

REPORT TO: Audit and Governance Committee
MEETING DATE: 13 June 2023
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Report – June 2023

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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 February 2023 to June 2023 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: Construction Materials Procurement, Climate Change Strategy Review and Monitoring, HR/Payroll Recruitment and New Starters Process, Housing Management Systems Replacement Project, Risk Management, Covid Recovery & Renewal Plan.
- 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 all of the audits are contained in Appendix 1.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Construction Materials Procurement – Limited Assurance
 - Climate Change Strategy Review and Monitoring – Reasonable Assurance

- HR/Payroll Recruitment and New Starters Process – Reasonable Assurance
- Housing Management Systems Replacement Project–Reasonable Assurance
- Risk Management – Reasonable Assurance
- Covid Recovery & Renewal Plan – Substantial 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 two audits that were reported in previous years. Our findings are detailed below:

East Lothian Mid-Market Homes LLP

3.5 Internal Audit's report on East Lothian Mid-Market Homes (ELMMH) LLP was issued in November 2021. Our follow-up review has highlighted that fifteen of the seventeen recommendations made have been implemented, and two recommendations Relate to the implementation of an SLA between the Council and ELMMH LLP which has been drafted and external legal advice sought with implementation anticipated within 2023 as a final version.

IT Schools Procurement

3.6 Internal Audit's report on IT Schools Procurement was issued in February 2022. Our follow-up review has highlighted that all of the eight recommendations made have been fully implemented.

Property Maintenance Stores

3.7 Internal Audit's report on Property Maintenance Stores was issued in June 2022. Our follow-up review has highlighted that twenty five of the twenty six recommendations made have been fully implemented. One outstanding recommendation to implement authorisation levels on purchase orders is awaiting clarity on the availability of functionality from the current housing management systems supplier.

Low Value Purchasing

3.8 Internal Audit's report on Low Value Purchasing was issued in June 2022. Our follow-up review has highlighted that eighteen of the nineteen recommendations made have been fully implemented. One outstanding recommendation was *"It is recommended that as part of the P2P project a system is introduced that is less reliant on manual entry of invoices and payment documents to create payments and utilises appropriate technology to improve control of this process."* The original implementation date for this recommendation was June 2024 and the project is intended to continue September 2024. The project is currently evaluating technology currently in place within the Council to establish if it can be utilised to achieve this recommendation.

Scottish Welfare Fund

3.9 Internal Audit's report on Scottish Welfare Fund was issued in June 2022. Our follow-up review has highlighted that all of the five recommendations made have been fully implemented.

Corporate Appointee-ship

- 3.10 Internal Audit's report on Corporate Appointee-ship was issued in November 2021. Our follow-up review has highlighted that of the eight recommendations made five have been fully implemented, two are partially implemented in relation to clarifying communication with the Council's banking partner and the Corporate Appointee team this is now scheduled to be complete in June 2023. One recommendation has not been implemented in relation to clarifying procedures when client's surplus bank balances impact on any benefits claims, which will be progressed during 2023.

Payroll

- 3.11 Internal Audit's report on Payroll was issued in June 2021. Our follow-up review has highlighted that of the seventeen recommendations made fourteen have been fully implemented/ superseded. This has considerably improved on the six fully implemented recommendations reported to Audit & Governance Committee in February 2022. One recommendation is partially implemented as guidance was issued to management to ensure staff complete and authorise Leavers Forms timeously prior to the leaving date, however further guidance is being issued in June 2023 to improve the timeliness of this process. The other two recommendations relate to completion of monthly reconciliations between payroll BACS payments and the General ledger, whilst the team structure has identified responsibilities and training has been undertaken these regular reconciliations are yet to be implemented, this will be completed during 2023.

Progress Report 2022/23

- 3.12 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 | 3 June 2023 |

Conclusion: Limited Assurance

Processes were in place to ensure that the majority of construction materials were purchased from contracted suppliers in line with the Council’s Procurement Procedures. However significant concerns are expressed that management of suppliers was not in place to ensure that prices paid were in agreement with suppliers’ Scotland Excel framework prices, authorisation processes were not always effectively in place and in some cases the appropriate procurement route had not been followed when selecting the supplier. Improvements were already being developed by the Procurement team in rolling out a Contractor and Supplier Management (CSM) process, which covers the post-contract award actions and decisions that should occur to ensure contractual obligations are met by the supplier, and when implemented the new process should help to resolve many of the issues identified.

Background

In March 2022, the Council’s Corporate Risk Register identified that the “construction materials market is currently volatile due to a number of factors including Brexit and the pandemic impact upon the production and supply chain. Scotland Excel have confirmed a 23% increase in framework prices for timber and sheet materials.” The risk highlighted that Property Maintenance and Roads Services were the key Council service areas impacted by this risk, with services to Council customers also identified as being impacted. In November 2022, the Corporate Risk Register continued to identify construction materials supply chain risks, highlighting that the “current market uplift percentage is in the region of 15% - 20%. Moving forward we predict a quarterly uplift of 5% over the next year... with an intention to implement enhanced contract management processes to drive efficiency and value”. This audit review sought to review the measures that have been put in place to manage the supply chain pressures and increase in construction materials costs within the direct purchasing of materials, specifically within Property Maintenance and Roads Services.

