

Governance, Risk and Best Value Committee

10.00am, Tuesday, 2 May 2023

Internal Audit Update Report: 5 December 2022 to 31 March 2023

Item number

Executive/routine

Executive

Wards

Council Commitments

1. Recommendations

- 1.1 It is recommended that the Committee:
- 1.1.1. notes progress with delivery of the 2022/23 Internal Audit (IA) plan and reviews the outcomes of IA reviews completed in the last quarter;
 - 1.1.2. approves a revision to the Committee work programme to allow the annual activity report and audit opinion to be presented to Committee in September 2023;
 - 1.1.3. agrees the deferment of two 2022/23 IA reviews into the 2023/24 IA plan;
 - 1.1.4. notes commencement of the 2023/24 IA plan approved by Committee in March 2023;
 - 1.1.5. notes progress with recommendations and improvement actions arising from the 2021/22 External Quality Assessment;
 - 1.1.6. notes outcomes and feedback from audit surveys;
 - 1.1.7. notes the current IA risk profile and action being taken to mitigate risks; and
 - 1.1.8. notes progress with delivery of IA key priorities and ongoing areas of focus.

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Internal Audit Update Report: 5 December 2022 to 31 March 2023

2. Executive Summary

- 2.1 Delivery of the 2022/23 Internal Audit (IA) plan is in its final stages. A total of 27 of 42 reviews are now complete, with 10 completed since December 2022. A summary of overall progress and outcomes included within this update.
- 2.2 Updates to the 2022/23 IA plan since December 2022 are outlined in section 4.1 of this report, including the proposed deferment of two 2022/23 IA reviews into the 2023/24 IA plan.
- 2.3 A further 10 reviews are at reporting stage and are due to be finalised by the end of May 2023 and will be presented to the Committee for review and scrutiny in August 2023.
- 2.4 The IA annual activity report and annual audit opinion is currently scheduled to be presented to Committee in August 2023. It is proposed that this now be presented to the September 2023 meeting, to allow Committee adequate time to review and scrutinise the remaining 2022/23 reports ahead of considering the 2022/23 annual report and opinion.
- 2.5 The [2023/24 IA plan](#) approved by Committee in March 2023 has commenced, with one review in reporting and a further 9 reviews underway.
- 2.6 Progress continues with implementation of IA actions following the External Quality Assessment completed by the Institute of Internal Auditors in March 2022.
- 2.7 IA stakeholder surveys demonstrate continued positive engagement between IA and services across the Council.
- 2.8 The IA risk profile continues to be managed within risk appetite, with mitigating actions in place as required.

3. Background

2022/23 IA Plan

- 3.1 The rebased [2022/23 IA plan](#) was approved by Committee in October 2022.
- 3.2 All IA reports are provided to Members to review via the GRBV MS Teams room when complete.

- 3.3 In [March 2023](#), Committee agreed to apply the standard CIPFA ratings and definitions to IA reports. All reports with an overall outcome of 'limited or no assurance' or which include any high rated findings are automatically presented to the Committee for scrutiny.
- 3.4 As part of the Agenda Planning Meeting (APM) process, elected members may also request presentation of other completed audit reports outwith this criteria, for review and scrutiny at Committee.

2022/23 annual activity report and audit opinion

- 3.5 The 2022/23 annual activity report and annual opinion is currently scheduled on the [Committee work programme](#) for August 2023. However, it is proposed that this instead be presented to the September 2023 meeting, to allow Committee adequate time to review and scrutinise the remaining 2022/23 IA reports in August 2023, ahead of considering the 2022/23 annual report and audit opinion.

2023/24 IA plan

- 3.6 The [2023/24 IA plan](#) was approved by Committee on 14 March 2023. As agreed by Committee, the plan will be reviewed quarterly with any proposed changes presented to Committee for review and approval.

External Quality Assessment

- 3.7 An External Quality Assessment (EQA) of the Council's IA function undertaken by the Chartered Institute of Internal Auditors (IIA) during 2021/22 and reported to Committee in [October 2022](#). This report provides a progress update on recommendations and actions resulting from the EQA.

Internal Audit Surveys

- 3.8 An audit survey is issued to key contacts following completion of audits to obtain feedback on both audit performance and the audit experience for services. This report provides a summary of audit survey outcomes from 5 December 2022 to 31 March 2023.

4. [Main report](#)

2022/23 IA Plan

- 4.1 The 2022/23 IA plan includes a total of 42 IA reviews (33 for the Council and 9 for other organisations).
- 4.2 Delivery of two IA reviews included in the 2022/23 IA plan (one for the Council and one for Lothian Pension Fund) have been delayed and will not be complete by 30 April 2023 (the agreed cut-off date for the 2022/23 IA plan). Therefore, Committee is requested to approve that these be deferred to Quarter 1 of 2023/24. No change to the 2023/24 IA plan will be required to accommodate this.

