
Internal Audit Work 2014/15 to March 2015

Report by Chief Officer Audit & Risk

Audit & Risk Committee

11 May 2015

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide the Audit & Risk Committee with details of:**
- (a) the recent work carried out by Internal Audit and the recommended audit actions agreed by Management to improve internal controls and governance arrangements, and**
 - (b) further information on management's progress in implementing previous internal audit recommendations in line with the revised target completion dates.**
- 1.2 The work Internal Audit has carried out in the period from 28 February to 3 April 2015 to deliver the Internal Audit Annual Plan 2014/15 is detailed in this report. During this period a total of 4 final internal audit reports have been issued. There were 3 recommendations made (0 Priority 1 High Risk, 0 Priority 2 Medium Risk, and 3 Priority 3 Low Risk) specific to 1 of the reports. Management have agreed to implement the recommendations in all cases to improve internal controls and governance arrangements.
- 1.3 An executive summary of the final internal audit reports issued, including audit objective, findings, good practice, recommendations and the Chief Officer Audit & Risk's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1 to this report.
- 1.4 Further information on Management's Progress with implementation of previous internal audit recommendations in line with the revised target completion dates is shown in Appendix 2 to this report.

2 RECOMMENDATION

- 2.1 I recommend that the Audit & Risk Committee:**
- a) Notes the final reports issued in the period from 28 February to 3 April 2015 to deliver the Internal Audit Annual Plan 2014/15;**
 - b) Acknowledges that it is satisfied with the recommended audit actions agreed by Management; and**
 - c) Considers whether it is satisfied with Management's Progress with implementation of previous internal audit recommendations.**

3 PROGRESS REPORT

3.1 The Internal Audit Annual Plan 2014/15 was approved by the Audit Committee on 10 March 2014. Internal Audit has carried out the following work in the period 28 February to 3 April 2015 to deliver the plan to meet its objective of providing an opinion on the efficacy of the Council's risk management, internal control and governance arrangements.

3.2 Audit Reports

Internal Audit issued final internal audit reports on the following subjects:

- Revenues (Council Tax and Non Domestic Rates)
- Benefits Assessment
- Home Tuition
- Passenger Transport - DRAFT

3.3 An executive summary of each final internal audit report including audit objective, findings, good practice, recommendations and the Chief Officer Audit & Risk's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1 to this report.

The definitions for Internal Audit assurance categories are as follows:

Level of Assurance	Definition
Comprehensive assurance	Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives. Some improvements in a few, relatively minor, areas may be required.
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or misuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or misuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or misuse is unacceptable. Significant improvements are required.

Other Productive Work

- 3.4 Internal Audit have been involved in reviewing outstanding and overdue audit recommendations to ensure management action has been taken and has had the desired effect in improving internal controls and governance. The standard follow-up process has a particular focus on Priority 1 and 2 recommendations and those audit recommendations arising from previous years that have not yet been implemented. In this period this included the follow-up on Management's Progress with implementation of previous internal audit recommendations in line with the revised target completion dates agreed by Audit Committee on 10 November 2014. A position statement is shown in Appendix 2 to this report.
- 3.5 Recommendations in reports are suggested changes to existing procedures or processes, to improve the controls or to introduce controls where none exist. The grading of each recommendation reflects our risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact. The gradings are:
- a) **Priority 1:** Significant weaknesses in existing controls, leaving the Council or Service open to error, fraud, financial loss or reputational damage, where the risk is sufficiently high to require immediate action and to be included in the relevant risk register and for the matter to be reported in the relevant Assurance Statement on Internal Control and Governance;
 - b) **Priority 2:** Substantial weaknesses in existing controls, leaving the Council or Service open to high risk of error, fraud, financial loss or reputational damage requiring reasonably urgent action;
 - c) **Priority 3:** Moderate weaknesses in existing controls, leaving the Council or Service open to medium risk of error, fraud, financial loss or reputational damage requiring action to improve the efficiency, effectiveness and economy of operations or which otherwise require to be brought to the attention of senior management;
 - d) **Other:** Minor administrative weaknesses posing little risk of error, fraud, financial loss or reputational damage.

The action plans in audit reports address only recommendations rated **Significant, Substantial** or **Moderate**. Outwith the audit report, we inform local management about **Minor** matters.

