



## **MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE**

**TUESDAY 13 JUNE 2023  
VIA DIGITAL MEETINGS SYSTEM**

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### **Committee Members Present:**

Councillor Bruce  
Councillor McFarlane  
Councillor McGuire  
Councillor Jardine  
Councillor Ritchie  
Councillor Trotter (Convener)

### **Council Officials Present:**

Ms S Fortune, Executive Director for Council Resources  
Mr D Proudfoot, Executive Director for Place  
Ms W McGuire, Head of Housing  
Ms M Ferguson, Head of Corporate Support  
Ms E Dunnet, Head of Finance  
Mr D Stainbank, Service Manager – Internal Audit  
Mr P Vestri, Service Manager – Policy, Improvement & Partnerships  
Mr S Kennedy - Emergency Planning, Risk and Resilience Officer  
Mr C Grilli, Service Manager – Governance, Council Resources  
Ms S Saunders, Head of Communities and Partnerships  
Mr S Allan, Senior Auditor – Internal Audit  
Mr T Reid, Head of Infrastructure  
Ms N McDowell, Head of Education  
Mr P Grant, Service Manager – Property Maintenance  
Mr A Stubbs, Service Manager for Roads  
Ms L Byrne, Head of Children's Services  
Mr B Moffat, Service Manager – Transport & Waste  
Mr L Wright, Emergency Planning, Risk & Resilience Officer

### **External Audit:**

Mr J Boyd, Audit Scotland

### **Clerk:**

Ms M Scott  
Ms F Currie (back up)

### **Apologies:**

Councillor L Menzies

### **Declarations of Interest:**

N/A

**1. MINUTE OF AUDIT & GOVERNANCE COMMITTEE ON 14 FEBRUARY 2023**

The minutes of the Audit & Governance Committee from 14 February 2023 were approved as an accurate record.

**2. INTERNAL AUDIT REPORT: JUNE 2023**

A report was submitted by the Service Manager for Internal Audit 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.

Duncan Stainbank, Service Manager for Internal Audit reported that since the last meeting of the Committee final reports had been issued in respect of the following audits: Construction Materials Procurement, Climate Change, HR/Payroll – Recruitment & New Starts, Housing Management System Replacement Project, Risk Management and Covid-19 Recovery & Renewal Plan. Construction Materials Procurement was granted limited assurance with all others granted reasonable assurance.

Mr Stainbank highlighted the key findings, recommendations and the dates for completion for each audit category.

Councillor Jardine asked if someone could advise in what circumstances we were procuring out with the framework rates and were Scotland Excel aware of this. She also asked why the dates for some recommendations being resolved were so long. Mr Stainbank explained there had been confusion with the supplier on the rates they had been charging the Council but this was being followed up to ensure the rates were now correct and if any money was due back to the Council then that would be achieved. Mr Stainbank explained the dates being so far away was in order to provide assurance in respect of all the suppliers and the ones with identified issues would be dealt with sooner, then the others would follow to keep regular monitoring review.

Tom Reid, Head of Infrastructure welcomed the report and stated there were a few actions he and his team would be taking forward. Mr Reid felt there was some narrative missing from the report in terms of the limited assurance and we've asked that further discussion on this report takes place after the committee meeting because some of the excel frameworks had ended and we were having to operate during the pandemic to purchase equipment. We need to get further clarification on the report for the benefit of the officers to ensure that the narrative explains some of the points made by internal audit and also enables us as a service to take forward the appropriate actions.

Allan Stubbs, Service Manager for Roads explained that one reason we paid more than is stated on Scotland Excel is due to the street lighting contract finalised in June 2022 and our order was placed during the period of price increase. He added that Scotland Excel supplied name specific things at cost and they may seem more expensive but they are a superior item due to them having a longer warranty therefore it may seem like we paid more for certain items but there was good reason and worked out the best value in the long run as they will require less maintenance in the future. Councillor Jardine asked if this was an issues only related to street lighting and roads. Mr Stubbs he did not see this as an issue in the sense that we do

sometimes pay more for items but there is generally a good reason for this decision and it needs to be articulated within the report.

