

REPORT TO: Audit and Governance Committee
MEETING DATE: 11 June 2024
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Report – June 2024

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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 2023/24 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 March 2024 to May 2024 as contained in Appendix 1;
 - ii. the findings from Internal Audit's follow-up work, per Appendix 2;
 - iii. Internal Audit's progress against the annual audit plan for 2023/24 as set out in Appendix 3.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: Agency Workers, CIPFA FM Code and Internal Audit Assurance Statements on Adult Social Care Commissioned Services Forecasting, Bowles Report – Primary School Capacity Shortfall, and Transformation Project Stage Gate Governance Review.
- 3.2 The main objective of the audits were to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audits is contained in Appendix 1.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Agency Workers – Limited Assurance
 - CIPFA FM Code – Reasonable Assurance

- Adult Social Care Commissioned Services Forecasting – Not Graded
- Bowles Report – Primary School Capacity Shortfall – Not Graded
- Transformation Project Stage Gate Governance Review – Not Graded

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

Brunton Theatre Trust

3.5 The Internal Audit report on the Brunton Theatre Trust was issued in September 2023. The report made seven recommendations and progress has been made in implementing all the recommendations. It was agreed that the Council and Trust would move to operate in partnership under a Service Level Agreement (SLA) for 2024/25 and 2025/26. This was to allow the Council and Trust to work together to support the Trust deliver an arts programme outwith The Brunton reflecting the challenges placed on the Trust through the closure of many areas within The Brunton Hall, particularly the theatre and ancillary areas. An initial draft SLA, outlining the partnership arrangements and with performance measures included, was shared by the Council with the Trust in March 2024 and, following feedback from the Trust and amendments made, an updated version was shared in May 2024. It is hoped to have the final agreed SLA in place early in June 2024. The Trust have entered into a new lease with the Council for the use of Haddington Corn Exchange through to 31 March 2025. Onward review of the Trust's use of remaining spaces within The Brunton Hall, and viability of continuation of the current lease now impacted by the closure of The Bistro/restaurant area within their lease footprint, and use of other stand-alone storage facilities, will progress during 2024/25 linked to review of the Trust's business plan and financial model for 2024/25 through to 2026/27.

Covid-19 Recovery and Renewal Plan

3.6 The Internal Audit report on the Covid-19 Recovery and Renewal Plan was issued in June 2023. The report made three recommendations, which have all been implemented. The Covid-19 Recovery and Renewal Plan is now closed, and ongoing actions attributed to East Lothian Council have been incorporated into the 2022-2027 Council Plan. We are advised that ongoing actions attributed to the East Lothian Partnership and its strategic or supporting groups will be incorporated into the revised East Lothian Plan (Local Outcome Improvement Plan) when it is revised later in 2024.

HR/Payroll – Recruitment and New Starts

3.7 Internal Audit's report on HR/Payroll – Recruitment and New Starts was issued in June 2023. Our follow-up review has highlighted that seven of the nine recommendations made have been fully implemented, a recommendation in relation to undertaking a review of the Recruitment and Selection Policy has been delayed until December 2024, the other recommendation on ensuring that Recruiting Managers have completed appropriate training will be considered as part of this review, although existing guidance that at least the panel chair is required to have undertaken recruitment and selection training remains in place.

Climate Change

- 3.8 Internal Audit's report on Climate Change was issued in June 2023. Our follow-up review has highlighted that two of the nine recommendations made have been fully implemented, three have been partially implemented and four have not yet been implemented. It should be noted that the Officer who was responsible for the implementation of many of these recommendations left Council employment during this period and the new Officer appointed was unable to complete a formal handover of responsibilities, as a result some of the recommendations had not been fully explained to the new Officer. However Appendix 2 contains the outstanding recommendations and the new target dates that have been agreed for implementation.

Risk Management

- 3.9 Internal Audit's report on Risk Management was issued in June 2023. Our follow-up review has highlighted that all three of the recommendations made have been implemented.

Housing Management System Replacement Project

- 3.10 Internal Audit's report on the Housing Management System Replacement Project was issued in June 2023. Our follow-up review has highlighted that all four of the recommendations made have not been implemented, however the recommendations are now being superseded by the implementation of the new Project Management Assurance process. The recommendations all related to the required revision of the project business case and approval of this revised business case, this has not been completed, however completion will now be monitored through the stage gate processes being implemented.

Progress Report 2023/24

- 3.11 A progress report attached as Appendix 3 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan for 2023/24.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

- 6.1 Financial – None
6.2 Personnel – None

6.3 Other – None

7 BACKGROUND PAPERS

7.1 None

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DATE	31 May 2024

Appendix 1 Executive Summary: Agency Worker & Contractor Use Management

Conclusion: Limited Assurance

The Council has policies, procedures and processes in place to manage the use of agency workers however these do not clearly set out procedures to be followed where an agency worker is required at short notice. Framework contracts are in place through the Scottish Government and Scotland Excel and these are used by the Council, however agency workers are sourced from non-contracted agencies, in some cases as contracted agencies are unable to provide the resource required. No central record is maintained of the agency workers working for the Council nor the length of time they have been employed and there is a risk that agency workers are employed for significant lengths of time without review. The agencies carry out the pre-employment checks on behalf of the Council, however the Council has no compliance process in place to ensure that this always happens.

Background

Where the Council has difficulty in employing or requires short-term staff agencies can be used to fill these gaps in staffing. Approval should be given by senior management before an agency worker can be engaged and a record of how long each worker is employed should be maintained centrally. Agency workers have the same rights as permanent employees in relation to the use of shared facilities and services provided by the employer and that after 12 weeks in the job they qualify for the same rights as someone employed directly and these include amongst others, automatic pension enrolment and paid annual leave.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager – People & Council Support and the Transformation & Digital Portfolio Manager/Service Manager Procurement**:

- There is a need to revise guidance for managers wanting to use agency workers to ensure clear identification of need and clarity on compliance with the authorisation and procurement processes which is inconsistent including 7 of the 14 agencies being employed not being part of the recognised framework contracts and a small number of authorisation forms being submitted in only one directorate of the Council. *Management have agreed to revise the policies, procedures and detailed guidance to be communicated to all council managers by September 2024.*
- While the agencies being used by East Lothian Council state that the pre-employment checks have been carried out effectively, no central list of the required checks is provided to agencies and no regular sample compliance requests for documentation are carried out. *Management have agreed to provide a listing of the required checks and regularly request a sample of supporting documentation to ensure that the checks are being carried out by September 2024.*
- Whilst an authorisation process exists for agency workers this is rarely completed and as a result the Council has no complete list of Agency Workers being utilised and no review is being undertaken of the length of Agency worker use and associated risks. Agency workers have been utilised almost continuously in some Council services for significant periods. *Management have agreed to put in place an appropriate control framework by June 2024.*
- Procedures have not been put in place to ensure that agency workers have to undertake induction or mandatory e-learning modules. *Management have agreed to put procedures in place to ensure the appropriate training is undertaken by June 2024.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	2	6	-	8

Materiality

In the financial year 2022/23 the Council spent approximately £1.6 million on agency staff and in the period to 31/01/24 approximately £2.2 million had been spent on agency staff.

