

East Dunbartonshire Council

Internal Audit Annual Report

2023/24



Gillian McConnachie
Chief Internal Auditor

Annual Internal Audit Report 2023/24

This Annual Internal Audit Report is a summary of the activities of the Council's Internal Audit Team for the financial year 2023/24 and includes the internal audit opinion at *Appendix 1.1*. The opinion concludes on the adequacy and effectiveness of the Council's framework of governance, risk management and control. It supports the annual governance statement which will be included in the annual financial accounts. It takes into account the expectations of senior management, the Audit & Risk Management Committee (A&RMC) and other stakeholders. It is supported by sufficient, reliable, relevant and useful information, as referenced in the body of this report. Through utilising such information, Internal Audit demonstrates compliance with relevant Public Sector Internal Audit Standards.

Internal Audit Opinion

The full statement and opinion provided at *Appendix 1.1*, confirms my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control systems, governance and risk management systems in the year to 31 March 2024.

This means that members can be assured that proper processes are in place to enable the achievement of the Council's objectives.

Key Areas for Improvement

In reaching this conclusion, I note risks raised by Internal Audit in the current and previous years relating to ASN School Transport Contract Monitoring and to Contract Management. I also note risks relating to the Health and Social Care Partnership for the areas of Social Work Payment Arrangements and Interim Care Home Funding. Individually, these risks do not significantly impair the Council's systems of internal control. Furthermore, management have reported progress and detailed plans to mitigating these risks. The remaining risks will continue to be kept under review, with auditors monitoring compliance with the agreed actions as part of six monthly follow up updates which will be reported to the Audit & Risk Management Committee.

The opinion at *Appendix 1.1* represents a consolidated view, informed by a number of sources and, in bringing these together, considers whether there is evidence that key controls are absent, inadequate or ineffective. The work includes an assessment of any weaknesses identified and whether these, taken independently or with other findings, significantly impair the Council's system of internal control. Wider issues relating to the Council's corporate governance framework and risk management arrangements have also been considered in providing the opinion.

The level of assurance provided by the Internal Audit Team can never be absolute. This reflects the sample nature of the work carried out, the relative scope and objectives of audit assignments and those explanations offered, and evidence provided by officers. In addition, factors external to the audit process including

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human error, collusion or management overriding controls as a potential for systems, historically highlighted as being satisfactory, to become exposed to risk or loss.

Summary of Work Supporting the Opinion

The opinion is informed by a number of sources, including the internal audit work completed in the year. Each audit assignment addresses one of the following specific areas: assurance audits, regularity, irregularity, consultancy, performance and ICT. The risk of fraud is also considered in each assignment, together with any governance or risk management implications. This allows the Audit & Risk Manager, as the Council's Chief Internal Auditor, to draw sustainable conclusions based on a range of activities that reflect the diversity of work carried out by the Council.

A total of 34 outputs were completed by 31 March 2024 compared to 38 outputs planned – a completion rate of 89% and equal to the number of outputs completed in 2022/23 (34). A detailed comparison of the work carried out against the Plan and the reasons for the variance is provided in subsequent sections.

The opinion is also informed by follow up work, which involves reviewing the extent to which those risks previously identified have been subsequently managed or mitigated. Internal Audit have prepared a follow up report for 2023/24, as attached at *Appendix 2*. The consolidated follow up work has identified that 62 risks remain outstanding. These risks will be followed up in the course of 2024/25. Whilst acknowledging the significant and ongoing work and the continued pressures on services, auditors ask for prioritised focus in closing off the remaining outstanding high-risk issues relating to Contract Management and the HSCP to focus on closing off risks relating to Interim Care Home Funding.

Additionally, the Council's Chief Internal Auditor provides representation to the Glasgow City Deal Audit Support Group. The Group is a key requirement of the City Deal assurance framework and is an important consideration in the overall governance arrangements. Representatives of the group are required to provide an Assurance Statement on behalf of their Councils, highlighting any concerns or weaknesses that may need to be taken into consideration by the Glasgow City Region Cabinet. Having reviewed City Deal activities within East Dunbartonshire Council, the wider governance arrangements within the Council, there were no material issues that needed to be brought to the attention of the Glasgow City Region Cabinet; the statement was therefore prepared on this basis.

Internal Audit Output Summary

The 2023/24 annual audit plan included provision for a direct allocation of 1,023 audit days and planned production of 38 outputs. The plan to deliver such an extensive increased programme represents the commitment of the team to deliver an opinion based on the widest possible range of audit work.