Wendy McGuire, Head of Housing added that from a property maintenance view there had been a change in legislation in 2020 for fire alarms and they were no longer a core item on Scotland Excel so quotes had been sought from other providers at that time and that is why they were procured through the excel framework. Ms McGuire stated things had now changed and they are classified as a core item on the framework and as Mr Stainbank said earlier, this is now being followed up with the supplier to try and recoup some of the money. Mr Paul Grant, Service Manager – Property Maintenance explained that the risk on the report was aimed at that very specific feat of materials that Ms McGuire just mentioned. Mr Grant added that the Council followed the correct procurement procedure on getting competitive quotes as the item required was not available on the framework. Mr Grant explained the specific supplier failed to charge the Council at the new framework rates after the item became a core item in 2020 but he wished to ensure the committee they were now working towards recouping the difference. Mr Stainbank stated these were both examples picked up during the auditing process but within the report he didn't want to necessarily pick of specific elements as there was work ongoing to identify the situation and take it through the process, in both cases service management are taking the appropriate measures were required to identify were we have paid the correct prices and were we need to recoup some of the money. The longer term dates against recommendations are to make sure we have processes and procedures in place that cover all of that across both services.

In response to a question from Councillor Bruce Mr Stainbank explained the changes will be made in relation to ensuring we check against those 167 actions we have that appropriate documentation in place to report against those when they are reported in the future. Douglas Proudfoot, Executive Director of Place reported that interim targets could be considered and he had discussed this option with Mr Stainbank but that it would be extremely difficult to set anything meaningful as we only have one officer and we work collectively across the piece and I chair the Corporate Monitoring Group and we have real commitment from numerous officer across the Council and beyond in terms of partnership. Mr Proudfoot added there needed to be recognition here that ideally we would have physical and legislative change in this context from central governments and a lot more resources allocated to local authorities in the context of the climate emergency and would continue to be our position that we feedback to Scottish Government but we look to take forward the recommendation and address that as best we can.

Councillor Bruce asked a further question on misreporting and asked if this was a transcribing error or a measuring error. Mr Stainbank believed it was a transcribing error but he would check and report back to him on that.

Councillor McLeod asked if Mr Stainbank was happy with the progress that had been made or did he still have concerns. Mr Stainbank stated that since producing the report which was fairly recent he was absolutely happy with the progress that had been made towards those and imbedding that. In relation to outlining it is documented processes we are looking for and it doesn't mean that there aren't regular meetings with those suppliers however what the contract and supplier management system process does is provides a documented process to go through which when having those conversations provides assurance to the Council that we are having appropriate meetings particularly with those large value suppliers where it would be most appropriate to implement that and ensuring we are asking the right questions and doing the preparation before the meetings with those suppliers in each

and every case. There are examples of good practice where those meetings are taking place and Council officers are doing so with the best of the resources that they have available but this will provide them with an additional resource and a process to go through which will assure the Council that we are undertaking that appropriately.

Councillor McLeod asked a question relating to recruitment. Mr Stainbank explained the same processes do apply to seasonal workers as they do for permanent staff members who were being appointed by East Lothian Council and the same references would be expected to be in place. He noted that testing identified second references were not quite in line with the policy we have but there were no concerns about the recruitment we sampled as part of the testing. Mr Stainbank explained where the process differed slightly in relation to casual staff is we often wait to process some of the paperwork until their first shift so people are not added to the pay roll system too soon.

Councillor Jardine asked if the target date of March 2024 included delivering the training as well as coming up with the plan of how to train Recruitment Managers. Morag Ferguson, Head of Corporate Support explained the plan is to review the Recruitment and Selection policy and then train on the new policy so that is why the date seems so far away.

In response to a further question from Councillor Jardine, Mr Stainbank stated he did not have an exact number in terms of users of the Orchard system but he would be able to find this. He noted the system covers a wide area of services across the Council and it is a complex system as covers from Housing to Benefits and many other areas. Sarah Fortune added that this system is one of the core corporate systems within the organisation which links into all the key systems across the Council which is why this has been fundamental as it is not just a standalone system. Ms Fortune agreed to send round to all committee Members what all the interdependencies are of the system.