Headlines

Objectives	Conclusion	Comment
1. Clear, accessible, relevant, and appropriate Council policies and procedures are in place, establishing how agency employment is identified, agreed, approved and monitored to meet legislative requirements and reduce financial commitment and risk.	Limited	Detailed guidance does exist covering the framework contracts that the Council should be using to obtain agency workers, the off-Payroll worker (IR35) assessments that are required and an authorisation form that should be completed. However, there is no complete policy or procedural guidance in place and as a result compliance with the guidance is limited and not monitored resulting in significant control risks.
2. Appropriate contracts are in place to provide agency workers when required for all Council services.	Reasonable	The Council has access to appropriately procured agency worker contracts, which are clearly identified on the council intranet, through the Scottish Government and Scotland Excel for Admin, Catering & Manual staff, Professional and IT staff and Social Care staff. However, of the 14 agencies used to 31 October 2023 only 7 of these are contracted through these frameworks. Without appropriate policies and procedures that are monitored the Council is not effectively operating within its control processes.
3. Responsibility for pre-employment checks are clear between the Council and the employing agency within the contracts being used and that compliance with required pre-employment checks are reviewed on a regular basis, all pre-employment checks are at least as high quality as the Council would complete for directly employed staff in the same role.	Limited	All of the contract's state that the public bodies need to set out their own pre-employment validation of worker requirements and we found that in none of the contracts had this been formally notified by the Council. Evidence was available in one service area that a six-monthly form had to be completed by the council to the preferred agency this however was instigated by this agency. Documentation was obtained from a sample of agencies to confirm that the pre-employment checks were being carried out prior to staff working for the Council despite not formally requesting this. No monitoring was being completed by the Council of these checks and reliance was placed purely on agency internal controls.
4. Validation of the employment requirement is authorised appropriately and employing segregation of duties for service management, finance and HR prior to engagement by the Council.	Limited	An Agency Worker Application Form should be authorised by the Head of Service for every agency worker being utilised, however we found that only 11 of these had been completed during 2022/23 and 2023/24. No register of employed agency workers is maintained as a result of this non-compliance with Council processes.
5. Adequate processes are in place to ensure that the use of agency workers is being monitored to ensure that no additional financial risks on National Insurance, Taxation or Pensions are incurred without appropriate authorisation and that agency staff do not accrue permanent employment status	Limited	Following any initial authorisation process undertaken there is no Council process or procedure in place for any regular review of the continued use of agency workers and without a register of agency workers no capability to monitor compliance with reviews if put in place. Recommendations have been made and accepted to ensure that both a regular review process is put in place and the creation and maintenance of a list of agency workers that have been utilised by the Council.

Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	Three contracts have been put in place covering Admin, Catering & Manual staff, Professional & IT staff and Social Care staff. Each of the non-social work contracts contain 4 agencies and the social work contract contains 16 agencies.
2.	Management informed all services once the new contracts had been agreed and in some cases the former agencies themselves informed services that they could no longer provide staff.
3.	As part of the pre-employment checks process the agencies carry out PVG checks, residence checks and confirmation of SSSC and HCPC where appropriate.

Recommendation Grading/Overall opinion definitions

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

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

Executive Summary: Financial Sustainability – CIPFA FM Code

Conclusion: Reasonable Assurance

The internal controls in place for Financial Sustainability – CIPFA FM Code are generally reliable, however there are some improvements that can be made to provide a fully effective control process, including formally adopting the principles of the CIPFA FM Code, a folder of supporting evidence or a lead schedule being maintained for the assessment of the Council’s compliance with the CIPFA FM Code and the development of a review process to ensure that all actions are appropriately followed up and reported to the Audit and Governance Committee.

Background

The Financial Management Code (FM Code) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the CIPFA FM Code sets out the standards of financial management for local authorities. CIPFA considers compliance with the requirements of the FM Code to be the collective responsibility of each local authority’s leadership team and the Council has undertaken an assessment of their compliance with the CIPFA FM Code, with the findings being reported to the Audit and Governance Committee on 26 September 2023. This audit will confirm the extent to which the CIPFA FM standards are embedded within East Lothian Council’s financial management processes.

Summary of findings & recommendations

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

- East Lothian Council has been working to the CIPFA FM Code to support good practice in financial management and to assist with demonstrating financial sustainability, however it has not formally adopted the CIPFA FM Code. *Management have agreed to prepare a report to the Audit and Governance Committee recommending that the Council formally adopts the principles of the CIPFA FM Code **by September 2024**.*
- While an assessment of the Council’s compliance with the CIPFA FM Code has been undertaken, a folder of evidence or a lead schedule had not been maintained by the Finance Section in support of the assessment. *Management have agreed to update the assessment of the CIPFA FM Code with hyperlinks that are cross referenced to the relevant documentation for each standard **by September 2024**.*
- The Finance Section have yet to review that the actions approved are appropriately implemented and report to the Audit and Governance Committee. *Management have agreed to undertake a review of the proposed actions, which will be presented to the Audit and Governance Committee **by September 2024**.*
- A review of three CIPFA FM standards highlighted scope for improvement and in each case a recommendation was made to enhance conformance. *Management have agreed to further improve compliance with the standards and will implement the recommendations **by February 2025**.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	7	-	7
Prior Report	N/A	N/A	N/A	N/A*

Materiality

The Council had a General Services Revenue budget of approximately £286 million for financial year 2023/24. The budgeted surplus for the Housing Revenue Account for 2023/24 was forecast at £1.5 million. The budgeted capital expenditure for 2023/24 was approximately £98.9 million for General Services and £33.96 million for the Housing Revenue Account.

* No prior report exists for Financial Sustainability – CIPFA FM Code.