3.6 Recommendations

	2014/15 Number of Recommendations
Reported this period	
Priority 1	0
Priority 2	0
Priority 3	3
Total reported this period	3
Previously reported	31
Total	34
Recommendations agreed with action plan	34
Not agreed; risk accepted	0
Total	34

4 IMPLICATIONS

4.1 Financial

- (a) It is anticipated that cost efficiencies will arise as a direct result of Management implementing some of the recommendations made by Internal Audit.

4.2 Risk and Mitigations

- (a) The Objectives of Internal Audit are set out in its Charter, including "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: As a contribution to the Council's corporate management of risk." Internal Audit provides assurance to Management and the Audit & Risk Committee on the effectiveness of internal controls and governance within the Council.
- (b) Key components of the audit planning process include a clear understanding of the Council's functions, associated risks, and potential range and breadth of audit areas for inclusion within the plan. During the development of the Internal Audit Annual Plan 2014/15, to capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted and risk registers have been considered.
- (c) If audit recommendations are not implemented, there is a greater risk of financial loss and/or reduced operational efficiency and effectiveness, and management may not be able to demonstrate improvement in internal control and governance arrangements.

4.3 Equalities

- (a) 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

- (a) There are no direct economic, social or environmental issues with this report.

4.5 Carbon Management

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

4.6 Rural Proofing

- (a) 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

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

5 CONSULTATION

- 5.1 The Service Directors relevant to each of the internal audit reports have signed off the executive summaries in Appendix 1 and the progress status summaries in Appendix 2.
- 5.2 The Corporate Management Team has been consulted on this report and any comments received have been taken into account.
- 5.3 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer HR, and the Clerk to the Council have been consulted on this report and any comments received have been incorporated into the report.

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
James Collin	Internal Audit Manager Tel 01835 824000 Ext 5232

Background Papers: Appropriate Internal Audit files

Previous Minute Reference: Audit Committee 10 March 2014

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. James Collin, Chief Executive's Department, can also give information on other language translations as well as providing additional copies.

Contact us at James Collin, Chief Executive's Department jcollin@scotborders.gov.uk

Report	Summary of key findings and recommendations	Recommendations			Status
		1	2	3	
<p>Subject: Revenues (Council Tax / Non Domestic Rates)</p> <p>No: 084/008</p> <p>Date issued: 23 April 2015</p> <p>Risk rating: High</p> <p>Level of Assurance: Comprehensive assurance</p>	<p>The purpose of the review was to ensure that controls are adequate to ensure that Revenues (Council Tax and Non Domestic Rates) income is complete and accurate, including relevant discounts and reliefs.</p> <p>The scope of this year’s review included: Council Tax Reduction; Discounts, Reliefs and Exemptions - Council Tax (2nd Homes / Long Term Empty Property Relief / Disabled Band Reductions) - Non Domestic Rates (Charities / Small Business Bonus Relief / Rural Relief); Levels of Authorisation / Account Reviews planning; Staff Training; and Performance Reporting.</p> <p>We found good practice in the following areas:</p> <ul style="list-style-type: none"> • There has been a considerable improvement in the completion of history sheets associated with accounts for Council Tax and Non Domestic Rates; • Discounts, reliefs and exemptions awarded are supported by appropriate evidence; • Performance for Council Tax and Non Domestic Rates is regularly monitored and reviewed by management. <p>Whilst there is currently no timetable in place for account reviews, this is work in progress and it is planned that a review of all accounts for both Council Tax and Non Domestic Rates will be completed within the next financial year. There is appropriate segregation of duties regarding levels of authorisation for Council Tax and Non Domestic Rates accounts processing purposes. Staff training is carried out, and new developments and changes are communicated appropriately.</p> <p>Internal Audit considers that the level of assurance we are able to give is comprehensive. Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives.</p> <p>We have made no recommendations.</p>	0	0	0	<p>Management have agreed the report findings.</p> <p>During 2015/16 Internal Audit will monitor progress of the planned review of all accounts.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		1	2	3	
<p>Subject: Benefits Assessment</p> <p>No: 085/008</p> <p>Date issued: 23 April 2015</p> <p>Risk rating: High</p> <p>Level of Assurance: Comprehensive assurance</p>	<p>The purpose of the review was to ensure that Benefits are correctly calculated and paid only when eligible, and controls are adequate to ensure eligibility testing is accurately and correctly carried out and acted upon by means of payment.</p> <p>The scope of this year's review included: Accuracy of new Housing Benefit claims and Reconsiderations; Free School Meals and Clothing Grant claims; Discretionary Housing Benefit claims (DHP); Staff training; and Performance Reporting.</p> <p>We found good practice in the following areas:</p> <ul style="list-style-type: none"> • There is a substantial improvement in the completion of history sheets associated with claims; • Awards made were supported by appropriate evidence; • Performance for benefit assessment is regularly monitored and reviewed by management. <p>Housing Benefit payments made are appropriate, accurate, consistent and authorised. Reconsiderations are recorded for performance purposes which is a demonstrable improvement since Audit Scotland's Housing Benefit risk assessment report 2012. Free School Meals and Clothing Grant applications are managed correctly, and decisions and awards made are within prescribed guidance. An approved Discretionary Housing Benefit (DHP) policy is in place, and only genuine and appropriate payments are made. Staff training is carried out and new developments and changes are communicated appropriately.</p> <p>Internal Audit considers that the level of assurance we are able to give is comprehensive. Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives.</p> <p>We have made no recommendations.</p>	0	0	0	<p>Management have agreed the report findings.</p> <p>Internal Audit will continue to be involved in the Welfare Reform programme relevant to this area during 2015/16.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		1	2	3	
<p>Subject: Home Tuition</p> <p>No: 127/999/001</p> <p>Date issued: 23 April 2015</p> <p>Risk rating: Contingency</p> <p>Level of Assurance: Substantial assurance</p>	<p>We have undertaken this review on request by Schools Senior Management regarding discussions held around assurance which arose during the Counter Fraud Management Review.</p> <p>The purpose of the review was to determine whether the policy, processes, guidelines and administrations systems regarding Home Tutors are efficient, effective and appropriate.</p> <p>Internal Audit considers that the level of assurance we are able to give is substantial. Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or misuse.</p> <p>We have made the following recommendations which are designed to enhance accountability and oversight:</p> <ul style="list-style-type: none"> • 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) • Authorisation of expenses should be completed at the appropriate level and closer scrutiny of mileage claims carried out with random sample checking completed. (P3) • Appoint a person with responsibility for the end-to-end process for the Home Tuition service to ensure accountability and ownership. The same person should regularly receive management information for monitoring, analysis and planning of the service. (P3) 	0	0	3	Management have agreed to implement the recommendations

