

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 11 June 2024

**BY:** Service Manager – Internal Audit

**SUBJECT:** Annual Internal Audit Report 2023/24

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## **1 PURPOSE**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit prepares an annual internal audit opinion and report to support the Council's Annual Governance Statement.
- 1.2 This report provides a summary of the work undertaken by East Lothian Council's Internal Audit team in 2023/24 and supports both the Council's Annual Governance Statement and the Internal Audit Controls Assurance Statement.

## **2 RECOMMENDATION**

- 2.1 The Audit and Governance Committee is asked to note the contents of the Annual Internal Audit Report 2023/24.

## **3 BACKGROUND**

- 3.1 Internal Audit is an independent appraisal function established by the Council to review its governance, risk management and control systems. East Lothian Council's Internal Audit team seeks to operate in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 3.2 Internal Audit 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.
- 3.3 The Public Sector Internal Audit Standards (PSIAS) require that the annual report must incorporate a statement on Internal Audit's conformance with the PSIAS and Local Government Application Note and the results of the Quality Assurance and Improvement Programme (QAIP) that covers all

aspects of the internal audit activity. Internal Audit is continuously seeking to improve its service and aims to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. This was achieved in 2023/24 through the following processes:

- Compliance with PSIAS.
- A tailored audit approach using a defined methodology for financial audits.
- A programme of quality control measures, which include the supervision of staff conducting audit reviews and the detailed review of working paper files and audit reports.
- The development of personal and training plans – Internal Audit staff members are required to undertake a programme of Continuous Professional Development (CPD).

3.4 The PSIAS require the development of a Quality Assurance and Improvement Programme (QAIP). The QAIP is designed to enable evaluation of Internal Audit's conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards. The QAIP must include both internal and external assessments. An External Quality Assessment of the Council's Internal Audit service was undertaken by the Chief Internal Auditor of Dumfries and Galloway Council and reported to the March 2024 Audit and Governance Committee. A further QAIP will be reported to the March 2025 Audit and Governance Committee.

### **Delivery of the Internal Audit Service**

3.5 In February 2023, the Audit and Governance Committee approved the Internal Audit Plan for 2023/24. The plan was scoped to address the Council's key risks and strategic objectives.

3.6 In order to ensure a constant review of ongoing concurrent risks to the Council and confirmation of approval by the new membership a revised Internal Audit Plan for 2023/24 was then approved by the Audit and Governance Committee in September 2023. Subsequent changes to the audit plan were also notified to the Audit and Governance Committee in March 2024 as part of this ongoing review.

3.7 Four reviews are not fully complete however they have all been progressed and will be reported later in 2024 when fully complete. However, some assurance has been received that has been used to inform the annual assurance of East Lothian Council, in the areas where work is substantially complete.

3.8 In 2023/24, Internal Audit completed 12 audit reviews. Table A (see section 3.10 below) outlines the audit work undertaken in 2023/24. For each audit, Internal Audit has provided Management with an assessment of the adequacy and effectiveness of their systems of internal control. Of the 12 audit reviews undertaken in 2023/24:

- In 2 cases, Internal Audit provided Limited assurance.
- In 6 cases, Internal Audit provided Reasonable assurance.
- In 4 cases, Internal Audit did not grade the overall report.

3.9 For the 12 audit assignments finalised, a total of 73 recommendations were made – 49 recommendations were graded as medium (i.e. recommendations which will improve the efficiency and effectiveness of the existing controls); 7 recommendations were graded as 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); 17 recommendations have not been graded as is Internal Audit procedure for assurance statements. Our recommendations sought to address the weaknesses identified in the design of controls and/or their operational effectiveness.

3.10 We have completed the following reviews in 2023/24:

**Table A**

<b>Audit Assignment</b>	<b>Level of Assurance</b>
Brunton Theatre Trust	Limited
Tyne & Esk Funding	Reasonable
Scottish Housing Regulator Annual Assurance	Not Graded
Utilities Cost Management	Reasonable
Performance Indicators	Reasonable
Homelessness	Reasonable
Agency Workers	Limited
HSCP Commissioned Services Forecasting	Not Graded
Musselburgh Flood Prevention Scheme	Reasonable
Transformation Project Stage Gate Reviews	Not Graded
Bowles Report – Primary School Capacity Shortfall	Not Graded
CIPFA FM Code	Reasonable

3.11 Internal Audit has also undertaken 16 Whistleblowing/Fraud and Irregularity or management request investigations/reviews in 2023/24, see the Counter Fraud Annual report for further details.

3.12 Internal Audit has also undertaken follow-up reviews of previous years' work to ensure that recommendations have been implemented by Management and have prepared reports for the East Lothian Integration Joint Board (IJB) Audit and Risk Committee.

**Conflicts of Interest**

3.13 There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

## **Performance Indicators**

3.14 We have undertaken our audit work in accordance with the agreed plan and each of our final reports has been reported to the Audit and Governance Committee. Performance information for 2023/24 covers:

- Completion of the annual Audit Plan – 75%
- % of recommendations accepted by Management – 100%
- % of staff with CCAB accounting qualifications – 80%

## **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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