

Internal Audit

2023/24 Annual Report and Opinion

August 2024

| | | |
|------------------------|-----------------------------|--|
| Overall Opinion | Reasonable Assurance | There is a generally an overall sound system of governance, risk management and control in place. While some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives, individually these do not significantly impair the Council's system of internal control. |
|------------------------|-----------------------------|--|

Contents

| | |
|--|----|
| 1. Introduction..... | 3 |
| 2. Executive Summary..... | 4 |
| 3. Audit approach and responsibilities | 5 |
| 4. Summary of work completed | 6 |
| 5. Audit outcomes and key messages | 7 |
| 6. Progress with implementation of audit actions..... | 10 |
| 7. Other Assurance providers | 12 |
| 8. Internal Audit Function..... | 13 |
| 9. Conformance with Public Sector Internal Audit Standards | 14 |
| Appendix 1 – Outcomes and status of 2023/24 audits as at 31 May 2024 | 15 |
| Appendix 2 – Overall assurance and priority rating definitions..... | 19 |
| Appendix 3 – Enterprise Risk Descriptions and Impact Statements..... | 20 |
| Appendix 4 – Audits closed during 2023/24 | 22 |
| Appendix 5 – Risk acceptances | 23 |

1. Introduction

[The Local Authority Accounts \(Scotland\) Regulations 2014](#) require all Councils to review the effectiveness of its system of internal control annually and to assess the efficiency and effectiveness of the Internal Audit function.

The [Public Sector Internal Audit Standards](#) (PSIAS) requires the Chief Audit Executive to deliver an annual report which provides a summary of internal audit activity for the year, and an annual opinion which concludes on the adequacy and effectiveness of the City of Edinburgh Council's (the Council) governance, risk management and control framework.

The annual report includes consideration of:

- a summary of the information that supports the opinion
- disclosure of any impairments to scope and / or independence
- a statement of conformance with the PSIAS including the results of the quality assurance and improvement programme and progress against any improvement plans, and
- consideration of any other relevant issues.

The Regulations also require Councils to approve an Annual Governance Statement. The Internal Audit Annual Opinion supports the Council's Annual Governance Statement which is included within the Annual Accounts.

Basis for the opinion

The opinion on the adequacy and effectiveness of the Council's systems of governance, risk and control is achieved through delivery of a risk-based audit and assurance programme aligned to the Council's key risks which is approved by the Corporate Leadership Team and the Governance, Risk and Best Value Committee.

The opinion reflects audit activity performed across the three Council Directorates (Corporate Services, Place, and Children, Justice and Education Services) as well as the Edinburgh Health and Social Care Partnership during the period 1 April 2023 to 31 March 2024.

The opinion also considers reports issued by the External Auditor, the results of other assurance activities performed during the year including the outcomes of inspection work undertaken by the Care Inspectorate, and the effects of any significant issues or changes impacting the Council's control environment.

It also reflects overall progress with implementation of management actions from previously completed audits which contributes to strengthening the overall governance, risk, and control environment.

The opinion also recognises the operating environment of the Council during the year reviewed, including delivering business plan priorities while facing continued financial pressures and increasing demand including cost pressures associated with delivery of social care services and homelessness services, the housing emergency declared in November 2023, continued cost of living pressures, being a net zero, climate ready Edinburgh by 2030, strengthening its workforce, replacement of key systems including HR/Payroll and the new social care operating system and delivery of services, improvements and key infrastructure projects to enable Edinburgh to continue to be a vibrant and resilient capital city.

The opinion does not, however, imply that Internal Audit has reviewed all risks and assurances relating to the Council.

Separate annual reports and opinions have been provided for the [Lothian Pension Fund](#) in June 2024 and the Edinburgh Integration Joint Board in September 2024 for consideration by the relevant body scrutiny committee.

2. Executive Summary

Overall opinion and summary of key findings

The 2023/24 Internal Audit Annual Opinion confirms that ‘**reasonable assurance**’ can be placed on the adequacy of the Council’s systems of governance, risk management and internal controls.

The opinion reflects assurance activity and follow-up work performed across the Council in the year to 31 March 2024, which concluded moderate improvements are required across the Council’s system of governance, risk management, and control.

Internal Audit work identified a number of issues, areas of non-compliance and/or scope for improvement throughout the year, which individually do not significantly impair the Council’s system of internal control but may put at risk the achievement of Council and service objectives if corrective actions are not adequately addressed.

Prompt action was taken throughout the year by management to address issues raised, with 33% of audit actions now closed.

Internal Audit activity

The 2023/24 Internal Audit plan included a total of 35 engagements across the Council, including three agile audits of ongoing Council projects. 31 of the 34 audits were complete as planned (92%) and 4 audits deferred to 2024/25 with a total of 1,041 audit days completed compared to the 935 days planned. Additional advisory work was also performed at the request of management.

Circa 530 hours (75 days) were used by Internal Audit to review and validate information and evidence provided by management to support closure of management actions previously raised in internal audits.

Internal Audit also completed a further 9 audits totalling 233 days (vs 235 planned days) of audit work for other organisations including the Lothian Pension Fund and the Edinburgh Integration Joint Board.

Key risks and thematic findings

The Council’s [risk management profile](#) includes 13 enterprise risks (see Appendix 3). During 2023/24, 248 areas of potential risk aligned to enterprise risks were raised across the audit work completed. Recurring links to the following top 5 enterprise risks were highlighted in audit findings, with further detail provided on [page 9](#):

- Service Delivery
- Regulatory and Legislative Compliance
- Financial and Budget Management
- Reputational
- Governance and Decision Making

During 2023/24, steps were taken to strengthen the Council’s risk management approach. A new Corporate Risk Team was established in January 2024, with a refreshed [risk management framework](#) and [risk register templates](#) rolled out, and a programme of workshops across services to support effective risk management.