Headlines

Objectives	Conclusion	Comments
<p>1. The CIPFA FM Code has been formally adopted by East Lothian Council.</p>	<p>Reasonable</p>	<p>The Financial Management Code (FM Code) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) is designed to support good practice in financial management and to assist local authorities in demonstrating financial sustainability. A report was presented to the Audit and Governance Committee on 26 September 2023 requesting that members note the assessment undertaken on the Council’s compliance with the Financial Management Code and the proposed actions for improvement, however the report did not recommend that the Council formally adopts the principles of the CIPFA FM Code. We found instances of other local authorities in Scotland reporting on the adoption of the CIPFA FM Code at an earlier stage e.g. West Lothian Council formally adopted the CIPFA FM Code in February 2021 with the target of full compliance by financial reporting year 2021/22.</p>
<p>2. Arrangements are in place to comply with the relevant CIPFA financial management standards.</p>	<p>Reasonable</p>	<p>The CIPFA FM Code has 17 financial management standards in total, we selected a sample of three standards and checked to ensure that the Council has appropriate arrangements in place to comply. FM standard K requires that the budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves. We found that there was in depth analysis and reporting on reserves in both the Council’s Financial Strategy and the Budget Development Report for 2023/24 – 2027/28, however there was no specific statement from the Chief Finance Officer on the robustness of estimates or a statement on the adequacy of the proposed financial reserves. FM standard D states that the authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The Council have adopted the principles of good governance by undertaking a self-evaluation based on the principles of the framework, however the Council have not developed and maintained an up-to-date local code of governance for CIPFA FM standard D. FM Standard G states that the authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members. The Council has a Financial Strategy in place for the period from 2023 to 2028, however the CIPFA FM Code suggests that a longer-term strategic financial vision should be developed.</p>
<p>3. Regular reviews are undertaken to assess the Council’s ongoing compliance with the CIPFA FM Code.</p>	<p>Reasonable</p>	<p>A report on the Council’s compliance with the CIPFA FM Code was presented to the Audit and Governance Committee on 26 September 2023, which concluded that the Council was complying with the seven principles of the CIPFA FM Code, however scope for improvement was identified in some areas. We were informed that a folder of evidence or a lead schedule (cross referenced to the key documents) had not been maintained by the Finance Section in support of the assessment.</p>
<p>4. Processes are in place to enhance controls where the Council has identified areas of non-compliance.</p>	<p>Reasonable</p>	<p>The report assessing the Council’s compliance with the CIPFA FM Code identified a total of eight actions for improvement, which were each allocated a responsible officer and target date. However, a review process requires to be developed to ensure that the actions are followed-up and reported to an appropriate governance forum in the Council e.g. the Audit and Governance Committee.</p>

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	A review of the Council's compliance with the CIPFA FM Code has been undertaken and the findings were reported to the Audit and Governance Committee on 26 September 2023.
2.	The self-assessment concluded that the Council was complying with a number of the standards in the CIPFA FM Code, including the CIPFA Prudential Code for Capital Finance in Local Authorities.

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.



East Lothian Council Internal Audit Interim Assurance Statement

From:	Duncan Stainbank, Service Manager – Internal Audit Stuart Allan, Senior Auditor Liz Gray, Senior Audit Assistant
To:	Sarah Fortune, Executive Director for Council Resources Fiona Wilson, Chief Officer ELIJB Ellie Dunnet, Head of Finance David Hood, Head of Operations
Date:	28 May 2024

Adult Social Care Commissioned Services Forecasting

1. Background

Issues in providing accurate forecasting of expenditure in relation to commissioned services within Adult Social Care within East Lothian Council (ELC) have been reported during both the 2022/23 and 2023/24 financial years and in previous years. Whilst additional resources have been put in place within the central finance and the adult social care finance teams coming towards the 2023/24 year-end concerns over the forecasting remain from Health & Social Care Partnership (HSCP) Management.

Concerns have been expressed that forecast expenditure for the final two months of the year appear to be higher than the current running rate for expenditure for the year. Expenditure on Commissioned Services to end of Month 10 was £30.8m with a year-end projection of £47.65m. In a number of areas there appear to be delays in expenditure being recognised e.g. expenditure invoicing that impacts on certainty of forecasting.

At a meeting on 19 February 2024, it was agreed that there would be two key Internal Audit actions in relation to resolving this issue, being:

1. Internal Audit would review the current year-end forecasts in depth to establish if assumptions made in year-end forecasting can be accurately verified to base documentation or require to be altered, including:
 - Is the care package information recorded in Mosaic and used to inform the year-end forecast up to date and changes recorded in a timely manner;
 - Is the process of accounting for variations in care packages actually delivered sufficiently robust to inform accurate year-end forecasts; and
 - Is the reporting information and processes used to inform year-end forecasts sufficiently robust to provide accurate year-end forecasts.
2. Internal Audit will review processes to ascertain any delays in invoicing to understand if there are delays and request expedited invoices and reasons for any delays.

2. Forecasting Process

Adult Social Care expenditure forecasting begins with commitments that have been raised in the Social Care Mosaic system. Commitments are packages of care that have been authorised for expenditure through external provision of care services and associated costs including transport costs. These committed costs change as new clients are assessed for packages of care and existing clients stop receiving packages or they are altered. A series of adjustments are then made to the committed costs that are recorded in Mosaic in arriving at an overall forecast for the end of the year, these are:

- a) When invoices have been received for care provided then variations on the invoices, either higher than expected payments, or more often lower than expected payments will be reflected in the forecast. Finance will extrapolate changes when clear that they will continue in the forecast to the end of the financial year, until Social Care management and staff make appropriate permanent changes to care packages. These variations are reflected within the forecast, with 2023/24 being the first year that they have been included within the forecast and this is a significant improvement.
- b) Specific finance adjustments will be made when they are aware of specific changes such as Direct Payment clawbacks, client transitions (children to adults), additional costs not yet paid (interim care beds) or larger packages of care that are not being delivered or have not yet been invoiced for. These changes are based on advice from the service areas as part of regular ongoing discussions but remain only as accurate as the information available.
- c) Information provided from quarterly reconciliations of commitments against the invoices being received that identify some of the adjustments that are made in b) above. This was last completed for information at the end of period 9 of the 2023/24 financial year.

One of the key items of financial processing that impacts on these adjustments is that actual expenditure is recognised on payment of an invoice. As invoice provision only occurs after the care has been provided and is mostly on a four weekly or monthly basis with the Council having a target of paying invoices within 30 days (with LGBF showing a 2022/23 achievement of 88% against this target up from 83% for the prior year), this results in expenditure recorded as actual in period 10, being mainly expenditure incurred in period 9 or prior periods. Variations identified also then relate to this earlier period, however Finance use these previous variations to predict future variations to amend the overall forecast accordingly but can only complete this when invoices are processed.

3. Findings

Internal Audit reviewed a small sample of the variations on the invoices and found them to be correct to the variations identified. However, it is noted that there are issues with this process in that this only adjusts for variations for current invoices received. Therefore, if commitments are not adjusted as a result of the identified variations, then this still carries forward incorrect information within the future period commitments, this cannot be assumed by Finance as variations in a prior period may be as a result of slow set up of care package, breaks in the package or staff shortages that will not continue into future periods. In addition, the variation report will not pick up variations if no invoice has been received. One example for the P11 forecast highlights the issue in that the client has a forecast expenditure of £37,753 with actual expenditure for the year of £40. On review a care package of £688.45 a week for 1:1 support from a provider had been put in place for this client totalling £35,799.40. As this care plan had not been reviewed the social worker was unaware that this package was not being provided and the provider has recently confirmed that it was not required. However, no variations were identified as no invoicing has been received.

In a further case, there was P11 forecast expenditure of £77,477 with actual expenditure of £22,656. Variations had not been identified as no invoices have been paid since April 2023. However, there are invoices that are in dispute for this client, but no adjustments have been made to the forecast and there is no register of disputed invoices that would provide further information to review the current forecast against these clients. Internal Audit understand that invoice payments may be made on this client shortly so actual figures can be updated.