Mr Stainbank took Members back to the report and identified the areas were internal audited had completed follow up reviews on previous years reports. He also advised the committee of which recommendations had been implemented and which were still outstanding for East Lothian Mid-Market Homes LLP, IT Schools Procurement, Property Maintenance Stores, Low Value Purchasing, Scottish Welfare Fund, Corporate Appointee-ship and Payroll.

Mr Stainbank reported internal audit had now completed 87.5% of the audit plan for the year with two audits in relation to homelessness and the Brunton Theatre which are still ongoing. BTT review their report is in draft and is out with management for further review and the homelessness audit is well underway.

### **Decision**

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. ANNUAL INTERNAL AUDIT REPORT 2022/23**

A report was submitted by the Service Manager for Internal Audit to provide the Audit and Governance Committee with a summary of the work undertaken by East Lothian Council's Internal Audit team in 2022/23.

Duncan Stainbank, Service Manager for Internal Audit reported in 2022/23 16 audit reviews were completed of which three were graded limited assurance, 11 reasonable assurance, one substantial assurance and one was not graded. Mr Stainbank made the committee aware there were no instances throughout the year which impacted our independence or lead us to declare any interest.

Councillor Jardine asked if the challenges and resource implications of still delivering the services we can was the reason for the delay in the homelessness audit. Mr Stainbank explained that was one of the reasons why the audit had been planned for some time and it was now progressing that audit in conjunction with the team to avoid calling away resources from people who need them. Mr Stainbank a report on this internal audit would come before the committee in September.

In response to a question Councillor Trotter, Mr Stainbank explained none of the investigations identified any fraud within the Council and the vast majority of whistleblowing complaints went back with a no case to be answered. Mr Stainbank added that due to the nature of whistleblowing complaints they are not brought to directly to public meetings but he would take this up privately if it would be helpful.

#### **Decision**

The Audit and Governance Committee agreed to note the contents of the Annual Internal Audit Report 2022/23.

#### **4. CONTROLS ASSURANCE STATEMENT 2022/23**

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of the independent reviews of the internal control systems within East Lothian Council, make an assessment of the control environment and report annually on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

Duncan Stainbank, Service Manager – Internal Audit drew Members attention Internal Audit's Opinion within the report and highlighted the identified areas with scope for improvement as well as the risk of Managing the Financial Environment which is marked as a Very High risk on the Corporate Risk Register.

In response to a question from Councillor McLeod, Mr Stainbank confirmed in relation to the waste services that all of the recommendations had now been implemented and the control environment was now back appropriately to where it should be. Mr Reid added that two issues had been identified, one on the trade waste system which was in relation to a long-term staff absence which had been addressed by a service review and measures were now in place for the system to operate the way it should and the way it did previously. Mr Reid explained the second issue was more complex due to the commercial entity so in agreement with Mr Stainbank, Mr Moffat put a lot of work into developing a protocol around that. Mr Reid noted that protocol was functioning and working well but in the commercial market to get best value for the income there had to be a lot of time and effort put in and it has to respond quickly but he felt it was functioning incredibly well and this years looked on target to break all budget records.

Councillor McLeod asked a further question in relation to the destruction of IT systems. Mr Stainbank stated a number of items were destroyed completely because of the likelihood of them holding personal information or elements related to GDPR but there are elements that can be recycled and reused. Ms Ferguson explained now most devices could be wiped remotely so what happens to the physical device is less important now than it used to be and that is why on a risk assessed basis IT do not have the time or resources to track all items. Ms Ferguson explained an item is reported as lost or stolen to the IT department they can wipe it remotely without getting the device back but where devices reach the end of their useful life we do have a contract to recycle parts that can be reused.