Report	Summary of key findings and recommendations	Recommendations			Status
		1	2	3	
<p>Subject: Passenger Transport</p> <p>No: 211/007</p> <p>Date issued: 27 April 2015</p> <p>Risk rating: High</p> <p>Level of Assurance: Substantial assurance</p>	<p>The purpose of the review was to ensure that there are adequate operational and financial controls in place for the provision of transport service to internal clients to demonstrate efficient and effective use of resources.</p> <p>The scope of this year's review included: Progress towards greater integration and sharing of services with partners including Borders College and NHS; Actions towards achieving savings shown in the Council's Revenue Financial Plan; and Procurement of transport services.</p> <p>A Strategic Transport Board, reporting to the Scottish Borders Community Planning Partnership, has been formed with members from a number of Borders organisations and its planned reviews cover community transport and the best mix of integrated transport links. Discussions have been held on the procurement of transport services for SB Cares and appropriate arrangements have been put in place. The target 2014/15 savings of £270k have been achieved but by other means so they will therefore be carried forward into the targeted savings to be permanently achieved within the 2015/16 revenue financial plan. As part of the business planning process, Transport service management have recently been through a risk management workshop to develop its risk register which will be monitored as part of the new regular performance reporting framework.</p> <p>Internal Audit considers that the Transport service has put in place a good foundation from which to manage the continuing and new challenges facing community transport in the Scottish Borders.</p> <p>We have made no recommendations.</p>	0	0	0	Management have agreed the report findings.

086/008 Income Charging, Billing and Collection (Final Report Issued 28 February 2014)

Department: Corporate

Recommendation	Management Progress in Addressing this Recommendation	Key
<p>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. (P1)</p>	<p>Action assigned to the Financial Services Manager and the Senior Credit Controller.</p> <p>The Credit Control team provides training on the Sundry Debt Recovery process to staff who undertake FIS training.</p> <p>The Credit Control Manager is currently in discussion with the Finance Business Partners with a view to targeting staff not covered by FIS training. The Finance Business Partners will highlight to departments at their regular meetings the need for all staff involved in raising invoices to complete the SB Learn module on Debt Recovery.</p> <p>Action partly complete – target completion date 30 June 2015.</p>	<p>IFC</p>
<p>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)</p>	<p>Action assigned to the Financial Services Manager and the Senior Credit Controller.</p> <p>The Credit Control team has not yet migrated to Windows 7. Reports will be rolled out when Windows 7 is fully available.</p> <p>In the meantime, departments are still made aware of any significant debts and provide assistance to the Credit Control team where possible. Liaison meetings are held with Social Work and Estates where overall debt figures are relayed, individual high value debts and difficult to collect debts are discussed and progressed.</p> <p>Action partly complete – target completion date 31 July 2015 (dependent upon timescales to upgrade to Windows 7).</p>	<p>IFC</p>