Summary of findings & recommendations

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

- The Council participates in national (Scotland Excel) frameworks for the procurement of goods and services, however in some cases the prices being paid by the Council were in excess of the framework rates. *Management have agreed to look at the process and resources required to put in place arrangements to ensure that the rates charged by the supplier and paid by the Council are consistent with the framework prices **by December 2023**.*
- For one supplier, goods requisition notes (purchase orders) for purchases up to £75,000 were being requisitioned and countersigned by the same officer, with no checking by a second member of staff. *Management have confirmed that all purchase orders should be countersigned by a second member of staff independent of the preparer **by July 2023**.*
- For a number of suppliers it was identified that the cumulative four-year spend was in excess £15,000, however the appropriate procurement route specified within the Council’s Procurement Procedures had not been followed when selecting the supplier. *Management have confirmed that the Council’s Procurement Procedures will be complied with and appropriate procurement exercises carried out **by November 2023**.*
- For the sample of suppliers reviewed, we found no evidence of regular documented contract meetings being held between the suppliers and Council staff involved in purchasing decisions. *Management have confirmed that they will fully participate in the phased roll-out of the Council’s new Contractor and Supplier Management (CSM) process on an ongoing basis until it is fully embedded **by February 2024**.*

Recommendation Summary

| Recommendations Grade | High | Medium | Low | Total |
|-----------------------|------|--------|-----|-------|
| Current Report | 2 | 8 | 1 | 11 |
| Prior Report | n/a | n/a | n/a | n/a |

Materiality

The Council’s Corporate Risk Register has identified a key risk of Cost of Living Pressures and Economic Volatility, which is split into a number of sub-risks including Construction Materials Supply Chain. Property Maintenance direct expenditure on Construction Materials is approximately £1.9 million per annum. Roads Services direct expenditure is impacted by the capital programme elements completed by the in-house team.

Headlines

| Objectives | Conclusion | Comment |
|--|------------|---|
| 1. Contracts for materials procurement are in place and being utilised where appropriate. | Reasonable | When purchasing goods or services, employees should first consider if the goods or services can be procured from an existing framework or contract. If so, the purchases should be made from the contracted supplier. In all other cases, goods and services greater than £50,000 should be advertised on Public Contracts Scotland and a tendering exercise undertaken. For goods and services between £15,000 and £50,000 a quick quote exercise should be undertaken and three written quotes obtained. We found that in most cases the Council were using framework suppliers, however in certain cases where the four-year spend with the supplier was in excess of £15,000, there was no evidence to indicate that a quick quote procurement exercise had been undertaken. |
| 2. Contract pricing for construction materials is being charged appropriately and any spend discounts applied correctly. | Limited | For suppliers used by Property Maintenance and Roads Services, we reviewed a sample of purchase invoices and sought to ensure that the prices paid were in agreement with the suppliers' Scotland Excel framework prices. In some cases we found that framework prices were being paid, however in other cases we found that the rates charged were in excess of the contract prices specified in the framework agreement, and in some cases the items purchased were non-core items for which no prices were provided on the framework agreement. In these cases there was no evidence to confirm if the Council was receiving the non-core discounts specified in the framework. |
| 3. Contract management processes are in place and operating to ensure a managed increase in costs where appropriate and ensuring delivery of materials on an appropriate priority basis. | Limited | From the sample of suppliers reviewed we found no evidence of regular documented contract meetings being held with appropriate Council staff involved in purchasing decisions. However the Council is in the process of rolling out a Contractor and Supplier Management (CSM) process and a detailed presentation was made by the Service Manager – Procurement to the Council Management Team in February 2023. The desired impacts of the CSM process include increased transparency of supplier performance (including financial standing) and delivery of obligations; increased value delivered by procurements; earlier mitigation of performance risks and issues; and ongoing analysis of performance and feedback to/from suppliers. The new CSM process is being phased in over a 12 month period and should be in place for all key contracts by February 2024. |
| 4. Appropriate review processes are implemented to review materials supply and reduce cost pressures where possible. | Limited | We sought to establish if appropriate review processes have been implemented to review materials supply and reduce cost pressures where possible. In the service areas examined, we found no evidence of regular reviews of cost increases being undertaken, to assist in identifying the underlying causes of cost pressures. We are advised however that in response to rising prices, in some circumstances service areas have been able to reduce the materials specification and value engineer projects to reduce cost, subject to meeting certain requirements. |
| 5. Appropriate pre-ordering processes have been considered and implemented where appropriate to ensure availability of materials and reduce cost pressures. | Reasonable | The Council's Corporate Risk Register has identified a key risk (ELC CR4) of Cost of Living Pressures and Economic Volatility, which is split into a number of sub-risks including Construction Materials Supply Chain. One of the existing risk control measures identified as being in place is "the Council is aiming to pre-order and provide enhanced stock management on certain materials where appropriate". We note that pre-ordering is undertaken in certain instances (e.g. winter salt), although overall there was little evidence that service areas were pre-ordering materials to reduce costs, however we are advised that the proposed action in the risk register was to address not just rising prices, but also potential material shortages, which in some cases have not materialised. |

Areas where expected controls are met/good practice

| No | Areas of Positive Assurance |
|----|--|
| 1. | <p>New Procurement Procedures (which form part of the Council's Standing Orders) were approved by Cabinet on 17 January 2023. The revised Procurement Procedures provide high level details on scope and content, roles and responsibilities, procurement process governance and the delegated quotation process for low value purchases. The new processes are significantly shorter/more high level than the previous version and are supplemented by detailed Procurement Working Instructions, which are available on the Council's intranet, for use by Council officers when procuring goods, services and works.</p> |
| 2. | <p>The Council is in the process of rolling out a Contractor and Supplier Management (CSM) process and a detailed presentation was made by the Service Manager – Procurement to the Council Management Team (CMT) on 22 February 2023. The CSM process covers the post-contract award actions and decisions that should occur to ensure contractual obligations are met by the supplier, and includes contract ownership and management and contract and supplier performance management, when relating to either an individual contract or a number of contracts with the same supplier. New template forms, guidance, case studies and lessons learned have been developed, together with CSM training and materials. A detailed action tracker is in place, including:</p> <ul style="list-style-type: none">• Introduction of new procurement software (March 2023);• Automated CSM task reminders and escalations (March 2023);• New electronic CSM process for all key contacts: contact obligations and performance (KPIs/review cycles) are captured in system at contract award and updated throughout terms (March 2023 – March 2024). |
| 3. | <p>Retrospective rebates (spend discounts) due from suppliers are monitored and administered by the Procurement team. A monitoring spreadsheet is maintained which records suppliers' details, the percentage rebate per the framework, the spend amount verified with the supplier, the rebate amount due, the date the payment was received and the relevant ledger code the payment was allocated to. All emails and correspondence from Scotland Excel confirming the agreed spends are retained on file.</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: Climate Change