Adult Social Care service managers receive regular budget information on a monthly basis, however they are only requested to confirm that they agree with their service forecasts at months 3, 6 and 9. Interviews with Social Work service managers indicated that whilst they may sign-off on the forecasts they were not suitably knowledgeable concerning the information that they were being provided with to understand fully the implications of the forecasts that they are being asked to comment upon. However, they did indicate that they found regular meetings with Finance staff to be more useful.

It is noted that Social Work managers do meet with their appropriate Finance contact on a monthly basis and financial overview meetings are held on a monthly basis. Opportunities are provided for appropriate discussion and agreement of forecasts provided.

We do not believe that there is a full set of procedures identifying timelines for completing systems updates in place across Social Work and Finance to provide month end clarity on forecast processes.

During the course of the work completed Internal Audit staff noted that some of the budgets for commissioned services had not been set in accordance with the realised expenditure, for example Learning Disabilities External Hire has a budget of £100k, but actual expenditure of £499K and a P11 forecast of £610K. The overall Support Services budget was £1.64 million however the P11 forecast is £3.2 million, although this potentially mirrors the Care at Home service that had a budget of £21.9 million yet has a P11 forecast of £20.1 million. It is understood that there is no in-year process to vary budgets formally in order to make budget reports more meaningful.

4. Conclusions

The East Lothian Council Adult Services commissioned services expenditure forecast process can identify a larger than likely forecast expenditure at the beginning of the year based on full provision of all commissioned services as recorded on Mosaic. As awareness increases of the actual expenditure incurred then the overall forecast for year-end expenditure is reduced.

As actual expenditure is based on paid invoices and not accrued expenditure estimates, then actual expenditure recorded will remain out of date and inaccurate against expenditure that has been actually incurred, this increases the reliance on an accurate forecast. Genuine increases or decreases in client numbers and care package changes will be reflected in the forecast when these have been added to the Mosaic system.

Improvements have been made in 2023/24 in the forecasting being completed, however further improvements are required that will require the full support of both Adult Social Care and Finance management and staff. It is vital that information in Mosaic on care packages is up to date and accurate, with monitoring of invoices not being received and packages with lower or no expenditure being reconciled and reviewed by Social Work management on a monthly basis.

East Lothian Council finance systems require significant upgrading and do not support a full commitment accounting process currently, however if this is implemented even more reliance will be

placed on Social Work data from the Mosaic system to provide accurate forecasts of actual expenditure on a monthly basis.

5. Recommendations

Recommendation 1: Following monthly variations reporting of invoices Social Work management should be required to review and update all care plans on Mosaic for invoices showing significant variances, Senior Social Work management should oversee completion of this exercise on a monthly basis.

Responsible Officer: David Hood, Head of Operations

Management Response & Timescale: Head of Operations will establish an initial working group including HSCP and Finance colleagues to review monthly reporting of variations, agree thresholds for reviewing of significant variances and timely update of Mosaic. **Timescale: 30 June 2024**

Recommendation 2: Mosaic to invoice reconciliations should be completed on a monthly basis and Social Work Management should be required to review and update all care plans on Mosaic for care plans showing significant variances, including where no invoices have been received, Senior Social Work management should oversee completion of this exercise on a monthly basis.

Responsible Officer: David Hood, Head of Operations

Management Response & Timescale: Head of Operations will establish an initial working group including HSCP and Finance colleagues to review monthly reporting of invoice reconciliations and outstanding invoices, agree thresholds for reviewing of significant variances and timely update of Mosaic. **Timescale: 30 June 2024**

Recommendation 3: Adult Social Work should maintain a listing of disputed invoices including the forecast values, estimated values that should be paid and currently invoiced values being disputed. This listing should be shared with Finance as part of a month end process.

Responsible Officer: David Hood, Head of Operations

Management Response & Timescale: HSCP Mosaic Team will update current reporting arrangements to include those invoices in dispute. These will then be reviewed by value and if material reviewed and Mosaic updated if required. **Timescale: July 2024**

Recommendation 4: A month end timetable should be developed between Adult Social Work and Finance staff indicating when tasks are expected to be completed in order to provide the most up to date forecast back to management with accurate and up to date data.

Responsible Officer: David Hood, Head of Operations & Ellie Dunnet, Head of Finance

Management Response & Timescale: Revised month end timetables are being developed within Finance for the beginning of the 2024/25 financial year. Updated Commissioning reporting timetable will also be developed in conjunction with Finance and HSCP teams to include outputs of other recommendations: **Timescale: August 2024**

Recommendation 5: Planned improved forecasting reporting should be implemented by Finance with Adult Social Care management and be brought in with enhanced training on forecast reporting and management, with both Finance and Adult Social Work Management training on new processes together.

Responsible Officer: David Hood, Head of Operations & Ellie Dunnet, Head of Finance

Management Response & Timescale: Finance are developing a package of training for the 2024/25 financial year that will incorporate this. This will be supported through the HSCP management team and training on roll out of any new processes. **Timescale: Autumn 2024**

Recommendation 6: As part of the month 6 meetings in relation to budget monitoring in Adult Social Care consideration of viring budget from one code to another should be given where significant variances in the expected use of budgets are noted, this process will not increase the overall social care budget in any way. Future budget monitoring reports should be against the revised budget.

Responsible Officer: David Hood, Head of Operations & Ellie Dunnet, Head of Finance

Management Response & Timescale: Finance are ensuring that budgets being entered onto the ledger are as accurate as possible and will work with Social Care Management to consider any in-year adjustments that may be required. **Timescale: Ongoing**

Recommendation 7: As part of any new finance system implementation within East Lothian Council a system should be purchased that allows for a full commitment-based accounting, in conjunction with Mosaic changes, as required to provide a pathway to obtain more accurate actual expenditure on a monthly basis.

Responsible Officer: Ellie Dunnet, Head of Finance

Management Response & Timescale: This will be considered as part of any financial systems project.



East Lothian Council Internal Audit Memo

From:	Duncan Stainbank, Service Manager – Internal Audit Andrew Steven, Senior Auditor
To:	Sarah Fortune, Executive Director for Council Resources Lesley Brown, Executive Director for Education and Children’s Services
Date:	03 rd June 2024

Bowles Report – Primary School Capacity

1. Background

The housing development at Dargavel in Renfrewshire progressed into one of the largest housing developments in Scotland and following a report presented to the Education and Children’s Services Policy Board of Renfrewshire Council highlighting a significant projected shortfall in the capacity at Dargavel Primary School, an independent external review was requested by the Chief Executive of Renfrewshire Council.

The independent review was subsequently undertaken by David Bowles and a report on the Dargavel Primary School Capacity Shortfall was issued in June 2023, an action plan was developed with all the recommendations being agreed by Management. However, following a review of the 2022/23 Annual Audit Report for Renfrewshire Council and the findings of the independent review, the Controller of Audit referred the issues identified to the Accounts Commission.