Some changes from the original plan were made in the course of the year, in response to emerging risks and a reprofiling of audits that had originally been

planned. The team has been able to provide assurance over a number of areas, as detailed in Appendix 1.2.

Full details on these audits have been provided in the internal audit updates to Committee. This work supports both this Annual Audit Report and opinion and the Annual Governance Statement in the accounts. Where internal audit have identified risks in the areas reviewed, action plans have been agreed. The agreed actions are logged on the Ideagen performance management system and will be followed up on and progress reported back to the Audit and Risk Management Committee.

Audit work for the year ended with outputs being 89% complete having applied 100% of the resources, being audit days, allocated in the Plan.

With regards to outputs, these were marginally lower than planned due to factors including competing organisational pressures resulting in a high number of audits being in progress at the year end. A summary of the underlying variations in the type of audits completed is noted in *Table 1* below:

Table 1 - Analysis of Outputs by Audit Type

Audit Type	Completion Number	Completion %
Systems	15 Completed out of 24 Audits Planned	63% Complete
Regularity	7 Completed out of 7 Audits Planned	100% Complete
Irregularity	0 Completed out of 1 Audits Planned	0% Complete
Consultancy	9 Completed out of 4 Audits Planned	>100% Complete
Performance	2 Completed out of 1 Audits Planned	>100% Complete
Information Technology	1 Completed out of 1 Audits Planned	100% Complete
Total	34 Completed out of 38 Planned	89% Complete

In reviewing the performance of the team, it was noted that none of the Reports in 2023/24 was issued outwith the target of 20 days of fieldwork, giving a compliance rate with this Performance Indicator of 100%, against a target of 95%.

Annual Assurance - A number of documents that collate the work of the Internal Audit team have been produced or are in progress as part of the team's responsibility for annual assurance. These are: follow up reviews, the Annual Internal Audit Report (this document), the drafting of the Annual Governance Statements for inclusion in the Council, the HSCP and Mugdock Country Park Joint Management Committee's accounts and, additionally, assurance statements on the Council's work for the Health & Social Care Partnership and City Deal. Internal Audit have also reviewed the Council's Risk Management arrangements and have concluded that the Council has a reasonably well developed risk management

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maturity. There are established risk registers for all Executive Officer Accountabilities and for the Council itself. The Corporate Risk Register was updated and agreed at the Council meeting in December 2023.

Standard Committee templates also include a section for the consideration of risk and control measures for all reports, under the heading of 'Management of Risk'. This promotes a risk aware culture. A Corporate Risk Management Strategy has been approved by the Audit & Risk Management Committee and this sets out the Council's approach to identifying, assessing and managing risks.

A further improvement for 2024 is the consideration of the corporate risk register in the development of the BIPs and a strengthening of the links between these documents.

Audit Development

Allocations to Audit Development represent resources dedicated to the development of quality processes, benchmarking and adherence to good practice requirements.

An Internal Audit Satisfaction Survey is issued to services following the conclusion of each audit. The results of these surveys are monitored to identify opportunities for improvement within the service.

Performance of the Internal Audit Team

The Key Performance Indicators for the Internal Audit Team are planned in the Finance & Audit annual '*Business Improvement Plans*' (BIPs) and then reported against in the '*How Good Is Your Service*' (HGIOS) reports to Members of the Policy & Resources (P&R) Committee.

Current indicators reported through BIPs and HGIOS are noted as follows:

- Percentage of finalised audit outputs against the number anticipated in the Plan.
- Percentage of audit reports issued within 20 days of completion of fieldwork.

The year-end position in relation to each of these indicators is included above in the section relating to the '*Internal Audit Output Summary*'.

The following additional indicator is tracked by the Team and reported to the Audit & Risk Management Committee as a reflection of inputs:

- Percentage of productive days worked against the target productive days in the Plan.

Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. Internal Audit have met with Mazars, the Council's external auditors and will work together whenever possible.

Progress against improvement plans

The Internal Audit service takes a 'continuous improvement' approach to our internal audit work. This is reflected in our reports and recommendations made to services

and also in the approach to the internal audit work itself, with a focus in making incremental improvements to our work through efficiencies, and/or improved quality. This helps us to improve our quality and adherence to Public Sector Internal Audit Standards, and to focus on the areas of greatest risk and where we are able to add the most value. Improvements over the past year have included with the Audit Plan for 2024/25 planning for data analytics work for the first time.

Impairments or Restriction of Scope

There have been no impairments or restrictions of scope during the course of the year.

Reliance on Other Assurance Providers

The internal audit opinion also includes consideration of the work of other assurance providers. This includes those reports issued by the Council's external auditors, Mazars, and other scrutiny partners such as Education Scotland and the Care Inspectorate.

