
INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2023/24

Report by Chief Officer Audit and Risk

AUDIT COMMITTEE

20 May 2024

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to present to the Audit Committee the Internal Audit Annual Assurance Report for the year to 31 March 2024, which includes the Chief Officer Audit & Risk's independent assurance opinion on the adequacy of the Council's overall control environment.**
- 1.2 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive (CAE), the Council's Chief Officer Audit & Risk, provides an annual internal audit opinion and report on the adequacy and effectiveness of the Council's governance, risk management and internal controls to support the preparation of the Annual Governance Statement. This is in support of the overall governance arrangements of the Council, as set out in the Local Code of Corporate Governance.
- 1.3 The Remit of the Audit Committee, relevant to the content of this report, indicates that it should:
- Assess the adequacy and effectiveness of the Council's systems of internal financial control and framework of internal control, risk management and corporate governance arrangements, and consider annual assurance reports.
 - Monitor and review the performance of Internal Audit, conformance to the Public Sector Internal Audit Standards and code of ethics.
- 1.4 To meet the requirements of the PSIAS the Internal Audit Annual Assurance Report 2023/24, at Appendix 1, includes the annual Internal Audit opinion, provides details of the Internal Audit activity and performance during the year to fulfil its role, and summarises the outcomes of assessments of the Internal Audit service against the PSIAS.

2 RECOMMENDATIONS

2.1 I recommend that the Audit Committee:

- a) Considers the Internal Audit Annual Assurance Report 2023/24 (Appendix 1) and the assurances contained therein; and**
- b) Provides any commentary thereon, including any further actions required by Management.**

3 BACKGROUND

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 that came into force on 10 October 2014 require a local authority to operate a professional and objective internal auditing service. This service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the *Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector (PSIAS)*. The standards require Internal Audit to have suitable operational independence from the organisation.
- 3.2 The Public Sector Internal Audit Standards (PSIAS) 2017 require that:
“The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.
The annual report must incorporate:
- the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”
- 3.3 The Remit and Terms of Reference of the Audit Committee, relevant to the content of this report, indicates that it should:
- Assess the adequacy and effectiveness of the Council’s systems of internal financial control and framework of internal control, risk management and corporate governance arrangements, and consider annual assurance reports.
 - Monitor and review the performance of Internal Audit, conformance to the Public Sector Internal Audit Standards and code of ethics.

4 INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2023/24

- 4.1 The Internal Audit Annual Assurance Report 2023/24, at Appendix 1, includes the Chief Officer Audit & Risk’s (chief audit executive) independent and objective opinion regarding the adequacy and effectiveness of the Council’s governance, risk management and internal controls. It also provides details of the Internal Audit activity that supports the opinion and of the performance during the year to fulfil its role, and summarises the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS).
- 4.2 Internal Audit’s purpose is to support the Council in its activities, designed to achieve its declared objectives for the benefit of Scottish Borders’ communities and other stakeholders.
- 4.3 The Internal Audit Annual Assurance Report 2023/24 provides assurances in relation to the Council’s corporate governance framework that is a key component in underpinning the delivery of the Council’s outcomes and priorities in accordance with its values as set out within the Council Plan. The key messages of assurance and areas of improvement set out in the Internal Audit Annual Assurance Report 2023/24 will be used to inform Scottish Borders Council’s Annual Governance Statement 2023/24.

5 IMPLICATIONS

5.1 Financial

The Local Authority Accounts (Scotland) Regulations 2014 that came into force on 10 October 2014 require a local authority to operate a professional and objective internal auditing service.

The net cost of the Internal Audit service was £292k (2022/23 £273k). The net service expenditure (100%) relates to staff resources totalling 5.5 FTE comprising Chief Officer Audit & Risk (50% for Internal Audit activity), one Principal Internal Auditor, two Senior Internal Auditors (one is an interim contractor), and two Internal Auditors. These resources are for the provision of Internal Audit services to prepare annual opinions on the adequacy of the overall control environment for Scottish Borders Council, Scottish Borders Council Pension Fund, and Scottish Borders Health and Social Care Integration Joint Board.