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Conclusion: Reasonable Assurance

The internal controls in place for Climate Change are generally reliable, however there are some improvements that can be made to provide a fully effective control process, including the introduction of interim targets in the Climate Change Strategy, the arrangements in place for providing updated figures in the Climate Change Strategy action plan, ensuring that supporting evidence is retained for each identified action in the annual updates and the arrangements in place for ensuring a clear audit trail exists when completing the annual Public Bodies Climate Change Duties report.

Background

Emissions of 'greenhouse gases' primarily carbon dioxide (CO₂) from the burning of fossil fuels has resulted in climate change (global temperature rises). The Scottish Government declared a climate emergency in 2019 and has set a target of becoming net zero by 2045. Local Authorities in Scotland will play an integral role in addressing the huge challenges of climate change, this includes interim targets of a 75% reduction in 'greenhouse gas' emissions by 2030 and 90% by 2040 relative to a 1990 baseline. East Lothian Council's elected members agreed to declare a climate emergency in August 2019 and the Climate Change Strategy 2020 – 2025 was formally approved by Cabinet in January 2020. The Public Bodies Climate Change Duties require local authorities to report annually on emissions to the Scottish Government and the carbon emissions data reported for 2021/22 was 15,653 tCO₂e (tonnes of carbon dioxide equivalent).

Summary of findings & recommendations

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

- There are no interim targets in the Climate Change Strategy to enable the appropriate monitoring of the Council's current action plan with the target of achieving net zero carbon emissions by 2045. *Management have agreed to put a process in place to consider the use of interim targets by June 2024.*
- The existing arrangements in place for updating the Climate Change Strategy action plan require review – in some instances, the individual actions did not provide updated figures for emissions or targets, nor did they include the percentage increase or decrease for the year. *Management have advised that updated figures for emissions and targets will be provided where applicable by February 2024.*
- In a number of instances, there was a lack of a clear audit trail for the annual update of the action plan – supporting evidence had not been retained and in two cases errors were found in the figures submitted, including the data reported for East Lothian's overall per Capita carbon emissions. *Management have agreed to retain supporting evidence and undertake appropriate checks on the data reported by February 2024.*
- The existing arrangements in place for completing the Public Bodies Climate Change Duties report for the Scottish Government require review – in some instances, there was a lack of a clear audit trail, supporting evidence had not been retained for emission sources and a person independent of processing had not completed a summary sheet to evidence any checks carried out. *Management have advised that a back-up folder will be retained for each emission source and a summary sheet will be completed by a person independent of processing by December 2023.*

Recommendation Summary

| Recommendations Grade | High | Medium | Low | Total |
|-----------------------|------|--------|-----|-------|
| Current Report | - | 9 | - | 9 |
| Prior Report | N/A | N/A | N/A | N/A* |

Materiality

In August 2019 East Lothian Council's elected members agreed to declare a climate emergency and the Council's Climate Change Strategy 2020 – 2025 was formally approved by Cabinet on 21 January 2020. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 set ambitious targets of becoming net zero by 2045, with interim targets of a 56% reduction by 2020, 75% by 2030 and 90% by 2040 relative to a 1990 baseline.

* No prior report exists for Climate Change.

Headlines

| Objectives | Conclusion | Comments |
|--|-------------|--|
| 1. An appropriate Climate Change Strategy is in place. | Substantial | The Council has a Climate Change Strategy in place for the period from 2020 to 2025, which was formally approved by Cabinet on 21 January 2020. We note that Cabinet further approved a commitment to review the Climate Change Strategy and accompanying action plan annually, taking into consideration any further national legislative and policy changes. The strategy sets out the vision and overall aims for a net zero carbon emissions Council, together with specific outcomes, key priority areas and actions over the five-year period. |
| 2. The Climate Change Strategy is reviewed annually and updated in line with legislative requirements. | Reasonable | From our review, we found that annual updates on the Climate Change Strategy 2020 – 2025 have been reported to Cabinet or Council, including where applicable updates on the progress made across Council service areas in delivering the targets set out in the action plan. The Council's overall carbon footprint has continued to reduce over the last three years, the Council's emissions in 2021/22 were reported as 15,653 tCO ₂ e (tonnes of carbon dioxide equivalent), a reduction of 15.2% when compared to the figure of 18,450 tCO ₂ e reported in 2019/20 (including emissions associated with staff commuting). |
| 3. The Council has identified the actions required to meet the targets set within the Climate Change Strategy. | Reasonable | The Climate Change Strategy 2020 – 2025 has identified seven key outcomes to help achieve the Scottish Government's target of net zero emissions by 2045. For each outcome, the strategy has identified further key priority areas for progression over the next five years to assist with achieving the outcomes. The strategy includes an action plan, which outlines the tasks to be achieved, and provides links to other relevant Council strategies and policies, together with details of the lead person/service area responsible for progressing the actions. However we found that there are no interim targets in the Climate Change Strategy for monitoring the Council's current action plan with the target of achieving net zero carbon emissions by 2045. In some instances, the individual actions did not provide updated figures for the emissions or targets, nor did they include the percentage increase or decrease for the year. |
| 4. Adequate arrangements are in place for monitoring the progress made in achieving the projected targets. | Limited | For a sample of 15 identified actions selected from the Climate Change Strategy 2020 – 2025 update reported to Council on 28 February 2023, we found that in eight cases appropriate arrangements were in place for monitoring the progress and adequate evidence had been retained on file for the identified action, however in five cases supporting evidence had not been retained and in two cases errors were found in the figures reported, including the data reported for East Lothian's overall per Capita carbon emissions. |
| 5. Adequate data is available to allow the accurate reporting of climate change performance against targets. | Reasonable | The data in the Climate Change Strategy comes from a number of external verifiable sources e.g. the UK local authority and regional greenhouse gas emissions national statistics 2005 to 2020 and in other cases the data is provided by internal sources. The carbon emissions data reported of 15,653 tCO ₂ e (tonnes of carbon dioxide equivalent) was taken from the Public Bodies Climate Change Duties report prepared by the Council in November 2022, however in some instances there was a lack of a clear audit trail for the emissions reported – supporting evidence had not been retained, and a summary sheet had not been completed by a person independent of processing to evidence any checks carried out. |