4.3 As a result of the proposed deferrals above, a total of 40 audits will be delivered through the 2022/23 IA plan (32 for the Council and 8 for other organisations).

4.4 The status of the 42 reviews is as follows:

- 27 are complete
- 4 draft reports have been provided to management for responses
- 6 draft reports are currently being prepared by IA
- 5 reviews will be completed as part of the 2023/24 IA plan (see below for details)

Ongoing agile reviews

4.5 The five IA reviews due to be completed as part of the 2023/24 IA plan include the ongoing agile reviews of the Trams to Newhaven project, the Enterprise Resource Planning project and review of historic complaints in line with Project Apple.

4.6 The annual activity report and annual opinion will include a summary assessment of the effectiveness of the governance, risk and control framework for these agile reviews as observed by IA during 2022/23. All three reviews are expected to complete during 2023/24 and a standard audit report detailing outcomes at conclusion will be provided.

4.7 A full audit report was not provided for the Schools Admissions Appeals review as the IA review provided agile feedback to management to enable implementation of improvements in time for the appeals cycle.

4.8 Further detail on the content, progress and completion timescales for the 2022/23 IA plan is included at [Appendix 2](#).

2022/23 audit reports for scrutiny

City of Edinburgh Council

4.9 No reports completed for the council during the period 5 December 2022 to 31 March 2023 have been assessed as 'limited or no assurance'.

4.10 The following audit has been assessed as 'reasonable assurance' and includes a high rated finding, therefore is presented to Committee for review and scrutiny:

- Annual validation review of previously implemented audit actions - *(please note that this is a final draft version of the report, minus management responses due to annual leave at Easter. The final report including management responses will be provided when the papers are issued for Committee following APM).*

4.11 During the period, a further 5 reviews have been complete for the Council and assessed as either 'reasonable assurance' or 'substantial assurance' and have no high rated findings. Reports detailing the outcomes of these audits have been provided to members to review via the GRBV MS Teams room. A list of the 5 Council audit reports and outcomes is provided in [Appendix 1](#).

Other organisations

- 4.12 The following 5 audits have been completed for other organisations during the reporting period and will be subject to review and scrutiny by the relevant governance forums of each organisation:
- Lothian Pension Fund – Third Party Supplier Management
 - Royal Edinburgh Military Tattoo - Revenue Budget Management
 - Lothian Valuation Joint Board – Non-Domestic Business Rate Appeals
 - South East of Scotland Transport Partnership (SEStran) - Thistle Assistance Project
 - Edinburgh Integration Joint Board (EIJB) - Set Aside Budgets
- 4.13 The EIJB Set Aside Budgets audit report will be presented to the EIJB Audit Assurance Committee for review and scrutiny in June 2023, and will be referred to the August 2023 GRBV Committee meeting for information.
- 4.14 One review for Lothian Pension Fund was assessed as ‘limited assurance’ during the period. A report detailing the outcomes of this review was presented to the Pensions Committee on [23 March 2023](#) for review and scrutiny.

2022/23 annual activity report and opinion

- 4.15 The remaining 10 reports which finalise completion of the 2022/23 IA plan and support completion of the annual activity report and audit opinion are due to be complete by end of May and will be presented to the Committee for review and scrutiny on 1 August 2023.
- 4.16 The annual activity report and audit opinion is currently scheduled on the [Committee work programme](#) for August 2023, however it is requested that this is presented to the September 2023 meeting to allow Committee adequate time to review and scrutinise the remaining 2022/23 IA reports, ahead of considering the 2022/23 annual report and opinion.
- 4.17 The annual activity report and audit opinion will provide an assessment on the efficiency and effectiveness of the Council’s governance, risk and internal control frameworks based on the outcomes of all completed 2022/23 IA reviews, the position of audit actions as at 31 March 2023, IA consideration of emerging areas of risk, and any issues arising from the work of the Council’s external auditors, Audit Scotland.
- 4.18 Presentation of the IA annual activity report and audit opinion to Committee in September 2023 is aligned to the external audit timetable for presentation of the annual accounts.

2023/24 IA Plan

- 4.19 The [2023/24 IA plan](#) was approved by Committee on 14 March 2023. The plan consists of 45 audits, which includes the addition of an audit of Council Budget Setting Lessons Learned at the request of the Committee, and deferral of two

2022/23 audits to Quarter 1 of 2023/24. As a result, a total of 34 audits are planned for the Council and 11 for other organisations.

- 4.20 Delivery of the 2023/24 IA plan has commenced with 10 audits either in planning or fieldwork. Details of the 2023/24 plan progress and expected outcomes is provided in [Appendix 3](#).
- 4.21 In addition, preparation for the GRBV committee skills assessment agreed as part of the 2023/24 IA plan has commenced.