In response to another question from Councillor McLeod, Mr Stainbank explained the follow up of recommendations from review discussed in item 2 showed a number of recommendations in there which make up part of the 19% that haven't been implemented yet. He added the reason the report states "at least 81%" was due to the one review we haven't been able to follow up that was significant from a prior year was prevent and return in Children's Services as were asked from colleagues in that service to delay our follow up due to the fact they were going through a service review and the head of service had been replaced and to avoid getting in the way of operational activities. Mr Stainbank assured Members those recommendations would be followed up towards the end of this month and he has been informed the vast majority of them should be implemented by then therefore the figure of implemented recommendations will be slightly higher than 81% after this had been followed up.

Councillor Trotter asked how far away the Council was to having staff in place to ensure the smooth running of Council business. Ms Ferguson stated it was a mixed picture as difference service areas faced their own challenges in terms of recruitment. Ms Ferguson added that for some areas the real crisis they saw last year had passed and they have come out of business continuity but a few are still being run this way which is down to staffing challenges. She explained the staff crisis was not as wide spread as it had been but it remained a critical issue in specific departments which was down to factors such as competing with other authorities and private sector businesses who had more flexibility over pay. Ms Ferguson explained the Recruitment and Retention Working Group had been in place for over a year and had refreshed how posts were advertised and how to sell East Lothian Council as a good place to work. Ms Ferguson confirmed the Council was nowhere near fully staffed at this point in time but she did not have the exact figure of vacancies. Councillor Trotter a follow up question on school leavers. Ms Ferguson explained that East Lothian Council runs a modern apprenticeship programme which targeted school leavers but in terms of the resourcing challenge that service face not always possible at the end of the apprenticeship to find a permanent post for these staff. Ms Ferguson added that the Council offers a really good training programme through modern apprenticeships which makes these staff members desirable to other employers who recruit them away from us when they have completed their programme.

Councillor Jardine commented that the committee was started to feel the impact of more rigorous scrutiny for a number of reasons, influx of new councillors but the merits of the work Mr Stainbank and his team are doing are beginning to come to the fore so wanted to give a big thank you to them.

### **Decision**

The Committee agreed to note that the Controls Assurance Statement as a formal confirmation of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2023.

## **5. MANAGEMENT REPORT 2022/23 – REPORT BY AUDIT SCOTLAND**

A report was submitted by the Audit Director for Audit Scotland to present the Management Report 2022/23 to the Audit and Governance Committee.

John Boyd, Audit Director for Audit Scotland spoke to his report and summarised the key matters which arose during the course of the interim audit work which involved initial reviews of the Councils key financial systems and processes which resulted in Audit Scotland identifying a number of recommendations. These related to where audit or evidence could be enhanced to support the process and Mr Boyd was pleased to report a number of the observations identified had been addressed by management. My Boyd explained as part of the audit planning and risk assessment process Audit Scotland considered the impact of those deficiencies identified in the control room had in terms of; do they create an increased risk of material misstatement in the accounts and where they do auditors would increase substantive testing of transactions and balances at year end in response to those, however the majority of those should not have a significant impact in terms of the year end audit work.

In response to a question from Councillor Jardine, Mr Boyd confirmed a number of the observations were linked to limitations in some of the current IT systems. Mr Boyd stated he was aware the finance team had been looking at a potential replacement for the current ledger system as with older systems there was an increased reliance on manual reconciliations between systems which could increase the risk if the correct controls were not place. Mr Boyd added that from an operational point of view it could take longer to extract the data you are looking for and ensuring the information is robust which means you have to ensure those manual checks had taken place. Mr Boyd explained as part of the financial statements audit, Audit Scotland rely on year end reconciliations and what had been observed were; month end procedures had taken place but there was no audit trail. Ellie Dunnet, Head of Finance stated in terms of the first two recommendations within the letter the Council had a live project for their purchasing process and were also in the initiation of a wide project to review and potentially replace the financial management system which was also referenced within the financial strategy. Ms Dunnet envisaged this would address some of the issues raised around the automation of interfaces but the department would continue to review the controls they had in place. She added that some of the control weaknesses related to how controls were documented so the findings were not because no checks were being performed but instead they were not able to evidence them in a way that was satisfactory for the auditors to get the level of assurance they needed. Ms Dunnet confirmed they had issues with financial reporting to the IJB in the last year which were driven by a combination of factors so conversations were taking place about overcoming those challenges and the chief officer of the IJB had been provided with a timetable that set out the IJB would receive quarterly financial monitoring reports with risk based updates in between.

