



REPORT TO: East Lothian IJB – Audit and Risk Committee

MEETING DATE: 18 June 2024

BY: Chief Internal Auditor

SUBJECT: Annual Internal Audit Opinion and Report 2023/24

1 PURPOSE

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit prepares an annual internal audit opinion and report that can be used by the Integration Joint Board (IJB) to inform its governance statement.
- 1.2 The purpose of this report is to inform the IJB Audit and Risk Committee of the internal audit work undertaken in 2023/24 and to provide an opinion on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control.

2 RECOMMENDATION

- 2.1 The IJB Audit and Risk Committee is asked to note that the Annual Internal Audit Opinion and Report 2023/24 is a formal confirmation of Internal Audit's opinion on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control for the year ended 31 March 2024.

3 BACKGROUND

Sound Internal Controls

- 3.1 The IJB's senior management has responsibility for establishing a sound system of internal control and for monitoring the continuing effectiveness of these controls. The main objectives of internal control systems are:
 - Achievement of the IJB's strategic objectives.
 - Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations and programmes.
 - Safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.

- 3.2 A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls or the occurrence of unforeseen circumstances. The IJB is continually seeking to improve the effectiveness of its system of internal control.

Quality Assurance and Improvement Programme (QAIP)

- 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 IJB 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 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 in 2024 and reported to the East Lothian Council Audit and Governance Committee in March 2024, which assessed the East Lothian Council Internal Audit service as Fully Conforming with PSIAS.

Delivery of the Internal Audit Service

- 3.5 Internal Audit is an independent appraisal function established by the IJB to objectively examine, evaluate and report on the adequacy of governance, risk management and control systems. The provision of the Internal Audit service to the IJB is on an in-house basis by East Lothian Council's Internal Audit Unit. In addition to the work undertaken by the in-house team, work is also undertaken by the NHS Lothian Internal Audit team, through principles agreed between Lothian NHS and the Lothian IJB's as reported to the December 2021 Audit and Risk Committee.

- 3.6 Internal Audit reports functionally to the Audit and Risk Committee and has direct access to Senior Management, the Chair of the Audit and Risk Committee and the Chair of the IJB.
- 3.7 In March 2023, the Audit and Risk Committee approved the Internal Audit Plan for 2023/24.
- 3.8 All of the scheduled audit reviews have been completed for the 2023/24 year providing the assurance noted and having been reported to the following meetings of the Audit and Risk Committee:
- Change Board Governance: Reasonable Assurance, December 2023
 - Performance Management: Reasonable Assurance, March 2024
 - Publications Scheme: Limited Assurance, March 2024
- 3.9 The formal assessment on the systems of Governance, Risk Management and Internal Control has been made on all planned evidence.
- 3.10 Internal Audit findings identifying system weaknesses or non-compliance with expected controls were brought to the attention of the IJB's Chief Officer, Chief Finance Officer, External Audit and the Audit and Risk Committee. The weaknesses outlined are those that have come to our attention during the course of our normal audit work and are not necessarily all of the weaknesses, which may exist. It is the responsibility of Management to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations.

Conflicts of Interest

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

Assessment of Controls and Governance

- 3.12 Our evaluation of the IJB's control environment is informed by a number of sources including statutory and other compliance:
- Integration Scheme – an East Lothian Integration Scheme approved by East Lothian Council in June 2022 has now been approved by Scottish Ministers in May 2023 and sets out how the IJB will operate, including the scope of the services to be included within the IJB and the financial arrangements.
 - Membership – membership of the IJB is in accordance with the Integration Scheme.
 - The IJB has in place approved Standing Orders as amended in March 2020 and Financial Regulations.
 - Committees – the IJB has an established Audit and Risk Committee. The terms of reference of the Audit and Risk Committee cover the

IJB's governance, risk and control; internal audit; external audit; financial reporting and accountability arrangements.

- Strategic Plan – the IJB formally adopted a new Strategic Plan 2022-2025 in September 2022.
- Officers – appropriate officers (Chief Officer and Chief Finance Officer) with responsibility for maintaining and operating an effective system of internal control were in place during 2023/24.
- Code of Conduct for Members of the IJB, which was updated and approved in June 2022.
- The work undertaken by Internal Audit during 2023/24.

3.13 Operational matters covered by IJB Directions and which are undertaken on behalf of the IJB by either East Lothian Council or NHS Lothian are outwith the scope of the annual audit plan and this audit opinion.

3.14 During 2023/24, areas identified with scope for improvement included the following:

- A report on the Structure and Governance Review of Change Boards, that was approved by the East Lothian Strategic Planning Group in October 2023, identified weaknesses in the framework for Change Boards, in December 2023 Internal Audit further recommended that the actions were allocated an action owner in order to track implementation, these recommendations continue to be progressed.
- A Draft East Lothian HSCP Performance Framework is in place, outlining performance monitoring and reporting across the ELHSCP. The draft Framework describes the current arrangements in place, provides details of current performance indicators and identifies areas that need to be developed further. However, there is a need to finalise the Performance Framework and ensure that areas for development are sufficiently progressed. The framework was approved at the May 2024 IJB and will now progress these improvements.
- The East Lothian IJB has adopted the Model Publication Scheme (MPS) and made a significant amount of information available to view online. Information has in the main been appropriately classified in the MPS and the associated Guide to Information also adheres to the six MPS principles. The East Lothian IJB MPS has not been updated since 2017 and significant improvement opportunities have been identified relating to the review of the MPS and the information available, alongside a self-assessment exercise and training requirements it is anticipated that these improvements will be in place by September 2024.

3.15 The implementation by Management of agreed actions to address the weaknesses identified should provide assurance that the system of internal control is operating as intended.

Opinion

- 3.16 It is our opinion, subject to the weaknesses outlined in section 3.14 above, that reasonable assurance can be placed on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control for the year to 31 March 2024.

4 ENGAGEMENT

- 4.1 None

5 POLICY IMPLICATIONS

- 5.1 None

6 INTEGRATED IMPACT ASSESSMENT

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

7 DIRECTIONS

- 7.1 The subject of this report does not require any amendment to or creation of Directions.

8 RESOURCE IMPLICATIONS

- 8.1 Financial - None
8.2 Personnel - None
8.3 Other - None

9 BACKGROUND PAPERS

- 9.1 None

AUTHOR'S NAME	Duncan Stainbank
DESIGNATION	Chief Internal Auditor
CONTACT INFO	dstainbank@eastlothian.gov.uk
DATE	7 June 2024