IA Key Performance Indicators

- 4.22 Revised key performance indicators (KPIs) to support effective and timely delivery of the IA plan by both services and the IA team were approved by Committee in [March 2023](#).
- 4.23 Performance in achieving these KPIs during 2023/24 will be reported monthly to the Corporate Leadership Team and quarterly to the Governance, Risk and Best Value Committee.

External Quality Assessment (EQA)

- 4.24 The EQA finalised in [September 2022](#) concluded that the Council's IA function is generally conforming with public sector internal audit standards. Two recommendations to address partial conformance with the standards were made by the IIA, together with a range of continuous improvement recommendations.
- 4.25 Progress continues with implementing the management actions in response to the EQA recommendations:

EQA Recommendation 1

We recommend that the methodology for the design of the audit plan is updated to ensure a risk-based approach focused more on the Council's strategic risks, core governance and control areas. We recommend the approach includes:

- Presentation of the plan starting from the Council's critical risks with demonstration of alignment and explanations of any different views held by internal audit on the risk areas.
- A mix of engagement styles from more light touch to more in-depth reviews and upfront advisory work
- Highlighting the engagements on which the annual opinion has a key dependency at the outset to ensure these can be prioritised for delivery

Update as at 31 March 2023

The [2023/24 IA plan](#) is aligned to business-critical risks and was approved by the Committee in March 2023. The plan sets out those audits which are considered 'priority' with an aim to complete these reviews in the first six months. The plan includes a range of engagement styles including in-depth audits, lighter touch reviews and consultancy work and will be reviewed quarterly to ensure IA work

continues to provide timely and relevant assurance aligned to emerging risks and priorities.

EQA Recommendation 2

As the maturity of the risk management framework improves and further second line activity is embedded (e.g., in the role of the Operations Managers), the approach to internal audit planning should be re-considered to take account of other sources of assurance even if they are not yet fully mature.

Update as at 31 March 2023

During the 2023/24 IA annual planning and risk assessment process, an initial understanding of other first and second line assurance processes, and third line assurance sources has been gained. IA will continue to establish the extent to which reliance can be placed on these other sources to avoid duplication where possible, throughout 2023/24.

Internal Audit Surveys

4.26 A total of 9 audit surveys were issued to stakeholders between 5 December 2022 to 31 March 2023 with following responses received from 6 stakeholders:

- 100% agreed that the audit objectives, scope, approach, and timing were clearly communicated and agreed
- 100% agreed that the audit focused on the key risks associated with their service
- 100% agreed that information required to support the audit and timeframes for provision were discussed and agreed
- 100% agreed that the audit opinion provided appropriate balance and context and was relevant to the agreed audit objectives and scope
- 100% agreed that the audit recommendations addressed the risks identified and were relevant and achievable.

4.27 The following specific feedback was also provided:

<i>"This was a productive experience for the Service. The audit was carried out in a professional and collaborative manner"</i>	<i>"The outcomes and recommendations are helpful, will enhance and protect the service, and will be implemented"</i>	<i>"There was open discussion and transparency at each stage of the process. The Audit team were very approachable"</i>
<i>"Audit discussions were open and pragmatic. All aspects of the process worked well"</i>	<i>"We liked the overall step by step approach and how areas identified were insightful and has given us new ideas on how to improve"</i>	<i>"The was clear discussion of findings and recommendations with management, recognising both the business context of the business and area being reviewed, and the application of the context when"</i>

- 4.28 Results from post audit surveys are incorporated into post audit briefings held between the auditor and the audit manager. Where relevant, performance improvements / training requirements are discussed and agreed. This is also linked to monthly performance conversations.

IA Risk Profile

- 4.29 The IA risk register was reviewed in March 2023, with assurance that appropriate actions are currently being taken to address the risks highlighted in the January 2023 update to Committee.
- 4.30 Actions to mitigate the following risks continue:
- Applications and systems design – an upgrade of the current audit system is in progress and on track to go live at the beginning of June 2023. IA capacity will be reduced temporarily to allow adequate time for roll-out and training, however, once implemented, several improvements and efficiencies are expected including streamlined audit workflows and automated reporting.
 - Capacity – following successful recruitment, two new auditors are expected to join the team in May 2023. Reductions in capacity within the team are however expected due to parental leave from May to October 2023.

Progress with Internal Audit key priorities

- 4.31 Progress with IA key priorities and ongoing areas of focus is detailed below:
- implementation of recommendations and continuous improvement actions identified in the 2022 EQA
 - audit reports are now available on the Council's [website](#), and linked to the IA pages on the Orb, together with details on the [audit process](#) including the [2023/24 IA plan](#) and refreshed [audit charter](#) and KPIs.

