
INTERNAL AUDIT WORK TO FEBRUARY 2020

Report by Chief Officer Audit and Risk

AUDIT AND SCRUTINY COMMITTEE

9 March 2020

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide members of the Audit and Scrutiny Committee with details of the recent work carried out by Internal Audit and the recommended audit actions agreed by Management to improve internal controls and governance arrangements.**
- 1.2 The work Internal Audit has carried out in the period from 1 to 29 February 2020 associated with the delivery of the approved Internal Audit Annual Plan 2019/20 is detailed in this report. During this period a total of 7 Final Internal Audit Reports have been issued. There were 5 recommendations made associated with 2 of the reports.
- 1.3 An Executive Summary of the final Internal Audit reports issued, including audit objective, findings, good practice, recommendations (where appropriate) and the Chief Officer Audit and 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 The SBC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of this report to communicate the results of the reviews.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee:**
- a) Notes the final assurance reports issued in the period from 1 to 29 February 2020 associated with the delivery of the approved Internal Audit Annual Plan 2019/20; and**
 - b) Notes the Internal Audit Assurance work in progress and Internal Audit Consultancy and other work carried out in accordance with the approved Internal Audit Charter.**
 - c) Acknowledges the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**

3 PROGRESS REPORT

- 3.1 The Internal Audit Annual Plan 2019/20 was approved by the Audit and Scrutiny Committee on 11 March 2019. Internal Audit has carried out the following work in the period from 1 to 29 February 2020 associated with the delivery of the Plan to meet its objective of providing an opinion on the efficacy of the Council’s risk management, internal control and governance.
- 3.2 The SBC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of this report to communicate the results of the reviews.

Internal Audit Reports

- 3.3 Internal Audit issued final assurance reports on the following subjects:
- Property Asset Management
 - Corporate Transformation Programme: Fit for 2024
 - Paths Asset Management
 - Homelessness
 - Roads Asset Management Follow-Up
 - ICT Security
 - Information Governance
- 3.4 An Executive Summary of the final Internal Audit assurance reports issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Officer Audit and 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.

The definitions for Internal Audit assurance categories are as follows:

Level	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.

Current Internal Audit Assurance Work in Progress

- 3.5 Internal Audit assurance work in progress to complete the delivery of the Internal Audit Annual Plan 2019/20 consists of the following:

Audit Area	Audit Stage
Contracting and Procurement	Drafting the report
SB Contracts	Drafting the report
BW ERP System Key Internal Controls	Testing underway
Corporate Governance	Annual evaluation underway

Internal Audit Consultancy and Other Work

- 3.6 Internal Audit staff have been involved in the following for the Council to meet its aims and objectives, and its roles and responsibilities in accordance with the approved Internal Audit Charter:
- Provide 'critical friend' internal challenge and quality assurance through engagement in meetings of programmes and projects involving major change (Fit for 2024, Information Governance Group, Digital Customer Steering Group, Capital Programme Board – Corporate Landlord) and attendance at the SEEMIS Education system project group, and Mosaic system project group and financial workshops. During this year to date there have been no meetings of the Contract Management Steering Group to oversee the implementation of the new CM Framework.
 - Learning and development during the research stage of new audit areas for all Internal Audit team members and through attendance at SLACIAG Chief Auditors Group meeting (Chief Officer Audit & Risk) and CIIA Practitioners Forum (Principal Internal Auditor).
 - Planning and carrying out the annual internal self-assessment against the Public Sector Internal Audit Standards (PSIAS) to assess conformance with the Definition of Internal Auditing and Standards and the application of the Code of Ethics.

Recommendations

- 3.7 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 the risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact:

High: 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 within one month of formally raising the issue. Added to the relevant Risk Register and included in the relevant Assurance Statement.

Medium: Substantial weaknesses in existing controls, leaving the Council or Service open to medium risk of error, fraud, financial loss or reputational damage requiring reasonably urgent action within three months of formally raising the issue.

Low: Moderate weaknesses in existing controls, leaving the Council or Service open to low risk of error, fraud, financial loss or reputational damage requiring action within six months of formally raising the issue to improve efficiency, effectiveness and economy of operations or which otherwise require to be brought to attention of senior management.

Outwith the report, Internal Audit informs operational managers about other matters as part of continuous improvement.

- 3.8 The table below summarises the number of Internal Audit recommendations made during 2019/20:

	2019/20 Number of Recs
High	0
Medium	4
Low	1
Sub-total reported this period	5
Previously reported	21
Total	26
Recommendations agreed with action plan	26
Not agreed; risk accepted	0
Total	26

4 IMPLICATIONS

4.1 Financial

There are no costs attached to any of the recommendations in this report.