### **Decision**

The Committee agreed to note the contents of the Management Report 2022/23.

## **6. EAST LOTHIAN COUNCIL ANNUAL AUDIT PLAN 2022/23**

A report was submitted by the Audit Director for Audit Scotland to present the East Lothian Council Annual Audit Plan 2022/23 to the Audit and Governance Committee.

John Boyd, Audit Director for Audit Scotland spoke to his report noting the plan itself formed two aspects; Audit Scotland's responsibilities as external auditors in relation to

issuing an opinion on the financial statements as well as wider responsibilities under the code of audit practice. Mr Boyd highlighted key aspects of the financial statements audit which included the materiality levels for 2022/23 audit and significant risks of material misstatement. Mr Boyd advised in terms of audit planning, Audit Scotland used a risk based audit approach which involves understanding the organisation, systems and internal control and considering the risk of where there is material misstatement in the financial statement. He made Members aware two areas had been identified which were classed as significant risk of material misstatement:

- Risk of material misstatement due to fraud caused by management override of controls
- Estimation in the valuation of land and buildings

My Boyd informed Members of other areas of audit focus which included the pension liability valuation and the ongoing review of Common Good assets. He then covered the focus of the wider scope audit work where Audit Scotland would consider the financial management, financial sustainability, vision, leadership and governance and the use of resources to improve outcomes. My Boyd explained in addition to local risks Audit Scotland would consider challenges which were impacting the public sector as a whole therefore they would consider tackling climate change and responding to cyber security threats as part of their wider scope responsibilities. He added that as part of their Best Value work Audit Scotland would look at the effectiveness of council leadership in developing new local strategic priorities following the elections in May 2022 then conclusions and judgements would be reported in a separate report to management and summarised in the Annual Audit Report. Mr Boyd gave a brief update on the reporting arrangements and the audit fee for 2022/23.

Councillor McLeod asked for an example of a major transaction stream. Mr Boyd explained these would be various income and expenditure streams, such as payroll.

Councillor McLeod asked who audits the conditions of Council assets and who then determines the value and do we or Audit Scotland have a breakdown of the assets and land which has been audited on. Mr Boyd stated this was a large part of their audit work and explained the Council have a fixed asset register of all land and buildings held and as part of audit testing they check to see what arrangements are in place to ensure there is a valuation done and then challenge management on an impairment review to make sure aspects such as deterioration in building quality or accidental damage were identified as this would need to be reflected in the annual accounts. My Boyd said most local authorities had a rolling programme of valuations usually done every five years but there is still a requirement to ensure all fixed assets are reflected by the current value at the balance sheet date.

Councillor McLeod asked if the Council expect a further increase in audit fees for next year. Mr Boyd stated he was unable to comment on next year's fee as it was not set locally by the audit services group and explained the reasons for the increase of the current year's fee.

## **7. 2023 CORPORATE GOVERNANCE SELF-EVALUATION**

A report was submitted by the Chief Executive to advise the Audit and Governance Committee of the results of the 2023 Corporate Governance Self-evaluation.

Paolo Vestri, Service Manager – Policy, Improvement & Partnerships reported this was the annual report on the Corporate Governance Self-evaluation exercise which is carried out by the Council Management Team. Mr Vestri stated the Council



adopted the principles of Corporate Governance based on the CIPFA / SOLACE guidance in 2010 which has since been updated on a couple of occasions since then. Mr Vestri highlighted the seven core principles of the framework and explained under each of these are 21 sub-principles and the Council Management Team review our policies and procedures under those 21 sub-principles. Mr Vestri explained the Council Management Team carried out the review based on a draft provided by him which was also reviewed by Mr Stainbank. The evidence we have drawn from the self-evaluation is drawn from various sources including Council policies and practices but also external auditor reviews and audits including the best big value which was carried out in 2018. Mr Vestri explained the principles were scored against a scoring matrix from 1 to 6, where 6 is outstanding and 1 is very unsatisfactory and this year most of the sub-principles were scored at 5 (very good) and four were scored at 4 which means they would be looking for improvement and actions for this were detailed within the report.