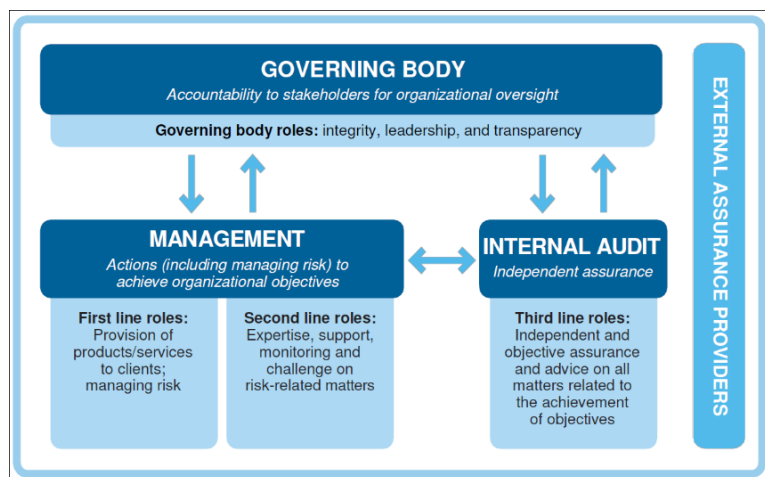
The opinion recognises that while observations and findings from audits highlight that the risk maturity and understanding for some service areas remains at a basic / ad-hoc level, some services demonstrate a repeatable maturity level with established processes, however processes are not yet fully integrated across directorates. A continued focus across the Council with support from the Corporate Risk Team should lead to further improvement and strengthen the Council’s risk management approach and effectiveness of the control environment.

Key themes from audits and other assurance work also highlight that improvements are needed across the following control areas on a council wide basis: procedure management and compliance, quality assurance, role specific learning, workforce and capacity planning, third-party supplier management, cost monitoring and data management. Further detail is provided at [section 5](#).

3. Audit approach and responsibilities

The Three Lines Model

The Institute of Internal Auditors [‘Three Lines Model’](#) can be translated across the structure and operations of the Council with first line teams and services responsible for ongoing service delivery and risk management; second line teams such as the Information Governance Unit, Legal Services, Health and Safety, and Corporate Risk Management providing frameworks, policies, and guidance, and the third line, Internal Audit providing independent assurance.



Internal Audit objectives, approach, and responsibilities

The objective of Internal Audit is to provide independent and objective assurance and a systematic and disciplined approach to evaluating and improving the effectiveness of the Council’s governance, risk management and control environment.

This is achieved through development of a risk-based internal audit plan which is based on the Council’s audit universe, strategic objectives and an assessment of risk and exposures affecting the Council, with input from management, elected members, and other key stakeholders such as trade unions and external assurance bodies.

Internal Audit performs audit engagements throughout the year in line with the agreed plan and emerging areas of risk. Internal Audit reports on the findings and observations for each review and where areas of improvement are identified, findings and recommendations are raised, and management agree actions and timescales by which they will address the gaps identified.

Management responsibilities

The presence of an effective Internal Audit team contributes towards, but is not a substitute for, effective control. It is the responsibility of management to establish adequate internal controls to ensure that all activities are conducted in an efficient and effective manner, in adherence with legislation, policies and procedures, and that assets and records are safeguarded.

It is also management’s responsibility to address and rectify the weaknesses identified by Internal Audit via timely implementation of agreed management actions.

Governance, Risk and Best Value Committee

In line with the terms of reference the Committee monitors the Internal Audit plan and reviews all audit and inspection work towards the plan, scrutinises internal audit and external audit reports and monitors governance, risk management and internal control.

Other Assurance Providers

Internal Audit is not the only source of assurance provided to the Council. There are several additional assurance sources including: external audit, regulators, and inspectorates, that the Committee should equally consider when forming their view on the adequacy of the Council’s systems of governance, risk management and control. See [section 7](#) for further information on other assurance activity.

4. Summary of work completed

The [2023/24 Internal Audit Plan](#) was approved by the Governance, Risk and Best Value Committee in March 2023 and included a total of 35 audit engagements across the Council and 12 further audits for other organisations including Lothian Pension Fund (LPF) and the Edinburgh Integration Joint Board (EIJB). This report focuses on the audit work completed for the Council, as separate annual reports and opinions are presented to LPF and the EIJB.

Audit plan review and coverage

Progress with delivery of the Internal Audit (IA) plan was reviewed and monitored quarterly by the Governance, Risk and Best Value (GRBV) Committee to ensure it remained aligned to the Council's risk profile and consideration of new and emerging risks.

A total of 31 audits for the Council were completed during 2023/24 and the following 4 audits were deferred to the 2024/25 internal audit plan: Transfer of the Management Development Funding, Devolved School Management, Refugee and Migration Services, and City Deal – Cost Inflation. The audit of Total Mobile was also replaced with an audit on Health and Social Care budget monitoring. Additional work was also completed in relation to additional support needs and an advisory review of the Corporate Property Helpdesk.

During 2023/24, longstanding audits of the Council Tram to Newhaven, Enterprise Resource Planning projects and Historic Complaints concluded with outcomes reported to the GRBV Committee.

The Internal Audit team also facilitated a self-assessment and skills evaluation with the members of the GRBV Committee which included development of a training programme, agreement on key Committee objectives and terms of reference / remit considerations.

The number of audits completed for the Council during 2023/24 has increased compared to previous years (22/23: 28; 21/22: 25; 20/21: 28).

Reports for audits with open actions are available on the [Council's website](#).

Details of all 2023/24 audit engagements and overall outcomes are provided at [Appendix 1](#). The table below provides a summary of audit work completed, per directorate:

| Directorate | Audits completed |
|--|------------------|
| Corporate Services | 7 |
| Place | 11 |
| Children, Education and Justice Services | 2 |
| Health and Social Care Partnership | 2 |
| Cross Directorate | 9 |
| Total | 31 |

A total of 1041 audit days for the Council were completed compared to the 935 days planned. In addition, the Internal Audit Team completed a further 233 days (compared to 235 planned days) of audit work for other organisations including the Lothian Pension Fund and the Edinburgh Integration Joint Board.