5.2 Risk and Mitigations

The PSIAS require Internal Audit to evaluate the effectiveness of the Council's Risk Management arrangements and contribute to improvements in the process. Each Internal Audit engagement has been risk-based and, where appropriate, has tested the specific Service's management of risk, with recommendations made to improve compliance with the Council's Risk Management Policy.

Internal Audit provides assurance to the Council Management Team and the Audit Committee on the adequacy and effectiveness of internal controls, governance and risk management within the Council, highlights good practice and recommends improvements. Key components of the audit planning process include a clear understanding of the Council's functions, associated risks, and range and breadth of audit areas for inclusion within the Annual Plan. There is effective liaison between Internal Audit and the Corporate Risk Officer on an on-going basis to ensure that risks are considered in every audit and that risk reviews take account of findings and improvements arising from Internal Audit work.

Continuous improvements in internal controls and governance arrangements can be demonstrated through Management-initiated actions complemented by the implementation of Internal Audit recommendations. It is anticipated that further improvements in the management and mitigation of risks will arise as a direct result of Management implementing the Internal Audit recommendations made during the year or outstanding from previous years, which will enable Management to demonstrate further improvement in internal controls and governance arrangements.

Delivery of the Internal Audit services in conformance with the PSIAS will enable the Council to meet the requirements of the Local Authority Accounts (Scotland) Regulations 2014 to review findings of assessments as part of the consideration of the system of internal control required by regulation 5.

5.3 Integrated Impact Assessment

There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance report for assurance purposes, required under the Local Authority Accounts (Scotland) Regulations 2014 and the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017).

The Internal Audit work is carried out in accordance with the appropriate legislation and professional standards. The latter includes compliance by those in the Internal Audit function with the Code of Ethics set out in the PSIAS which is appropriate for the profession of Internal Audit founded as it is on trust placed in its objective assurance about risk management, internal control and governance.

The Internal Audit work has been carried out in accordance with the Internal Audit Strategy for 2023/24, which incorporates integrated impact assessment compliance into all assurance audits as a cross-cutting risk to provide assurance that the underlying controls and processes in all Services are operating as intended to demonstrate the Council is fulfilling its Equality Duty and Fairer Scotland Duty.

5.4 Sustainable Development Goals

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist during the preparation of the Internal Audit Charter, and the Internal Audit Strategy and Plan 2023/24. Good governance is important to enable Scottish Borders Council to achieve its objectives, including those supporting sustainable development.

5.5 Climate Change

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

The Internal Audit work has been carried out in accordance with the Internal Audit Strategy for 2023/24 which incorporates integrating climate change into all assurance audits as a cross-cutting risk to provide assurance that the underlying controls and processes in all Services that support climate change commitments, plans and programmes are operating as intended.

During 2023/24 the Internal Audit function has adopted a continuous audit approach, including observation of the Sustainability Board, to assess the Council's governance arrangements and progress with the Climate Change Route Map Priority Actions to meet the Council's obligations. The executive summary of findings and conclusions are outlined in the report 'Internal Audit Work to March 2024', published on the same agenda, associated with the audit named 'Sustainable Environment (Climate Change)' to which is also referred in the Appendix to this report.

5.6 Rural Proofing

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 Data Protection Impact Statement

There are no personal data implications arising from content of this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

No changes are required to either the Scheme of Administration or the Scheme of Delegation as a result of the content in this report.

6 CONSULTATION

- 6.1 Directors have been advised to take into account the findings from Internal Audit work during the year when completing their internal control and governance assurance statements as part of the annual self-evaluation and assurance process for the Council's Annual Governance Statement 2023/24.

6.2 The Chief Officer Audit & Risk (*chief audit executive*) is required to give an independent opinion on the Council's governance, risk management and internal controls. This report and Appendix 1 have been presented to the Council Management Team on 8 May 2024 to outline the key messages of assurance and areas of improvement.

6.3 The Director of Finance, Director of Corporate Governance (and Monitoring Officer), Director of People Performance and Change, and Communications team have been consulted on this report in line with required practice.

