



SB CARES INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2017/18

**Report by Chief Officer Audit & Risk, Scottish Borders Council (SB
Cares Chief Internal Auditor)**

MAJOR CONTRACTS GOVERNANCE GROUP

18 September 2018

1 PURPOSE AND SUMMARY

**To inform the Major Contracts Governance Group of the findings of the SB
Cares Internal Audit Annual Assurance Report 2017/18.**

- 1.1 The scope of the Internal Audit work, the annual audit opinion and 6 Internal Audit recommendations (1 new and 5 previous).
- 1.2 Details of the action plan agreed by SB Cares Management Team.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Major Contracts Governance Group:**
 - (a) **Note the findings of the SB Cares Internal Audit Annual Assurance Report 2017/18; and**
 - (b) **Note the actions agreed by SB Cares Management Team.**

3 SB CARES INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2017/18

3.1 Introduction

A support services agreement is in place between Scottish Borders Council and SB Cares to provide internal audit services which includes the: Provision of independent and objective risk-based assurance and opinion on the efficacy of SB Cares' risk management, internal control and governance arrangements; and Provision of Internal Audit assurance and consultancy services through an annual plan and programme of work to be agreed with SB Cares Board and Management.

SBC's Chief Officer Audit & Risk acts as the Chief Audit Executive providing assurance and opinion on SB Cares internal control and governance arrangements to the SB Cares Board and Management.

SBC's Internal Audit team carried out its third Internal Audit review of SB Cares since it was established on 1 April 2015 as an arms-length external organisation (ALEO) majority owned (99%) by Scottish Borders Council to provide a number of adult care services.

The SBC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards 2017 (PSIAS) including the production of the SB Cares Internal Audit Annual Assurance Report 2017/18, which was agreed with SB Cares Management and then presented to the SB Cares Board on 26 July 2018, and this summary report to communicate the results of the Internal Audit work.

3.2 Scope

The scope of the Internal Audit work during 2017/18, involved assessment and evaluation of the following areas:

- Corporate Governance – Assessment of the arrangements in place to secure Best Value through the continuous improvement in the performance of its functions, including Business plan and delivery of projects, increases in income and delivery of financial efficiencies, to establish whether the governance framework is effective, roles and responsibilities are defined and being fulfilled, and governing bodies are receiving sufficient information to effectively make decisions, challenge and review.
- Financial Governance – Review of key business processes for continuity and sustainability and carry out substantive testing on a sample of transactions for completeness and accuracy including four discrete pieces of work: Payroll; Procurement to Payment; Sales to Cash; and Balance Sheet, to assess whether internal financial systems and controls are effective (including segregation of duties, reconciliations, and authorisations).
- Follow-up on the implementation of previous Internal Audit Recommendations and agreed Management Improvement Actions to ensure that sufficient progress is being made to improve the control environment and mitigate identified risks.

3.3 Overall Audit Opinion

The systems of internal control, risk management and governance arrangements within SB Cares are largely operating satisfactorily. These should be reasonably effective in mitigating risks to the achievement of SB Cares objectives.

3.4 Audit Findings, Conclusions, and Recommendations

Area	Findings	Recommendation
Corporate Governance	<p>The original Business Case and Business Plan forecasts have been revised and budgets have been aligned with expectations which are to deliver anticipated increases in income and financial efficiencies.</p> <p>The previous Internal Audit recommendation on the Transformation Tracker document was not fully implemented to allow for critical appraisal of project progress.</p> <p>SB Cares Board agreed in November 2016 that a more robust and accountable governance process was required for project management, which would include the application of standardised, proportionate documentation and processes across projects and the programme. Our review highlighted that the governance around the programme of work in the Business Plan for the delivery of projects within the programme is rudimentary and not well structured, therefore project outcomes might not be optimised as a result.</p> <p>SB Cares has a strategic risk register which is regularly reviewed by SMT, facilitated by SBC's Corporate Risk Officer, and presented to the SB Cares Board every quarter.</p> <p>The previous Internal Audit recommendation on Contract Documentation was not fully implemented to facilitate effective contract management by all parties.</p>	<p>The Transformation Tracker Document should be developed to include whole of programme and individual projects income and costs and clear return on investment information. (P2*)</p> <p>Programme Management should be developed along the lines of that proposed and agreed by the SB Cares Board in November 2016. (P2* -new recommendation)</p> <p>All contracts and SLAs should be reviewed and formally signed-off by relevant parties with a complete set held by both SBC and SB Supports LLP. (P3*)</p>

Area	Findings	Recommendation
Financial Governance	<p>Substantive testing of Payroll bank account changes, starters, leavers, position changes, and changes to salary levels found no areas of concern.</p> <p>The previous Internal Audit recommendation on Checking Mileage Claim Forms was not fully implemented to facilitate complete, accurate and efficient expenses processing on a sustainable basis.</p> <p>Testing of payments to creditors showed there is appropriate authorisation by a relevant officer from requisition, order, invoice receipting, and payment to ensure that procure to pay transactions are valid, complete and accurately recorded.</p> <p>No main areas of concern from Sales to Cash testing of income entries and documentation.</p> <p>Management Accounts have been enhanced in-year through the introduction of Balance Sheet and Cashflow Statements to assist in a fuller understanding of the company's financial position.</p>	<p>The process for staff claiming overtime and mileage should be revisited with Line Managers in order that appropriate, correct and authorised documentation is provided for payroll processing. (P2*)</p>
Performance Management	<p>The SB Cares Business Plan 2017 to 2022 sets out the aspiration to develop a performance management system at a strategic and operational level.</p> <p>Two previous Internal Audit recommendations on Performance Management have not been fully implemented to develop the Performance Management Framework to enable effective performance monitoring and contact management by SB Cares and the Council.</p>	<p>Management should carefully consider what aspects of performance should be measured and deliver meaningful performance information to the Board and the Council. (P2*)</p> <p>Management should again request support from performance specialists within the Council to complete the Performance Management Framework. (P2*)</p>

*** Gradings of Internal Audit Recommendations are:**

Priority 1 – Arising from a finding which leaves SB Cares open to a very high risk of not achieving its strategic objectives, and where the risk is sufficiently significant to require immediate action within one month of formally raising the issue.

Priority 2 – Arising from a finding which leaves SB Cares open to significant risk of not achieving its strategic objectives requiring reasonably urgent action within three months of formally raising the issue.

Priority 3 – Arising from a finding which leaves SB Cares open to moderate risk of not achieving its strategic objectives requiring action within six months of formally raising the issue to improve efficiency, effectiveness and economy of operations

Action Plan Summary

All recommendations made have been agreed with SB Cares Senior Management Team (SMT) for implementation to improve internal controls and governance arrangements. Progress on their implementation will be followed-up by Internal Audit during 2018/19, and will be reported to the SB Cares SMT and Board.

4 IMPLICATIONS

4.1 Financial

It is anticipated that the implementation of Internal Audit recommendations in this report will be completed within available resources and budget.

4.2 Risk and Mitigations

All Internal Audit recommendations have been approved and will be implemented in year.

4.3 Equalities

There is no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

4.4 Acting Sustainably

There are no significant effects on the economy, community or environment.

4.5 Carbon Management

No effect on carbon emissions are anticipated from the recommendation of this report.

4.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5 CONSULTATION

5.1 The SB Cares Board and Senior Management Team have agreed the Internal Audit Annual Assurance Report 2017/18.

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk, Scottish Borders Council