Follow-up of recommendations

Circa 530 hours (75 days) were also used by Internal Audit to review and validate information and evidence provided by management to support closure of management actions previously raised in internal audits. See [section 6](#) for further information on progress of actions.

5. Audit outcomes and key messages

Overall outcomes for the 31 audits fully completed during 2023/24 across the Council and ratings by Directorate are set out below with outcomes for audit work completed in 2022/23 provided in brackets for comparison:

| Directorate | Overall outcomes by rating per directorate | | | |
|--|--|----------------------|-------------------|--------------|
| | Substantial Assurance | Reasonable Assurance | Limited Assurance | n/a* |
| Corporate Services | 1 (4) | 4 (3) | 0 (2) | 2 (-) |
| Place | 1 (1) | 4 (5) | 6 (0) | - (-) |
| Children, Education and Justice Services | 0 (2) | 0 (0) | 1 (1) | 1 (1) |
| Health and Social Care Partnership | 0 (0) | 1 (1) | 1 (1) | - (-) |
| Cross Directorate | 0 (2) | 4 (4) | 3 (1) | 2 (-) |
| Total | 2 (9) | 13 (13) | 11 (5) | 5 (1) |

*n/a refers to engagements where no rating was applied due to the advisory nature of the assurance work. This includes the GRBV self-assessment.

A direct comparison between outcomes across years is not always possible as the number/scope of the audits included in the annual plans and the risks associated with open and overdue actions will vary in line with the changing risk profile, however the figures above show a decline in control adequacy with a rise in red outcomes in 2023/24 and reduction in overall green outcomes when compared to 2022/23.

The number of audits providing reasonable assurance (amber) has maintained steady at 13.

A total of 105 findings and 287 audit recommendations were made across the 31 audits completed in 2023/24 as shown below:

| Directorate | Recommendations by priority rating | | | | | Average per audit |
|--|------------------------------------|------------|-----------|-----------|------------|-------------------|
| | High | Medium | Low | Advisory | Total | |
| Corporate Services | 15 | 56 | 12 | 10 | 93 | 11 |
| Place | 48 | 78 | 21 | 0 | 147 | 11 |
| Children, Education and Justice Services | 6 | 8 | 2 | 0 | 16 | 4 |
| Health and Social Care Partnership | 6 | 21 | 4 | 0 | 31 | 5 |
| Total | 75 | 163 | 39 | 10 | 287 | n/a* |

It should be noted that the higher proportion of audit actions for Corporate Services reflects some cross directorate audits which tend to include controls managed by second line corporate functions, while the Place totals reflect a higher proportion of completed audits in line with the 2023/24 risk assessment.

Root cause and thematic areas for improvement

Audit work completed during 2023/24 highlighted the following thematic areas for improvement across the Council. It is important that management reviews these to treat the root cause and prevent issues reoccurring rather than merely the fixing the instances identified:

- documented procedures should be up to date and reflect current operations and requirements as well as adequate document management processes to ensure regular review

- officers should comply with documented procedures to ensure consistent practices and / or minimise errors
- consistent quality assurance processes to ensure that work performed, and services provided meet prescribed requirements and / or service standards is required
- role specific learning requirements should be communicated to colleagues and completion consistently monitored by line management
- record keeping should evidence decisions made with a clearly documented supporting rationale/audit trail
- monitoring and scrutiny of supplier performance should be consistent including evidence of action for underperforming contractors
- training should be provided to officers to ensure they understand risk transfer and contracts, particularly around responsibility for health and safety risks
- cost monitoring and contract spend should be reviewed regularly and adequate controls and / or evidence retained for high value transactions
- workforce and capacity should be reviewed to reduce reliance on key individuals and ensure key tasks are performed in periods of absence.

Areas where improvements are required as a priority

Significant gaps, weaknesses or non-compliance issues were noted across the following audits where limited assurance was provided:

- **Cyber incident preparedness** - highlighted council wide control weaknesses which could impact the Council's resilience and business continuity in an extended cyber incident

- **Health and Safety** – two audits identified improvements for both general health and safety across establishments and for outdoor infrastructure in playparks, cemeteries, and for public art
- **Historic complaints** – the review of historical policies and handling procedures for complaints in Education and Children's Services raised recommendations designed to support management review of the current procedures and culture
- **Supplier and contract management** – contract handover processes, training, completeness of the contracts register, and performance management of suppliers require improvement
- **Community Centres** – highlighted a lack of clear roles and responsibilities, keyholder controls and centre health and safety
- **HSCP Financial Sustainability** – raised issues with considering the impact of demographic change, testing assumptions and accuracy of financial forecasts as well as ensuring timely and accurate data on contract spend is available
- **Edinburgh's Employer Recruitment Incentives** – identified opportunities to improve the application process including verification, fraud awareness and user access management to key systems
- **Housing** – audits of management of scaffolding, mixed tenure repairs and repairs right first time highlighted weaknesses in the control environment including lack of comprehensive documented procedures, poor records to support decision making, inconsistent performance management of contractors and cost monitoring.

In addition, the following audits included high priority findings:

- **IT Currency Management** – raised concerns with patch management and outstanding vulnerabilities
- **Port facility security plan** – highlighted issues with the delivery model and key person dependency

Advisory work also highlighted control improvements are needed for effective management of the **Corporate Property Helpdesk** including development of clear procedures and internal training, quality assurance and performance management processes.

