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## **INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2020/21**

**Report by Chief Officer Audit & Risk**

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### **AUDIT AND SCRUTINY COMMITTEE**

**10 May 2021**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to present to the Audit and Scrutiny Committee the Internal Audit Annual Assurance Report for the year to 31 March 2021, which includes the Chief Officer Audit & Risk's independent assurance opinion on the adequacy of the Council's overall control environment.**
- 1.2 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive (CAE), the Council's Chief Officer Audit & Risk, provides an annual internal audit opinion and report on the adequacy and effectiveness of the Council's governance, risk management and internal controls to support the preparation of the Annual Governance Statement. This is in support of the overall governance arrangements of the Council, as set out in the Local Code of Corporate Governance.
- 1.3 The Remit of the Audit and Scrutiny Committee, relevant to the content of this report, indicates that it should: ensure an adequate framework of internal control, risk management and governance throughout the Council; and monitor and review the performance of Internal Audit, conformance to the Public Sector Internal Audit Standards and code of ethics.
- 1.4 To meet the requirements of the PSIAS the Internal Audit Annual Assurance Report 2020/21, at Appendix 1, includes the annual Internal Audit opinion, provides details of the Internal Audit activity and performance during the year to fulfil its role, and summarises the outcomes of assessments of the Internal Audit service against the PSIAS.

#### **2 RECOMMENDATIONS**

- 2.1 I recommend that the Audit and Scrutiny Committee:**
- a) Considers the Internal Audit Annual Assurance Report 2020/21 (Appendix 1) and assurances contained therein; and**
  - b) Provides any commentary thereon, including any further actions required by Management.**

### **3 BACKGROUND**

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 that came into force on 10 October 2014 require a local authority to operate a professional and objective internal auditing service. This service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the *Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector* (PSIAS). The standards require Internal Audit to have suitable operational independence from the organisation.
- 3.2 The Public Sector Internal Audit Standards (PSIAS) 2017 require that:  
“The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.  
The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.  
The annual report must incorporate:
- the opinion;
  - a summary of the work that supports the opinion; and
  - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”
- 3.3 The Remit and Terms of Reference of the Audit and Scrutiny Committee, relevant to the content of this report, indicates that it should:
- Ensure an adequate framework of internal control, risk management and governance throughout the Council, and consider annual assurance reports.
  - Monitor and review the performance of Internal Audit, conformance to the Public Sector Internal Audit Standards and code of ethics.

### **4 INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2020/21**

- 4.1 The Internal Audit Annual Assurance Report 2020/21, at Appendix 1, includes the Chief Officer Audit & Risk’s independent and objective opinion regarding the adequacy and effectiveness of the Council’s governance, risk management and internal controls. It also provides details of the Internal Audit activity that supports the opinion and of the performance during the year to fulfil its role, and summarises the outcomes of assessments of the Internal Audit service against the PSIAS.
- 4.2 The Internal Audit Annual Assurance Report 2020/21 provides assurances in relation to the Council’s corporate governance framework that is a key component in underpinning delivery of the corporate priorities within the Council’s Corporate Plan and has been used to inform the Annual Governance Statement 2020/21.

### **5 IMPLICATIONS**

#### **5.1 Financial**

- (a) It is anticipated that efficiencies will arise either as a direct or indirect result of Management implementing the recommendations made by Internal Audit during or prior to 2020/21 through improved internal controls and governance arrangements.
- (b) The net cost of the Internal Audit service was £265k (2019/20 £257k). The majority of service expenditure relates to staff costs

(99%) for resources comprising Chief Officer Audit & Risk (50% recharged to Midlothian Council to reflect the shared Internal Audit services arrangement), Principal Internal Auditor, one Senior Internal Auditor, and three Internal Auditors. These resources are for the provision of Internal Audit services to Scottish Borders Council, the Scottish Borders Council Pension Fund, and the Scottish Borders Health and Social Care Integration Joint Board.

## 5.2 Risk and Mitigations

- (a) The PSIAS require Internal Audit to evaluate the effectiveness of the Council's Risk Management arrangements and contribute to improvements in the process. Each Internal Audit engagement has been risk-based and, where appropriate, has tested the specific Service's management of risk.
- (b) Internal Audit provides assurance to the Corporate Management Team and the Audit and Scrutiny Committee on the adequacy and effectiveness of internal controls, governance and risk management within the Council, highlights good practice and recommends improvements. Key components of the audit planning process include a clear understanding of the Council's functions, associated risks, and range and breadth of audit areas for inclusion within the Annual Plan. There is effective liaison between Internal Audit and the Corporate Risk Officer on an on-going basis to ensure that risks are considered in every audit and that risk reviews take account of findings and improvements arising from Internal Audit work.
- (c) Continuous improvements in internal controls and governance arrangements can be demonstrated through Management-initiated actions complemented by the implementation of Audit recommendations.
- (d) It is anticipated that further improvements in the management and mitigation of risks will arise as a direct result of Management implementing the Internal Audit recommendations made during the year or outstanding from previous years which will enable Management to demonstrate further improvement in internal controls and governance arrangements.
- (e) Delivery of the Internal Audit services in conformance with the PSIAS will enable the Council to meet the requirements of the Local Authority Accounts (Scotland) Regulations 2014 to consider the findings of assessments as part of the consideration of the system of internal control required by regulation 5.

