
PROGRESS WITH IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

Report by Chief Officer Audit & Risk

AUDIT and RISK COMMITTEE

14 November 2016

1 PURPOSE AND SUMMARY

- 1.1 **The purpose of the report is to provide an update to Members of the Audit and Risk Committee on the status of the implementation by Management of audit recommendations made and agreed in Internal Audit reports during 2015/16 and previous years.**
- 1.2 Internal Audit 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 (by way of making audit recommendations); and objectively provides relevant assurance.
- 1.4 The Remit of the Audit and Risk Committee indicates that it should consider all matters relating to the implementation of recommendations contained within audit reports, as part of its high level oversight of the framework of internal control, risk management and governance within the Council.

2 RECOMMENDATIONS

- 2.1 **I recommend that the Audit and Risk Committee:-**
 - (a) **Acknowledges the progress made by Management in implementing audit recommendations; and**
 - (b) **Considers whether it is satisfied with the progress or whether any further action is required.**

3 BACKGROUND

- 3.1 Internal Audit 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.
- 3.2 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 (by way of making audit recommendations); and objectively provides relevant assurance.
- 3.3 Management has the responsibility for ensuring that agreed audit actions are implemented to address the identified weaknesses and mitigate risks. At Final Internal Audit Report stage the Audit Recommendations are input to Covalent, the Council's corporate performance management system. This is designed to assist with Management tracking of implementation, to link with relevant risks and to evidence improvement.
- 3.4 The Remit of the Audit and Risk Committee indicates that it should consider all matters relating to the implementation of recommendations contained within audit reports, as part of its high level oversight of the framework of internal control, risk management and governance within the Council. A summary of the status of recommendations was presented within the Internal Audit Annual Report 2015/16 presented to the Audit and Risk Committee on 11 May 2016. During the discussion that followed, Members were advised that audit recommendations in respect of target dates were adhered to whenever possible and were followed up by Internal Audit, especially if they became overdue. There were occasions when recommendations were superseded and therefore no longer relevant when alternative solutions were required to manage the identified risks or when it was necessary to grant extra time to complete recommendations, e.g. delays in the implementation of a new IT system or lead in times for the implementation of new legislation.
- 3.5 Internal Audit continues to perform its standard quarterly follow-up activity and works with Management to address any actions that become overdue, and bring any matters to the attention of the Audit and Risk Committee. The follow-up activity takes into consideration their priority status, what target timescales are in place for full implementation, the explanation of the reason for any delay in implementation, and a review of their status to ensure the recommendations are still relevant or whether alternative solutions are required to manage the identified risks.
- 3.6 The following table highlights the current status (as at 26 October 2016) with regards to Internal Audit recommendations arising from current and previous years:

Year identified	Total	Implemented	Not Yet Due	Overdue
2015/16	21	17	3	1
2014/15	34	27	7	0
2013/14	51	51	0	0

Further details on those Internal Audit recommendations that are not yet fully implemented by Management (either Not Yet Due or Overdue) are shown in Appendix 1.

4 IMPLICATIONS

4.1 Financial

It is anticipated that efficiencies will arise either as a direct or indirect result of Management implementing the recommendations made by Internal Audit through improved internal controls and governance arrangements.

4.2 Risk and Mitigations

- (a) Internal Audit provides assurance to Management and the Audit and Risk Committee on the adequacy and effectiveness of internal controls and governance within the Council, including risk management, highlights good practice and makes recommendations.
- (b) It is anticipated that 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.

4.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious/belief arising from the work contained in this report.

4.4 Acting Sustainably

There are no direct economic, social or environmental issues in this report.

4.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

4.6 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.

4.7 Changes to Scheme of Administration or Scheme of Delegation

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

5 CONSULTATION

5.1 The Corporate Management Team has been consulted on the report and any comments received have been incorporated.

5.2 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer HR, and the Clerk to the Council have been consulted on the report and any comments received have been incorporated.