Approved by

Jill Stacey, Chief Officer Audit & Risk **Signature**

Author(s)

| Name | Designation and Contact Number |
|-------------|---|
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Background Papers: Appropriate Internal Audit files

Previous Minute Reference: Audit Committee 10 May 2023

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Chief Officer Audit & Risk's Annual Assurance Report and Opinion 2023/24 for Scottish Borders Council

1 Introduction

- 1.1 It is Management's responsibility to design and maintain proper risk management, governance and internal control processes and systems to ensure probity in systems and operations, including the prevention, detection and resolution of fraud and irregularities. Management is also responsible for checking that the arrangements and controls are operating effectively. These are known as the first and second lines, which are not fixed but evolve as the Council changes.
- 1.2 Internal Audit, as the third line, is an independent appraisal function established for the review of the internal control system as a service to Scottish Borders Council. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources and the management of risk.
- 1.3 The Internal Audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes; and objectively provides relevant assurance.
- 1.4 The Objectives of Internal Audit are set out in its Charter: As part of Scottish Borders Council's system of corporate governance, Internal Audit's purpose is to support the Council in its activities designed to achieve its declared objectives and to do so:
- In support of the Council's vision, values and priorities.
 - As a contribution to the Council's corporate management of risk.
 - As an aid to ensuring that the Council and its elected members, employees and contracted third parties are operating within the law and relevant regulations.
 - As a contribution towards establishing and maintaining a culture of honesty, integrity, openness, accountability and transparency throughout the Council in all its activities and transactions.
 - As a contribution towards ensuring that financial statements and other published performance information are accurate and reliable.
- 1.5 The Public Sector Internal Audit Standards (PSIAS) (2017) requires that:
 "The chief audit executive (*the Council's Chief Officer Audit & Risk*) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- The annual report must incorporate:
- the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."

1.6 This Annual Report provides the annual internal audit opinion and summarises the work carried out by Internal Audit during the year to 31 March 2024 that underpins the opinion in accordance with the Internal Audit Charter, Strategy and Annual Plan 2023/24. The report also summarises the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS).

2 Opinion on the systems of Internal Control and Governance

- 2.1 My opinion is that there are generally sound systems of governance, risk management and control in place across the Council. This is against a backdrop of challenging financial and people resources, increasing service demands and additional obligations on the Council. Some issues, non-compliance or scope for improvement were identified through Internal Audit work during the year which may put at risk the achievement of some of the strategic and operational objectives.
- 2.2 Internal Audit reports during the year confirm evidence of improvements in governance, risk management and internal controls through Management-initiated actions complemented by their implementation of Internal Audit recommendations. Management have implemented 16 of the 32 recommendations made in 2021/22, 18 of 26 in 2022/23 and 10 of 29 in 2023/24. This is a positive position given the significant pressures on Council officers, and their hard work is recognised by Internal Audit.
- 2.3 Reasonable assurance can be provided on the adequacy of the internal controls and governance arrangements in place. The key governance documents have been reviewed and updated where required, including: Local Code of Corporate Governance (30 March 2023); Interim Scheme of Administration (28 September 2023); Procedural Standing Orders (25 August 2022); Scheme of Delegation (21 July 2023); Financial Regulations (22 February 2022); Procurement & Contract Standing Orders (25 May 2023); Member Officer Relationships Protocol (25 August 2022) to complement the Councillors' Code of Conduct by Standards Commission (December 2021); and Code of Conduct for Employees (November 2022). The Local Code of Corporate Governance reflects the appropriate framework for effective governance of the Council's affairs and facilitates the exercise of its functions to deliver best value. The Scheme of Delegation will need to be further updated arising from the proposals in the Council Management Team Restructure that was approved by full Council on 28 March 2024.
- 2.4 The Council continues to make progress in embedding Risk Management and awareness ensuring that the risks to achieving corporate objectives are systematically identified, analysed, evaluated, controlled, monitored and reported regularly and consistently to provide assurance. Corporate and Service Risk Registers are subject to regular review by those Managers who are allocated the responsibilities for managing individual risks. The Council Management Team received quarterly updates on risk management, and the Audit Committee received an annual report and risk presentations by Directors during the year to fulfil their role of oversight of how risks are managed. Further improvements are required on the Council's Business Continuity Framework to demonstrate that business continuity is being applied in practice: complete the work to upgrade the Continuity2 system; ensure deployment of adequate support resources; and create a standardised and consistent approach to the updating of Business Continuity Plans and their subsequent review and testing, for which the system upgrade is a key enabler.
- 2.5 Management have agreed further recommendations, as highlighted in Internal Audit reports during the year 2023/24. The common issues, non-compliance or scope for improvement were: keeping policies up-to-date and published on Council website or Intranet which is of particular importance during a period of change; and in light of the complex operating environment the need for Senior Management to carry out second line monitoring of controls for assurance purposes relating to the most significant risks, for example, performance management and training completion. The Council Management Team should continue to oversee implementation of Internal Audit recommendations to demonstrate continuous improvement.