5. Next Steps

- 5.1 IA will continue to monitor progress with plan delivery and the other activities noted in this report.

6. Financial impacts

- 6.1 Costs for delivery of agreed PwC audits remain within the agreed budget. Delivery of the 2023/24 IA plan will seek to limit PwC resource to specialist areas only.
- 6.2 There are no associated budget implications for completion of audits completed for other organisations as direct recharge is applied for costs incurred.

7. Stakeholder/Community Impact

- 7.1 Delivery of an IA plan which is not aligned to key risks and priorities will result in a disproportionate use of limited resources across both services and IA.
- 7.2 Responses to audit surveys are reviewed and appropriate action is taken, where relevant.

8. Background reading/external references

- 8.1 [Public Sector Internal Audit Standards](#)
- 8.2 [Approved rebased 2022/23 IA plan GRBV October 2022 - item 8.3](#)
- 8.3 [The Chartered Institute of Internal Auditors: External Quality Assessment Report GRBV October 2022 - item 8.1](#)
- 8.4 [GRBV Committee 2023/24 annual work programme](#)
- 8.5 [Approved 2023/24 IA Plan GRBV March 2023 – item 8.1](#)
- 8.6 [Approved 2023/24 IA Audit Charter GRBV March 2023 – item 8.2](#)

9. Appendices

- 9.1 [Appendix 1- 2022/23 Council audits assessed as either overall amber or green, with no high rated findings](#)
- 9.2 [Appendix 2 - 2022/23 IA plan, outcomes and expected completion dates as at 31 March 2023](#)
- 9.3 [Appendix 3 – 2023/24 IA plan progress and expected completion dates as at 31 March 2023](#)
- 9.4 Appendix 4 –Internal Audit Report: Annual validation review – April 2023

Appendix 1 – Council audits completed in period and assessed as either overall amber or green, with no high rated findings

Audit Title	Overall Audit Assessment	Number of findings raised		
		H	M	L
1. Preparation for IFRS 16 – Lease Accounting	Substantial Assurance	-	-	2
2. Early Years 1140 Hours Expansion Programme	Substantial Assurance	-	1	2
3. City Region Deal - Integrated Employer Engagement	Substantial Assurance	-	-	3
4. Management of the Housing Revenue Account (Capital and Revenue)	Reasonable Assurance	-	2	1
5. CGI Enterprise Architecture	Substantial Assurance	-	-	4

Appendix 2 –2022/23 IA Plan progress, outcomes and expected completion dates as at 31 March 2023

*previously reported to Committee and overall outcomes updated to reflect adoption of the standard [CIPFA definitions](#) as agreed by Committee in March 2023

Completed Audits			Outcome
1.	Cross Directorate	Records Management and Statutory Requests Review of the design and effectiveness of processes implemented to support effective records management and compliance with statutory request requirements.	Substantial Assurance*
2.		Allocation and Management of Purchase Cards Review of the allocation, management, use and monitoring of purchase cards across the Council.	Reasonable Assurance*
3.		Annual validation review of previously implemented audit actions Review of a sample of previously implemented and closed IA agreed management actions to confirm that they have been effectively sustained.	Reasonable Assurance*
4.	Corporate Services	Implementation of the New Consultation Policy Review of implementation and application of the Council's new consultation policy and supporting processes.	Reasonable Assurance*
5.		Council Emissions Reduction Plan (CERP) Review of the framework designed to support implementation of the Council Emissions Reduction Plan.	Substantial Assurance*
6.		Vendor Bank Mandate Process Review of the design and effectiveness of processes established to verify and process requests to change vendor bank details on Oracle, the Council's financial management system.	N/A process review with feedback provided
7.		CGI - Security Operations Centre Review of the adequacy and effectiveness of contractual security services delivered through the established CGI Security Operations Centre to the Council.	Limited Assurance*
8.		Induction and Essential Learning for Elected Members Review of established induction; essential learning, and ongoing training delivered to elected members.	Substantial Assurance*
9.		Role Specific Learning and Development for Council Officers Review of role specific learning and development for Council Officers including progress with implementing myLearningHub.	Reasonable Assurance*