The work of the internal audit team continues to place reliance on assurance provided by, for example, the work undertaken to assess our ICT network resilience for PSN accreditation, the Chief Social Work Officer in their annual report, the Housing service's self assessed assurance statement and our performance through the Local Government Benchmarking Forum.

Progress & Results of the Quality Assurance Improvement Programme

The Internal Audit Team is required to work to a set of rules - PSIAS. These rules apply to all public sector internal auditor teams. It is a requirement of these standards that periodic self-assessments are conducted to evaluate conformance with the Code of Ethics and the PSIAS. Under Section 7 (1) of the Local Authority Accounts (Scotland) Regulations 2014, the Council must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing. The Council defines such standards as those set out within the PSIAS.

An external assessment was completed of the Internal Audit function's compliance with PSIAS in 2023, in order to meet the PSIAS requirement for an external assessment at least once every five years with the previous report having been published in 2018. It was found that, in the opinion of the qualified independent assessor, the Internal Audit team fully conforms to all thirteen standards. Nonetheless, three minor areas for improvement were identified by the assessor. An update on progress against these actions is provided below.

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Recommendation	Update
East Dunbartonshire Internal Audit should consider what actions could be taken to improve the response rate for client surveys. A summary of the results of these surveys should be considered for inclusion in the Internal Audit Annual Report which is reported to the Audit & Risk Management Committee	Outstanding To be taken forward in 2024/25
The Audit and Risk Manager should consider if a specific annual Internal Audit Plan should be developed for the East Dunbartonshire Leisure & Culture Trust.	Complete This was a consideration for the 2024/25 audit plan and specific work on Trust controls is planned.
The Audit & Risk Manager should consider if it would be helpful to revise the standard template for audit reports to include details of any recognised areas of good practice that are identified during the audit.	Complete Template has been amended and will be used for 2024/25 audits onwards.

A self-assessment against PSIAS was completed by the Chief Internal Auditor in 2023/24 and formed part of EDC's Quality Assurance and Improvement Programme for Internal Audit for the year.

Internal Audit have also issued questionnaires on completion of each audit assignment, providing an opportunity for the auditee to provide feedback on the planning process, communication and the quality of the internal audit report. All audit files are reviewed by the Chief Internal Auditor to ensure high standards are maintained and to encourage a continuous improvement approach by the team.

Statement of Conformance with Public Sector Internal Audit Standards

Internal Audit is required to comply with PSIAS. This is assessed herewith by the Chief Internal Auditor.

The Chief Internal Auditor deems the service to fully conform with PSIAS.

Other Issues

I am aware of no other material issues that require to be reported at this time.

STATEMENT ON THE ADEQUACY AND EFFECTIVENESS OF THE INTERNAL CONTROL ENVIRONMENT OF EAST DUNBARTONSHIRE COUNCIL FOR 2023/24.

To the Elected Members of East Dunbartonshire Council, the Chief Executive, the Chief Finance Officer (The Section 95 Officer), and the Senior Leadership Team

As the Chief Internal Auditor of East Dunbartonshire Council, I am pleased to present my annual statement on the adequacy and effectiveness of the internal control system of the Council for the year ended 31 March 2024.

Respective Responsibilities of Management and the Internal Audit Team in Relation to Governance, Risk Management and Internal Control

It is the responsibility of the Council's senior management to establish appropriate and sound systems of governance, risk management and internal control to monitor the continuing effectiveness of those systems. It is the responsibility of the Audit & Risk Manager as the Council's Chief Internal Auditor to provide an annual overall assessment of the robustness of governance, risk management and internal control.

The Council's Framework of Governance, Risk Management and Internal Controls

The main objectives of the Council's framework of governance, risk management and internal controls are to ensure that resources are directed in accordance with agreed plans, policies and priorities and to ensure that there is sound decision-making and clear accountability for the use of those resources in order to achieve the desired outcomes for service users and communities.

This includes ensuring that appropriate internal controls and risk management arrangements are in place in order to effectively manage issues which might impact on the delivery of Council services, the achievement of corporate and service objectives and public confidence in the Council. The Council also requires effective internal controls and risk management arrangements to safeguard its employees, to protect its assets, to maintain effective stewardship of public funds, to ensure good corporate governance, to ensure compliance with statutory requirements and to ensure it continues to deliver best value.

A system of control can only ever provide reasonable and so not absolute assurance that control weaknesses or irregularities do not exist. It cannot guarantee that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Nonetheless, the Council is continually seeking to improve the effectiveness of its systems of governance, risk management and internal controls in order to minimise these risks.