Areas where expected controls are met/good practice

| No. | Areas of Positive Assurance |
|-----|---|
| 1. | The Council has a Climate Change Strategy in place for the period from 2020 to 2025, which was formally approved by Cabinet on 21 January 2020. |
| 2. | Annual updates on the Climate Change Strategy 2020 – 2025 have been reported to Cabinet or Council, including updates on the progress being made across Council service areas in delivering the targets set out in the action plan. |

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: HR/Payroll – Recruitment and New Starts

Conclusion: Reasonable Assurance

The internal controls in place for HR/Payroll – Recruitment and New Starts are generally reliable, however there are some improvements that can be made to provide a fully effective control process, including the arrangements in place for undertaking pre-employment checks on employee references, a review of the Recruitment and Selection Policy, ensuring that Recruiting Managers are provided with appropriate training prior to undertaking the recruitment and selection of new employees and the arrangements in place for completing Employee Appointment Forms for casual staff.

Background

Guidance is available on the Council’s intranet to assist Recruiting Managers with the recruitment and selection process and all vacancies (internal and external) are advertised on the myjobscotland website, with all applications and communications being carried out via Talentlink (the administration portal for myjobscotland) to ensure that a clear audit trail exists. We were informed that the recruitment process is changing and an updated process for pre-employment checks will be fully incorporated into Talentlink, which will facilitate each stage for Recruiting Managers and provide a prompt after each stage has been completed. The Council uses the iTrent integrated HR and payroll system for the administration of the Payroll function and the Electronic Document and Records Management System (EDRMS) is used by both Human Resources (HR) and Payroll for their business processes. The process history screen on EDRMS provides a clear audit trail of all tasks undertaken by both HR and Payroll staff.

Summary of findings & recommendations

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

- The existing arrangements in place for undertaking pre-employment checks on employee references require review – in some instances, there was a lack of appropriate checking to ensure that information provided by the referee had been validated to the application form, and in other cases two employment references had not been obtained as required by the Recruitment and Selection Policy, a character reference had been accepted by the service area, instead of an employment reference. *Management have advised that service areas will be provided with a reminder note in respect of employee references to reiterate the current guidance **by December 2023**.*
- A review of the Recruitment and Selection Policy should be carried out, taking in consideration the introduction of the updated Talentlink recruitment process. *Management have agreed to undertake a review of the Recruitment and Selection Policy **by March 2024**.*
- The existing arrangements in place for completing Employee Appointment Forms for casual staff require review, there was a lack of formal guidance in place outlining the timing for the submission of the forms to Human Resources. *Management have agreed to issue appropriate guidance on the completion of Employee Appointment Forms for casual staff **by December 2023**.*
- There was a lack of clear guidance available on the training required for Recruiting Managers and in some cases no training had been undertaken, prior to the recruitment and selection of new employees. *Management have agreed to provide additional clarity on training **by March 2024**.*

Recommendation Summary

| Recommendations Grade | High | Medium | Low | Total |
|-----------------------|------|--------|-----|-------|
| Current Report | - | 8 | 1 | 9 |
| Prior Report | N/A | N/A | N/A | N/A* |

Materiality

The Council had approximately 1,464 new starts in the period from 01 April 2021 to 31 January 2023 and spent approximately £172.5 million on payroll costs for the year ended 31 March 2022 and approximately £193.5 million on payroll costs for the year ended 31 March 2023.

* No prior report exists for HR/Payroll – Recruitment and New Starts.