4.2 Risk and Mitigations

- (a) During the development of the Internal Audit Annual Plan 2019/20 and at the start of each audit engagement, to capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted and risk registers have been considered.
- (b) If audit recommendations are not implemented, there is a greater risk of loss and/or reduced operational efficiency and effectiveness, and Management may not be able to demonstrate effective management of risks through improved internal controls and governance.

4.3 Equalities

There are no direct equalities and diversities as a result of this report.

4.4 Acting Sustainably

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

4.5 Carbon Management

No direct carbon emissions impacts arise 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 are required as a result of this report.

5 CONSULTATION

- 5.1 The Executive/Service Directors relevant to the Internal Audit reports issued have signed off the relevant Executive Summary within Appendix 1.
- 5.2 The Corporate Management Team, Executive Director Finance & Regulatory, Chief Legal Officer (and Monitoring Officer), Service Director HR, Clerk to the Council, and Communications team have been consulted on this report and any comments received have been taken into account.

Approved by

Jill Stacey, Chief Officer Audit and Risk Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk Tel 01835 825036
Sue Holmes	Principal Internal Auditor Tel 01835 825556

Background Papers: Appropriate Internal Audit files

Previous Minute Reference: Audit and Scrutiny Committee 10 February 2020

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.

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

APPENDIX 1

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Asset Management</p> <p>Subject: Property Asset Management</p> <p>No: 009/012</p> <p>Date issued: 18 February 2020 Draft; 25 February 2020 Final</p> <p>Level of Assurance: Comprehensive</p>	<p>The purpose of the review was to gain assurance that the Council has a structured Property Management Framework and an associated property maintenance programme for its buildings, other property and facilities to ensure they are fit for purpose, and has accurate records to demonstrate efficient and effective use.</p> <p>The following good practice was found:</p> <ul style="list-style-type: none"> • A Property Management Framework has been prepared which complies with procurement standards and its deployment gives assurance that the Council will achieve best value and meets its obligation under procurement legislation. • The Service has a policy which requires conditions surveys of all assets managed by the Service to be undertaken within a five year cycle. The results are recorded in Technology Forge and are used to inform the allocation of the revenue and capital budget. • There is evidence of an effective process for monitoring of revenue and capital spend against agreed budgets. • There is evidence that there is appropriate measuring and reporting against agreed performance indicators. <p>Internal Audit are able to provide 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.</p>	0	0	0	Management have accepted the factual accuracy of the report and its findings.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Corporate Governance</p> <p>Subject: Corporate Transformation Programme Fit for 2024</p> <p>No: 010/017</p> <p>Date issued: 11 February 2020 Draft; 27 February 2020 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to review the new governance and accountability arrangements of the Fit for 2024 corporate transformation programme structure, including processes for benefit (financial and other) identification, tracking and realisation (return on investment and value for money) and evaluation of outcomes and lessons learned.</p> <p>Recognising a need to increase its pace of change and be more innovative, the Council began its challenging Fit for 2024 corporate transformation programme in February 2019. This is intended to be a five-year rolling programme that will improve how the Council is managed and save a further £18 million. Fit for 2024 savings along with other proposals are set out within the Revenue Financial Plan 2019/20 - 2023/24 totalling £30M.</p> <p>Appropriate governance arrangements are in place. There is a Fit for 2024 Board, that has members from CMT and strategic support personnel from Finance, HR and Communications, which meets every fortnight and is accountable to CMT to oversee the strategic planning and delivery of the Fit for 2024 transformation programme. Dedicated change and support resources have been deployed to Fit for 2024. Risks and mitigations are discussed at Fit for 2024 Board meetings and included in Fit for 2024 Reports to Council though there is not yet an overall Fit for 2024 transformation programme risk register so the Board is not able to evidence that risk management is being applied at both programme and individual project level.</p> <p>Transforming how the Council works will take time. In recognition of this, within the Fit for 2024 Update to the Council in June 2019 it was indicated that the profile of delivery of transformation savings would be 20% in the first 18 months of the 5-years with the 80% balance to be delivered by more conventional budget reduction initiatives and these proportions would be reversed towards the end of the life of the programme.</p>	0	2	1	Management have accepted the factual accuracy of the report and its findings, and agreed to the implementation of the audit recommendations by way of completing an Action Plan with responsible owner and timescales.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Corporate Transformation Programme Fit for 2024 (Cont'd)	<p>Programme and project management arrangements have been developed which reflect more fully the interconnected nature of transformational activity; Finance, HR and IT Business Partners and Business Support work together. Staff and partner engagement sessions have taken place or are underway in alignment with the phases of the Service Reviews. There was focus on what implementation plans and assumptions there are within Fit for 2024 for Years 2-5 as part of the budget process.