Approved by

Jill Stacey
Chief Officer Audit & Risk

Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel: 01835 825036
Sue Holmes	Senior Internal Auditor Tel. 01835 825556
David Clark	Senior Internal Auditor Tel. 01835 825464

Background Papers: Appropriate Internal Audit files, and Covalent system

Previous Minute Reference: Audit and Risk Committee 9 May 2016

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Contact us at Internal Audit intaudit@scotborders.gov.uk

Completed Audit Actions from 30 April to 26 October 2016

Internal Audit Report (2013/14)	Recommendation	Completed Date
173/555/001 Social Care Charging Review (Consultancy) (Final Report Issued 20 December 2013)	5.2 Monthly reports should be provided to Corporate Management Team and Social Work management regarding the number of clients not billed / outstanding, together with revenue monitoring. (P1)	20 October 2016
086/008 Income Charging, Billing and Collection (Final Report Issued 28 February 2014)	5.1 Management should assess and identify staff who require training regarding the income policy framework in order that they may take any appropriate action concerning raising invoices, income collection and debt recovery. (P2)	7 June 2016
	5.2 The tools necessary to distributing a range of performance reports to management should be made available in order that the Council's processes can be strengthened to maximise income collection. These should be subject to regular senior management and elected member scrutiny. (P2)	7 June 2016
035/005 Financial Planning & Reporting (Final Report Issued 28 February 2014)	4.1 Review and update the Financial Regulations and the Budgetary Control Codes of Practice to incorporate these newer methodologies and tools as standard practice. (P3)	29 June 2016
152/003 Paths Asset Management (Final Report Issued 14 April 2014)	5.1 Management should address the backlogs in CAMs of: Priority ratings not yet applied; Outstanding 2013 /2014 survey; Outstanding Issues update with status; Outstanding Actions update with status and evidence of completion to required standard. (P2)	19 October 2016
	5.3 Asset Register to be populated with complete and accurate data to facilitate Strategy Development and Maintenance Plan Development; this should include all information required to facilitate life cycle forward budget planning. (P3)	19 September 2016
	5.4 Management should develop a Strategy and Maintenance Plan for Core Paths and Bridges. (P3)	31 May 2016
236/007 Data Security & Information Management (Final Report Issued 4 April 2014)	5.1 Management should design processes to confirm that records are weeded in line with retention schedules. (P2)	27 September 2016
	5.5 Management should design and introduce housekeeping processes which would provide assurance that all physical records containing personal data have been identified and are stored appropriately. (P2)	27 September 2016

Internal Audit Report (2014/15)	Recommendation	Completed Date
203/007 Roads Management (Final Report Issued 16 September 2014)	5.3 Workforce succession plans should be developed to enable continuous and sustainable road safety inspection arrangements. (P3)	30 September 2016
214/005 Flood Risk and Coastal Management (Final Report Issued 10 December 2014)	5.2 Performance of water course inspections and related activities against predetermined targets should be assessed to confirm effective service delivery. All Flood Management performance measures should be periodically reported to Senior Management to demonstrate fulfilment of statutory obligations. (P3)	20 October 2016
171/005 Homecare (Final Report Issued 9 January 2015)	5.1 Improved processes should be put in place to monitor external carers in order to confirm that charges are only made for services actually delivered. (P3)	21 October 2016
	5.3 Procedural guidelines of the management and administration of Client Funds / Corporate Appointeeship should be developed and Staff Training provided thereon as part of the review of Client Funds / Corporate Appointeeship that is underway to safeguard client funds and protect staff. (P3)	30 September 2016
178/002 Criminal Justice (Final Report Issued 10 March 2015)	5.1 There should be recorded evidence that the offender has confirmed their understanding of responsibilities and obligations under the CPO and the consequences of non-compliance (breach procedures). (P3)	30 April 2016
	5.2 An initial risk assessment should be completed in all cases, even if the offender has already undertaken this as part of an ongoing CPO. (P3)	30 April 2016
	5.3 Case management plans should always be prepared where applicable and within agreed timescales. (P3)	30 April 2016
	5.4 Where professional judgement has been used to deviate from the prescribed breach procedures, the justification should be evidenced and recorded in the case notes within Framework-i. (P3)	30 April 2016
	5.5 On completion of the CPO, ensure that all exit questionnaires are completed and recorded. (P3)	30 April 2016
127/999/001 Home Tuition (Contingency) (Final Report Issued 23 April 2015)	5.2 Authorisation of expenses should be completed at the appropriate level and closer scrutiny of mileage claims carried out with random sample checking. (P3)	9 May 2016
	5.3 Appoint a person with responsibility for end-to-end process for Home Tuition service to ensure accountability and ownership, monitoring and analysis. (P3)	9 May 2016