Headlines

| Objectives | Conclusion | Comments |
|---|-------------|--|
| 1. Adequate policies and procedures are in place for administering the recruitment of new starts. | Reasonable | Guidance is available on the Council's intranet to assist Recruiting Managers with the recruitment and selection process, which states that all applications and communications for new starts should be carried out via Talentlink. However there was a lack of clear guidance available on the training required for Recruiting Managers and in some cases no training had been undertaken, prior to the recruitment and selection of new employees. The Recruitment and Selection Policy was last updated in 2018, we were informed that the recruitment process is changing and a new process for pre-employment checks will be fully incorporated into Talentlink for Recruiting Managers. A review of the Recruitment and Selection Policy should be undertaken, taking into consideration the introduction of the updated Talentlink recruitment process. |
| 2. An appropriate recruitment process is in place for the appointment of new starts. | Reasonable | Appropriate arrangements were in place for authorising the Recruitment Authorisation Request Form (RARF), prior to the forms being passed to the Recruitment Team. We selected a sample of 10 new employees and found that in three cases a clear audit trail existed for each stage of the decision making process and for the remaining seven cases the recruitment documents had been destroyed after six months as per the Recruitment and Selection Policy. A review of the online application process should consider offering applicants the option of attaching their CVs to encourage more interest in specific roles. |
| 3. Adequate separation of duties exists for setting up new starts. | Substantial | We found that all new posts are approved by the relevant Head of Service and passed to the Job Evaluation Panel to be graded, and the subsequent recruitment and selection of new employees is undertaken by the service area (including interviewing applicants and carrying out pre-employment checks on the preferred candidate). Human Resources staff are responsible for validating key information, arranging a formal offer of employment and entering all new start details on the iTrent payroll system. The Payroll Section then check the new start details, prior to processing new employees' pay. We found that adequate separation of duties exists for the setting up of new starts. |
| 4. Adequate arrangements are in place for undertaking pre-employment checks on the preferred candidate. | Reasonable | We selected a sample of 30 new starts and found that in some instances, there was a lack of appropriate checking to ensure that the information provided by the referee had been validated to the application form, and in other cases two employment references had not been obtained as required by the Recruitment and Selection Policy, instead service areas had accepted character references. The online Reference Request Form does not include a section for recording the candidate's job title during the period employed. The existing arrangements in place for completing Employee Appointment Forms for casual staff require review, there was a lack of formal guidance in place outlining the timing for the submission of the forms to HR. |
| 5. Adequate arrangements are in place to ensure that the first pay has been correctly calculated. | Reasonable | For a sample of 30 new starts, we checked to ensure that the employee's first pay had been correctly calculated. Human Resources (HR) staff enter the key details on the iTrent payroll system for new employees, including the contracted hours, salary grades and scale point placings, and in each case we found that the details had been properly set up and the first pay was correctly calculated by the Payroll Section. |

Areas where expected controls are met/good practice

| No. | Areas of Positive Assurance |
|-----|--|
| 1. | Adequate separation of duties exists between the service area, Human Resources and the Payroll Section for the setting up of new starts. |
| 2. | From the sample reviewed, appropriate arrangements were in place to ensure that the employee's new start details had been properly set up on the iTrent payroll system and that the first pay had been correctly calculated. |

Recommendation Grading/Overall Opinion Definitions

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

| Levels of Assurance | Definition |
|------------------------------|--|
| Substantial Assurance | 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: Housing Management System Replacement Project

2d

Conclusion: Reasonable Assurance

The Council has used the Orchard housing management system for 20 years and now has a project in place to replace this system. Following an appropriate procurement process a supplier was appointed who could meet the council requirements and formal project governance has been implemented appropriately. However following confirmation that the supplier requires to delay delivery of the first phase, whilst appropriate action has been taken to reduce payments to the supplier, the business case has not been formally revisited to ensure that decisions on continuation of the project in the new form continue to meet the Council's requirements.

Background

East Lothian Council has used Orchard as its Housing Management system for approximately 20 years but over a number of years it has become apparent that this does not have the capacity to deal with new ways of working and the underlying systems required to support the system are very heavily reliant on a paper based approach to inputting information into the system. A project team was established in 2018 to carry out an options appraisal to consider whether Orchard needed to be replaced. The results of this appraisal gave a clear mandate for change 67% to do something and 33% to do nothing. Secondly 60% opted for a single system and 40% for a multiple system approach. A second project team was assembled to oversee the tender process and ultimately the implementation of the new system. Representatives from all services that are impacted by Orchard are represented on the Project Board. Under the Crown Commercial Services framework a market engagement exercise was undertaken to identify those suppliers who could provide a system that would meet all the Council's requirements. Following this exercise a tender process was put in place which ended with only one supplier submitting a tender as all other suppliers could not meet the requirements. This review focused on the project management of the process of implementing this system.

Summary of findings & recommendations

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

- Management should update the business case and formally evidence that any change to the Business Case have been discussed and agreed by the Project Board. *Management have agreed to ensure that approval has been given **by August 2023**.*
- Following the change to the sequencing of the project phases a revised Business Case should be further approved by the Executive Transformation Team. *Management have agreed that this will be completed **by August 2023**.*

Recommendation Summary

| Recommendations Grade | High | Medium | Low | Total |
|-----------------------|------|--------|-----|-------|
| Current Report | - | 3 | 1 | 4 |
| Prior report | N/A | N/A | N/A | N/A* |

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

Materiality

A budget of £750,000 has been set aside for the purchase and implementation of a new Housing Management system with an ongoing cost of £100,000 for support and maintenance once it has been implemented. Due to the phasing issue a discount on the hosting and support charge for the first year has been agreed with the supplier.

Headlines

| Objectives | Conclusion | Comment |
|--|-------------|--|
| 1. Clear, accessible, relevant and appropriate Governance arrangements are in place to oversee the replacement of the housing management system | Reasonable | A project board was put together following the requirements of the Prince 2 methodology. Terms of reference, which included clear Roles & Responsibilities for the members, have been approved for the Board. The Board will usually meet every month or every other month depending on the stage of the project. The Board comprises staff from all Services who make use of the housing system. |
| 2. An adequate, approved long-term business case is in place for the replacement of the current housing management system | Reasonable | A PID has been developed and defines the scope and objective of the project and approved by the Project Board. A Business Case has been developed, which sets out the reasoning for needing the project and the impact it will have on Council services, however this has not yet been revised to reflect changes to the phasing of the work being undertaken. |
| 3. A process has been put in place to map all current processes and desired process improvements to clearly specify all council requirements for the new housing management system, and these have been agreed by the supplier | Substantial | Process mapping has been carried out showing how the current system works and how the new system will work. The revised process maps were used to guide the potential bidders in assessing whether they can fulfil all the Council's requirements. As the process is developed with the identified supplier the process maps will be further updated to ensure that they reflect how the system will function. |
| 4. A procurement process was put in place to identify an appropriate provider who can provide all the services required | Substantial | A tender process was carried out within the requirements of the Crown Commercial Service and following a market engagement process a tender advert was placed asking suppliers to submit a detailed tender. Following the appointment of the preferred supplier it was revealed that their asset management system was not as fully developed as had been intimated during the tender process. |