10.		CGI - Enterprise Architecture Arrangements Review of established Council and CGI enterprise architecture arrangements to support change implementation in line with the Council's Digital and Smart City Strategy and support consistent alignment and use of technology across the Council.	Substantial Assurance
11.	Children, Education and Justice Services	Application technology controls - SEEMiS Review of the general (change management and access) and application (transaction processing) controls for SEEMiS - education management system used by all Edinburgh schools and Early Years settings.	Substantial Assurance*
12.		Schools Admissions Appeals – Follow-up Service request to complete focused review of schools admissions appeals in line with the recommendations made in the schools admissions audit completed in 2020.	N/A process review with feedback provided
13.		Early Years Education Expansion Programme Review of the project governance to support expansion of the early years education programme including delivery of new infrastructure.	Substantial Assurance
14.	Children, Education and Justice Services/ Health and Social Care Partnership	Application technology controls - SWIFT Review of the general (change management and access) and application (transaction processing) controls for the Swift system (a social care case management system used to support delivery of adult and children's social care and criminal justice services).	Limited Assurance*
15.	Place	Port Facility Security Plan Annual review of existence and operation of the Port Facility Security Plan as per Department for Transport requirements.	Reasonable Assurance*
16.		Active Travel - Project Management and Delivery Review of the design and operating effectiveness of the key controls supporting management; governance; and delivery of the Active Travel programme.	Reasonable Assurance*
17.		Repairs and Maintenance Framework (Operational Properties) Review of the design and effectiveness of the new repairs and maintenance framework for Council operational properties prior to implementation.	Reasonable Assurance*
18.		City Deal - Integrated Employer Engagement Service request as part of required audit programme to support grant funding requirements.	Substantial Assurance
19.	Edinburgh Integration Joint Board (EIJB)	EIJB - Governance of Directions Review of governance arrangements for directions to ensure they are associated with EIJB decisions, are revised in response to transformation, service redesign, and financial developments, and partner implementation and performance is monitored.	Substantial Assurance*

20.		EIJB - Set aside budgets Including identification of set aside services and their associated costs, underlying budget assumptions, and financial reporting to the IJB on ongoing set aside budget management.	Reasonable Assurance
21.	Corporate Services/Place	Preparation for IFRS 16 – Lease Accounting Review of the Council's preparation for implementation of the new single lessee accounting model that recognises assets and liabilities for all material leases longer than 12 months, and proposed processes for accounting for any low value leases.	Substantial Assurance
22.		Management of the Housing Revenue Account (Capital and Revenue) Review of the processes established to support both the capital and revenue elements of the Housing Revenue Account (HRA), and management and allocation of HRA reserves.	Reasonable Assurance
23.	Other Organisations	Tattoo – Revenue Budget Management	Substantial Assurance
24.		Lothian Valuation Joint Board - Non-Domestic Business Rate Appeals	Substantial Assurance
25.		SEStran - Thistle Assistance Project	Reasonable Assurance
26.	Lothian Pension Fund (LPF)	LPF - Project Forth: Programme Assurance	Reasonable Assurance*
27.		LPF - Third Party Supplier Management	Limited Assurance
Total audits completed			27
Audits in reporting			Expected Completion
28.	Corporate Services	Insurance Services Review of the adequacy of insurance arrangements across the Council, including the process applied to address any questions received from insurers, and implement any insurance provider recommendations and requirements.	May 2023
29.		CGI Risk Management Review of CGI and Digital services process supporting identification; assessment; recording; management; and escalation of relevant technology risks	

30.	Corporate Services/ Children, Education and Justice Services	Empowered Learning Programme Review of the project assurance and governance for the Empowered Learning programme which underpins Digital Learning across all aspects of learning and teaching.	May 2023	
31.		Ongoing Learning and Teaching technology and ICT support Review of the delivery and stability of technology and ICT support across the learning and teaching estate.		
32.	Place	Health and Safety - Outdoor Infrastructure Review of processes established to ensure the health and safety of outdoor infrastructure – specifically: cemeteries, public safety and play areas.		
33.		Granton Waterfront – Levelling-up Grant Assurance required by the UK Government Department of Levelling Up, Housing, and Communities in relation to the conditions attached to the Granton Gas Holder LUF Grant Determination.		
34.	Children, Education and Justice Services/ Health and Social Care Partnership	Day Care to Adult Social Care Transition Arrangements Review of processes established to support the transition of services for young adults with a disability or complex needs to adult social care.		
35.	Health and Social Care Partnership	Sensory Support Review of the commissioning and partnership / supplier management arrangements for provision of sensory support services to adults aged 16 and over.		
36.	Children, Education and Justice Services	Self-Directed Support – Children’s Services Review of processes established to support implementation of self-directed support across Children’s Services with a focus on budgets (including use of external providers), and review and reassessment processes.		
37.	Lothian Pension Fund	LPF - Information Governance		
Total audits in reporting				10
Audits carried forward for inclusion in 2023/24 audit plan				Expected Completion
38.	Corporate Services	Enterprise Resource Planning (ERP) Ongoing agile review of the project management and governance arrangements supporting implementation of the enterprise resource planning system.	Ongoing agile audits due to complete Q3 2023/24	
39.	Place	Trams to Newhaven		