Internal Audit Report (2015/16)	Recommendation	Completed Date
154/010 LEADER Programme (Final 21 October 2015)	6.1 Ensure that the LEADER (and EMFF) State Aid guidance is clear to all participants, including the LEADER team. (P3)	31 May 2016
004/002 Grants and Following The Public Pound (Final Report Issued 11 January 2016)	5.1 The master Grants Received Register should be fully consolidated and reconciled to FIS on a quarterly basis. (P3)	25 August 2016
	5.2 A master Grants Disbursed Register should be populated monthly. (P3)	25 August 2016
	5.3 The Following the Public Pound Code of Practice (2006) and other Grants Received and Grants Disbursed related procedures and guidelines should be updated and published on the Intranet. (P3)	25 August 2016
	5.4 Management should ensure that there are clear monitoring arrangements within the up-to-date procedures and guidelines and that there is sufficient review activity taking place to ensure that the monitoring is being done. (P3)	25 August 2016
233/022 ICT Operational Processes (Final Report Issued 11 January 2016)	5.1 A control needs to be introduced within the IT service to allow Management to gain assurance that the details of all Leavers, and other relevant changes, are recognised timeously in the IT systems e.g. a monthly reconciliation. (P2)	2 November 2016
079/010 Authorised Signatories (Interim 30 October 2015)	5.2 To ensure the Council has a fit for purpose process for authorisation and authorised signatories, a project should be undertaken. (P3)	8 June 2016
205/010 Waste and Recycling Trade Waste (Final Report Issued 11 January 2016)	5.3 Regular performance reports should be provided for management review by the Trade Waste Team regarding contracts, numbers of customers, direct debit payees, debtors' limits, etc., to complement the monitoring of budgets. (P3)	6 October 2016
237-001 PSN Compliance (Final 13 November 2015)	5.1 Management should review the Lessons Learned part of the End of Project report and prepare an action plan noting how each area will be addressed. (P2)	1 August 2016
078/009 Creditors Payments (Final Report Issued 22 March 2016)	5.1 When designing processes, controls, guidance notes and corporate purchase to payment policies, the new ICT systems project team should take account of and address the weaknesses noted in this report. (P3)	8 June 2016
236/009 Information Governance (Final Report Issued 22 March 2016)	5.1 A central repository of Data Sharing agreements with government agencies should be established and compliance monitoring processes initiated, and outstanding actions relating to data sharing should be progressed. (P2)	4 October 2016
079/010 Salaries (Final Report Issued 28 April 2016)	5.1 Enhanced controls should be put in place to ensure the return of equipment and property when an employee leaves the Council's employment. (P3)	21 October 2016