Headlines Continued

| Objectives | Conclusion | Comment |
|---|--------------------|---|
| <p>5. An appropriate project plan is in place to allow for the development of the new system in a timely accurate and complete manner that is regularly monitored to ensure appropriate progress</p> | <p>Reasonable</p> | <p>A revised time line for Phase 2 is in place and there are no anticipated implications to the delivery of Phase 2 functionality due to Phase 1 being delayed. Regular monitoring of Phase 1 was in place to ensure that the plan was going to be met. However, in December 2022 Civica advised ELC that part of the Cx Asset Management module was not developed and would not be completed in time to meet the original plan for Phase 1. The reason provided was that Civica were waiting on specific guidance from the UK Government on the rdSAP energy standards which would require significant development. Therefore, Phase 1 had to be paused with immediate effect and work commence on Phase 2. There were no dependencies to prevent Phase 2 commencing from the previous Phase. Currently a revised time line for continuing Phase 1 is not in place as it is dependent on Civica developing the required functionality where the timeline will be re-planned. The Cx solution will be seeded with data for contacts, assets, tenancies and repairs from Orchard. The delay of Phase 1 will reduce the visibility of the activities currently managed in the legacy asset management system, Keystone, within Cx but this will not have an adverse effect on service delivery.</p> |
| <p>6. Management have adequate controls in place to ensure that should there be delays or lack of service delivery during the implementation period the Council can seek appropriate recompense from the supplier</p> | <p>Substantial</p> | <p>A payment schedule had been provided by the supplier and following approval by the Project Board the initial payment was made once the contract had been signed. However, following the delay with Phase 1 no further payments had been made in line with the schedule. A discount on the hosting and support charge for the first year has been agreed with the supplier as compensation for the delay.</p> |

Areas where expected controls are met/good practice.

| No. | Areas of Positive Assurance |
|-----|---|
| 1. | A significant discount on the costs was agreed with the supplier following the deferral of Phase 1. Payments have been delayed to a period between February 2023 and January 2024. |
| 2. | A Project Board has been put in place, consisting of staff from all services who need access to the housing system. Regular meetings are held by the Project Board to monitor the progress of the Project. |
| 3. | Standard Procurement Procedures have been followed to identify suppliers who could meet the Council's requirement and a preferred supplier who confirmed that they could meet these requirements was identified. |
| 4. | Progress of the project is regularly reported to both the Digital Transformation Board and Executive Transformation Team to allow senior management to scrutinise and assure the Council on progress with this significant project. |
| 5. | A series of detailed process maps setting out how the system is currently operating and a version showing how they want the systems to be operating. |
| 6. | Work on this project continued throughout the period impacted by the COVID pandemic to help ensure a timely implementation. |

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: Risk Management

2e

Conclusion: Reasonable Assurance

The Council has a sound framework for Risk Management in place reporting through a variety of internal Governance Groups and publicly through the Audit & Risk Committee, Cabinet and Council with significant detail provided in risk reports. The Internal Governance structure has been improved by the introduction of a Linking Risks Group formed of staff from key services with risk oversight and the Council Management Team sub group who have overall oversight of the Corporate Risk Register. The Risk Strategy has been approved this year and provides the basis of this framework. Improvements in recording of individual management team discussion on risk and improved highlighting of extended timescales for implementing planned mitigation measures will further improve this framework.

Background

The Council provides a wide range of services and these services bring with them strategic and operational risks. Each service has developed a separate risk register which covers risks that are appropriate to the activities undertaken by that service. The Corporate Risk Register highlights those risks that are considered to have the greatest impact on the way the Council carries out its objectives.

East Lothian Council regards risk as the threat that an event or action will adversely affect the Council's ability to achieve objectives and the successful execution of strategies. The Council has agreed that the Corporate Risk Management Group (chaired by the Head of Communities) is the lead Group overseeing the development, implementation and maintenance of risk management across all services. An additional group, the Linking Risks Group has been introduced in April 2022 with members from services with direct overview of risk. The Corporate Management Team sub group have oversight of the Corporate Risk Register. Risks will be recorded within the Corporate Risk Register, service risk registers or project risk registers.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Emergency Planning Risk & Resilience Manager**:

- In some cases minutes are not take of management team meetings which does not allow confirmation of risks being regularly being discussed. *Management have agreed to ensure that meetings are documented appropriately by August 2023.*
- In some cases it is not clear that the reasoning for extending a planned risk control measure has not been set out in the Risk Register. *Management have agreed to ensure that reasoning for extensions have been clearly stated by August 2023.*

Recommendation Summary

| Recommendations Grade | High | Medium | Low | Total |
|-----------------------|------|--------|-----|-------|
| Current Report | - | 3 | - | 3 |
| Prior report | - | 1 | 1 | 2 |

Materiality

At the time of the audit the Council's service area risk registers had a total of 207 risks covering 10 service areas of which 66 were classified as a current very high or high risk, with 15 having a very high or high residual risk. The Corporate Risk Register contained 21 risks of which 13 had a current very high or high risk rating and 10 had a very high or high residual risk rating.