</p> <p>Processes are in place to ensure that progress with delivery of projects within the Fit for 2024 programme and realisation of benefits is appropriately monitored and reported, including evidence of appropriate scrutiny and oversight by Senior Management and Elected Members.</p> <p>Internal Audit are able to provide 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.</p> <p>The following three recommendations that are designed to assist with the efficient and effective delivery of the Fit for 2024 transformation programme were made:</p> <ul style="list-style-type: none"> • Establish an overall Fit for 2024 transformation programme risk register, review this regularly at Fit for 2024 Board meetings, and use it to populate Fit for 2024 reports to Council. (Medium) • Ensure that dependencies on resource capacity or technology solutions or others are identified and evaluated as part of the Implementation Plans prior to each year commencing to provide assurance that the Fit for 2024 programme can be delivered in future years. (Medium) • Ensure that the business benefits other than financial savings are being identified through the plans and tracked through the monitoring mechanisms. (Low) 				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Asset Management</p> <p>Subject: Paths Asset Management</p> <p>No: 152/004</p> <p>Date issued: 21 February 2020 Draft; 2 March 2020 Final</p> <p>Level of Assurance: Comprehensive</p>	<p>The purpose of the review was to assess that risks are identified and effectively mitigated relating to Asset Management issues on managed paths.</p> <p>The total path network in the Scottish Borders amounts to 3,621km including core paths, rights of way, and promoted or managed paths. The Countryside Access Team carries out inspections of the path network in accordance with legislation and management responsibilities and the Paths Asset Management Plan.</p> <p>The following good practice was found:</p> <ul style="list-style-type: none"> • Ranger reports on the condition of paths and issues are updated on an on-going basis within CAMS (Countryside Access Management System); • There is an inspections regime in operation to help identify and reduce the number of potential risks and accidents; • Budget monitoring is undertaken in line with corporate procedures; and • Management information is reported on the conditions of paths and furniture. <p>Internal Audit are able to provide Comprehensive assurance. Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives.</p>	0	0	0	Management have accepted the factual accuracy of the report and its findings.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Internal Controls</p> <p>Subject: Homelessness</p> <p>No: 172/010</p> <p>Date issued: 21 February 2020 Draft; 25 February 2020 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to assess the progress with the self-evaluation exercise of the Homelessness Service to fulfil its statutory obligations, and the annual assurance process to the Scottish Housing Regulator.</p> <p>The Homelessness Services Team have commenced a self-evaluation process in order to ensure they have a sustainable team that is fit for future requirements to allow them to fulfil their statutory obligations providing housing support and temporary accommodation for those persons who present as homeless within the Scottish Borders.</p> <p>From the evaluation exercise an Action Plan is in development where actions will be prioritised, have an action owner and timescale for delivery. It is planned to use the Pentana Performance System to monitor progress with the implementation of improvement actions.</p> <p>In 2018/19 the Scottish Housing Regulator requested that an Annual Assurance Report be provided. This was completed as an additional report to the Council's Annual Governance Statement. For 2019/20, and in future years, this has now been incorporated into the Service Director Customer and Communities' Assurance Statement on Internal Control and Governance, fulfilling the responsibilities to comply with the regulatory requirements as laid out in Chapter 3 of the Scottish Housing Regulator's Regulatory Framework. This will be reported to the Audit and Scrutiny Committee alongside the Council's Annual Governance Statement as part of the Council's annual assurance process.</p> <p>Internal Audit are able to provide 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.</p>	0	0	0	<p>Management have accepted the factual accuracy of the report and its findings, stating "Although there is a self-evaluation process underway there are also separate but complementary actions already identified which will run in parallel with the review e.g. consolidation of case and statistical work into the Northgate computer system and process reengineering linked to the Jadu and Northgate systems".</p> <p>Progress re this will be assessed as part of Internal Audit's follow up work for 2020/21.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Asset Management</p> <p>Subject: Roads Asset Management Follow-Up</p> <p>No: 203/009</p> <p>Date issued: 17 February 2020 Draft; 25 February 2020 Final</p> <p>Level of Assurance: n/a as follow-up audit</p>	<p>The purpose of the review was to focus on the progress by Management with the implementation of the outstanding three Internal Audit 2014 recommendations relating to reviewing the Roads Asset Management Plan (RAMP), creating standard operating procedures, and developing performance information on inspections and repairs.</p> <p>The current approved Roads Asset Management Plan (RAMP) covering the period 2013-2018, based upon the SCOTS RAMP guidance, includes some information on footways, structures and traffic signals. The required further development will be undertaken as part of a review of the RAMP in association with the introduction of the upgrade to the CONFIRM reporting system.</p> <p>The major upgrade to the CONFIRM reporting system is due to move into the design, testing and implementation stage involving, but not limited to:</p> <ul style="list-style-type: none"> • Mapping of the road network • Inspection routes and regimes • Systems documentation, development and training <p>Following the implementation of the upgrade, Management will be able to receive regular performance information in respect of road safety inspections and related repairs to enable policy compliance monitoring.