The referral by the Controller of Audit, resulted in a report being issued by the Accounts Commission in January 2024, which concluded that the Commission was concerned that significant risks remain in relation to actions the Council was taking in response to the acknowledged failings and that its governance and scrutiny arrangements would continue to be monitored. Local authorities in Scotland have been urged to note the findings from the reports and consider how improvements can be made to their own processes.

Following discussions with the Executive Director for Council Resources and the Executive Director for Education and Children’s Services, Internal Audit were asked to review the approach adopted by the Council when projecting the required future school capacity relating to any proposed new housing developments in East Lothian.

This assurance review will consider the failings identified in the Bowles Report, together with the associated recommendations and will measure them against the governance, risk and control framework within East Lothian Council.

2. Findings

For the key objectives, the following points were noted:

The Methodology for Forecasting Pupil Numbers

When assessing planning applications for major housing developments, Education use the most up to date information available within the MIS (SEEMiS) system for relevant schools and catchment areas. This data includes the latest school rolls, pupil enrolments/leavers (including pre-school as relevant), pupil address data, potential P1 deferrals, and P1 and S1 intake data.

The main annual pupil roll projections are produced from the latest validated baseline data for each data source and the Council's Housing Land Audit (HLA), which is based on completion rates from sites and discussions with developers and landowners in respect of individual housing sites – either with planning permission or allocated in the East Lothian Local Development Plan (LDP).

The projections will include any updates from the NHS on data relating to births across East Lothian, (this has a significant impact on the baseline birth to P1 migration rate in the catchment areas), the trends for the migration of people into East Lothian from other areas are also factored into the projections.

The new build/child house ratio applied in East Lothian is 0.356 for primary schools where there is no denominational school in the cluster and 0.16 for secondary schools, which are fed into the annual pupil roll projections, whilst taking into consideration a number of the variables highlighted above. However, we are informed that a review has not been undertaken of the new build/child house ratios for approximately ten years. For comparison the Bowles Report stated that an average of 0.136 pupils per residential unit had been applied in the projections for Dargavel Primary School in Renfrewshire.

When forecasting the pupil numbers for major new housing developments, Education receives the latest projections for expected yearly house completions and will use past experience from housing developments of a similar size as a guide for the calculation of the P1 intake rate from the number of houses e.g. the Letham Mains actual year 4 rate of 0.024 had been applied for the year 4 primary school projections at Blindwells.

We found that the projected year 6 P1 intake rate for Blindwells was 0.043, however the figure subsequently dropped to 0.031 in year 7, this did not appear to be in line with some other similar housing developments and following discussions with relevant staff it was agreed that the P1 intake rate for year 7 at Blindwells and potentially the following two years (year 8 – 0.030 and year 9 – 0.026) may require review and that this will be undertaken as part of the annual review process.

Currently Education use a formula when calculating the number of new pupils expected from the yearly housing completions in any given year as follows – expected number of house completions for the year multiplied by the new build/child house ratio divided by seven. This implies an even spread of new pupils between classes P1 to P7, however this will not necessarily be the case and a more nuanced approach may be required moving forward (weighted to earlier pupil year groups where applicable).

For projections relating to major new housing developments in school catchment areas with no existing pupil demographic including Blindwells, Education use a much lower new build/child house ratio in the earlier years, again drawing from past experience (e.g. for years 2024/25 and 2025/26 projections at Blindwells, the new build/child house ratio applied was based on Letham Mains – 0.14 and 0.19 respectively). However, we were informed that the new build/child house ratio for years 2026/27 and 2027/28 at Blindwells of 0.22 and 0.28 will be reviewed further and this will be undertaken as part of the annual review process. In addition, we were advised that the new build/child house ratio from 2028/29 onwards of 0.336 is based on the standard new build/child house ratio of 0.356 less 0.020 for a denominational school being in the cluster.

A further adjustment is carried out once the P1 intake has been established and the projected number of new pupils is added (split between classes P1 to P7), we found that Education apply a net stage migration rate to the end of session rolls, which predicts the percentage of pupils that will transfer to the next academic year in the school (this migration rate excludes the new pupils calculated in the earlier formula using the new build/child house ratio to avoid double counting). Again, this is based on past experience from similar housing developments (e.g. the Letham Mains actual year 3 net stage migration rate of 0.95 had been applied for the year 3 projections at Blindwells). However, in the year the new primary school building is anticipated to open (2025), a higher migration rate of 1.05 has been applied to factor in pupils already living in the catchment area potentially moving from other schools.

The mainstream classes for Blindwells excluded any projected specialist provision classes that may also be required, we were advised that the Council did not initially plan for specialist ASN provision at Blindwells, however the ASN profile has grown and changed across the county and the projections will now need to track ASN needs (stages 1, 2 and 3) to establish what additional class spaces may be required for such provision.

From our review of the Blindwells' pupil roll projections, we found that independent checks had not been undertaken on the underlying assumptions and calculations, and currently the Council is reliant on one member of staff for predicting the required future school capacity relating to major new housing developments.

Different Types of Development and Housing

A developer may specify that a percentage of properties will be built for older people, and these houses will not be taken into consideration when projecting pupil numbers.

The Local Development Plan requires developers to build at least 25% of the units as affordable housing, for Blindwells 30% of the new build residential units will be affordable housing. The Bowles Report suggested that social housing units may produce a higher pupil yield, well in excess of the average, however, the specific impact of social housing was not factored into the projections undertaken by Education for Blindwells. For different housing types (e.g. terraced houses, semi-detached houses, detached houses and blocks of flats), no distinction is made between the size of the properties in the pupil roll projections, and they are all included when calculating the developer contributions required for Education.

The Council has a specialised skills set for projecting pupil numbers in comparison to some other local authorities in Scotland, however Senior Management and Governance Frameworks should continue to consider whether the Council could utilise specialist analytical support specifically for large or unusual housing developments.

Expected Pupil Capacity and Educational Need

Education will consider any planning application from a housing developer in respect of its impact on the provision of educational capacity.

The Council has a duty under the Education (Scotland) Act 1980 to secure for their area adequate and efficient provision of school education. In addition, the Council also has a duty under the Local Government etc. (Scotland) Act 1994 to make proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

We were informed that the Council will only permit new developments where the developer makes appropriate provision for the infrastructure, educational and community facilities that are required as

a consequence of their development, and any planning permission granted will place a limit on the developer's annual housing completion rate.

The pupil roll projections have a major impact in assessing the developer contributions and for sites where no educational facilities exist (e.g. Blindwells), the S75 agreement requires the developer to contribute towards new permanent pre-school and primary school facilities. The latest projections at Blindwells for primary school pupils predict a peak capacity of 510 pupils in year 2035/36 requiring a total of 19 classes, in later years the numbers are forecast to reduce reaching 354 pupils (14 classes) by 2041/42.

For the development of 1,600 housing units at Blindwells the developer contributions required were £15,795,000 in respect of the primary school, with £30,000 for the temporary Blindwells Primary School hosted at Cockenzie Primary School and £125,000 for the provision of additional educational capacity at St Gabriel's RC Primary School.

