing activities are undertaken. *Management have confirmed that there will be continuous development of the Information Asset Register, with four workshops being held with service areas per annum on an ongoing basis*.*
- The Council has appropriate policies, procedures and guidance documents in place for all aspects of Data Protection, however in some cases these policies and procedures require to be reviewed and updated. *Management have confirmed that these will be reviewed and updated by April 2023.*
- Data Protection risks are recorded and reported as part of both the Corporate Support Risk Register and the Council's Corporate Risk Register, which detail both control measures currently in place and planned control measures, however there has been slippage to the timescales for implementing some of the planned control measures. *Management have agreed to progress implementation of existing planned risk control measures by June 2023*.*
- Training for all staff on Data Protection is made available via e-learning, online and printed guidance, supplemented by person-to-person training where required, however roll-out of the Communications Plan is required to reinforce the importance of Data Protection compliance. *Management have agreed that the Communications Plan will be rolled-out, with support from IT Infrastructure & Security and Communications Teams by June 2023*.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	5	-	5
Prior Report	n/a	n/a	n/a	n/a

Materiality

Personal data is defined as any information relating to a person who can be directly or indirectly identified. This includes identifiers including names, identification numbers, location data, online identifiers or any other information that identifies an individual. Special category/sensitive personal data is information which falls under specific definitions under GDPR. This includes racial or ethnic origin; political opinions; religious or philosophical beliefs; genetic data; biometric data; health data; sex/gender or sexual orientation.

*Dates agreed are contingent on capacity within other Council Services.

Headlines

Objectives	Conclusion	Comment
1. The Council has clear and appropriate policies, procedures and guidance documents in place for all aspects of Data Protection, together with clearly defined roles and responsibilities.	Reasonable	The Council has a comprehensive set of policies, procedures and guidance in place for Data Protection, although in some cases these require to be reviewed and updated. The Council's intranet contains guidance, templates, training and tools to assist staff to understand and comply with their data protection obligations, while the Council's website provides details of what kinds of personal data we collect and individuals rights to access their own personal data.
2. Appropriate arrangements are in place for the fair collection and use of personal data, through the use of Privacy Notices.	Reasonable	Arrangements are in place to ensure that personal data is processed in accordance with Privacy Notices issued to individuals by the relevant Council service at the point of data collection. Guidance for staff and a standard Privacy Notice template is available on the Council's intranet.
3. Appropriate arrangements are in place for sharing personal data, including Information Sharing Agreements with organisations with whom personal data is shared.	Reasonable	Appropriate arrangements are in place for sharing data, including Information Sharing Agreements (ISAs) with organisations with whom personal data is shared, to ensure that data sharing is in compliance with legislation and the Council's Data Protection Policy, however staffing challenges have resulted in a backlog of ISAs that require to be put in place.
4. The Council is making appropriate progress in the development of an Information Asset Register, to enable compliance with GDPR and the DPA 2018.	Limited	The Council's Data Protection Policy states that a record of data processing activities will be maintained in an Information Asset Register (IAR), which will identify staff members responsible for overseeing compliance with each processing activity (Information Asset Owners), however progress to date has been slow and IARs are not currently in place for many areas of the Council.
5. The Council has appropriate procedures in place for responding to, documenting and, where appropriate, reporting Data Breaches/Near Misses.	Reasonable	Appropriate arrangements are in place for responding to, documenting and, where appropriate, reporting Data Breaches/Near Misses. Guidance is available to employees on the intranet, and a Data Breach Procedure and management procedures for Information Governance staff are both in place. A detailed Data Breach Register is maintained, together with appropriate cases files.
6. Arrangements are in place to ensure that risks regarding Data Protection are regularly reported to a senior level, and there is appropriate reporting to Members on Data Protection matters.	Reasonable	Data Protection is a standing item at the Corporate Risk Working Group and risks are recorded on both the Corporate Support Risk Register and the Council's Corporate Risk Register. The Council's Corporate Risk Register, includes a combined risk (ELC CR4) on Information Security and Data Protection. Planned control measures have been identified to reduce the current risk, and while there has been slippage to the timescales for implementing some of these control measures, there has been ongoing progress on the DSA process review and the new DPIA forms.
7. Appropriate Data Protection training is made available to staff via e-learning, online and printed guidance.	Reasonable	Data protection training is made available to staff via e-learning, online and printed guidance, supplemented by person-to-person training where required, and work is ongoing on developing a Communications Plan to reinforce awareness of Data Protection across the Council.
8. Appropriate Data Protection consideration and input has been provided as part of the response to the Covid-19 pandemic.	Reasonable	The Information Governance Team were heavily involved in Data Protection aspects of the Council's response to the Covid-19 pandemic, including advising Connected Communities, ensuring that volunteers understood their Data Protection obligations, preparing a Test and Protect attendance sheet and developing a Privacy Notice Covid-19 contact tracing template.

Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	<p>The Council has a Data Protection Policy in place, which was approved by Cabinet on 12 June 2018, and includes the following:</p> <ul style="list-style-type: none">• Definitions of personal data, special category data, records, processing, Data Controller (the Council), Data Processor and Data Subject.• Key roles and responsibilities – including the Senior Information Risk Owner (Head of Corporate Support) and the Data Protection Officer (DPO). The DPO is a statutory role under GDPR and the Council’s DPO is the Team Manager – Information Governance.• The Data Protection principles and how the Council will ensure compliance with the principles.• The rights of individuals regarding their personal information.• Processes for information handling, collection, security, records management, complaints, enforcement and dealing with breaches.• Details of related policies and procedures, including GDPR Toolkit, Data Breach Procedure, IT Acceptable Use Policy, Information and Records Management Policy and ELC Retention Schedule.
2.	<p>The Information Governance section of the Council’s intranet provides employees with a wide range of documentation on Data Protection, including the GDPR Toolkit, which contains guidance, templates, training and tools to assist staff to understand and comply with their Data Protection obligations. The Access to Information section of the Council’s website provides members of the public with information on Data Protection, including Our Privacy promise; What kinds of personal data do we collect; How do we collect your personal data; and How do we use your personal data. The website provides details of individuals rights to access their own personal data, including making a “Subject Access Request” and provides a link to the Information Commissioner’s website.</p>
3.	<p>Individuals have new and enhanced rights under GDPR, including the right to request the erasure of their personal information, the right to restrict processing of their data, the right to data portability, and the enhanced right to be informed about how their information will be used. The Council has appropriate documentation, processes and templates in place for recording and responding to requests received from individuals, including Subject Access Requests and Individual Rights Requests.</p>

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.

Executive Summary: City Deal Governance and Monitoring

Conclusion: Reasonable Assurance

Effective and accountable governance arrangements are in place within the Council for the Edinburgh and South-East Scotland (ESES) City Region Deal, which have enabled decisions to be taken in an open and transparent manner. Every year the City Region Deal partners are required to produce an Annual Report to assess how well the City Region Deal is aligning towards the overall vision and inclusive growth outcomes for the city region and for each year summaries of the Annual Reports have been brought to Council, with the full City Region Deal Annual Report being submitted to the Members' Library. In addition, the Council has approved a number of reports which have developed the legal and administrative structure required to make progress towards the development of the Innovation Hub, the Council's joint venture with Queen Margaret University, and there has been regular reporting on the progress in the delivery, operation and management of the Hub. There is potential to further enhance governance and scrutiny arrangements by the setting-up of a Programme Board, independent of operational involvement, which could receive regular reports on the Innovation Hub, including the project risk register.

Background

A City Region Deal is a mechanism for accelerating growth by pulling in significant government investment. By investing this funding in innovation, skills and infrastructure the aim is that performance will be significantly improved, while seeking to reduce inequalities and deprivation. The Edinburgh and South-East Scotland (ESES) City Region Deal was the second of its kind to be established in Scotland and comprises of six local authorities (including East Lothian Council), together with regional universities, colleges and the private sector. The ESES City Region Deal Document was signed in August 2018 with the UK and Scottish Governments, to a value of £1.3 billion.

Summary of findings & recommendations

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

- Governance arrangements within the Council could be further enhanced by the reporting of project progress, risks and issues to a formal Programme or Project Board for the Innovation Hub, independent of operational involvement in the Hub. *Management have agreed to formalise the arrangements in place and to set-up a Programme/Project Board by January 2023.*
- A detailed Innovation Hub project risk register is in place, which is in the Council format and captures the key projects risks, however in some cases there was a lack of evidence of risks being reviewed and updated on a regular basis. *Management have agreed to review and update the project risk register on a regular basis from December 2022.*
- To enhance effective scrutiny of key Council risks, the Innovation Hub project risk register should be reported to, and discussed at, each meeting of the Programme/Project Board. *Management have agreed to report the project risk register to each meeting by January 2023.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	3	-	3
Prior Report	n/a	n/a	n/a	n/a

Materiality

The five themes in the City Region Deal and the total amount of capital investment (Government and partner funding) is £1.29 billion. The Innovation Hub and the Innovation Park have an overall cost of £40 million, with £10 million of East Lothian Council Capital Investment in land acquisition. The Business Case identifies the potential for £144 million of Gross Value Added over a 15 year period and Direct and Indirect Employment of 758 FTE.

