
INTERNAL AUDIT WORK TO JANUARY 2021

Report by Chief Officer Audit and Risk

AUDIT AND SCRUTINY COMMITTEE

8 March 2021

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 January to 19 February 2021 associated with the delivery of the approved Internal Audit Annual Plan 2020/21 is detailed in this report. A total of 5 final Internal Audit reports have been issued. There were no recommendations though some identified areas of improvement are being addressed through Management actions associated with 3 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 January to 19 February 2021 associated with the delivery of the approved Internal Audit Annual Plan 2020/21;**
 - 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; and**
 - d) Approves the Internal Audit planned activity proposed to be deferred from 2020/21 to 2021/22 for inclusion in Internal Audit Annual Plan 2021/22.**

3 PROGRESS REPORT

- 3.1 The Internal Audit Annual Plan 2020/21 was approved by the Audit and Scrutiny Committee on 9 March 2020 and the re-assessed Plan approved on 23 November 2020. Internal Audit has carried out the following work in the period from 1 January to 19 February 2021 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:
- Corporate Transformation Programme - Fit for 2024
 - Integrated People, Financial and Business Planning
 - Revenues (Council Tax and NDR)
 - Physical Disabilities Services (Adults and Children)
 - ICT Operational Computer Systems
- 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 2020/21 consists of the following:

Audit Area	Audit Stage
Learning Disabilities Services Financial Management	Drafting the Report
Business World Key Controls	Testing Underway
Information Governance	Testing Underway

Jedburgh / Hawick Conservation Area Regeneration Scheme (CARS)	Defer to 2021/22 - funders agreed to audit covering two financial year ends
Community Justice	Defer to 2021/22 – align with developments / improvements
Sustainable Environment	Defer to 2021/22 – align with developments / improvements

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:
- a) 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, Contract and Supplier Management Implementation Group, Social Work Performance Board, and Social Work Review Delivery Group).
 - b) Learning and development during the research stage of new audit areas for all Internal Audit team members and through joining virtual audit forums and meetings. This period included a quarterly meeting of the SLACIAG Computer Audit Sub Group and IIA forums for Local Authorities on the topics of HIA Annual Opinion and of Independence and Objectivity.
 - c) Preparation of the annual Internal Audit plans for Scottish Borders Council, Scottish Borders Council Pension Fund, and Scottish Borders Health and Social Care Integration Joint Board.

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 2020/21:

	2020/21 Number of Recs
High	0
Medium	0
Low	0
Sub-total reported this period	0
Previously reported	7
Total	7
Recommendations agreed with action plan	7
Not agreed; risk accepted	0
Total	7

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 2020/21 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 Integrated Impact Assessment

This is a routine good governance report for assurance purposes, required under the Local Authority Accounts (Scotland) Regulations 2014 and the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017). It does not relate to new/amended policy/strategy and as a result an integrated impact assessment is not an applicable consideration.

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 has been consulted on this report to outline the assurance on controls and governance relating to these audits to assist them in discharging their roles and responsibilities.

5.3 The Executive Director Finance & Regulatory, Chief Legal Officer (and Monitoring Officer), Service Director HR & Communications, 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)

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Background Papers: Appropriate Internal Audit files