</p> <p>In view of the above, the outstanding three recommendations have been closed. Internal Audit will continue to monitor progress of the implementation of the CONFIRM system upgrade as part of a further review on Roads Asset Management within our Internal Audit Annual Plan 2020/21.</p>	0	0	0	Management have accepted the factual accuracy of the report and its findings.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: ICT Governance</p> <p>Subject: ICT Security</p> <p>No: 230/007</p> <p>Date issued: 21 February 2020 Draft; 27 February 2020 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to assess the adequacy of the ICT security arrangements including: physical and environmental controls; disaster recovery; third party access; operational controls (change / incident / problem management) and business applications, to ensure they are designed appropriately and that all parties are adhering and complying with them. Review of Public Services Network (PSN) compliance and Cyber Essentials requirements.</p> <p>The following good practice was found:</p> <ul style="list-style-type: none"> • A security management plan exists which covers the scope described in the contract between SBC and CGI. • There is evidence that third party access is appropriately managed and controlled. • There is evidence that the process to apply software patches is appropriately controlled. <p>Whilst a Business Continuity and Disaster Recovery Policy and an IT Disaster Recovery Plan exist, review and testing of the plan had been limited due to the imminence of the transfer to a new Data Centre. It is thought that the move to the new data centre will allow a more granular approach to the Disaster Recovery Plan and how it is tested. The current plan describes only the current arrangements where a backup server is maintained at Hawick. We understand that the Data Centre Migration is under way at the time of writing this report.</p> <p>The PSN submission was made on the 12 December 2019. There was evidence that lessons learnt from the submission made in the previous year had been addressed. The Cabinet Office raised a few queries, to which CGI responded, and the certification application was re-submitted. The PSN accreditation from the Cabinet Office is awaited.</p>	0	2	0	Management have accepted the factual accuracy of the report and its findings, and agreed to the implementation of the audit recommendations by way of completing an Action Plan with responsible owners and timescales.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: ICT Security (cont'd)	<p>We examined the process for staff leaving the employment of SBC to gain assurance that IT records are updated timeously. We found evidence that IT are not always notified of staff leaving in good time to effect the deletion of their records. There is a risk that IT accounts remain open for staff who have left, and that avoidable costs are incurred in subscription licences for staff who have left. The risk of inappropriate use of IT accounts by former employees is heightened if a "Use your own device" policy is introduced. The risk of incurring avoidable costs is heightened when the roll out of Office 365 is complete, as the basis of charging for licensing costs differs from that previously in place.</p> <p>There is a related risk that staff may be overpaid if HR records are not updated in good time. We will examine and comment on this matter in our report 073-003 BW System Key Internal Controls, which is due to be completed in March 2020.</p> <p>Internal Audit are able to provide 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.</p> <p>The following Internal Audit recommendations were made that are designed to mitigate the risks of inappropriate use of IT accounts by former employees and incurring avoidable costs in subscription licences:</p> <ul style="list-style-type: none"> • Guidance should be issued to Service Managers explaining the importance of leaver's forms being completed timeously. (Medium) • A report should be run detailing User Accounts which have been inactive for a significant number of days. This should be reviewed, explanations sought and appropriate action taken. (Medium) 				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Corporate Governance</p> <p>Subject: Information Governance</p> <p>No: 236/013</p> <p>Date issued: 18 February 2020 Draft; 28 February 2020 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to examine the Information Governance Framework including roles and responsibilities, review policy development and implementation, assess compliance with legislation, and provide annual assurance to the Senior Information Risk Owner and Data Protection Officer.</p> <p>The Information Governance Group (IGG) continued to meet quarterly throughout the year with formal agendas and minutes scheduled around the 4 themes below, and risks are reviewed.</p> <p>Information Governance: there has been good progress with improvement actions, which are monitored through a Tracker; the Information Asset Register is up to date.</p> <p>Records Management: The updated Records Management Plan was submitted to the Keeper of Scotland’s Records (the Keeper) in January 2020.</p> <p>Information Security and Information Sharing: The PSN accreditation is awaited from the Cabinet Office. The Information Management team completed a review of compliance with the respective data sharing agreements and terms and conditions.</p> <p>Data Protection and Information Access: Subject Access Requests (SARs) and Freedom of Information requests (FOIs) still pose a significant burden to the Information Management team’s resources; the process for managing FOI and SAR enquiries is being reviewed with a view to make it more efficient.</p> <p>Internal Audit are able to provide 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, specifically to ensure that the mandatory training completion rate is achieved and to improve attendance at IGG meetings of staff from Services with the lowest completion rates.</p>	0	0	0	<p>Management have accepted the factual accuracy of the report and its findings.</p> <p>The intention is to present the Final Internal Audit Report on Information Governance Group to the next meeting of the Information Governance Group in April 2020.</p>