Areas where positive assurance has been provided

Substantial assurance that 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 following areas was noted:

- Complex Change Management
- Tenant Safety – Damp and Mould

No high priority rated findings were raised in the following audits:

- Procurement and contract standing orders
- Overtime and expenses
- Recruitment and Selection
- Key financial systems – Debtors and VAT
- Mental Health Strategy (Thrive Edinburgh)
- Void Management
- Fleet Asset
- Major projects: Trams and ERP

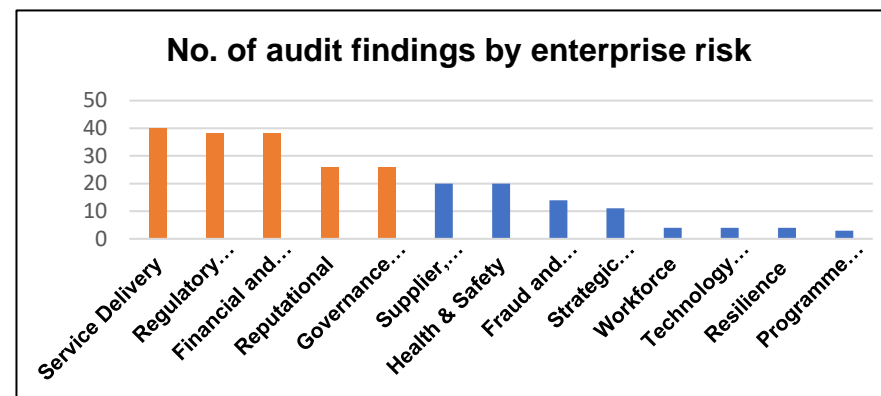
Alignment to the Council’s Risk Management framework

Issues raised in audits completed during 2023/24 highlighted potential impacts across 245 areas aligned to the Council’s 13 enterprise risks. The following top 5 areas of risk and number of associated impacts across audits were identified:

- Service Delivery (40)

- Regulatory and Legislative Compliance (38)
- Financial and Budget Management (38)
- Governance and Decision Making (26)
- Reputational (26)

Allocation of the 245 potential areas of risk across all 13 enterprise risks is set out in the table below:



The 2023/24 Quarter 4 Corporate Leadership Team (CLT) report presented to Committee in [May 2024](#) set out the Council’s risk profile, the most significant risks facing the Council and key actions being taken in response to those risks. The Q4 risk rating and risk appetite for the risk impacts identified across the top 5 areas of risk identified in audit reports is set out below.

| Risk | Q4 rating | Risk Appetite |
|---------------------------------------|-----------|---------------|
| Service Delivery | Red | Yellow |
| Regulatory and Legislative Compliance | Yellow | Green |
| Financial and Budget Management | Red | Yellow |
| Governance and Decision Making | Yellow | Green |
| Reputational | Yellow | Yellow |

6. Progress with implementation of audit actions

As set out on [section 5](#) of this report, a total of 287 new audit actions were raised across the audit reports completed during the year.

Timely and effective implementation of audit actions by management is important to prevent the Council being exposed for longer than necessary to the potential risks associated with the control gaps or deficiencies identified in audits.

A total of 183 audit actions raised across 54 previous audits were closed during 2023/24. 193 actions were due for closure during the year with 108 (56%) closed on time.

Completion of the 183 audit actions resulted in the closure of 36 audits. As at 31 May 2024, 92 of 287 actions raised in 2023/24 audits were closed, resulting in a 33% reduction in the risks associated with findings raised in audits during the year. This includes 30% of high rated actions. This demonstrates a continued focus from management to address control weaknesses and mitigate risk.

Progress with actions raised in 2023/24 audits is provided in [Appendix 1](#), and a list of the 36 audits closed during 2023/24 at [Appendix 4](#).

Overdue Management Actions

Performance and progress of implementation of management actions are reported monthly to the Corporate Leadership Team (CLT) for monitoring and to the Governance, Risk and Best Value Committee (GRBV) for scrutiny. Overdue audit actions are also referred to the relevant Executive Committee for scrutiny in line with their respective remits.

As at 31 March 2024, there were 27 overdue management actions (8 high, 15 medium and 4 low rated) which were past their original implementation date (13% of all open audit actions). While the number of overdue actions for 2023/24 remains the same as the 2022/23 year-

end position (27 actions) the proportion compared with all open actions has reduced from 24% to 13%.

The following table illustrates the allocation and performance trend of the 27 overdue management actions across all directorates as at 31 March 2024 compared with last year:

| Directorate | Overdue actions 31/3/23 | Overdue actions 31/3/24 | Performance Trend |
|--|-------------------------|-------------------------|-------------------|
| Corporate Services | 12 | 4 | ↑ |
| Place | 11 | 14 | ↓ |
| Children, Education and Justice Services | 3 | 2 | ↑ |
| Health and Social Care Partnership | 1 | 7 | ↓ |
| Total | 27 | 27 | - |

It is Internal Audit's opinion that performance in addressing audit actions remains stable with an adequate focus provided by management including provision of additional resources across directorates to support coordination of assurance actions, including Internal Audit actions.

Actions closed due to management's acceptance of risk

A total of 5 actions were closed across 4 audits during the year due to management's acceptance of the risks. All risk acceptances are reported to the CLT for monitoring and to the GRBV Committee for scrutiny. Details of the audits where actions were risk accepted are provided in [Appendix 5](#).

Annual validation review of previously implemented actions

An [annual validation review](#) which assesses ongoing adequacy and effectiveness of a sample of previously implemented actions was performed during 2023/24. The audit reviewed a total of 24 actions which had been implemented by management between 1 January 2022 and 31 December 2022. Of the 24 actions reviewed, 19 (79%) were functioning as originally validated, and 1 (4%) had received reasonable changes to be in line with new circumstances, and

Control weaknesses were highlighted for 4 (17%) actions across the following audits:

- **School Admissions, Appeals, and Capacity Planning** - independent quality assurance checks were not being completed. A partial risk acceptance was completed by management reflecting a newly implemented enrolment system
- **Drivers** - monthly reconciliations of the three systems in place within Fleet were not always being completed
- **Arm's-Length External Organisations** - there was no consistent approach to reporting on ALEO performance and the impact of financial risks
- **Health and Safety (Asbestos)** – the surveying process was paused for 12 months due to migration to a new system. Senior management knowledge of, and approval of, this delay could not be confirmed.