Headlines

| Objectives | Conclusion | Comment |
|---|-------------|---|
| 1. Adequately recorded updates are made to the risk registers of each service area and corporate level risks on a timely basis, to ensure that risks are effectively identified and graded. | Reasonable | From a sample of risk registers from three service areas all risk registers had been reviewed three times during the past year by the Service management teams. In two cases regular meetings by the Service management teams are held with one regularly recording the discussions held and in the other meeting notes are prepared but not on a regular basis. In one case we were informed that risk is discussed at management meetings but no record of these meetings is maintained. |
| 2. Adequate controls are recorded against each risk in line with the recorded risk appetite of the Council | Substantial | A revised Risk Management Strategy was approved by the Cabinet which sets out the Council's risk appetite for the next three years. The Council's overarching risk appetite ensures that risks are managed in line with amount and type of identified risk which the Council is willing to accept. Risk registers clearly identify all of the risks that are Very High and High that are outwith the Council risk appetite and these risks are publicly reported in a transparent basis along with planned control measures to reduce the risk in the future. |
| 3. Adequate arrangements are in place to provide timescales for identified additional controls required to reduce risk levels and implementation to these timescales is monitored appropriately. | Reasonable | From one current risk register from 2021 and 2022 we found that while the dates for the timescale for planned control measures were being moved forward to the following year when not complete to the original timescale. Clear signposting of delays have occurred in implementing planned measures would enhance the transparency of the risk reporting and ensure that the delays have been brought to the attention of those charged with governance. |
| 4. Adequate internal governance scrutiny of current risk measures, together with new and emerging risks, is undertaken by the Corporate Risk Management Group supported by the Linking Risks Sub Group and a high level CMT sub group oversees the Corporate Risk Register. | Substantial | An additional level of governance was introduced this year with the formation of a Linking Risks Group which includes staff from the main services who have responsibility for overseeing risk within the Council. This group meets ahead of the bi-monthly Corporate Risk Management Group. A review of the minutes from of the Council Management Team risk sub-group provides adequate assurance of the management of the risk registers prior to them being submitted to Audit and Governance Committee, Council and Cabinet. |

Areas where expected controls are met/good practice.

| No. | Areas of Positive Assurance |
|-----|---|
| 1. | Risk Registers within all services are updated on a regular basis and presented on an annual basis to the Council's Audit & Governance Committee as part of the overall governance reviews of risk. |
| 2. | A Linking Risks Group has been established comprising staff within services directly involved with overseeing risk management. This group can take a more detailed examination of risks arising within the Council and any other risks that may be arising from the external environment. |
| 3. | A Council Management Team sub-group is in place to carry out a review of the Corporate Risk Register to ensure that this reflects appropriate and timely updated of the highest scored risks for the Council. |
| 4. | A revised Risk Management Strategy has been approved by the Cabinet which enhances the Council's risk appetite and introduces the Three Lines Model. |

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. |

Conclusion: Substantial Assurance

There is a sound system of governance and control in place for the Council leading Covid-19 Recovery and Renewal across East Lothian, with a clear framework in place, regular reporting to Members and appropriate governance groups in place, including the Recovery and Renewal Co-ordinating Group and the East Lothian Partnership (ELP) Governance Group, to monitor the 36 action points identified. Improvements to the reporting framework including the setting of clear target timescales for indicators and the application of RAG ratings to each of the action points are recommended.

Background

The recovery and renewal from Covid-19 in East Lothian is being led by East Lothian Council, supported by partner agencies under the Civil Contingencies Act (Contingency Planning) (Scotland) Regulations 2005. From 13 June 2022, East Lothian Council is no longer operating under Business Continuity arrangements in total as a consequence of the pandemic and from this date the Council as an organisation moved into formal Recovery status. In November 2021, Council approved the East Lothian Covid-19 Recovery and Renewal Plan and in June 2022, a report on the East Lothian Covid-19 Status and Recovery and Renewal Plan was submitted to the Members' Library. The report advised that a Recovery and Renewal Action Plan Reporting Framework had been developed to assist in monitoring the delivery of the Covid-19 Recovery and Renewal Plan. For each of the 36 action points identified, the Recovery and Renewal Action Plan Reporting Framework provides details of the lead service/partner, reporting group, outcome measures, indicators and resources/strategies/potential sources of funding. Progress on the delivery of the Recovery and Renewal Action Plan is being reviewed by the Council's Recovery and Renewal Co-ordinating Group and the East Lothian Partnership (ELP) Governance Group.

Summary of findings & recommendations

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

- Consideration should be given to RAG (Red, Amber, Green) ratings being applied to each of the 36 separate action points identified in the Recovery and Renewal Action Plan, to assist in monitoring progress in the delivery of the Action Plan. *Management have confirmed that RAG ratings will be included in the Action Plan by June 2023.*
- Clear and comparable indicator targets should be reported for each action point to enable an assessment to be made of the effectiveness of actions being taken. *Management have confirmed that the June 2023 Recovery & Renewal Action Plan will provide an update on the current indicators, which will also include targets.*
- The reports submitted to the February 2023 and April 2023 meetings of the Recovery and Renewal Co-ordinating Group provided very detailed comments for many of the 36 action points, however for certain of the action points the comments section was left blank and no details were provided of the progress being made. *Management have advised that a full update on all 36 actions will be provided to the June 2023 meetings of both the Recovery and Renewal Co-ordinating Group and the ELP Governance Group.*

Recommendation Summary

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

Materiality

As the Council moves forward following the Covid-19 pandemic, the Recovery and Renewal Co-ordinating Group may disband after its June 2023 meeting as the Action Plan will have been subsumed within the new Council Plan and/or any outstanding actions relevant to the East Lothian Partnership will be considered for inclusion in the revised East Lothian Plan in the autumn.