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The Work of the Internal Audit Team

Internal audit is an independent appraisal function, established by the Council in line with statutory requirements to review the internal control system. This function is provided as a service to the organisation as a whole. The Internal Audit Team objectively examines, evaluates and reports on the adequacy of internal controls in place to mitigate risks to achievement of the Council's objectives.

The Internal Audit Team has undertaken a programme of work in the year, with some of the work differing from that originally planned as a result of emerging risks and a reprofiling of audits that had originally been planned. The work undertaken has been carried out in consultation with the Corporate Management Team and key stakeholders, to understand the key risks facing the Council.

All Internal Audit reports identifying system weaknesses, risks and/or non-compliance with expected controls are brought to the attention of senior management and significant findings presented to the Audit and Risk Management Committee. Audit reports and action plans provide insight into the risks identified and include an agreed narrative highlighting the Service's intended course of action, including the timescales involved to mitigate and manage the risk. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on those risks identified.

The Internal Audit team are required to ensure that appropriate arrangements are made to determine whether action has been taken on agreed reports or, where appropriate, that management has understood and assumed the risk of not taking action. Significant matters (including non-compliance with audit recommendations) arising from internal audit work are reported to the Audit & Risk Management Committee, the Corporate Management Team, and Executive Officers.

Auditors have noted that some risks previously highlighted by auditors remain 'in progress'. Management have reported progress towards mitigation of these issues and Auditors will monitor compliance with the agreed actions as part of a six monthly cycle, and updates being reported to the Audit & Risk Management Committee.

Impairments or Restriction of Scope

There have been no impairments or restrictions of scope during the course of the year.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- The internal audit work completed by the Internal Audit Team during the year to 31 March 2024 and material findings since the year end;
- The audit work undertaken by the Internal Audit Team in previous years;

- The assessments of the Annual Governance Statements Internal Checklist for individual strategic accountabilities relating to 2023/24 as completed by Executive Officers;
- The assessment of audit risk to internal and financial controls determined during the preparation of the annual Internal Audit Plan;
- Reports issued by the Council's external auditors, Mazars, and other review agencies; and
- My own knowledge of the Council's governance, risk management and performance management arrangements.

Opinion

It is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's governance, risk and control framework in the year to 31 March 2024.

Gillian McConnachie CA

Chief Internal Auditor

Audit & Risk Manager

East Dunbartonshire Council

21 June 2024

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Appendix 1.2

Area	H	M	L	Total	Audit Opinion
Education					
Education School Funds		1	2	3	Reasonable except specific establishment
CSA		1		1	Controls generally operating as expected
School Fund Bank Account Advice - Contactless Payments				0	n/a - consultancy
Woodland View Controls Establishment				0	Generally Reasonable
Finance & Digital Services					
School Transport	1	2		3	Generally Reasonable
M365		3	1	4	Reasonable assurance
ICT - Back-Up Arrangements		1	1	2	Generally Reasonable
NDR Billing & Collection			2	2	Substantial assurance
Reserves Management			1	1	Substantial assurance
IHMS rent account advice				0	n/a - consultancy
Oracle Fusion - Debtors Integrations				0	Reasonable assurance
Oracle Fusion				0	n/a - consultancy
Benchmarking Advice on Audit Requirements for Charitable Trusts				0	n/a - consultancy
Non Current Assets - materiality advice				0	n/a - consultancy
Roads & Neighbourhood Services					
Fleet Management		2	3	5	Generally Reasonable
Drainage and Flooding Risks		2		2	Generally Reasonable
Waste payment controls - Consultancy		1	1	2	n/a - consultancy
Land, Planning & Development					
Glasgow City Region City Deal		2	1	3	Sound
Customer Services & Organisational Development					
Monthly Performance Indicators			4	4	Substantial assurance
Local Government Benchmarking Framework			1	1	Reasonable assurance
Assets & Facilities					
Dampness and Mould (Housing)		4	2	6	Generally reasonable
Facilities Management		2	3	5	Reasonable assurance
Legal & Regulatory Services					
Data Analytics - Payments		2		2	n/a - consultancy
Health & Social Care Partnership					
Social Work Payments Arrangements	4	4		8	Limited assurance
Interim Care Home Funding	3	2		5	Limited assurance
HSCP Governance - Workforce Planning		2		2	Sound
HSCP Bad Debt Provision		1	3	4	Sound
Self Directed Support - Transitions		1	1	2	Generally Reasonable
Standardised Care Package Advice Note				0	n/a - consultancy
Total Risks Identified	8	33	26	67	