		Ongoing agile review of project governance, procurement, and gateway decisioning and payments. The audit will include ongoing assessment of the ongoing controls supporting the funding model.	
40.	Children, Education and Justice Services	Review of Historic Complaints Review of historic complaints to confirm whether any handled by for employees noted in Project Apple outcomes had been appropriately investigated and reported.	Included within the approved 2023/24 plan due to complete Q2
41.	Lothian Pension Fund	LPF - Adequacy of technology security assurance arrangements	Carried forward to 2023/24 plan due to complete Q1
42.	Children, Education and Justice Services	Children's Social Work Practice Review Review of processes and procedures established to support review of children's social work practices across social work practice teams to confirm that the levels of support provided remain appropriate to meet the child's needs, and that all changes in circumstances have been considered.	Carried forward to 2023/24 plan due to complete Q1
Total audits included in the 2023/24 plan			5

Appendix 3: 2023/24 IA Plan progress and expected completion dates as at 31 March 2023

Audits in reporting			Expected Completion
1.	Place	Edinburgh Employer Recruitment Incentive (EERI) Review of the design and effectiveness of processes established for managing EERI fund applications from employers including eligibility, assessment, payments, and verification.	May 2023
Total audits in reporting			1
Audits in fieldwork			Expected Completion
2.	Lothian Pension Fund	Information Security Arrangements	July 2023
3.	Place	Trams to Newhaven Ongoing agile review during the final stage of construction. Reviewing ongoing governance and financial management, stakeholder management and readiness for operations.	
4.	Children, Education and Justice Services	Review of Historic Complaints Review of historic complaints to confirm whether any handled by for employees noted in Project Apple outcomes had been appropriately investigated and reported.	
5.	Corporate Services	Enterprise Resource Planning (ERP) Ongoing agile review of project management and governance supporting the R12 upgrade of the Oracle financial systems and implementation of the new sundry debt management solution (Apex).	November 2023
Total audits in fieldwork			4
Audits in planning			Expected Completion
6.	Corporate Services	Council Budget Setting Process – Lessons Learned Review of Corporate Leadership Team (CLT) lessons learned for the 2023/24 Council budget setting process, as requested by GRBV March 2023.	June 2023
7.	Place	Housing stock condition – tenant safety, damp, and mould Review of the Council's initial approach to the Scottish Housing Regulator's January 2023 request that landlords ensure that they have appropriate, proactive systems to identify and deal with any reported cases of damp and mould timeously and effectively.	July 2023
8.		Management of mixed tenure works and funding/recharging Review the Council's policies and processes for engaging with owners and private landlords for scheduling and funding/payment for common repairs and improvements across mixed tenure areas.	August 2023

9.	Place	Repairs Right First Time Review of the Council's approach and performance for completing repairs 'right first time' in line with the required two criteria of indicator 10 of the Scottish Social Housing Charter , including completion of all aspects of the repair within the Council's target timescale and no recall to resolve subsequent defects within 12 months	August 2023
10.		Management of scaffolding for housing property repairs Review of the design and operating effectiveness of the Council's approach to managing scaffolding during repairs to housing properties including relevant consents and permits, advance notification to and ongoing communications with occupants, contractor and budget management and health and safety risk assessments.	September 2023
Total audits in planning			5

Internal Audit Report

Annual Validation Review

25 April 2023

CW2209

**Overall
Assessment**

**Reasonable
Assurance**

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This Internal Audit review is conducted for the City of Edinburgh Council under the auspices of the 2022/23 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2022. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there are specific recommendations included in this report to strengthen internal control, it is management’s responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

Executive Summary

Overall Assessment

Reasonable Assurance

Overall opinion and summary of findings

Our review of a sample of previously implemented audit actions found that the majority of controls have been sustained. Some controls continue to operate as originally implemented, while other controls having been reasonably adapted to reflect changing circumstances.

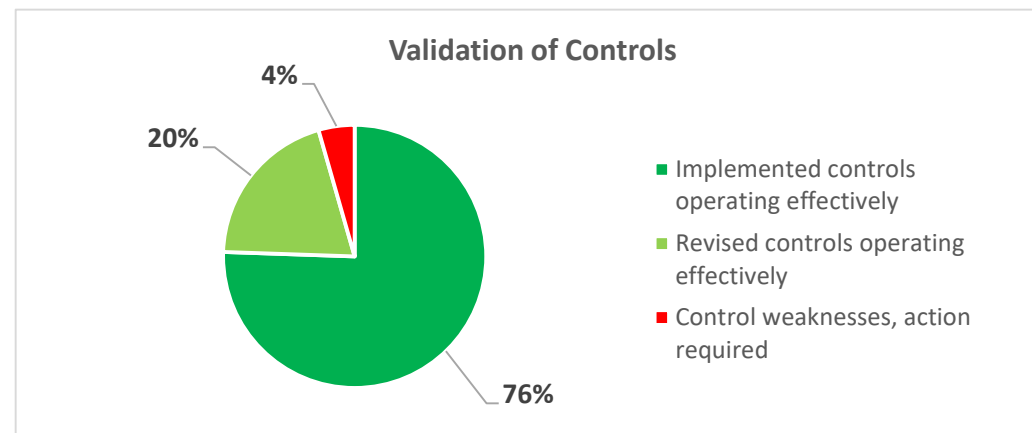
Controls weaknesses and resulting improvement actions have, however, been identified in the findings for the following two previously completed audits:

- **Quality, governance, and regulation** - a review of the approach to quality, assurance and compliance is required to ensure it provides a quality assurance framework which is aligned to the needs of both children's and adult social work services
- **Edinburgh Alcohol and Drugs Partnership Contract Management** - verification checks to confirm the management information provided by suppliers to evidence meeting their contractual obligations, which is submitted quarterly to the Edinburgh Alcohol and Drugs Partnership (EADP) is complete and accurate.

Validation review results

Based on our sample of closed management actions, our review identified that of the 45 actions reviewed, 43 (96%) were functioning as originally validated or had received reasonable changes to be in line with new circumstances.

Recommendations to address the current risk associated with the remaining controls have been raised in the two findings below:



Audit Code and Title	Findings	Priority Rating
CW1802 – Quality, Governance and Regulation	Finding 1 – Quality Assurance and Compliance Framework	High Priority
HSC1715 – EADP Contract Management	Finding 2 – EADP - Validation of Supplier Returns Information	Medium Priority

[See Appendix 1 for Control Assessment and Assurance Definitions](#)

Internal Audit Report: CW2209 – Annual Validation review

Background and scope

Internal Audit (IA) findings are raised where audit outcomes confirm that the controls established to mitigate risks are either inadequately designed or are not operating effectively.

Management actions are agreed with Directorates and services to address the control weaknesses identified in the audit findings. Implementation of these agreed actions should ensure that the associated risks are effectively managed, reducing the Council's overall exposure to risk. It is essential that the management actions (once implemented) continue to be effectively sustained. If not, the Council may be exposed to an unnecessary level of risk.

A 'validation' audit is included in the IA annual work programme to assess whether management actions implemented to address audit findings raised in previous years have been sustained and remain effective.

Between 1 January 2019 and 31 December 2021, management implemented actions to support closure of a total of 123 Medium and High rated IA actions raised (40 High and 83 Medium). This audit reviewed a total of 45 (37%) of these management actions (15 High and 30 Medium).

Scope

The objective of this review was to confirm whether a sample of Medium and High rated management actions closed as implemented by management between 1 January 2019 and 31 December 2021 continue to operate effectively.

Reporting Date

Testing was undertaken between 27 June 2022 and 10 February 2023

Our audit work concluded on 31 March 2023, and our findings and opinion are based on the conclusion of our work as at that date.

Findings and Management Action Plan

Finding 1 – Quality Assurance and Compliance Framework

Finding
Rating

High Priority

Quality, Governance and Regulation Audit – actions closed December 2019

The remit of the [Quality Assurance and Compliance Service \(QAC\)](#) is to support services by identifying and highlighting strengths and areas for improvement, analysing trends/themes, and developing action plans to resolve issues where required. This is to ensure that barriers preventing delivery of effective social work services (in line with applicable regulatory and statutory requirements) are removed.

In response to our previous audit, the QAC implemented a charter underpinned by Service Level Agreements (SLAs) agreed by Directorates to enable the delivery of its remit through an agreed annual programme of activity. Our review noted that while these SLAs were developed, not all were signed by the Directorates.

Discussions with officers highlighted wider issues, including limited quality assurance audits being undertaken over the last three years, and absence of an effective follow-up process to ensure specific actions identified during case file and practice audits are evidenced as complete.

The lack of an effective quality assurance programme and SLAs was also noted in the [recent inspection](#) by the Care Inspectorate. Management have advised that a review of arrangements is currently underway.

Additionally, our review highlighted that the QAC risk register has not been updated since 2019.

Risks

- **Governance and Decision Making** – inadequate pathways for recommendations to reach an appropriate forum could result in ineffective decision making
- **Service Delivery** – issues highlighted by the Quality Assurance and Compliance service may be unresolved, leading to service delivery and compliance issues across children’s and adult social care services
- **Regulatory and Legislative Compliance** – potential breaches in regulatory and legislative requirements as a result of inaction on QAC service recommendations.