Headlines

| Objectives | Conclusion | Comment |
|--|---------------------------|---|
| <p>1. An appropriate framework is in place for, and there is evidence of widespread consultation on, identifying the priority areas which form part of the Covid-19 Recovery and Renewal Plan.</p> | <p>Substantial</p> | <p>In November 2021, Council approved the East Lothian Covid-19 Recovery and Renewal Plan, which built on the work undertaken through MARRCG (Multi Agency Recovery and Renewal Co-ordinating Group). MARRCG included representation from a range of partners. At this point MARRCG was stood down, however the multi-agency approach was to be maintained by delivering the Plan and the action contained therein, alongside monitoring the results of those actions, through the East Lothian Partnership (ELP). The Council still retains the lead role in this activity, with the Executive Director for Place as ELC Silver for Recovery, supported by the Head of Corporate Support as ELC Bronze.</p> |
| <p>2. There is regular reporting to both Members and Senior Management on the progress being made in the delivery of the Recovery and Renewal Plan.</p> | <p>Substantial</p> | <p>There is appropriate Senior Management involvement through attendance of key Council Officers at the Council's Recovery and Renewal Co-ordinating Group and the ELP Governance Group, both of these groups monitor progress on the delivery of the Recovery and Renewal Action Plan, and there was clear evidence of periodic reports being prepared for Members on the progress being made in the delivery of the Covid-19 Recovery and Renewal Action Plan.</p> |
| <p>3. Appropriate monitoring and assurance arrangements are in place to enable key Council risks in the delivery of the Recovery and Renewal Plan to be identified, managed and transparently reported.</p> | <p>Substantial</p> | <p>The Council's Corporate Risk Register has identified a key risk (ELC CR4) of Cost of Living Pressures and Economic Volatility, which is split into a number of sub-risks including Recovery and Renewal. Without a Recovery and Renewal Plan in place our economy and County could fail to thrive following the impacts of Covid-19. Existing risk control measures are clearly identified and one planned risk control measure has been identified, namely the ongoing monitoring of the Recovery and Renewal Plan/Action Plan with production of ongoing performance and progress reports.</p> |
| <p>4. Clear, measurable and time limited outcomes have been identified to enable an assessment to be made of the effectiveness of actions being taken in addressing the priority areas identified in the Recovery and Renewal Plan.</p> | <p>Reasonable</p> | <p>The Recovery and Renewal Action Plan identified a total of 36 actions, split over the eight Recovery and Renewal Plan objectives. For each of the 36 action points identified, the reporting framework provides sections on Lead Service/Partner; Reporting Group; Outcome Measures; Indicators and Resources/Strategies/Potential Sources of Funding. However indicators have not been quantified for two of the eight objectives, while in most cases where current indicators are shown, these are not compared to target indicators. Management advised that they have not been reporting on indicators until now as most indicators are annual, however the June 2023 Recovery and Renewal Action Plan will provide an update on the indicators, which will also include targets.</p> |
| <p>5. Appropriate oversight arrangements are in place for the monitoring of, and reporting on, the progress being made in implementing the actions identified through the Recovery and Renewal Plan, for measuring success in meeting the Plan outcomes, and for identifying improvements that require to be made.</p> | <p>Reasonable</p> | <p>Progress on the delivery of the Recovery and Renewal Action Plan is being reviewed by the Council's Recovery and Renewal Co-ordinating Group and the ELP Governance Group. The Recovery and Renewal Co-ordinating Group is chaired by the Executive Director for Place, meets every two months and receives updates on the progress with the Action Plan. The ELP Governance Group, which is chaired by the Council's Chief Executive also meets every two months and receives updates on specific actions at each meeting. The ELP Governance Group is attended by key community partners and provides oversight of the required multi-agency activity that will deliver the Recovery and Renewal Action Plan outcomes through its individual partnership forums.</p> |

Areas where expected controls are met/good practice

| No | Areas of Positive Assurance |
|----|--|
| 1. | <p>An East Lothian Recovery and Renewal Plan was approved by Council in November 2021 and was made available to the public identifying 36 separate action points, across eight priority areas, which are:</p> <ul style="list-style-type: none"> Support our communities to tackle inequality and social exclusion; Climate and ecological emergency; Support business, employment and promote inclusive economic growth; Help our children and young people achieve their full potential; Deliver improved connectivity and digital innovation; Maintain and develop resilient and sustainable services; Develop our people and future ways of working; Invest in regeneration and a sustainable future. |
| 2. | <p>In June 2022, a report on the East Lothian Covid-19 Status and Recovery and Renewal Plan was submitted to the Members' Library. The report noted that from 13 June 2022, the Council is no longer operating under business continuity arrangements as a consequence of the pandemic and has moved from Response to formal Recovery status. The report advised that a Recovery and Renewal Action Plan Reporting Framework (which was attached to the report as an appendix) had been developed to assist in monitoring the delivery of the Covid-19 Recovery and Renewal Plan. For each of the 36 action points identified, the Recovery and Renewal Action Plan Reporting Framework provides details of the lead service/partner, reporting group, outcome measures, indicators and resources/strategies/potential sources of funding.</p> |
| 3. | <p>Progress on the delivery of the Recovery and Renewal Action Plan is being reviewed by the Council's Recovery and Renewal Co-ordinating Group and the East Lothian Partnership (ELP) Governance Group. The Recovery and Renewal Co-ordinating Group is chaired by the Executive Director for Place, meets every two months and receives updates on the progress with the Action Plan. The ELP Governance Group, which is chaired by the Council's Chief Executive, also meets every two months and receives updates on specific actions at each meeting.</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. |

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 | Completed |
| 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 | Completed |
| 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 | Testing Underway |

| 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 | Completed |
| 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 | Completed |
| 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 | Completed |
| 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 | Completed |
| 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 | Completed |

| AUDIT REPORTS | SCOPE OF THE AUDIT | TARGET COMPLETION DATE | STATUS |
|---|---|------------------------|------------------------|
| Brunton Theatre Trust Review | We will review the governance process in place between the Council and Brunton Theatre Trust for this arm's length organisation. | June 2023 | Draft Report in Review |
| 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 | Completed |
| 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 |