Headlines

Objectives	Conclusion	Comment
1. Effective and accountable governance arrangements are in place within the Council for the Edinburgh and South-East Scotland (ESES) City Region Deal, which enable decisions to be taken in an open and transparent manner.	Substantial	There has been regular reporting to Council and the Members' Library on all key aspects of the ESES City Region Deal, including the Outline Business Case (2015), Deal Proposition (2017) and Deal Implementation Plan, Financial Plan and Agreement (2018). The ESES City Region Deal Document provides an outline of the governance framework in place, including coverage of the overarching principles; governance structure, standing orders, delegated authority and terms of reference; resourcing; decision making/change process; and accountability.
2. There is appropriate engagement of East Lothian Council Members and Officers in key governance bodies of the ESES City Region Deal.	Reasonable	Our review confirmed that there is appropriate attendance by, and engagement of, East Lothian Council Members and Officers in key governance bodies of the ESES City Region Deal, including the Joint Committee, Executive Board, Elected Member Oversight Committee, Directors' Group and Finance Directors' Group.
3. There is regular and appropriate reporting to Members on progress being made on Edinburgh and South-East Scotland (ESES) City Region projects and of the implications for East Lothian Council and the achievement of the Council Plan 2022-2027 objectives.	Reasonable	The Edinburgh and South-East Scotland (ESES) City Region Deal was signed by the First Minister, Prime Minister and City Region Leaders on 7 August 2018. Every year the City Region Deal partners are required to produce an Annual Report to assess how well the City Region Deal is aligning towards the overall vision and inclusive growth outcomes for the city region and for each year summaries of the Annual Reports have been brought to Council, with the full City Region Deal Annual Report being submitted to the Members' Library.
4. Appropriate monitoring and assurance arrangements are in place for the Council's joint venture with Queen Margaret University and key Council risks are being identified, managed and transparently reported.	Reasonable	The Council has approved a number of reports which have developed the legal and administrative structure required to make progress towards the development of the Innovation Hub. A detailed Innovation Hub project risk register is in place, which captures the key project risks, however there was a lack of evidence to confirm that risks were being regularly reviewed and updated, while regular reporting of the risk register is required to ensure effective scrutiny.
5. There is regular reporting to both Members and Senior Management on the progress being made in the delivery, operation and management of the Innovation Hub and the wider Edinburgh Innovation Park, including consideration of project timescales and the Council's financial commitments.	Reasonable	We found that there has been appropriate reporting to Members and Senior Management, and where appropriate Council approval given, at all key stages of the Innovation Hub Joint Venture. Reports prepared for Members include coverage of the eight key principles to signpost the detailed discussions that would be needed between ELC and QMU; the Commercial Heads of Terms between ELC and QMU; the Joint Venture Company Structure; the construct and purpose of the Joint Venture Agreement; reporting mechanisms; the process for the return to ELC of the Council's capital investment; and key project milestones.
6. Appropriate Council representation is in place within the governance and commercial structure of the Innovation Hub to ensure financial, operational and reputational risks to the Council can be managed effectively.	Reasonable	A Joint Venture Company Structure has been established between East Lothian Council (ELC) and Queen Margaret University (QMU) with each company having a clear function. For each of the Companies, ELC and QMU will be 50/50 shareholders and will be equally represented at Board level. Regular meetings are held for both the Development Company and Project Team, however scrutiny could be enhanced by reporting to a Programme Board within the Council.

Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	<p>The ESES City Region Deal Document provides an outline of the approach to be adopted for ensuring inclusive growth and provides details of the governance framework to be adopted. The governance framework includes coverage of the overarching principles; governance structure, standing orders, delegated authority and terms of reference; resourcing; decision making/change process; and accountability. Terms of Reference are provided for the various governance bodies, which are attended by appropriate Council representatives, and include:</p> <ul style="list-style-type: none"> • ESES City Region Deal Joint Committee – the ultimate decision-making body for all City Region Deal activity, comprising of Leaders from the six local authorities, and a representative each from the University/College sector, Business sector and Third sector. This group meets quarterly. • ESES City Region Deal Executive Board – membership includes the six local authority Chief Executives (also attended by the Executive Director for Place). This group meets monthly. The Governance section of the Deal Document highlights that an overall Programme Risk Register and Performance Monitoring Report will be considered by the Executive Board and Joint Committee each quarter. • ESES City Region Deal Directors’ Group (attended by the Executive Director for Place). This group meets monthly. • ESES City Region Deal Finance Directors’ Group – this group is attended by the Executive Director for Council Resources and has a remit which includes to ensure that financial risk, audit and assurance are carried out effectively throughout the process. This group meets quarterly to align with funding flows from Government and with quarterly reporting.
2.	<p>Each year the City Region Deal partners are required to produce an Annual Report to assess how well the City Region Deal is aligning towards the overall vision and inclusive growth outcomes for the city region. The first annual report was approved by the ESES City Region Deal Joint Committee in September 2019 with subsequent reports approved annually in 2020, 2021 and 2022. Each year summarises of the Annual Reports are brought to Council, with the full City Region Deal Annual Report being submitted to the Members’ Library. The Annual Report for 2021/22 was approved by the ESES City Region Deal Joint Committee on 2 September 2022, with a summary being provided to the Council meeting of 25 October 2022.</p>
3.	<p>There has been appropriate reporting to Members, and where appropriate Council approval given, at all key stages of the Innovation Hub Joint Venture. Reports prepared for Members include:</p> <ul style="list-style-type: none"> • Members’ Library Report of 12 June 2018, which sought to inform Members of the latest version of the Food and Drink Innovation Hub outline business case, in the context of the ESES City Region Deal. • On 27 October 2020, the Council approved a private report “Commercial Heads of Terms between ELC and QMU for the Delivery of the Food and Drink Innovation Hub and Park”. The report set out eight key principles to signpost the detailed discussions that would be needed between ELC and QMU, to allow both parties to agree the commercial aspects of the delivery of the Innovation Hub and the wider Edinburgh Innovation Park. • On 15 December 2020, Council approved a further private report which set out the Commercial Heads of Terms between ELC and QMU. • On 16 November 2021, the Council approved a private report on interim legal arrangements to establish a company to progress the early stage activities of the project, develop a Joint Venture Company Structure and develop the Joint Venture Agreement. • On 22 February 2022, Council approved a private paper, which sought agreement of the Joint Venture Company Structure, noted the construct and purpose of the Joint Venture Agreement, sought approval of the reporting mechanism and detailed the process for the return to ELC (as per the Commercial Heads of Terms) of the Council’s capital investment. • A Members’ Library report dated 1 June 2022 was prepared, which confirmed that in April and May 2022, ELC and QMU had concluded the legal documents to enable the delivery of the Joint Venture Structure, and the report provided a timeline for updated key project milestones (the target date for the Innovation Hub becoming operational is April 2025).

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.

INTERNAL AUDIT PROGRESS REPORT 2022/23

APPENDIX 2

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
HR/Payroll Recruitment and New Starters Process	We will review the processes for recruitment, vetting, contract completion, payment and initial training of new start employees for the Council.	February 2023	
Sundry Debtors	We will examine the processes and controls in place for raising, collection, monitoring and resolution of sundry debts.	November 2022	Completed
Finance Business Partners and Budget Monitoring	We will review the processes and procedures in place to assist services in financial management through the provision of Finance Business Partners and monitoring of budgets against best practice.	September 2022	Completed
Construction Materials Procurement	We will review the processes around procurement of construction materials and services across the Council's services.	February 2023	In Planning
City Deal Governance and Monitoring	We will review the governance and monitoring processes in place around the progress of the Edinburgh and South-East Scotland City Deal projects and the intended monitoring of the Joint Venture with Queen Margaret University.	November 2022	Completed
Homelessness Services	We will review the processes in place and recently reviewed to meet the new regulatory requirements of the Homelessness Service.	June 2023	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Systems and Data Backup and Recovery Testing	We will review the processes in place to ensure that the Council has adequate processes and procedures in place to ensure that core systems have data backed-up and that systems and data could be recovered in the event of corrupted systems or data by testing this appropriately.	February 2023	In Progress
ICT Asset Management	We will review the processes in place in relation to the asset management of Council ICT assets across the authority.	November 2022	Completed
COVID-19 Recovery & Renewal Plan	We will review the processes of governance and control in place to monitor progress against the East Lothian Council COVID-19 Recovery & Renewal Plan.	June 2023	
Climate Change Strategy Review and Monitoring	We will review the processes and governance in place to review and monitor the actions that are recorded against the Climate Change Strategy.	June 2023	
East Lothian Works	We will review the governance and controls in place for the operation of East Lothian Works and the links to educational outcomes.	November 2022	In Progress
Housing Management System Replacement Project	We will review the governance, risk management and control measures in place for this vital systems improvement project.	June 2023	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Education Workforce Planning	We will review the policy, processes and procedures in place to develop workforce planning for Education.	February 2023	
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.	June 2023	
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 2022	Completed
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	September 2022	Completed