The building of the new Blindwells Primary School will only include 14 classes in the first phase, however the dining room and sports facilities etc. will be of sufficient size to accommodate a further five classes in a second phase if necessary.

Within the constraints of the current financial climate, we were advised that the Learning Estate Project Board actively considers whether temporary units can be utilised to cover or partially cover short term peak capacity (assuming there are adequate other facilities available), rather than building a permanent extension to meet the full peak capacity.

Where educational facilities exist within the catchment area, the pupil projections from the new housing development will be compared with the existing educational capacity. The projections for secondary education at Blindwells were incorporated into Preston Lodge High School and the estimated peak capacity was forecast at 1,254 pupils by 2042/43, taking into consideration Blindwells, the housing development at Longniddry and other feeder schools. For the extension relating to the Blindwells development, the developer was required to make contributions of £6,346,688 towards the provision of additional secondary education accommodation at Preston Lodge High School.

Developer Contributions Supplementary Guidance

The planning system allows mitigation to be sought from developers towards delivering infrastructure capacity as a result of their development or to make the development more acceptable. The Council approved the Local Development Plan Supplementary Guidance: Developer Contributions Framework in 2018.

The Supplementary Guidance was prepared to assist landowners, developers and applicants, and sets out the items and circumstances for which financial contributions will be sought to make the proposed development acceptable in planning terms, including capacity for a transport network, education facilities, affordable housing, sports facilities, environmental mitigation and health and social care facilities, however from our review we found that the guidance requires to be brought up to date and there is no provision within the guidance relating to education for ASN.

We found that paragraph 4.17 of the Supplementary Guidance enables the Council to review educational contributions costs and recently the School Estate Planning Officer, the Infrastructure Service Manager and the Planning Obligations Officer liaised to update the contribution levels for Musselburgh Secondary cluster schools and Whitecraig Primary School based on actual contract costs, which will be applied to all new planning applications within these catchments on a proportional basis. The indexation for the updated costs will be applied from the new assessment date, rather than from Q1 2019 when the Supplementary Guidance was adopted.

Internal Governance Structures and Local Community Consultation

A formal statutory schools' consultation took place for the establishment of a new primary school at Blindwells and the proposed change to the Preston Lodge High School catchment area in accordance with the Schools (Consultation) (Scotland) Act 2010, and the proposals were formally approved by Council on 28 March 2017.

The Blindwells education catchment area was agreed during the development of the Local Development Plan (LDP1), and where a major housing development is proposed, the applicant must firstly undertake pre-application consultation with the local community. We were informed that it is the responsibility of the Planning Service to decide if the proposals for pre-application consultation contained in the Proposal of Application Notice are acceptable or not.

Once a planning application has been registered, the Planning Service will notify neighbours and consult with the local Community Council where a proposed development is likely to affect the amenity in the area. The Planning Service also undertake extensive engagement with local communities, in respect of the development of the Local Development Plan and other strategies.

When a planning application is submitted to the Council for a housing development, the Council's Planning Service will consult with the relevant service areas (e.g. Education, Environmental Health, Housing, Roads and Amenity Services) by informing them of the planning application and requesting comments on the application within 14 days. The School Estate Planning Officer within Infrastructure liaises with the Principal Officer (Performance Analysis and Research) and the Planning Obligations Officer on pupil roll projections and capacity requirements. Education formally respond by letter to the Planning Service, and if they deem that additional capacity is required for education, they will specify that the applicant must be willing to commit to a S75 developer agreement tied specifically to increasing education capacity (this response specifies pupil projections and costs following liaison with the Strategic Asset and Capital Plan Management Team). The Planning Service may also consult with external organisations including SEPA, Scottish Water and Transport Scotland.

The Planning Service collate all the responses from service areas into an Officer's Report, which is provided to members to assist in making the final planning decision. The application will be determined in accordance with the Council's Standing Orders, and where the application goes to the Planning Committee any parties who have submitted representation will have the opportunity to make a five-minute presentation to the Committee before a decision is taken (a maximum of three objecting and three in support). In addition, Community Councils will be given the opportunity to address the Committee, regardless of whether they have submitted a written representation on the planning application under consideration. Planning permission will not be granted until any necessary S75 developer agreement has been concluded and registered.

We were informed that once the application for the new housing development is approved through the Planning Framework any recommendations for live projects are passed through the Learning Estate Project Team (LEPT) and up to the Learning Estate Project Board for approval. Furthermore, some decisions from the Learning Estate Project Board feed into the Corporate Asset Group (CAG).

Management of the Risks in S75 Developer Agreements

The Council has a framework in place in relation to major housing developments for identifying and monitoring the associated risks, including changes in pupil roll projections, non or lower payment of developer contributions, inflationary costs or additional asset requirements.

The pupil projections for major housing sites are reviewed annually following the agreement of S75 developer contributions and we are advised that the pupil roll projections for Blindwells are lower

than initially expected. We were informed that this does not impact on the S75 developer contributions, however any unspent contributions will have to be returned to the applicant if the contributions date expires.

The Learning Estate Project Team review and support the operational teams with live capital projects to their completion. We were advised that Service Managers on this group ensure that proper consideration is given to the development of school provision for pupils ranging from three years old to eighteen years old in line with the Council's Learning Estate Strategy (LES).

Any issues or concerns regarding major housing developments can be raised by officers at the Education funding meetings held between the Planning Obligations Officer and Finance or at the meetings of the Learning Estate Project Team. Where the issues are serious or require to be escalated, they will be passed up to the Learning Estate Project Board and a paper may be prepared and circulated to all Learning Estate Project Board members for consideration and a decision.

The S75 developer contributions are subject to indexation using the BCIS All-in Tender Price Index. In estimating the costs of new schools and extensions, the Council uses the Scottish Futures Trust (SFT) metric costs – the SFT metric costs have been adjusted twice since the Council initially estimated the costs for a number of school projects in LDP1, and these increases in costs have significantly outweighed the increases in indexation.

This has resulted in significant funding gaps for new schools at Blindwells, Craighall and Whitecraig, where developer contributions were secured at approximately £3,000 per m², while construction costs have risen to approximately £5,800 per m² in Q4 of 2023. However, we were informed that S75 developer agreements do not include a clause to protect the Council against the risk of any unexpected or unusual increases in construction costs.

3. Conclusion

Based on our review, the approach adopted within the Council for pupil roll projections from major housing developments is considered reasonable, however some improvements can be made to ensure that the Council has a fully effective process in place.

4. Recommendations

Recommendation 1: Management should undertake a review of the new build/child house ratios used in the annual pupil roll projections to ensure that they remain accurate and up to date.

Management Response

Agreed – a review is planned; however, we continue to benchmark our new build/child house ratios with other local authorities in Scotland.

Responsible Officer and Target Date

Principal Officer (Performance Analysis and Research)

September 2024

Recommendation 2: For projections of new primary school pupils expected from the yearly house completions in any academic year, consideration should be given to applying a more nuanced approach (weighted to earlier pupil year groups where applicable), rather than assuming an even spread between classes P1 to P7.