In response to a question from Councillor Jardine Mr Vestri explained that all integrated impact assessments are sent to the Equalities Officer who reviews them so there is a level of quality assurance based on that as well as all integrated impact assessments being signed off by Heads of Service. In response to a follow up question from Councillor Jardine, Mr Vestri stated there was no formal scoring process. They are now integrated assessments that cover equalities and other matters including climate change and human rights. Mr Vestri added the integrated impact assessment process was currently being reviewed to see if more should be amended to include children's rights on the adoption of the UNCRC legislation by the Scottish Parliament and stated that training was provided for staff who were undertaking assessments.

Councillor Jardine asked about the rigour of the annual performance review and development process. Mr Vestri stated one of the actions within the report was to improve levels of annual PRD's and this is something that has been trying to be improved over a number of years after the fall during the COVID years. Mr Vestri noted last year's completion figures for PRD's was 55% which is still not high enough so there will be additional work carried out in the autumn to review the process to make it as easily accessible as possible and there are also training opportunities for management and staff in how to complete PRD's. Mr Vestri stated more rigorous monitoring of how PRD's are carried out and how many are carried out which will include working with staff, Trade Unions and others to ensure we increase the take up and usage of PRD's across the Council. Councillor Jardine asked what percentage of completed PRD's Mr Vestri would like to see at this time next year. Mr Vestri stated the team had not put a target on this but it is something they will look at within the Workforce Plan Working Group.

Councillor Trotter asked if there would be merit in an interim report coming to committee. Mr Vestri confirmed that was something that could be done and explained as the current process was being looked at to see if it needed to be improved so the team could come back with a report in six months' time to give an update on the developing PRD process and rolling it out.

### **Decision**

The Committee agreed to note:

- (i) Note the results of the self-evaluation carried out using the Framework (Appendix 1) and the three actions detailed in paragraph 3.6 that will be included in the 2024/25 Council Improvement Plan that is to be presented to Council in autumn 2023.
- (ii) Consider whether any additional improvement actions should be added.

## **8. ANNUAL TREASURY MANAGEMENT REVIEW**

A report was submitted by the Executive Director for Council Resources to update the Committee on Treasury Management Activity during 2022/23.

Ellie Dunnet, Head of Finance spoke to her report highlighting that it was a requirement under the Local Government Scotland Act 2003 to produce this review for the year ending 31 March 2023 to set out our performance against the approved Treasury Management Strategy for 2022/23 and the indicators that the Council agreed in March 2022. Ms Dunnet added that the mid-year progress report had also been submitted to the Audit and Governance Committee in November 2022 and that the contents of the report should be held as draft until the accounts had been fully audited. Any major changes required as a result of auditing would be reported back to the Audit & Governance Committee.

She summarised the review, attached as Appendix 1 of the report, briefing the Committee on East Lothian's Capital and Expenditure and Finance, their overall borrowing need and the Treasury position as of 31 March 23, commenting that the Council has borrowed less than anticipated at the start of the year which means we have been using cash reserves or working capital rather than borrowing to fund our capital programme.

Ms Dunnet noted a date error within section 6 of Appendix 1 and asked Members to note the borrowing was undertaken on the 23<sup>rd</sup> December 2022 not the 23<sup>rd</sup> of January 2022 as stated within the table. She noted the strategy outlined within the report, and detailed borrowing activity and investments held by the Council and fund managers.