Outstanding Audit Actions as at 26 October 2016

Recommendation 2014/15	Management Progress in Addressing this Recommendation	Status
203/007 Roads Management (Final Report Issued 16 September 2014)		
<p>5.1 The Council's Road Asset Management Plan should be completed to include footways, structures and traffic signals. Road Data Management Plan Recommended Practices should be developed and approved. (P3)</p>	<p>Action assigned to Infrastructure Manager.</p> <p>June 2015: Delays of >1 Year due to staff resource issues.</p> <p>April 2016: Delays due to development of Edinburgh options for RAMP system (and Roads Review).</p> <p>October 2016: The Council's RAMP holds limited data on footways / structures and traffic signals, and no system to manage the data. Options for CONFIRM (Asset Management) system will be considered within the CGI contract.</p>	<p>Action 20% complete – original due date March 2015; Revised Due Date extended to 31 March 2018.</p>
<p>5.2 Road Maintenance Manual should be developed to enable consistency in approach, methods and records. All relevant staff should have access to the manual and training in its application provided as necessary. (P2)</p>	<p>Action assigned to Infrastructure Manager.</p> <p>Sept 2014: A draft manual already exists and this will be finalised, approved and embedded in Commercial and Neighbourhood Services.</p> <p>June 2015: Delays of >1 Year due to staff resource issues</p> <p>April 2016: Model documents considered as part of RAMP process together with other authority models.</p> <p>October 2016: Draft new Service Standards and revised budget model have been developed which will inform the Roads Review final report.</p>	<p>Action 50% complete – original due date March 2015; Revised Due Date extended to 31 March 2017.</p>
<p>5.4 Management should receive regular performance information in respect of road safety inspection and related repairs. (P2)</p>	<p>Action assigned to Infrastructure Manager.</p> <p>Sept 2014: Agreed and this will form part of a wider review of performance measures. Action assigned to Infrastructure Manager.</p> <p>June 2015: Delays of >1 Year due to staff resource issues.</p> <p>April 2016: No progress - Roads Review to review requirements for new organisation to address performance management reporting.</p> <p>October 2016: Performance targets and measures have been developed as part of the revised Service Standards (see action above). Performance measures will also be included as part of the CONFIRM system.</p>	<p>Action 50% complete – original due date March 2015; Revised Due Date extended to 31 March 2017.</p>

Recommendation 2014/15	Management Progress in Addressing this Recommendation	Status
214/005 Flood Risk and Coastal Management (Final Report Issued 10 December 2014)		
5.1 The Authority should develop its own Shoreline Management Plan (SMP) which covers the whole of the Berwickshire Coast. (P3)	<p>Action re-assigned to Asset Manager.</p> <p>Dec 2014: Flood and Coastal Management Team Leader - The principal aim of a SMP is to provide a strategic framework for coastal erosion protection. Strategies and plans for coastal flood protection are currently being developed and it is proposed to complete this work before undertaking SMP development.</p> <p>April 2016: The shoreline management plan has not started yet. Initial talks have been held with Procurement.</p> <p>October 2016: Procurement of the shoreline management plan is due to begin by mid to late November 2016. This piece of work is being established as advanced works to inform the actions of the Forth Estuary Shoreline Management Plan, namely the Eyemouth Coastal Flood Study.</p>	Action 15% complete – original and target completion date 31 March 2017.

Recommendation 2014/15	Management Progress in Addressing this Recommendation	Status
078/555/001 Contract Management (Consultancy) (Final Report Issued 10 March 2015)		
5.1 Separate standalone Procurement Procedural Standing Orders (PSOs) should be added to the suite of high level governance documents and should clarify delegated authority and accountability. (P3)	<p>Action assigned to Corporate Procurement & Payment Services Manager.</p> <p>Oct 2015: Internal actions progressed though there is a dependency on finalised new legislation and associated statutory guidance.</p> <p>April 2016: The finalised new legislation and associated statutory guidance are delayed, and procurement resource deployment during 2016/17 on Business World ERP system project. Extension of due date > 1 Year.</p>	Action 20% complete – original due date 31 October 2015; revised target completion date 30 April 2017.
5.2 A Business Case for Contract Management Framework should be developed. (P3)	<p>Action assigned to Corporate Procurement & Payment Services Manager.</p> <p>As above.</p>	Action 20% complete – original due date 31 October 2015; revised target completion date 30 April 2017.

