Scottish Borders COUNCIL

PROGRESS WITH IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

Report by Chief Officer Audit & Risk

AUDIT AND SCRUTINY COMMITTEE

27 November 2018

1 PURPOSE AND SUMMARY

1.1 **The purpose of the report is to provide an update to Members of the Audit and Scrutiny Committee on the status of the implementation by Management of audit recommendations made and agreed in Internal Audit reports during 2018/19 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 Scrutiny Committee includes the Audit function to consider "all matters relating to the implementation of recommendations contained within internal 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 Scrutiny Committee:-**

(a) Acknowledges the progress made by Management in implementing Internal Audit recommendations;

(b) Considers whether it is satisfied with the progress or whether any further action is required; and

(c) Agrees to the proposed extensions to due dates by Management for those actions that are currently Overdue.

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 Internal Audit Final Report stage the Audit Recommendations are input to Pentana (previously Covalent), the Council's corporate performance management system. This is designed to assist with Management tracking of implementation, link with relevant risks and evidence improvement.

3.4 The Remit of the Audit and Scrutiny Committee includes the Audit function to consider "all matters relating to the implementation of recommendations contained within internal 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 Assurance Report 2017/18 presented to the Audit and Scrutiny Committee on 14 May 2018. Furthermore, an update report on Progress With Implementation Of Internal Audit Recommendations was presented to the Audit and Scrutiny Committee on 26 June 2018.

3.5 Internal Audit continues to perform its standard quarterly follow-up activity to check that recommendations have been implemented and to ensure that the new controls had the desired effect on improving internal control and governance, and reducing risk. Internal Audit works with Management to address any actions that become overdue, and bring any matters to the attention of the Audit and Scrutiny Committee.

4 PROGRESS UPDATE

4.1 The following table highlights the current status (as at 12 November 2018) of Internal Audit recommendations from current and previous years:

Year identified	Total	Implemented	Not Yet Due	Overdue on or before 31/10/18
2018/19 (to Sept)	2	0	2	0
2017/18	42	18	13	11
2016/17	10	9	0	1
2015/16	21	21	0	0
2014/15	34	30	1	3

4.2 Further details on those Internal Audit recommendations that are Overdue on or before 31 October 2018 are shown in Appendix 1.

4.3 Following discussion with External Auditors, Audit Scotland, further details on the 18 Internal Audit recommendations issued in 2017/18 relating to the Business World ERP System key controls are shown in Appendix 2.

4.4 There are occasions when recommendations have been superseded and therefore no longer relevant when alternative solutions are required to manage the identified risks, or when it is necessary to grant extra time to complete recommendations, as reflected in the Appendices. In respect of the former, cross references have been made to the superseded / alternative actions. In respect of the latter, Lead Managers have proposed extensions to due date for those Internal Audit recommendations that are currently Overdue, for approval.

5 IMPLICATIONS

5.1 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.

5.2 Risk and Mitigations

(a) Internal Audit provides assurance to Management and the Audit and Scrutiny 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 improved risk management or mitigation will arise as a direct result of Management implementing the Internal Audit recommendations which will evidence improvements in internal controls and governance arrangements. If the Internal Audit recommendations are not implemented then risks may be more likely to occur or have a greater impact if they do.

5.3 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.

5.4 Acting Sustainably

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

5.5 Carbon Management

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

6 CONSULTATION

6.1 The Corporate Management Team has been consulted on this report and any comments received have been taken into account.

6.2 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director 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)

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Background Papers: Appropriate Internal Audit files, and Pentana system
Previous Minute Reference: Audit and Scrutiny Committee 14 May 2018 and 26 June 2018

Note – You can get this document on tape, in Braille, large print and various computer formats by using the contact details below. Information on other language translations can also be given as well as provision of additional copies.

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