Management Response

Agreed – a review of the projections will be undertaken, however the approach adopted will be dependent on the relevant catchment area.

Responsible Officer and Target Date

Principal Officer (Performance Analysis and Research)

December 2024

Recommendation 3: Consideration should be given to incorporating ASN needs into the pupil roll projections to ensure that any additional class spaces required are identified.

Management Response

Agreed – due to changes in the ASN profile, processes are already being developed for tracking ASN needs and this provision will be incorporated into the Blindwells' pupil roll projections.

Responsible Officer and Target Date

Head of Education

December 2024

Recommendation 4: A person independent of processing should review the underlying assumptions and calculations used in the pupil roll projections for new housing developments.

Management Response

Agreed – appropriate checks on the assumptions and calculations will be undertaken by a person independent of processing.

Responsible Officer and Target Date

Head of Education

December 2024

Recommendation 5: Consideration should be given to training an additional member of staff on pupil roll projections to ensure the Council is not solely reliant on one member of staff.

Management Response

Agreed – as part of the upcoming service review, an additional member of staff will be provided with refresher training on pupil roll projections.

Responsible Officer and Target Date

Head of Education

December 2024

Recommendation 6: Senior Management and Governance Frameworks should continue to consider whether the Council could utilise specialist analytical support for large or unusual housing developments.

Management Response

Agreed – the Learning Estate Project Board will consider the size and type of housing developments that would potentially trigger the use of specialist analytical support.

Responsible Officer and Target Date

Executive Director for Education and Children's Services

December 2024

Recommendation 7: Management should undertake a review of the Supplementary Guidance: Developer Contributions Framework to ensure that it is brought up to date and includes the education provision for ASN.

Management Response

Agreed – the guidance will be updated in conjunction with the development of LDP2.

Responsible Officer and Target Date

Planning Obligations Officer/LDP Team

April 2026

Recommendation 8: Consideration should be given to including a clause in S75 developer agreements to protect the Council against the risk of any unusual or unexpected increases in construction costs e.g. large increases in the price of materials or additional legislative requirements for climate change.

Management Response

Agreed – we will liaise with our external legal consultant on the possibility of including a clause in S75 developer agreements.

Responsible Officer and Target Date

Service Manager – Planning/Planning Obligations Officer

Ongoing



Draft East Lothian Council Internal Audit Assurance Statement

From:	Duncan Stainbank, Service Manager – Internal Audit Stuart Allan, Senior Auditor
To:	Sarah Fortune, Executive Director for Council Resources Ellie Dunnet, Head of Finance Michelle Cockburn, Transformation & Digital Portfolio Manager
Date:	29 May 2024

Transformation Project Stage Gate Governance Review

1. Background

The East Lothian Council Executive Transformation Team identified that they wished to develop an updated governance process for their Transformation Projects during 2024. This governance process would implement stage gate reviews for ongoing transformation projects to ensure that the projects had appropriate challenge and authorisation before moving to the next stage of project delivery.

To assess the current transformation projects the Transformation & Digital Portfolio Manager agreed with the Executive Transformation Team that the projects currently in development would be assessed against an appropriate stage to identify any gaps between current project management methodology and the proposed new framework. To ensure greater assurance in the process undertaken, the first group of projects assessed were completed in partnership with Internal Audit.

The following projects formed part of the initial assessment group:

- Housing Management Systems Replacement Project
- Redesign of Print & Mail
- TSfC: One Council Commissioning
- TSfC: Aftercare – Positive Destinations
- Let's & Bookings
- Parking Charges
- Brunton Theatre Trust
- Corporate Asset Review

This includes the Corporate Asset Management Project that had originally been planned for an internal audit review of project management. This assessment, as agreed at the March 2024 Audit and Governance Committee meeting, supersedes the need for an internal audit as the project governance has been covered as part of this process.

2. Findings

Each project selected was assessed in relation to the stage gate prior to the assessed stage of the project. Assessment was based on submitted information provided by the project manager for each project and a short report was provided to each project manager with suggested actions to meet the

new requirements of the governance process and recommended to be in place prior to the next project stage.

Key summary findings that related to many of the projects are as follows:

- Written business cases were not in place for all, apart from two of the projects as a whole and in these cases (Housing Management System, TSfC: Aftercare – Positive Destinations) the business cases required to be updated following significant changes to the project. Business cases have been written for phases of the parking charges project, but not for the project as a whole. Approaches on utilising business case documentation by project boards has been inconsistent, however business cases provide the documented consideration of the continued benefits of any project and should be updated following significant changes, to demonstrate that due consideration has been given to continuing with any project. It should however be noted that some of the projects are at stages where a business case cannot yet be developed in full as more information on project benefits and outcomes are required before development of a business case.
- Most projects had regular project board meetings and communication within the project teams was regular and informed by a project update briefing from the project manager.
- Communication plans were in place when communication was a key element of the project.
- As a result of business cases not being developed for projects, few projects had up to date SMART objectives, particularly lacking a timing element for the expected benefits. Maintaining open timescales on outcomes is appropriate within the project initiation documentation (PID) used in the initial project phases, however many of the projects had project plans focusing on specific deliverables without timescales on specific objective outcomes, and as such the success of project delivery cannot be assessed.
- Project risk management logs were found mainly to be in place, however best practice project management would recommend use of a RAID log combining Risks, Assumptions, Issues and Dependencies. East Lothian Council operates a RAID log template; however, this was rarely used beyond risk management, which is well embedded within the project management processes.

3. Conclusions

Project management across the Council has been completed with a specific expectation of the project documentation to manage against. Each project reviewed had substantial documentation on the project process and assurance had been provided through a Project Board. The implementation of the stage gate review process across all transformation projects should raise the standard of documentation produced and provide a firm basis for the consistent consideration of project progression.

Key to this progression should be the acceptance and use of business cases for all projects that are assessed, updated and approved by project or programme boards as the projects develop. This will document detailed consideration of the ongoing benefits of the project under consideration and provide a rationale to scope development of projects when this is necessary.

To allow progression to take place, training of both project managers and project Senior Responsible Officers (SROs) will be required to ensure consistency is achieved.

4. Recommendations

Recommendation 1: A template for business cases should be developed and agreed by the Executive Transformation Team and then used in all Council projects.

Management Response

Agreed – As part of the ETT approval on 26th April, the overarching Portfolio Management Framework was approved including templates which included the Business case template that is based on the Hm Treasury green book 5 case model.

Responsible Officer and Target Date

Transformation & Digital Portfolio Manager

Completed

Recommendation 2: As part of the implementation of the new project governance methodology, training sessions should be held with both project managers and project SROs to ensure a consistent understanding of project methodology, management and documentation, including use of a RAID log.

Management Response

Agreed – With regards to training, the intention is to develop intranet toolkits for self-service, provide support from PMO and to develop standard role-based training.