Recommendation 2014/15	Management Progress in Addressing this Recommendation	Status
127/999/001 Home Tuition (Contingency) (Final Report Issued 23 April 2015)		
<p>5.1 Fully develop and implement a suite of appropriate policies, procedures, guidance notes and handbook for the Home Tuition Service and Home Tutors which documents and clearly defines roles and responsibilities, referral review and reporting processes, and ensure training is provided to those staff involved. (P3)</p>	<p>Action assigned to Senior Lead Officer - Schools.</p> <p>April 2015: Senior Education Officer will be reviewing policies, procedures and guidance on Home Tuition.</p> <p>December 2015: The Home Tuition Panel met and agreed to progress actions however this will not be complete until Feb/March 2016.</p> <p>May 2016: Currently in the process of redesigning the Home Tuition Service, having looked at what other LA's are doing, their policies, procedures and guidelines. Looking at developing a more holistic approach to education outwith the school environment. Also getting/developing reporting back from school regarding home tuition. Building an exit process for pupils coming from home tuition back into the school environment. Would like to develop a home tuition handbook. In view of this, due date extended to 31 March 2017, as will take time to develop, write and implement policies, procedures, guidelines and training.</p>	<p>Action 50% complete – original due date 30 September 2015; revised target completion date 31 March 2017.</p>

Recommendation 2015/16	Management Progress in Addressing this Recommendation	Status
231/015 ICT Disaster Recovery (Final Report Issued 21 September 2015)		
<p>5.1 There should be a more rigorous approach to dissemination of the ICT Disaster Recovery Plan outside the IT service to ensure a thorough understanding by all services' staff on the execution of the plan, to clarify roles and responsibilities, to manage customer expectations of the IT service, and to ensure its fit with services' business continuity plans including the workaround arrangements set out therein. (P3)</p>	<p>Action assigned to Interim Head of IT.</p> <p>Sept 2015: Agreed. In addition we will append a brief communication plan and methodology to the plan to implement this improvement to enable appropriate links to services' business continuity plans.</p> <p>April 2016: Action is progressing and will be tracked through the ICT Board.</p> <p>October 2016: The Disaster Recovery Plan for IT is now within scope of the CGI contract. There is an interim recovery plan in progress which will be made available on the SBC Intranet once agreed and approved, in addition to engagement on the plan with relevant service managers, business system staff and business continuity support staff. However, the interim recovery plan will be replaced in 2018 with a full and business tested Disaster Recovery Plan as part of the SBC core server infrastructure being re-located to CGI datacentres.</p>	<p>Action 20% complete – original due date 31 March 2016; revised target completion date 31 January 2017.</p>

Recommendation 2015/16	Management Progress in Addressing this Recommendation	Status
205/010 Waste and Recycling Services Trade Waste (Final Report Issued 11 January 2016)		
5.1 A review of the Trade Waste Management and Administration database system should be carried out to ensure that it is robust and fit for purpose to assist with future service delivery. (P3)	Action assigned to Waste Strategy Manager. January 2016: We agree that a review is required and more robust arrangements put in place. However, this review needs to be aligned to the corporate review of IT therefore the timescale reflects this.	Action 0% complete – original and target completion date 31 December 2017.
5.2 Stock Control processes should be introduced at Contact Centres and at the Depots for Trade Waste Assets and Consumables in accordance with the Council's Financial Regulations and procedures. (P2)	Action assigned to Waste Strategy Manager. January 2016: Agreed. October 2016: Plan of action now in place to progress this work further with foremen at depots. A stock recording and control system has now been introduced (paper based), but the service wants to review the effectiveness and efficiency of this system, with view to making further changes and improvements. Work still to do within Contact Centres, to introduce more robust procedures around storage and location of sacks.	Action 50% complete – original and target completion date 31 March 2017.

Recommendation 2015/16	Management Progress in Addressing this Recommendation	Status
078/009 Creditors Payments (Final Report Issued 22 March 2016)		
5.2 SBc Contracts Management should ensure that an official order is in place before "call-offs" are made. (P2)	Action assigned to Chief Officer Roads. March 2016: Agreed This action will be covered as part of the Internal Audit review on Procure to Pay which is currently underway.	Action 0% complete – original and target completion date 30 June 2016 (overdue).