

REPORT TO: Audit and Governance Committee

MEETING DATE: 11 June 2024

BY: Service Manager – Internal Audit

SUBJECT: Shared Services with Midlothian Council June 2024

1 PURPOSE

- 1.1 This report provides the Audit and Governance Committee with the appraisal of the first 18 months of the shared service arrangement for the Chief Internal Auditor service between East Lothian and Midlothian Councils.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee:
- I. Note the agreement of the East Lothian Council Executive team and the Midlothian Council Executive team, following the 18-month initial period, to the continuation of the Chief Internal Auditor shared service on an ongoing basis.
 - II. Approve the continuation of the Chief Internal Auditor shared service between East Lothian and Midlothian Councils on an ongoing basis.
 - III. Note that flexibility will be considered as part of the ongoing annual planning process for Internal Audit to widen the agreement to the potential sharing of Internal Audit and Counter Fraud resource staffing.

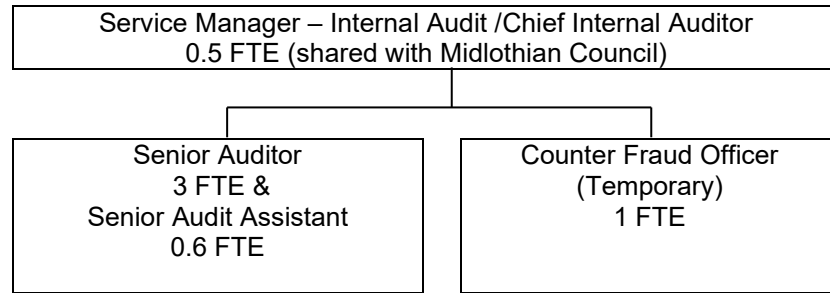
3 BACKGROUND

- 3.1 For the five years to 30 June 2022 Midlothian Council had a shared service arrangement for Chief Internal Auditor services with Scottish Borders Council. Following this arrangement ending on 30 June 2022, and an unsuccessful recruitment process for an Internal Audit Manager, East Lothian Council were approached to consider a shared service. During 2022 a shared service was approved between East Lothian and Midlothian Councils and the service commenced on 1 January 2023.
- 3.2 During this period Internal Audit services have continued to be provided to both Councils in accordance with the Public Sector Internal Audit Standards. Savings have been achieved in budgets across both Councils. In East Lothian these savings have been used to employ a Counter Fraud Officer who has been able to increase the savings levels by identifying and recovering a greater value of fraud, see item 3 on the Audit and Governance Committee agenda.

3.3 Both East Lothian and Midlothian Councils continue to have Internal Audit Plans approved by the Audit and Governance Committee and the Audit Committee respectively on a risk basis, including length of time since last assurance review of an area. Whilst some risks are specific to each Council, some are shared between the Councils, which allows for efficiencies in sharing audit programmes and methodologies, with the potential for further savings if staffing is shared.

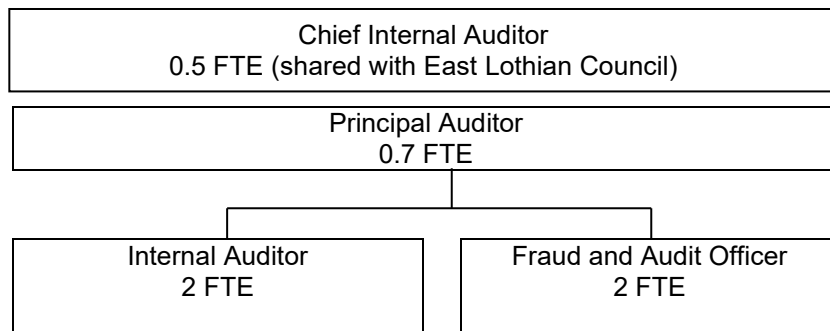
3.4 The Internal Audit teams are structured as shown in the following diagrams:

East Lothian Council



The Service Manager – Internal Audit for East Lothian’s Internal Audit Unit provides Internal Audit and Counter Fraud services for both the Council and the East Lothian Integration Joint Board and reports administratively to the Executive Director for Council Resources, functionally to the Audit and Governance Committee and has direct access to the Chief Executive, the Section 95 Officer and the Monitoring Officer.

Midlothian Council



The Internal Audit function in Midlothian reports to the Chief Executive and provides Internal Audit and Corporate Fraud services for both the Council and the Midlothian Integration Joint Board.

3.5 Overall resources are anticipated to remain as they are currently available with the expectation of creating some cross working opportunities for staff when approved by the Audit and Governance Committee. Cross working in certain audit areas will be more efficient and create greater resilience across these small teams. Any cross working will be approved prior to implementation and be dependent on appropriately available staffing for both Councils.

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 – No further implications form this report as there is a continuation from the trial period of additional income for the Internal Audit team.

6.2 Personnel – As identified in the report.

6.3 Other – None

7 BACKGROUND PAPERS

7.1 None

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