Rebased audit actions

In [March 2023](#), revised future dates for 8 overdue historical actions across 3 audits reported to the GRBV Committee. Details of progress with the rebased actions are provided below:

- **Asset Management Strategy** (November 2017) - Closed in October 2023, following presentation of the Council's Corporate Property Strategy to the Policy and Sustainability Committee
- **Corporate Resilience** (September 2018) 22 of 28 actions complete. 6 actions (5 high and 1 medium) outstanding relating to update of the Council Business Continuity Plan, review and testing of resilience protocols across directorates, and review of contracts within Place directorate. Staged completion is planned with the final action expected to be complete by 31/03/2025
- **Health and Social Care Partnership - Lone Working** (July 2020) 17 of 18 actions complete. 1 medium action outstanding to update Lone Working operational procedures and monitoring controls was due for completion by 31/03/2024, however management update on progress and revised date of 30/09/2024 was reported to GRBV in May 2024, to allow time for continued roll-out of Identicom and regular established reporting of incidents to the Partnership Health and Safety Committee.

7. Other Assurance providers

Progress with Care Inspectorate improvement actions

The Care Inspectorate reported its findings on the joint inspection of adult support and protection for Edinburgh in [February 2023](#), and the inspection of adult social work and social work services delegated by the Council to the Health and Social Care Partnership was reported in [March 2023](#).

In [June 2023](#), the EIJB approved a 3 year improvement plan for social care in response to both inspections, with progress with delivery of the improvement plan reported quarterly to the EIJB Performance and Delivery Committee and the Council's Policy and Sustainability Committee. The [March 2024](#) update to Committee provided a progress update with RAG rating, with three areas graded as red with ongoing actions detailed.

In addition, Children's Services undertook a self-assessment which resulted in an Improvement Plan for Children's Services which was shared with the Education, Children and Families Committee on [27 April 2023](#), with updates due to be reported at each committee cycle. The [April 2024](#) update advised that progress has been made in all areas of the Children's Services Improvement Plan, however in some areas progress, has not been at the pace expected and management advise this primarily relates to ongoing challenges in recruitment which was a national challenge.

2024/25 Internal Audit plan and focus on improvement

The 2024/25 IA plan includes a focused review of quality assurance and evidencing improvement outcomes linked to the Care Inspectorate Inspections and the overall improvement approach for social work and social care services.

Governance and Assurance Model

In October 2023, the governance structure, delivery arrangements, annual cycle, and a timeline/action plan for the Council's [Governance and Assurance Framework](#) was provided to the GRBV Committee. The framework and associated activities aim to provide support and guidance for first line assurance activities, and ongoing second line assurance for directorate governance and risk management activities.

Health and Safety

The [Corporate Health and Safety Team](#) undertakes audits to check compliance with the Council's Health and Safety Policy and legal health and safety obligations. Audits are carried out across the Council as part of a rolling programme with outcomes reported quarterly to the Council's Health and Safety Group.

Education Scotland and quality improvement actions

Quarterly Quality Improvement and Scrutiny updates are provided to the Education, Children and Families Committee, which detail Education Scotland scrutiny and quality improvement activity across the Council's education services. The [April 2024](#) update noted that an updated Edinburgh Learns Improving Quality in Learning Framework was launched in March 2024 to raise standards across schools. In addition, a refreshed pre and post-inspection support model was launched in August 2023.

Assurance Mapping

As part of the assurance mapping and annual planning process, IA will continue to consider what reliance can be placed on other assurance activity across the Council, and whether assurance from Internal Audit in any areas of this work is required.

8. Internal Audit Function

Internal Audit Structure

Internal Audit for the Council is delivered largely through an in-house team, consisting of 13 full-time equivalents. A co-source arrangement is in place to support delivery where required.

Between March 2020 to March 2023, the team carried a number of vacancies at senior auditor and auditor level impacting delivery of the annual audit plan and resulting in higher use of co-source audit provision with associated costs and budget implications.

Since March 2023, following successful recruitment, the in-house team has been fully resourced, providing opportunity to reduce spend on co-source provision to focus on supporting specialist areas and to enhance development opportunities in the team.

During 2023/24, a total of 29 audits were delivered by the Council's in-house Internal Audit team. Three Council audits were delivered by a co-source audit provider (a reduction of 4 audits compared with 2022/23). Co-source audits covered technology, cyber resilience and procurement. The Council's Chief Audit Executive maintained oversight of the quality all audit work completed including co-source engagements.

Learning and development

In line with audit standards, all practicing internal auditors are required to maintain their skills, knowledge, and other competencies through continuing professional development.

The general approach to learning and development across the full audit team has been reviewed to ensure completion of at least 20 hours learning per team member, in line with audit standards. Targeted learning was provided to enhance the skills and knowledge of the

team, including increased use of data analytics, an internal focus on technology auditing, governance, financial risk and modelling.

Circa 670 hours (96 days) were used for learning and development which equates to an average of 56 hours per team member. In addition, circa 30 hours was spent delivering training to colleagues across the Council, including training sessions to support introduction of the new audit and follow-up system and induction training for new colleagues and members.

During 2023/24, the Head of Internal Audit also successfully completed professional qualifications as required by the Public Sector Internal Audit Standards.

Revised audit processes

Between May and September 2023, Internal Audit rolled out an upgraded audit system which enables increased working paper and reporting functionality for the audit team, and integrated monitoring and follow-up of outstanding audit actions and risks, including a customer facing portal/dashboard.

Key Performance Indicators

An audit journey map and key performance indicators are in place to support timely completion of the audit programme. IA performance against KPIs for the 2023/24 audit plan is set out below:

| | | | |
|--|------|--|-----|
| Close out < 5 days | 84% | Release of findings <10 days | 71% |
| Draft report <10 days | 84% | Audits completed within agreed number of days | 55% |
| Final report <10 days | 100% | | |
| Audit Surveys – overall satisfaction with audit process | | | 93% |

9. Conformance with Public Sector Internal Audit Standards

Independence and limitations of scope

In line with Public Sector Internal Audit Standards (PSIAS), Internal Audit must be independent, and all internal auditors must be objective in performing their work. To ensure conformance with these requirements, Internal Audit has established processes to ensure that both team and individual independence is consistently maintained and that any potential conflicts of interest are effectively managed.

We do not consider that we have faced any impairments to our independence during 2023/24, nor do we consider that we have faced any scope or resource limitations when completing our work.

