

Edinburgh and South East Scotland City Region Deal Joint Committee

10am, Friday 2 June 2023

City Region Deal: Internal Audit Forward Audit Plan

Item number 5.6

Executive Summary

This paper sets out the proposed areas for future audit coverage for the City Region Deal Programme.

Laura Calder

Head of Internal Audit, City of Edinburgh Council

Contact: Stuart Townley, Auditor

E-mail: stuart.townley@edinburgh.gov.uk | Tel: 0131 469 7214

Internal Audit (IA) of Integrated Employer Engagement Programme and Forward Audit Plan

1. Recommendations

The Committee is requested to:

- 1.1 Consider which audit area(s) should be reviewed in future years.
- 1.2 Consider which City Region Deal partner organisations IA functions should carry out future audit(s).

2. Background

- 2.1 There is a requirement within the City Region Deal grant offer letter that an internal audit review should be undertaken every second year.
- 2.2 Through discussion with key officers, the City of Edinburgh Council's IA function have provided suggested areas for future audit reviews which are detailed in paragraph 3.1.
- 2.3 The City of Edinburgh Council's IA function is not resourced to perform more than one audit for the City Region Deal each year. Additionally, the Council's IA function may not possess the necessary expertise and skills for all audit areas, therefore some audits may need to be performed by the IA function of a partner organisation.

3. Main report

Future Audit Proposals

- 3.1 Following discussion with City Region Deal officers, and a review of the City Region Deal risk register, the following audit topics which could be included in future years are proposed for consideration:
 - 3.1.1 **Construction Cost Inflation:** reviewing controls in place to monitor and mitigate construction cost inflation on City Region Deal projects.
 - 3.1.2 **Equalities Impact Assessments (EIA):** review of EIA processes for a sample of projects including initial assessment, outcomes, and completion of arising actions.
 - 3.1.3 **Financial reporting and monitoring:** reviewing the programme and sample of project reporting and forecasts, monitoring and governance.
 - 3.1.4 **Benefits realisation- reviewing tracking, outputs, measures, and change:** in line with CRD benefits realisation plan which was approved in September 2020.
 - 3.1.5 **Anti-Bribery, Corruption, and Fraud Arrangements:** review of arrangements in line with the conditions set out in the grant offer letter and assurance on member authorities' policies and procedures.
 - 3.1.6 **Regional Prosperity Framework:** including review of progress with delivery of implementation of the action plan and ongoing monitoring/governance.
- 3.2 The consensus at Chief Financial Officers', Place Directors' and Executive Board meetings which took place in May was that the next audit, in line with the City Region Deal Risk Register, should be the Construction Cost Inflation audit.
- 3.3 The above proposed audits will remain under review in light of any changes to the risk profile of the City Region Deal, and updates proposed where necessary.
- 3.4 There is no formal arrangement or service level agreement in place for agreeing the terms for the City of Edinburgh Council's IA function to complete ongoing audit requirements for the City Region Deal Programme.
- 3.5 The City of Edinburgh Council's 2023/24 IA annual work programme includes agreement from the Governance, Risk and Best Value Committee for the Council's IA team to complete one review, the audit topic for which is still to be agreed.
- 3.6 Agreement on which partner organisation IA function will deliver future audits is required. Should all audits be required to be completed by the City of

Edinburgh Council, there will be a rechargeable cost associated to cover the resource required to complete this work.

4. Financial impact

- 4.1 As above, audit resource within the City of Edinburgh Council is limited and therefore should continued work be required by the Council's IA function on a recurring basis, a service level agreement to agree charges for providing this service will be required. Costs would be charged on an actual time spent basis (captured through time recording for the audit function), estimated costs would be circa £8,000 per audit.

5. Alignment with Sustainable, Inclusive Growth Ambitions

- 5.1 Inclusion and sustainability are key drivers for the City Region Deal, and audit work will help to provide assurance that risks are effectively identified and managed.

6. Background reading/external references

- 6.1 City Region Deal Grant Offer letter 2022/23

7. Appendices

None.