Previous Minute Reference: Audit and Scrutiny Committee 15 February 2021

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: Corporate Governance</p> <p>Subject: Corporate Transformation Programme Fit for 2024</p> <p>No: 010/018</p> <p>Date issued: 22 February 2021 Draft; 26 February 2021 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to follow-up on Management’s implementation of recommendations made during the previous year’s Internal Audit review of the Fit for 2024 corporate transformation programme.</p> <p>The Covid-19 response and recovery phases have adversely affected the delivery of the Fit for 2024 programme in 2020/21 due to reduced Management capacity to drive forward change and deployment of some support staff to other priorities.</p> <p>There has continued to be appropriate monitoring and reporting of the delivery of the Fit for 2024 programme, including evidence of appropriate scrutiny and oversight by Elected Members.</p> <p>The focus on what implementation plans there are within Fit for 2024 for future years is captured within the integrated financial, people and business planning process (see separate report).</p> <p>The three prior year recommendations have been implemented:</p> <ul style="list-style-type: none"> • The Fit for 2024 transformation programme risk register has recently been developed, to enable its quarterly review by the Fit for 2024 Board; • The dependencies on resource capacity or technology solutions are evaluated within implementation plans and during ongoing delivery; and • Monitoring business benefits other than financial savings are evidenced through the Service Review and Project Highlight Reports that are presented to the Fit for 2024 Board. <p>Internal Audit are able to provide Substantial assurance. Largely satisfactory risk, control, and governance systems are in place.</p>	0	0	0	Management have accepted these findings and conclusions.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Corporate Governance</p> <p>Subject: Integrated People, Financial and Business Planning</p> <p>No: 035/008</p> <p>Date issued: 22 February 2021 Draft; 26 February 2021 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to ensure that financial, people and business plans are aligned to Council priorities, that processes and procedures for preparing, monitoring and controlling the budget, including efficiency savings, are robust, and that the approach to workforce development enables the provision of the skills, knowledge and competency requirements for service delivery to meet the Council's objectives.</p> <p>CMT reviewed the timetable in September 2020. The Financial, People and Business planning process for 2021/22 has been carried out via a series of workshops and meetings with Services.</p> <p>The structure of both the Financial Planning and People Planning templates allows the planning process to be applied consistently across Services utilising these templates to aid and prompt discussions, capture relevant information and develop implementation/action plans where appropriate. Collaborative working between Service Managers, Finance Business Partners, HR Business Partners, Performance Officers and the FF2024 Transformation team provides the necessary support for Executive/Service Directors and Managers, and allows for more integrated and coherent planning throughout this process.</p> <p>Member Briefings have been provided at various stages during the process. A public consultation exercise was also launched early November 2020 which closed on 31 January 2021.</p> <p>Internal Audit are able to provide substantial assurance for the integrated Financial, People and Business planning process. Whilst the process has progressed, detailed Service Plans have not yet been produced to complete the links from the Corporate Plan to the individuals' PRDs that have been missing in recent years. There are Management actions underway to address this; therefore we made no recommendations. Progress on this will continue to be monitored during 2021/22.</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: Financial Governance</p> <p>Subject: Revenues (Council Tax and NDR)</p> <p>No: 084/013</p> <p>Date issued: 22 February 2021 Draft; 26 February 2021 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to ensure that the billing, collection and recovery processes and procedures for Council Tax and NDR are robust and adequately applied.</p> <p>The following examples of good practice were found:</p> <ul style="list-style-type: none"> • There were good processes for ensuring that staff were aware of how information received from customers was to be treated. There was a manual, guidance notes and online prompts within the Civica system. • Recovery and billing processes were in line with legislation and Council policy. • There were good processes for ensuring that Management are aware of emerging fraud vulnerabilities. <p>The Customer Advice and Support Service's risk register was last reviewed in February 2020. Council policy is that risk registers should be reviewed each quarter. A further review was held during the w/c 08 February 2021.</p> <p>The Service is introducing a process for e-billing in April 2021. Customers will be able to view and settle bills on the internet. We propose to examine these processes once they are introduced.</p> <p>Internal Audit are able to provide substantial assurance. Largely satisfactory risk, control, and governance systems are in place.</p> <p>We made no recommendations.</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: Physical Disabilities Services</p> <p>No: 177/007</p> <p>Date issued: 22 February 2021 Draft; 01 March 2021 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to assess the adequacy of controls to provide ability aids and equipment and other services through partners to meet the needs of people with physical disabilities, and to ensure there is sound budgetary control.</p> <p>The following good practice was found:</p> <ul style="list-style-type: none"> • There are suitable processes for identifying and communicating changes to relevant legislation and guidance. • Budget monitoring was found to work effectively. There was good engagement between service staff and finance staff. • There are good processes for reviewing the suitability of suppliers in terms of delivering agreed outcomes and securing best value. • There was evidence of compliance with the Council's risk management and information management policies. <p>The Group Manager had started in post in 2019. He explained that the Covid-19 pandemic has had a severe impact on the work of the service. Much work in developing the service has been delayed with the focus being on identifying what services can be delivered under current restrictions.</p> <p>One of the areas which has been delayed is a review of policies that relate to the service; a team leader has now been recruited with a specific remit to complete a review of policies. Furthermore, Management are working with Project Support staff to improve planning processes in the area of transition of children to adults.</p> <p>Internal Audit are able to provide substantial assurance. Largely satisfactory risk, control, and governance systems are in place. There are Management actions underway on the review of the policy framework and on planning for transitions as areas of improvement. We therefore made no recommendations.</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: Subject: ICT Operational Processes No: 233/025 Date issued: 18 February 2021 Draft; 26 February 2021 Final Level of Assurance: Substantial</p>	<p>The purpose was to review the change request processes in place, the security controls for employees working from home, and the leavers' process to ensure they are fit for purpose to support service delivery.</p> <p>The following examples of good practice were found:</p> <ul style="list-style-type: none"> • The same security is in place for home workers as if working from the office. • Leavers are reported weekly to the system administrators of cloud-based applications. <p>There is assurance that change requests are fit for service delivery and are appropriately approved.</p> <p>The Council were well placed to respond to the Covid-19 pandemic in terms of IT devices and already established secure remote access. 'DirectAccess' provides the same security for remote access to the network for home workers.</p> <p>Leavers were removed from cloud-based applications in the main. However, this does place reliance on the previous 2 Internal Audit recommendations made in the 2019/20 report (ICT Security) around leavers' forms being completed timeously and inactive user accounts being removed.</p> <p>Internal Audit are able to provide substantial assurance and no recommendations have been made. Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement such as system administrators ensuring leavers are removed as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or misuse. There are Management actions underway re this; therefore we made no recommendations.</p>	0	0	0	Management have accepted the factual accuracy of the report and its findings.