Quality Assurance and Improvement Programme

Ongoing reviews to ensure quality on an audit by audit basis are in place. This includes Head of Internal Audit review and sign-off of planning and reporting for all audit work, and ongoing supervision and review of fieldwork throughout by a Principal Audit Manager.

Periodic assessments are conducted through self-assessments and Internal Quality Assessments (IQA) on an annual basis. An IQA which reviewed the quality of audits during 2023/24 was led by a Principal Audit Manager and supported by a Senior Auditor.

The IQA concluded that Internal Audit generally complied with PSIAS requirements during the year. Areas requiring focus include ensuring audit files are reviewed and signed off in a timely manner, and that all supporting evidence is retained on file. Remedial actions have been developed and will be tracked quarterly by the Head of Internal Audit.

External Quality Assessments (EQA) should be completed every five years. An EQA was performed by the Chartered Institute of Internal Auditors (IIA) 2022 and results reported to Committee in [October 2022](#) with the next EQA due before 2027.

The 2022 EQA concluded that overall, the Council's Internal Audit function generally conformed with the PSIAS. Two recommendations were made to address partial conformance with standards and a series of improvement recommendations made to strengthen audit processes. All actions were implemented by the Internal Audit team during 2023, with progress reported to Committee quarterly.

New Global Internal Audit Standards

Internal Audit is also preparing to implement the new [Global Internal Audit Standards](#) which were published in January 2024 and come into effect from January 2025. The GIAS will require a revision to the current IA methodology to ensure the requirements are fully met.

A gap analysis exercise and a self-assessment of PSIAS compliance was performed in 2024, with an action plan developed to take forward required actions in advance of January 2025, including updates to internal audit methodologies and practices, and delivery of training to colleagues and GRBV members.

The GIAS will include Topical Requirements which aim to ensure that all IA functions apply consistent audit methodology when assessing the effectiveness of governance, risk management, and controls of a particular topical area such as cybersecurity, third party management, organisational governance, sustainability, fraud, data and privacy, and IT governance.

Appendix 1 – Outcomes and status of 2023/24 audits as at 31 May 2024

| Audit title, high level scope and date audit completed | | Outcome | % Actions completed | |
|--|---|----------------------|---------------------|--------------------------|
| Cross Directorate | | | | |
| 1. | Council Budget Setting Process – Lessons Learned (July 2023): review of Corporate Leadership Team lessons learned for the 2023/24 Council budget setting process, as requested by GRBV March 2023. | n/a advisory review | 100% | All actions complete |
| 2. | Procurement – Contract Standing Orders (November 2023): assessment of compliance with the Council's Contract Standing Orders – specifically tender documentation, evaluation of tenders and quotes and award for a sample of contracts cross directorate. | Reasonable Assurance | 56% | 5 of 9 actions complete |
| 3. | Health and Safety – Findings only (October 2023): thematic control gaps and findings related to general health and safety risks were raised this report, in line with the authority granted under the Internal Audit Charter. | Limited Assurance | 19% | 4 of 21 actions complete |
| 4. | Supplier and Contract Management (January 2024): assessment of application of the Contract Handover, and Contract Review Meeting guidance as set out in the Council's Contract Management Manual and toolkit. | Limited Assurance | 3% | 1 of 31 actions complete |
| 5. | Recruitment and Selection (April 2024): review of compliance with the Council's Recruitment and Selection Policy including pre-advertisement requirements such as approval, supporting documentation, recruitment panels, training, advertisement, screening, and pre-employment checks. | Reasonable Assurance | 29% | 4 of 14 actions complete |
| 6. | Annual validation review of closed actions (April 2024): review of a sample of previously implemented and closed IA agreed management actions for the Council to confirm that they have been effectively sustained. | Reasonable Assurance | 17% | 1 of 6 actions complete |
| 7. | Cyber - Directorates Incident Response (May 2024): review of directorates and service level approach to cyber incident management in line with the readiness, response, and recovery model. This included a review of a sample of departmental business impact analysis, business continuity plans and training/awareness. | Limited Assurance | 0% | Phased Implementation |
| 8. | Overtime and expense payments (May 2024): review of compliance with controls established to ensure that overtime and expense payments are made in line with the council's Pay Policy and Overtime guidance. Focussed on a high-level review of a sample of areas with high overtime and expenses volumes /values. | Reasonable Assurance | 0% | 0 of 17 actions complete |

| | | | | |
|---|--|-----------------------|------|----------------------------|
| 9. | Enterprise Resource Planning (ERP) (April 2024): project assurance 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). | Reasonable Assurance | 100% | All actions complete |
| Corporate Services | | | | |
| 10. | Key Financial Systems – Debtors (January 2024): review of the design and operation of key controls established to ensure timely creation of debtor invoices, prompt processing of payments and effective control of write-offs, cancellations, credit notes and recovery. | Reasonable Assurance | 47% | 8 of 17 actions complete |
| 11. | Key Financial Systems – VAT recovery (January 2024): review of design and operation of controls established to ensure adequate arrangements are in place to maximise the recovery of VAT and ensure recovery is in line with requirements. | Reasonable Assurance | 100% | All actions complete |
| 12. | CGI - IT Currency Management, Obsolescence, and Innovation Review (April 2024): review of CGI's established approach to currency management and obsolescence of hardware and software including reviewing, consolidating, and replacing applications including implementation of new, and maintenance of existing solutions. | Reasonable Assurance | 25% | 1 of 4 actions complete |
| 13. | CGI – Complex Change Management (May 2024): agile review of the end-to-end change journey for a sample of complex change requests to identify areas for improvement and highlight good practice. | Substantial Assurance | 0% | 0 of 6 actions complete |
| 14. | GRBV self-assessment and skills evaluation (May 2024): facilitation of GRBV Committee self-assessment and skills evaluation in line with relevant CIPFA guidance. | n/a advisory review | | |
| Children, Education and Justice Services | | | | |
| 15. | After School ASN Care Provision - Review of Lessons Learned (October 2023): initial feedback on lessons learned completed by officers in CEJS for reporting to the Education, Children and Families Committee and GRBV in November 2023. | n/a advisory review | | |
| 16. | Review of Historic Complaints and disciplinaries (July 2024): review of historic complaints and disciplinaries to confirm whether any handled by for employees noted in Project Apple outcomes had been appropriately investigated and reported. This review is being completed by Internal Audit and the Council's Legal Team. | Limited Assurance | 0% | 8 of 8 actions outstanding |
| Place Directorate | | | | |
| 17. | Edinburgh Employer Recruitment Incentive (July 2023): review of the design and effectiveness of processes established for managing fund applications from employers including eligibility, assessment, payments, and verification. | Limited Assurance | 100% | All actions complete |