3 Internal Audit Annual Plan 2023/24 Delivery

3.1 The whole Internal Audit team continued in 2023/24 to work from home, facilitated by the use of MS Teams and access to network drives and business applications, to complete their audit engagements. The Audit & Risk service (including Internal Audit team) met in-person once a quarter as an opportunity to support team building and wellbeing.

3.2 The following minor amendments have been made to assurance audits in the Internal Audit Annual Plan 2023/24 to ensure each audit engagement reflects the specific risks and areas of assurance required by the relevant Directors and Service Managers consistent with the Council's objectives, approved by the Audit Committee (*date notified*):

- Biodiversity of the Scottish Borders (*originally Parks & Environment in Plan*)
- Cost of Living Crisis Support (*originally Benefits Assessments audit in Plan split into 2*)
- Pupil Equity Fund (PEF) (*originally Benefits Assessments audit in Plan split into 2; 15 days transferred from Consultancy*)
- Refugee and Asylum Seekers Funding (*originally Homelessness in Plan*)
(25 September 2023)
- UK Government Shared Prosperity Fund (*originally Economic Development Funded Programmes audit in Plan split into 2*)
- Scottish Government Community Led Local Development Fund (*originally Economic Development Funded Programmes audit in Plan split into 2*)
(13 November 2023)

3.3 The following revisions to the Internal Audit Annual Plan 2023/24 were approved by the Audit Committee (*date notified*):

- VAT - deferred to 2024/25 in agreement with the Director Finance & Procurement to avoid over-burdening the Income & Reconciliations team with more than one audit in-year. (12 February 2024)
- Residential Care Homes Administration Processes (Internal Controls) - added to 2023/24 Plan on request by Director Strategic Commissioning & Partnership having originally been in 2022/23 Plan. (12 February 2024)

3.4 There has been no impairment to the independence or objectivity of the Internal Audit function arising from the above changes to audits nor from consultancy work undertaken during the year.

3.5 The level of Actual Audit Days 757 was broadly in line with the Plan Days 767 in total (99%), mainly attributed to staff retirement from and recruitment to the Principal Internal Auditor role. The allocation of audit plan days is not an exact science and some of the audit engagements have been carried out using less than planned days and some using more. The range and breadth of Internal Audit work that has been performed during the year, which is listed below, is sufficient to inform the Internal Audit assurance opinion.

Corporate Governance Audits

3.6 To provide assurances in relation to the Council's corporate governance framework that is a key component in underpinning delivery of the corporate objectives and priorities within the Council Plan, reviews included (*date reported to Audit Committee*):

- Corporate Governance (Assessment of progress on implementation of improvement actions within the Annual Governance Statement 2023/24. Annual evaluation against the Local Code of Corporate Governance to determine whether the arrangements are operating as described. Prepare this Annual Assurance Report for Management and the Audit Committee, forming the statutory opinion on the adequacy of the Council's arrangements for governance, internal control and risk management.) - 20 May 2024