Responsible Officer and Target Date

Transformation & Digital Portfolio Manager

December 2024

OUTSTANDING RECOMMENDATIONS
Climate Change

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
3.1	<p><u>Partly Implemented</u></p> <p>Management should ensure that the latest Climate Change Strategy action plan provides updated figures for emissions or targets where applicable, together with a percentage increase or decrease for the year.</p>	Medium	Service Manager – Planning	Some actions have no quantitative target and cannot be reported on as recommended, however the Climate Change Strategy 2025 - 2030 will aim to have quantitative targets and KPIs which can be reported on as raw data or as a percentage completed, including 1.4a, 3.1a & 6.1c.	February 2024	February 2025
3.2	<p><u>Awaiting Implementation</u></p> <p>Management should develop a process for considering the use of interim targets in the Climate Change Strategy, for monitoring the Council’s current actions with the target of achieving net zero emissions by 2045.</p>	Medium	Service Manager – Planning	There are still no interim targets in the Climate Change Strategy. Some actions in the Action Plan have target dates before the end of the Strategy cycle, so progress on the Strategy can be partially tracked by how many of these actions have been marked complete by their owners. Development of the next Climate Change Strategy 2025 - 2030 will begin before June 2024 and this Strategy will, alongside Management consider using interim targets.	June 2024	February 2025

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
3.3	<p><u>Awaiting Implementation</u></p> <p>Consideration should be given to defining the carbon emissions categories in the Climate Change Strategy that should be included within the target of achieving net zero emissions by 2045.</p>	Medium	Service Manager – Planning	‘Net Zero’ still needs to be better defined by listing all the emissions categories that are currently included in the net zero target. This will be considered, alongside Management as part of the development of the next Climate Change Strategy 2025 - 2030.	June 2024	February 2025
4.1	<p><u>Partly Implemented</u></p> <p>Management should ensure that appropriate evidence is retained on file to support each identified action in the updated Climate Change Strategy.</p>	Medium	Service Manager – Planning	For the 2024 Climate Change Strategy Update, owners of actions self-reported progress on their actions. Most actions were updated by action owners receiving a copy of the Action Plan, updating their actions, and returning it to the Sustainability and Climate Change Officer. These actions were then collated into a single master spreadsheet and individual action updates were not retained. However, late respondents whose action updates were collected by the Sustainability and Climate Change Officer after the handover. This will now continue to be the case and implement the recommendation for the next update.	February 2024	February 2025

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
4.2	<p><u>Awaiting Implementation</u></p> <p>Management should ensure that appropriate checks are undertaken to confirm that the information reported in the updated action plan is accurate and complete.</p>	Medium	Service Manager – Planning	<p>For the 2024 Climate Change Strategy Update, owners of actions self-reported progress on their actions. The accuracy of these reports were not checked because the handover caused a delay in delivering the Update and it was deemed important to deliver the Update at the first available opportunity. However, it is expected that the Climate Change Planning and Monitoring Group (which will be renamed to reflect the Council declaring a Nature Emergency) will have more opportunity to check the accuracy of the Update for the 2025 Update.</p>	February 2024	February 2025
5.2	<p><u>Awaiting Implementation</u></p> <p>Management should ensure that a formal summary is retained of the discussions held at the annual meeting to review and validate the data in the Public Bodies Climate Change Duties report.</p>	Medium	Service Manager – Planning	<p>Minutes were taken of the Climate Change Planning and Monitoring Group meetings in September 2023 and December 2023, but there appears to be no detailed notes regarding discussion of the PBCCD Report. This will be amended this year, perhaps by recording the call using the record function on Teams.</p>	Dec 2023	Dec 2024

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
5.3	<p><u>Partly Implemented</u></p> <p>A person independent of processing should check the Public Bodies Climate Change Duties report and sign the summary sheet as evidence of the checks being carried out.</p>	Medium	Service Manager – Planning	The Service Manager – Planning, signed off on the Report, however no summary sheet of checks was created, this will be implemented for next year.	Dec 2023	Dec 2024

INTERNAL AUDIT PROGRESS REPORT 2023/24

APPENDIX 3

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Financial Sustainability/CIPFA FM Code	Examine the processes in place to demonstrate that the Council is taking all recommended steps to ensure continued financial sustainability in the long term against the financial sustainability principles within the CIPFA FM Code.	June 2024	Complete
Capital Expenditure Contract Cost Management	Examine the processes in place for ensuring that capital contract costs remain within the contracted costs and are managed to remain within the budgeted project costs for each capital contract.	September 2024	In Progress
Income Receipt, Reconciliation and Bad Debt Control	For all sundry accounts examine the reconciliation controls to recorded income and the processes in place to ensure maximum recovery of income across all Council services.	September 2024	In Progress
Treasury Management Income Maximisation	Review of the Council's Treasury Management processes to ensure that maximum prudential returns are being made on available treasury funds.	September 2024	Terms of Reference Drafted
Agency Worker/ Contractor Use Management	Examine the authorisation processes for approval of the use of agency workers and contractors across the Council and the management of the use of agency workers and contractors to ensure all risks to the Council are managed.	March 2024	Complete

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Cost of Growth	Review the processes in place to establish what the revenue budget costs are of increasing Council services to meet increased population within East Lothian and how consideration of this growth is demonstrated in the annual budget process and development of medium and long term financial strategies.	September 2024	In Progress
Housing Void Management	Examine the processes in place within the Housing and Property Maintenance teams to manage the timely return of void properties to a compliant standard for operational use.	September 2024	
Devolved School Management	Examine the processes and controls in place to ensure compliance with the newly reviewed and approved Devolved School Management Procedures.	June 2024	Replaced with HSCP expenditure forecasting review, now Complete.
Asset Management Review Project Management	Examine the project management process in place in relation to the current asset management process of building moves across the Council to ensure that it is meeting the objectives set.	June 2024	Replaced with providing assurance assistance to transformation gate reviews across the Council, now Complete.
Utilities Cost Management	Examine the processes in place to ensure that a best value process is in place to manage the utilities costs across the Council's buildings portfolio.	December 2023	Complete

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Musselburgh Flood Prevention Scheme Governance Processes	Examine the Governance processes in place to manage and control the development and procurement for the Musselburgh Flood Prevention Scheme.	June 2024	Complete, following advice from the Monitoring Officer this will now be submitted to the September 2024 meeting.
Roads	Examine the Roads trading account operation and establish that this is operating in a best value format for the Council.	June 2024	Carried forward to 2024/25 and replaced with assurance review of Council school projections following Renfrewshire Council reports, which is now Complete.
Partnership Funding	Review the grant funding provided to external organisations by the Council and review the processes in place to ensure that funding is linked to specific outcomes and organisational sustainability is promoted.	June 2024	Carried forward to 2024/25
Education Additional Support Needs	Examine the processes around assessment and provision of additional support needs for children.	September 2024	In Progress
Miscellaneous Grants	For grants awarded to the Council by the Scottish Government, Internal Audit is sometimes required to provide a statement of compliance with grant conditions on an annual basis.	September 2023	Complete

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
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 2023	Complete
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	December 2023	Complete