Recommendations and Management Action Plan: Quality Assurance and Compliance Framework

Ref.	Recommendation	Agreed Management Action	Action Owner	Contributors	Timeframe
1.1	<p>A review of the approach to quality, governance and regulation should be undertaken to ensure it provides a quality assurance framework which is aligned to the needs of both children's and adult social work services. This should include a clear process for development, approval, and ongoing review of the quality assurance programme, recording and reporting requirements, and roles and responsibilities for follow-up of actions arising from quality audits.</p> <p>Once the review is complete, the approach and expected service standards should be formally documented, agreed, and communicated within a framework document.</p>	<p>The service is currently under new management by the Interim CSWO and a learning culture whereby quality assurance is seen as everyone's responsibility not 'just a service' is being developed. As a learning organisation with a vision particularly the principle that quality assurance, learning and development are a continued loop supporting improvement where quality assurance is seen as 'working alongside' and not a 'doing to colleagues' approach.</p> <p>For children there is a new QA framework which we are now working to and have undertaken 244 audits and have trackers in place to ensure actions are completed.</p> <p>The full framework will be launched at a manager event in May. For adults practice standards are being reviewed and a QA framework will also follow.</p>	Amanda Hatton Executive Director of Children, Education and Justice Services	Rose Howley Interim Chief Social Work Officer Keith Dyer Quality Assurance & Compliance Manager	30/11/2023

1.2	<p>Service Level Agreements (SLAs) should be reviewed and agreed on an annual basis by Directorates to ensure alignment to the approved quality governance and regulation approach as set out in 1.1.</p> <p>Any delays to agreeing SLAs should be monitored and escalated.</p>	<p>The service is reviewing the use of SLAs to move to an annual audit plan because SLA have been too rigid.</p> <p>This is included in both children and HSPC improvement plans.</p>	<p>Amanda Hatton Executive Director of Children, Education and Justice Services</p>	<p>Rose Howley Interim Chief Social Work Officer</p> <p>Keith Dyer Quality Assurance & Compliance Manager</p>	30/11/2023
1.3	<p>In line with the Council's Risk Management Framework, the risk register for the Quality, Assurance and Compliance service should be updated and maintained on a quarterly basis, ensuring that current and emerging risks are captured, documented, assessed, with mitigating action identified and implemented, and risks escalated to the Children, Education and Justice Services / Health and Social Care Directorate Risk Committees where required.</p>	<p>The risk register is being updated.</p>	<p>Amanda Hatton Executive Director of Children, Education and Justice Services</p>	<p>Rose Howley Interim Chief Social Work Officer</p> <p>Keith Dyer Quality Assurance & Compliance Manager</p>	30/11/2023

Finding 2 – EADP - Validation of Supplier Returns Information

Finding
Rating

Medium
Priority

Edinburgh Alcohol and Drug Partnership (EADP) Contract Management Audit – actions closed June 2019

In line with established contract and supplier management arrangements, the EADP requires suppliers to provide quarterly returns to measure their performance and compliance with their contractual obligations. The 2017 audit found that no validation was performed by the EADP over these returns to verify the completeness and accuracy of the supplier management information provided within. Subsequently, 'case file audits' were proposed to undertake these checks.

This review has identified that due to Covid-19, no case file audits have been undertaken since 2020, with a desktop review instead being performed to verify supplier information in 2020. However no further checks or validation work to validate the performance or compliance of suppliers has been undertaken since then.

Risks

- **Supplier, Contractor, and Partnership Management** – the Partnership's suppliers may not be providing the contracted levels of service
- **Service Delivery** - the EADP may not be able to deliver an adequate level of service to meet the needs of users across the city.

Recommendations and Management Action Plan: EADP Third Party Supplier Management Information

Ref.	Recommendation	Agreed Management Action	Action Owner	Contributors	Timeframe
2.1	The EADP should establish a process to ensure that independent validation checks are carried out on quarterly returns information provided by suppliers, to confirm completeness and accuracy of the performance and contract compliance information presented, and to take action where service delivery and performance is not in line with contractual requirements or performed in line with an agreed timetable.	The Partnership agree this management action.	Judith Proctor – Chief Officer, Edinburgh Health and Social Care Partnership (EHSCP)	Tony Duncan - Service Director Strategic Planning (EHSCP) Linda Irvine Fitzpatrick - Strategy & Quality Manager Mental Health & Substance Misuse (EHSCP)	31/03/2024

Appendix 1 – Control Assessment and Assurance Definitions

Overall Assurance Ratings	
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.

Finding Priority Ratings	
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
Low Priority	An issue that results in a small impact to the achievement of objectives in the area audited.
Medium Priority	An issue that results in a moderate impact to the achievement of objectives in the area audited.
High Priority	An issue that results in a severe impact to the achievement of objectives in the area audited.
Critical Priority	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.