- Information Governance (Continuous audit approach to review the Information Governance framework including roles and responsibilities, policy development and implementation, to assess compliance with legislation, and provide annual assurance to the Senior Information Risk Owner) - *20 May 2024*
- Performance Management Framework (Continuous audit work as a 'critical friend' on the development of a revised Performance Management Framework for the Council led by the Corporate Performance & Improvement Team. Significant activity included the review of the service planning process and measures.) – *13 November 2023*
- Performance Management LGBF (Provide independent validation of performance indicators and benchmarking information, specifically to ensure accuracy of data submitted on an annual basis to the Improvement Service as part of the Local Government Benchmarking Framework) – *25 September 2023*
- Corporate Transformation Programme (Continuous audit approach to review the governance and accountability arrangements of Fit for 2024 and Digital transformation programmes. Specific review of the Fit for 2024 end of Transformation Programme evaluation to learn lessons and inform governance arrangements for the Future Transformation programme.) – *20 May 2024*
- Staff Retention and Recruitment (Review the approaches to staff retention and recruitment to ensure skills, knowledge and competencies are retained or provided, respectively, for service delivery to meet the Council's objectives.) – *20 May 2024*
- Complaints (*b/f from 2022/2023*) (Review and assess the new arrangements in place for complaints to ensure the implementation of the revised policy and procedures in October 2022, which was based on the guidance provided by the Scottish Public Services Ombudsman (SPSO).) – *25 September 2023*
- Partnering Arrangements (Assess the governance relating to organisations that constitute significant partnering arrangements from the Council's perspective to ensure roles and responsibilities of partners are clearly defined, and controls are in place to ensure resources are used effectively.) – *13 November 2023*
- Resilience Planning (Review the approach to emergency and business continuity planning, including resilient communities, risk assessments, early warning systems, post incident reviews and lessons learned.) – *25 September 2023*
- Health and Safety (Ensure the Council is complying with relevant Health & Safety (H&S) legislation, has a structured approach to H&S awareness, including use of the H&S Management system to ensure there are adequate and effective controls in place to manage health and safety risks.) – *25 September 2023*

Financial Governance Audits

3.7 To provide assurance on the internal financial controls in place and substantive testing of transactions to ensure completeness and accuracy of data in core financial systems, reviews included:

- Revenues (Council Tax and NDR) - Self Catering (Assess the application and implementation of changes in legislation affecting Council Tax and Non-Domestic Rates (NDR), specifically changes in self-catering legislation.) – *13 November 2023*
- Record to Report (R2R) (Review processes, including controls within the core General Ledger system and Management monitoring and reporting.) – *12 February 2024*
- Sales to Cash (S2C) (Review the controls in place throughout the Council to set fees and charges for services, raise invoices promptly, and collect debts efficiently resulting in debtors' balances that are complete, accurate and recoverable.) – *12 February 2024*

ICT Governance Audits

- 3.8 To provide assurances that computer systems are secure, reliable and conform to nationally agreed standards, reviews included:
- IT Environmental & General Controls (Assess the adequacy and effectiveness of the governance in place for cyber security including the progress of the Cyber Security Maturity Assessment improvement actions.) – 12 February 2024

Internal Controls Audits

- 3.9 To provide assurances in relation to a range of the Council's internal controls in areas identified by Management, reviews included:
- Schools Financial and Business Administration Processes (Review of internal financial controls and business administrative procedures in place to ensure the efficient and effective use of resources in the school establishments.) – 12 February 2024
 - Cost of Living Crisis Support (Review of information associated with the provision of a range of financial support and advice to local residents linked to the cost of living crisis.) – 20 May 2024
 - Pupil Equity Fund (PEF) (Assess the arrangements in place to administer the Pupil Equity Fund (PEF) and ensure that it is being utilised in line with the National Operational Guidance issued by the Scottish Government.) – 13 November 2023
 - Licensing (Short-Term Lets) (Ensure there is an adequate control environment for licensing, specifically relating to short-term lets.) – 20 May 2024
 - Looked After Children (Assess the adequacy of controls in place to ensure sound budgetary control and meet the demand on service delivery for Looked After Children.) – 25 September 2023
 - Refugee and Asylum Seekers Funding (Review the controls in place to ensure efficient and effective use of Home Office Refugee Money and Asylum Distribution Money.) – 13 November 2023
 - Biodiversity of the Scottish Borders (Review progress on the implementation of Scottish Borders Local Biodiversity Action Plan 2018-2028 to ensure compliance with the Council's Biodiversity duty under the Nature Conservation (Scotland) Act 2004.) – 25 September 2023
 - Residential Care Homes Administration Processes (Ensure the internal financial controls and business administrative processes are in place to ensure the efficient and effective use of resources in residential care homes.) – 20 May 2024