In response to a question from Councillor McLeod, Ms Dunnet stated we are looking to avoid borrowing when the interest rates are less attractive, currently the highest rates are sitting around the 25 year point and that allows us to meet our agreed indicators around the maturity structure of borrowing which we have as part of our strategy. She made Members aware the Council do not borrow for specific capital projects but instead manage cash flow as a whole, so will borrow when our cash flow indicates there is a need to and will work with treasury advisors on the most appropriate approach to borrowing. Ms Dunnet added the Council are aware of the volatility in interest rates so we are not in a fixed position as we are aware of the interest rate risk and also need to balance that against refinancing risk which is kept under regular review. Councillor McLeod confirmed he was actually looking for examples of what the money is used for long term. Ms Dunnet confirmed we are borrowing to fund our capital programme which includes all general services, building new schools and new homes if they are not externally funded.

Councillor Bruce asked what the benefits were of using cash reserves instead of borrowing. Ms Dunnet explained this had been core within the strategy due to the spike in interest rates and it has not been a good time to be locking in long term debt. She added the longer we can deter our need to borrow the longer we do not need to pay interest on that borrowing. Ms Dunnet confirmed this is reviewed on a regular basis with treasury advisors. Councillor Bruce asked a follow up question on interest rates and what are the advisors views on them coming down. Ms Dunnet stated we get regular projections from our advisors and their outlook seems to suggest a short term increase with rates coming down towards the end of 2025.

### **Decision**

Members agreed to note the contents of the Annual Treasury Management Review.

## **9. LOCAL GOVERNMENT IN SCOTLAND OVERVIEW 2023**

A report was submitted by the Executive Director for Council Resources to provide a summary of the Local Government in Scotland Overview 2023.

Paolo Vestri, Service Manager – Policy, Improvement & Partnerships stated the submitted reports show key findings of the Accounts Commission local government in Scotland Overview Report 2023. He stated the Accounts Commission produce a similar report every year and every year we provide a summary report for Members with some information with how the recommendations in the Accounts Commission report are reflected by East Lothian Council. As well as covering report there is the full report from the accounts commission plus the financial bulletin for 2021/22.

Mr Vestri explained this report built on the previous reports in the series and examined three main areas:

- how the pandemic affected councils and their performance?
- what are the current and future challenges facing local government?
- how well placed are councils to deal with the current and future challenges?

Mr Vestri provided a summary of the key findings and recommendations under each of these themes.

Councillor Trotter asked for an update on shared services with other Councils. Mr Vestri explained Mr Stainbank was the shared Lead Officer for Internal Audit with Midlothian and he was sure there would be discussions going on between local authorities to look at other opportunities for shared services.

In response to a question from Councillor McLeod, Mr Vestri stated the Council has begun development of 2024/25 budget and part of that work will be to communicate with staff and the public the financial challenges the Council face which are detailed within the Council Plan, the financial strategy which was approved in December 2022 and the Council budget. Mr Vestri added that the Council Leader has made it clear the Council are facing financial difficulties and a budget consultation exercise was run in December 2022 making the point the Council had difficult choices to make.. Ms Fortune echoed the report was really helpful to set out a context but it needs to be set within a forward looking context which will be very difficult to see how we can close the gap and manage all collective obligations that we currently provide as well as managing public expectations.

Councillor Jardine asked a question related to growth in East Lothian. Ms Fortune stated we are unique in East Lothian and aligned to South East of Scotland, substantive impact of growth and the obligations that come through with that and this has been highlighted to National Forums. She stated population growth came with significant opportunities and financial cost which isn't just on revenue budget but also substantive financial implications related to resourcing capital infrastructure requirements which are vital. Ms Fortune explained part of conversations within National Forum is we want to embrace growth due to the benefits to East Lothian and Scotland as a whole but we can't do it alone and we need to work in collaboration to take more holistic and place based approach to national funding.

Mr Proudfoot recalled projections moving forward over the next 20 years within the national population based in Scotland is forecast to grow by a small amount and for the vast majority of local authorities to see population decline. He added the Scottish

Government and COSLA have focussed on the challenges of depopulation but we have been persistent in the messaging around the challenges of population expansion and the impact and benefits that can bring in terms of overall leverage in the wider economy but highlighted there is a sharp and challenging focus in the context of the local authority within the South East of Scotland region and we are taking all opportunities we can to discuss that with civil servants. Mr Proudfoot noted the Council has a meeting organised with the Depute First Minister to discuss this specific point.