## 5.3 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). This report does not relate to new or amended policy or strategy and as a result an integrated impact assessment is not an applicable consideration.

**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 As the Chief Officer Audit & Risk is required to give an independent opinion on the Council’s governance, risk management and internal controls, full consultation on Appendix 1 is not appropriate.

6.2 The Corporate Management Team has been advised to take into account the work of Internal Audit and the independent opinion on the adequacy and effectiveness of the Council’s governance, risk management and internal controls when completing the annual self-evaluation and assurance process for the Council’s Annual Governance Statement 2020/21.

6.3 The Corporate Management Team, the Executive Director Finance & Regulatory, the Chief Legal Officer (Monitoring Officer), the Service Director HR & Communications, the Clerk to the Council and the Communications team have been consulted on this cover report and any comments received have been incorporated.

**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

**Background Papers:** Appropriate Internal Audit files

**Previous Minute Reference:** Audit and Scrutiny Committee 23 June 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](mailto:intaudit@scotborders.gov.uk)

**Chief Officer Audit & Risk's Annual Assurance Report and Opinion 2020/21 for Scottish Borders Council****1 Introduction**

- 1.1 It is Management's responsibility to design and maintain proper risk management, governance and internal control processes and systems to ensure probity in systems and operations, including the prevention, detection and resolution of fraud and irregularities. Management is also responsible for checking that the arrangements and controls are operating effectively. These are known as the first and second lines, which are not fixed but evolve as the Council changes.
- 1.2 Internal Audit, as the third line, 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; and objectively provides relevant assurance.
- 1.4 The Objectives of Internal Audit are set out in its Charter: 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:
- In support of the Council's vision, values and priorities.
  - As a contribution to the Council's corporate management of risk.
  - As an aid to ensuring that the Council and its elected members, employees and contracted third parties are operating within the law and relevant regulations.
  - As a contribution towards establishing and maintaining a culture of honesty, integrity, openness, accountability and transparency throughout the Council in all its activities and transactions.
  - As a contribution towards ensuring that financial statements and other published performance information are accurate and reliable.
- 1.5 The Public Sector Internal Audit Standards (PSIAS) (2017) requires that:  
"The chief audit executive (the Council's Chief Officer Audit & Risk) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.  
The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.  
The annual report must incorporate:
- the opinion;
  - a summary of the work that supports the opinion; and
  - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."
- 1.6 This Annual Report provides the annual internal audit opinion and summarises the work carried out by Internal Audit during the year to 31 March 2021 that underpins the opinion in accordance with the Internal Audit Charter, Strategy and Annual Plan 2020/21. The report also summarises the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS).

## **2 Opinion on the systems of Internal Control and Governance**

- 2.1 My opinion is that the systems of internal control, governance and risk management within the Council are operating satisfactorily. The opinion is based on our reviews and knowledge and our ability to gain assurance from compliance/service support functions (such as health and safety, IT client, information management, finance and procurement, HR, business continuity) that are key components of the Council's assurance framework.
- 2.2 A common theme from Internal Audit findings during the year was evidence from a number of Services of keeping their policies and procedures up-to-date, including some that were developed or adapted quickly to support service delivery during the pandemic. It is recognised that it is a complex task for an organisation as diverse as the Council to ensure that its policies, procedures and guidelines associated with its service delivery are kept up-to-date, though this is of particular importance during a period of change.
- 2.3 Internal Audit reports during the year confirm improvements in internal controls, governance, and risk management through Management-initiated actions complemented by their implementation of Internal Audit recommendations.
- 2.4 Reasonable assurance can be provided on the adequacy of the internal controls and governance arrangements in place. There is adequate awareness and observation of the Council's Local Code of Corporate Governance (approved June 2018) and key governance documents, including: Scheme of Administration (approved September 2017; amended February 2021); Procedural Standing Orders (approved February 2021); Scheme of Delegation (approved March 2018; amended June 2020); Financial Regulations (approved November 2018); Procurement & Contract Standing Orders (approved January 2021); and Codes of Conduct for Councillors and for Employees.
- 2.5 The Chief Officer Audit & Risk facilitates the annual review of the Council's governance arrangements against its Local Code of Corporate Governance carried out by a self-evaluation working group of officers from across the Council's services. The checking of evidence by Internal Audit to demonstrate compliance has highlighted the need to update the Local Code of Corporate Governance. This will ensure it reflects the appropriate framework for effective governance of the Council's affairs and facilitates the exercise of its functions to deliver best value. The annual review also assesses progress on implementing actions to address the prior year's identified areas of improvement, including those arising from the Best Value Assurance Report (October 2019). This is part of the process to produce the Annual Governance Statement.
- 2.6 The Council recognises that Risk Management is an integral part of all activities and has Corporate and Service Risk Registers in place, which are subject to regular review by those Managers who are allocated the responsibilities for managing individual risks (though the risk register review schedule was disrupted during 2020). The Audit and Scrutiny Committee received presentations from Executive/Service Directors on key risks and mitigations during the year and a Risk Management Annual Report outlining activity against the risk management strategy, to fulfil their role of oversight of how risks are managed. Committee reports contain information on the risks and mitigations relevant to the subject matter to support decision-making.
- 2.7 Further improvements in internal controls, governance, and risk management have been agreed by Management, as highlighted in Internal Audit reports and recommendations made during the year or outstanding from previous years. There is an opportunity for Senior Management to monitor audit actions on a consistent and regular basis and to oversee the implementation of Internal Audit recommendations to demonstrate continuous improvement.