Asset Management Audits

- 3.10 To provide assurances that Council assets are safeguarded and properly accounted for, and used economically, efficiently and effectively, reviews included:
- Asset Management (Property) (*b/f from 2022/2023*) (Specific review of the controls over the consumption of utilities (energy and water), as part of Property Asset Management assurance, to confirm on a sample basis that utility bills at the time of payment relate to property that form part of the Council's estate.) – 12 February 2024
 - Management of Capital Programme and Projects (Assess the new Capital Projects Programme Management Office (PMO) arrangements to govern and control Capital Spend that had been introduced for 6 capital schemes in the Pilot Key Project Set in 2023/24.) – 20 May 2024
 - Flood Protection (Review the structured framework, including community partner engagement, for investment in flood protection schemes, and operational and financial controls in place for the effective response to flooding to meet statutory obligations and to demonstrate efficient and effective use of resources.) – 12 February 2024

Legislative and Other Compliance Audits

- 3.11 To test compliance with the terms of the funders' service level agreements or legislative requirements, reviews included:
- Hawick Conservation Area Regeneration Scheme (CARS) (Review as part of programme compliance and evaluation requirements of the external funders including audit requirements.) – *13 November 2023*
 - UK Shared Prosperity Fund (Assess compliance with the requirements of the Funding Agreement and other relevant regulations, associated with the specific Shared Prosperity Fund provided by the UK Government.) – *20 May 2024*
 - Scottish Government Community Led Local Development (CLLD) Fund (Assess compliance with the requirements of the Funding Agreement and other relevant regulations, associated with the specific CLLD fund for rural areas of Scotland provided by the Scottish Government since 2022.) – *12 February 2024*
 - Sustainable Environment - Climate Change (Continuous audit approach during the year to assess governance arrangements, including observation of the Sustainability Board, and assess progress with the Climate Change Route Map Priority Actions to meet the Council's obligations regarding sustainable environmental programmes.) – *20 May 2024*

Audit Consultancy Work

- 3.12 Provision of 'critical friend' internal challenge and assurance through engagement in meetings of programmes and projects involving major change (Fit for 2024 / Digital Transformation Programme Boards, Information Governance Group, Social Work Programme Board, Integrated Impact Assessment Review, Sustainability Board, and Digital Security Board).
- 3.13 Significant activity as a 'critical friend' on the working group in the development of a property asset management plan led by the Infrastructure & Environment directorate.
- 3.14 Carried out Internal Audit consultancy work during the year to ascertain and review the revised procedures and processes, that are designed by Management to improve the Care Inspectorate gradings of all Council run Care Homes and Care at Home services and secure improved experiences for service users, and published an Internal Audit consultancy report for Management on Care Homes & Care at Home Quality Management.
- 3.15 During the year Internal Audit responded to various requests for ad hoc advice and assistance on internal controls, risk management and governance.

Other Audit Work

- 3.16 During the year Internal Audit resources were deployed in undertaking the following other audit work in support of the Internal Audit function meeting its wider objectives as set out in the Internal Audit Charter:
- Follow-up - Presented quarterly updates to the Council Management Team on the status of in-progress Internal Audit recommendations to ensure senior management oversight of progress with their implementation to demonstrate continuous improvement. Undertook two formal reviews for reporting to Audit Committee: The first formal review assessed performance of Management in implementing Internal Audit recommendations by the agreed due date (*13 November 2023 Q2 & 12 February 2024 Q3 on request*); and the second formal review included a check of Internal Audit recommendations which were flagged as completed by Management to review the adequacy of the actions taken and improvements made. This practice is to provide additional assurance on the evidence of improvement in internal controls, risk management and governance as part of its continuous improvement processes (*11 March 2024*).