173/555/001 Social Care Charging Review (Consultancy) (Final Report Issued 20 December 2013)

Department: People

Recommendation	Management Progress in Addressing this Recommendation	Key
<p>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)</p>	<p>Action assigned to the Group Manager Social Care & Health (Currently Principal Assistant).</p> <p><u>Statistical analysis and reporting</u></p> <p>Framework-i processes have been developed to ensure all activity with regards to financial assessments can be recorded. The new process was implemented April 2015. This will enable clear reporting on timescales from date of referral to completion.</p> <p>This will enable service managers to provide robust reports to Corporate Management Team (CMT) giving the number of referrals, number of assessments completed and timescales to complete assessments, together with invoicing and collection performance.</p> <p>Reports will be generated which should provide information on numbers of assessments, time taken by Community Care Assessors (Finance) staff (CCA F), and time taken to complete by Care Resource Team (CRT).</p> <p>Action partly complete - reports to CMT to commence July 2015.</p>	<p>IFC</p>
<p>5.5 Roll out Social Care Charging training across Social Work adopting a similar approach to the Financial Management training carried out earlier this year. (P2)</p>	<p>Action assigned to the Group Manager Social Care & Health (Currently Principal Assistant).</p> <p>Induction training for new staff and basic benefit awareness training has been provided. Further workshops are planned to develop a team plan for CCA F staff to look at the remit of the role, making any relevant recommendations for development of the role going forward.</p> <p>Formalised training by the Welfare Benefits team is planned for June 2015. CRT will be invited to participate but all CCA F staff will be involved as mandatory update training.</p> <p>Action mostly complete - full implementation 30 June 2015.</p>	<p>IFC</p>

236/007 Data Security & Information Management (Final Report Issued 4 April 2014)

Department: Corporate

Recommendation	Management Progress in Addressing this Recommendation	Key
<p>5.1 Management should design processes to confirm that records are weeded in line with retention schedules. (P2)</p>	<p>Action re-assigned to the Chief Legal Officer and acting Information Manager.</p> <p>Management have circulated a reminder to departments of the need to weed records in line with retention schedules. Departments are asked to confirm annually that data is reviewed in line with retention schedules.</p> <p>Complete.</p>	Gov
<p>5.2 An annual report should be presented to the Executive Committee by the Senior Information Risk Owner (SIRO) detailing:</p> <ul style="list-style-type: none">○ an assessment of the Council's compliance with the Data Protection Act;○ a description of the Information Governance Group's activities during the year;○ a self-assessment on behalf of the Group on its effectiveness in meeting its agreed objectives (P2)	<p>Action re-assigned to the Service Director Regulatory Services.</p> <p>It is anticipated that the SIRO's annual report will be presented to the Executive Committee in May 2015.</p> <p>Revised target completion date 31 May 2015 (original June 2014).</p>	Gov

Recommendation	Management Progress in Addressing this Recommendation	Key
<p>5.4 Processes for identifying, recording and reporting incidents of data loss, or near misses, should be designed and implemented. (P1)</p>	<p>Action re-assigned to the Chief Legal Officer and the acting Information Manager.</p> <p>A register has now been established and is in use.</p> <p>Complete.</p>	Gov
<p>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)</p>	<p>Action re-assigned to the Chief Legal Officer and the acting Information Manager.</p> <p>Management have identified the need to refresh and supplement the training currently in place with a more tailored programme designed to target services within the Council which are perceived to be high risk.</p> <p>Management have started working with the Workforce Planning section on the design and delivery of this training, which will cover the need for good practice with regard to the physical security of paper records.</p> <p>The agenda for the Information Governance Group meeting scheduled on 19 May 2015 includes a discussion to agree appropriate processes within specific departments.</p> <p>Revised target completion date 30 September 2015 (original June 2014).</p>	Gov

Key: IFC = Internal Financial Control; Gov = Internal Control and Governance