### **Decision**

The Committee is asked to note:

- (i) the findings, conclusions and recommendations in the Accounts Commission report, Local Government in Scotland: Overview 2023
- (ii) that the council is already addressing most of the issues identified in the Overview report's recommendations
- (iii) that although the council's General Services and HRA revenue and capital budgets are set to meet the council's priorities as established in the Council Plan the link between how resources are targeted to achieve the Council's policy and performance priorities could be more explicit. This will be taken up as an action in the 2024/25 Council Improvement Plan that is to be presented to Council in autumn 2023.
- (iv) Leadership is the focus of the Accounts Commission's annual Best Value thematic work in 2023 and will be covered in all council 2022/23 annual audit reports published in Autumn 2023. Any recommendations and actions arising from the Leadership audit will be included in the 2024/25 Council improvement Plan that is to be presented to Council in autumn 2023
- (v) Workforce planning will be the focus of the Accounts Commission's annual Best Value thematic work in 2023 and will be covered in all council 2023/24 annual audit reports published in Autumn 2024, followed by a national thematic report.

## **10. CORPORATE RISK REGISTER**

A report was submitted by the Chief Executive to present to the Audit and Governance Committee for the Corporate Risk Register for discussion, comment and noting.

Scott Kennedy, Emergency Planning, Risk and Resilience Officer stated Very High risks are unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position; high risks may be tolerable providing the Council is assured that adequate and effective control measures are in place; medium risks are tolerable with control measures that are cost effective; and low risks are broadly acceptable without any further action to prevent or mitigate risk.

Mr Kennedy stated In accordance with the Risk Management Strategy 'Very High' and 'High Risks' identified in the Corporate Risk Register will be subject to closer scrutiny by the Council Management Team, the Cabinet and the Audit and Governance Committee and the CMT sub-group on Risk Management meets on a bi-monthly basis to monitor and drive Risk Management council-wide and to review the Corporate Risk Register. Mr Kennedy gave an update on the current Corporate Risk Register which contained 8 Very High, 5 High, 7 Medium and 1 Low risks.

Councillor Bruce asked if the proposed control measures are not enough themselves to mitigate risk against the projects we have outlined shouldn't they both now be marked a 20. Mr Kennedy explained the risks are live and that specific one had only been added within the last 6 weeks. Mr Kennedy assured Members this would be monitored by himself and CMT and if the current measures were not going to mitigate the risk it would be increased. Mr Reid reported that significant work was ongoing at the moment across the projects in question to look at value engineering, tender processes and we are working with the Scottish Government on the uplift in the LEAP phase money is likely to bring. Mr Tom echoed Mr Kennedy's point about the document being live and added there could be further amendments with the next weeks and months and things progress but at the moment it was a fair reflection of the risks we face.

In response to a question from Councillor McLeod, Ms McGuire stated she did not have the most up to date figures but at the last update there were around 96 Ukrainian families within East Lothian. Ms McGuire added that the department also had to deal with the disembarkation of HMS Victoria and they were working closely with the City of Edinburgh and the Scottish Government around that. East Lothian was left with around 30 host accommodation and half of this has been offered to help with the disembarkation. Ms McGuire was happy to take further questions offline in relation to this topic.

In response to a question from Councillor Bruce, Ms Fortune stated there was not an attendee from the Health and Social Care Partnership at committee but the reason it was so high at the moment was due to a delay in the parliamentary process, that risk is still very much live and until we know the outcome of the process it remains very significant.

### **Decision**

The Audit and Governance Committee agreed to note the Corporate Risk Register and in doing so, noted that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.
- the total profile of the Corporate risk can be borne by the Council at this time in relation to the Council's appetite for risk.
- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer-term risks and are likely to be a feature of the risk register over a number of years.
- note that the Council Management Team will review all risks in the Corporate Risk Register on a regular basis.

Signed .....

Councillor Tom Trotter  
Convener of the Audit and Governance Committee