The following table highlights the status as at 05 April 2024 of Internal Audit recommendations from current and previous years:

| Year | Total | Implemented | Not Yet Due | Overdue |
|---------|-------|-------------|-------------|---------|
| 2021/22 | 32 | 21 | 9 | 2 |
| 2022/23 | 26 | 18 | 5 | 3 |
| 2023/24 | 29 | 10 | 16 | 3 |

- Counter Fraud - Internal Audit activity included: testing fraud prevention controls and detection processes to ensure fraud risk is considered in assurance audit work; and engaging with other Services to oversee the Council's participation in the National Fraud Initiative (NFI) including oversight of their investigation of data matches and recording outcomes in the NFI portal.
- PSIAS Self-Assessment - Undertook an annual self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS) and reported its outcomes to Management and Audit Committee (13 November 2023 & 20 May 2024).
- Audit Committee Self-assessment - Provided support for the Audit Committee members' learning and development during the year 2023/24, including Audit Committee Development Sessions and monthly provision of additional information to external members. Provided assistance to the Chair in undertaking the Self-Assessment of the Audit Committee against the CIPFA best practice guidance with members of the Audit Committee on 5 March 2024.
- Boards / Committees - Prepared for and attended Audit Committee virtual meetings and other Boards / Committees, as relevant to fulfilling the Internal Audit role. For example, External Services Providers Monitoring Group.
- Administration of Audit Scotland Reports - Monitored publication of Audit Scotland national reports that give rise to introducing best practice arrangements or lessons learned from other local authorities or other public sector bodies, and co-ordinated submission to the relevant Committees thus adding value to the Council.
- Audit Planning 2024/25 - Reviewed and updated the Internal Audit Charter and Internal Audit Strategy. Updated the Audit Universe to develop and consult on the proposed coverage within the Internal Audit Annual Plan 2024/25 (approved by Audit Committee on 11 March 2024).

Non SBC Work

- 3.17 The Council's Internal Audit function provided independent assurance services to the Scottish Borders Council Pension Fund and the Scottish Borders Health and Social Care Integration Joint Board relating to their systems of internal control, corporate governance and risk management arrangements.
- 3.18 Separate Internal Audit annual assurance opinions will be reported to their respective Senior Management and Board / Audit Committee, based on the work delivered in accordance with their respective Internal Audit Annual Plans 2023/24 that were approved by their respective Senior Management and Board / Audit Committee in March 2023.

4 Public Sector Internal Audit Standards and Quality Assurance & Improvement Plan

- 4.1 The professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) include:
- Definition of Internal Auditing;
 - Code of Ethics;
 - Attribute Standards (Purpose, Authority and Responsibility; Independence and Objectivity; Proficiency and Due Professional Care; Quality Assurance and Improvement Programme);
 - Performance Standards (Managing the Internal Audit Activity; Nature of Work; Engagement Planning; Performing the Engagement; Communicating Results; Monitoring Progress; and Communicating the Acceptance of Risks).
- 4.2 The Public Sector Internal Audit Standards (PSIAS) requires the annual internal self-assessment against the PSIAS to be subject to an External Quality Assessment (EQA) every five years, by appropriately qualified and independent reviewers. The findings of the SBC EQA, completed by North Lanarkshire Council in early January 2021, assessed the function as 'fully conforms' with the requirements within the 13 Assessment Areas of the Definition of Internal Auditing, the Code of Ethics, Attribute Standards and Performance Standards. The findings and the main areas for improvement highlighted in the Final EQA Report were reported to the Audit and Scrutiny Committee on 15 February 2021.
- 4.3 The PSIAS requires the chief audit executive, the Council's Chief Officer Audit & Risk, to carry out an annual internal self-assessment against the PSIAS, develop a quality assurance and improvement plan (QAIP) based on the outcome, and report the results of the QAIP to senior management and elected members. An internal self-assessment 2023/24 of Internal Audit practices against the Standards was carried out in February/March 2024. Changes were made to the Internal Audit Charter and the Internal Audit Strategy 2024/25 arising from improvements identified during the self-assessment. Some minor refinements were also identified relating to operational tools to ensure their efficiency and effectiveness and other housekeeping actions for inclusion in the QAIP. These were discussed with the whole team at Away Days on 27 & 28 March 2024. Progress on their implementation will be reported to the Audit Committee within the Internal Audit Mid-Term Report 2024/25.

Jill Stacey BA(Hons) ACMA CGMA
Chief Officer Audit & Risk
30 April 2024