| | | | | |
|-----|--|-----------------------|------|--------------------------|
| 18. | Health and Safety - Outdoor Infrastructure (October 2023): review of processes established to ensure the health and safety of outdoor infrastructure – specifically: cemeteries, public art and play areas. | Limited Assurance | 50% | 6 of 12 actions complete |
| 19. | Port Facility Security Plan (October 2023): annual review of the Port Facility Security Plan and emerging risks as per Department for Transport requirements. | Reasonable Assurance | 47% | 8 of 17 actions complete |
| 20. | Management of ad hoc mixed tenure works (November 2023): review of processes for scheduling and funding/payment for ad hoc common repairs across mixed tenure blocks. | Limited Assurance | 33% | 3 of 9 actions complete |
| 21. | Housing - Repairs Right First Time (January 2024): review of the Council's approach and performance for completing repairs 'right first time' in line with 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. | Limited Assurance | 38% | 6 of 16 actions complete |
| 22. | Housing stock condition – tenant safety, damp, and mould (December 2023): 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. | Substantial Assurance | 100% | All actions complete |
| 23. | Management of scaffolding for housing property repairs (April 2024): 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. | Limited Assurance | 8% | 1 of 12 actions complete |
| 24. | Corporate Property Helpdesk (February 2024): review of processes established to log, allocate and monitor completion of repairs tickets logged with the Corporate Property Helpdesk. Included oversight and reporting of performance information. | n/a advisory review | 0% | 0 of 11 actions complete |
| 25. | Community Centres (March 2024): review of oversight arrangements to confirm that community centres are safely and effectively managed in line with established community centre management arrangements agreed with the Council. | Limited Assurance | 8% | 1 of 12 actions complete |
| 26. | Fleet – Mission Zero for Transport (April 2024): review the Council's readiness to ensure all its fleet is renewed to a standard that meets the targets laid out by the Scottish Government's Mission Zero for Transport (legally binding target of net-zero by 2045) and the Council's target to be net zero by 2030. | Reasonable Assurance | 20% | 2 of 10 actions complete |
| 27. | Trams to Newhaven (May 2024): project assurance review during the final stage of construction. Review included ongoing governance and financial management, stakeholder management and readiness for operations. | Reasonable Assurance | 100% | All actions complete |

| | | | | |
|---|---|----------------------|-----|--------------------------|
| 28. | Housing - Void Management (May 2024): review of the design and operation of controls established to ensure that empty council housing properties (voids) are managed effectively including review of programmed voids. | Reasonable Assurance | 0% | 0 of 15 actions complete |
| Health and Social Care Partnership | | | | |
| 29. | Financial Sustainability (April 2024): review of the processes applied to confirm the ongoing financial sustainability of the partnership, and the design and appropriateness of actions to address any significant gaps identified. | Limited* Assurance | 33% | 2 of 6 actions complete |
| 30. | Budget Monitoring and Reporting (April 2024): review of HSCP in year budget monitoring and reporting systems and processes. | | | |
| 31. | Mental Health Services (Thrive) (May 2024): review of strategic approach to support delivery of outcomes for provision of mental health and wellbeing services across Edinburgh. | Reasonable Assurance | 9% | 1 of 11 actions complete |

**one consolidated audit report issued for these two audits, therefore 31 audits completed, and 30 audit reports issued.*

| Rating | Substantial Assurance | Reasonable Assurance | Limited Assurance | Advisory | Total |
|---|-----------------------|----------------------|-------------------|----------|------------|
| No. of audit reports issued | 2 | 13 | 11* | 4 | 30* |
| No. of audits closed | 0 | 2 | 1 | 3 | 6 |
| No. of audits with actions outstanding | 2 | 11 | 10 | 1 | 24 |

Appendix 2 – Overall assurance and priority rating definitions

In March 2023, as part of the annual review of the [Internal Audit Charter](#), the Committee approved adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) [standard definitions](#) for audit opinions. Details of the standard definitions are provided below:

| 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 Council objectives. |
| 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 Council objectives. |
| 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 Council objectives. |
| 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 Council objectives. |

| 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. |

Appendix 3 – Enterprise Risk Descriptions and Impact Statements

| Risk | | Risk Description | Impact Statement |
|------|---|--|--|
| R1 | Strategic Delivery | Inability to design and / or implement a strategic plan for the Council | Lack of clarity regarding future direction and structure of the Council impacting quality and alignment of strategic decisions |
| R2 | Financial and Budget Management | Inability to perform financial planning, deliver an annual balanced budget, manage cash flows, and confirm ongoing adequacy of reserves | Council is unable to continue to deliver services and implement change in line with strategic objectives, inability to meet EIJB financial directions, adverse external audit opinion, adverse reputational consequences |
| R3 | Programme and Project Delivery | Inability to deliver major projects and programmes effectively, on time and within budget | Inability to deliver Council strategy, achieve service delivery improvements and deliver savings targets |
| R4 | Health and Safety (including public safety) | Employees and / or citizens (including those in the Council's care) suffer unnecessary injury and / or harm | Legal, financial and reputational consequences |
| R5 | Resilience | Inability to respond to a sudden high impact event or major incident | Disruption across the City to service delivery, and serious injury or harm to employees and / or citizens. |
| R6 | Supplier, Contractor, and Partnership Management | Inability to effectively manage the Council's most significant supplier and partnership relationships | Inability to deliver services and major projects within budget and achieve best value |
| R7 | Technology and Information | Potential failure of cyber defences, network security, application security, and physical security and operational arrangements | Inability to use systems to deliver services, loss of data and information, regulatory and legislative breaches, and reputational consequences |
| R8 | Governance and Decision Making | Inability of management and elected members to effectively manage and scrutinise performance, and take appropriate strategic and operational decisions | Poor performance is not identified, and decisions are not aligned with strategic direction |
| R9 | Service Delivery | Inability to deliver quality services that meet citizen needs effectively and in line with statutory requirements | Censure from national government and regulatory bodies; and adverse reputational impacts |

| | | | |
|------------|--|---|---|
| R10 | Workforce | Insufficient resources to support delivery of quality services that meet citizen needs effectively and in line with statutory requirements | Ongoing employee health and wellbeing, increased trade union concerns, censure from national government and regulatory bodies, and adverse reputational impacts |
| R11 | Regulatory and Legislative Compliance | Delivery of Council services and decisions are not aligned with applicable legal and regulatory requirements | Regulatory censure and penalties, legal claims, and financial consequences |
| R12 | Reputational Risk | Adverse publicity because of decisions taken and / or inappropriate provision of sensitive strategic, commercial and / or operational information to external parties | Significant adverse impact to the Council's reputation in the public domain |
| R13 | Fraud and Serious Organised Crime | Isolated or systemic instances of internal and / or external fraud and / or serious organised crime | Financial consequences, loss of systems, loss of data< inability to deliver services, regulatory censure and penalties, and adverse reputational impacts |

Appendix 4 – Audits closed during 2023/24

During 2023/24, all outstanding audit actions for the following audits were completed.

| No. | Directorate | Audit Title | Year of audit |
|-----|--|---|---|
| 1 | Cross Directorate | Homelessness Services | 2018 |
| 2 | | Life Safety | 2019 |
| 3 | | Unsupported Technology (Shadow IT) and End User Computing | 2019 |
| 4 | | GRBV Committee Effectiveness review | 2020 |
| 5 | | Complaints Management | 2021 |
| 6 | | Application technology controls - SEEMIS and SWIFT | 2022 |
| 7 | | Allocation and Management of Purchase Cards | 2022 |
| 8 | | Induction, Essential Learning and Training for Officers and Elected Members | 2022 |
| 9 | Corporate Services | Budget Setting and Management | 2019 |
| 10 | | Risk Management | 2019 |
| 11 | | Corporate Network Management | 2020 |
| 12 | | Digital and Smart Cities Strategy | 2020 |
| 13 | | Vulnerability Management | 2021 |
| 14 | | CGI Performance Reporting | 2021 |
| 15 | | Capital Budget Setting and Management | 2021 |
| 16 | | Insurance Services | 2022 |
| 17 | | Implementation of the New Consultation Policy | 2022 |
| 18 | | CGI Security Operations Centre | 2022 |
| 20 | | CGI Enterprise Architecture Arrangements | 2022 |
| 21 | | Key Financial Systems – VAT | 2023 |
| 22 | | Place | Asset Management Strategy and CAFM system |
| 23 | Tree Management | | 2019 |
| 24 | Registration and Bereavement Services | | 2020 |
| 25 | Edinburgh Trams Contract Management | | 2020 |
| 26 | Repairs and Maintenance Framework (Operational Properties) | | 2022 |
| 27 | Active Travel Project Management and Delivery | | 2022 |
| 28 | Port Facility Security Plan | | 2022 |
| 29 | City Deal Integrated Employer Engagement | | 2022 |
| 30 | Levelling Up Fund – Granton Gas Holder | | 2022 |
| 31 | Edinburgh Employer Recruitment Incentive | | 2023 |
| 32 | Trams to Newhaven | | 2024 |
| 33 | HSCP | Transformation and Benefits Realisation | 2021 |
| 34 | CEJS | Criminal Justice Social Work | 2021 |
| 35 | | Managing Behaviours of Concern | 2020 |
| 36 | | Early Years Education 1140 delivery | 2022 |

Appendix 5 – Risk acceptances

Management periodically review actions to consider whether they remain appropriate and if there has been any movement on risks originally identified at the time of the audit. In line with agreed audit processes, management can request that a risk is closed based on management's risk acceptance aligned to risk appetite. The risk acceptance must be approved by the appropriate Executive Director/Chief Officer.

During 2023/24, a total of 4 actions were partially risk accepted by management with full details provided to the GRBV Committee as part of the quarterly review of open and overdue actions. A summary of the actions are set out below:

| Audit code, title and date issued | Recommendation title and rationale for risk acceptance | Residual risk rating at closure & date closed |
|---|--|---|
| PL1902 Tree Management July 2020 | 1.5 Review and development of service level agreements (SLAs) – Partial risk acceptance: Internal intra-department Service Level Agreements were not implemented. Instead, a service standards approach was agreed as informed by the Service Standards and KPIs document and supported by the Workforce and Resources Plan. | Medium October 2023 |
| PL2305 Edinburgh's Employer Recruitment Incentives (EERI) July 2020 | 4.1 CCP Helix User Access Review and 4.2 Monitoring and management of Helix user access rights – Partial risk acceptance: A data privacy risk exists whereby the Helix system would require development to segregate EERI data from other Council users. This is not currently in development. | Low October 2023 |
| CW1914 Unsupported Technology October 2020 | 1.4d – CEJS Directorate review of shadow IT contracts – Partial risk acceptance: The whole process was reviewed and now benefits from capacity and competency with support from the Digital Education Team. The review of information captured over the last two years has identified areas of improvement. This work is ongoing. Further quality assurance is required around the data captured to ensure it is complete and accurate. Cleansing, historical review and quality assurance of the historical Shadow IT registrations continues. | Low November 2023 |
| CW2202 Application Technology Controls (SEEMIS) November 2020 | 1.1 Records Retention and Disposal – Partial risk acceptance: related to review of records retention periods for individual elements of pupil data held within SEEMiS, as this part that is ongoing at a National Level Working Group. | Medium March 2024 |