### **3 Internal Audit Annual Plan 2020/21 Delivery**

- 3.1 Internal Audit staff resources have been adversely affected during the year. Most notably the whole team have been and continue to be working from home due to the ongoing response to the Covid-19 pandemic. This has impacted on how Internal Audit work has been delivered, though this has been facilitated by the use of MS Teams and access to network drives and business applications. The scopes of two audits (Schools, and Social Work Locality Payments) were adjusted as establishment visits were not undertaken due to Covid-19 pandemic restrictions. There has been no impairment to the independence or objectivity of the Internal Audit function arising from the change to remote working, the change in approach to some assurance work, or from consultancy work during the year.
- 3.2 Adjustments were made to the Internal Audit Plan: Additional audits were added to the Plan to carry out assurance work on new risks associated with the Covid-19 emergency response; some assurance work was re-phased; and some audits have been deferred to 2021/22. The revised Internal Audit Annual Plan 2020/21 was approved by the Audit and Scrutiny Committee on 23 November 2020. The following Audits from the 2020/21 Plan have been deferred to 2021/22:
- ICT Strategy (ICT Governance)
  - Mental Health Services - Adults & Children (Internal Controls)
  - Homelessness - Temporary Accommodation (Internal Controls)
  - Waste & Recycling Services (Internal Controls)
  - Parks & Environment (Internal Controls)
  - Roads Asset Management (Asset Management)
- 3.3 The Audit and Scrutiny Committee on 8 March 2021 agreed to that the following further Audits from the 2020/21 Plan be deferred to 2021/22:
- Community Justice (Internal Controls)
  - Jedburgh / Hawick Conservation Area Regeneration Scheme (CARS) (Legislative & Compliance)
  - Sustainable Environment (Legislative & Compliance)
- 3.4 The level of Actual Audit days was higher than plan (113%). This can be mainly attributed to 2020/21 being a 53-week year for time-recording purposes, and less than planned days for overheads such as annual leave, management and supervision, and personal learning and development, partly due to the change to ways of working and less travel time.
- 3.5 The range and breadth of Internal Audit work that has been performed during the year, which is listed below, is sufficient to inform the Internal Audit assurance opinion.

#### **Corporate Governance Audits**

- 3.6 To provide assurances in relation to the Council's corporate governance framework that is a key component in underpinning delivery of the corporate objectives and priorities within the Council's Corporate Plan, reviews included:
- Corporate Governance (Assessment of progress on implementation of improvement actions within the Annual Governance Statement including Best Value Assurance Report actions (BVAR), Annual Evaluation against Local Code of Corporate Governance as part of the Annual Assurance Process, and support for the Audit and Scrutiny Committee's learning and development).
  - Information Governance (Review of the framework including roles and responsibilities, policy development and implementation, assess compliance with legislation, and provide annual assurance to Senior Information Risk Owner and Data Protection Officer).

- Performance Management (Validation of the Council's Performance Indicators to ensure accuracy of data submitted on an annual basis to the Improvement Service as part of the Local Government Benchmarking Framework).
- Corporate Transformation Programme - Fit for 2024 (Review the governance and accountability arrangements of the 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).
- Contract Management - Strategic Contracts (Review of the Council's Contract Management Framework to ensure that there are adequate and effective controls in place over Contract Monitoring arrangements throughout the Council, including sports trusts and strategic arrangements with third parties).
- Business Planning, Budget Setting, Monitoring and Reporting (Ensure business plans are aligned to Council priorities, that the systems and procedures for preparing, monitoring and controlling the budget, including efficiency savings, are robust, that the roles and responsibilities of budget holders are clear, and there is transparency of reporting to Elected Members).
- People Planning (Review of approach to people development in alignment with business and financial planning processes to provide skills, knowledge and competency requirements for service delivery to meet the Council's objectives – carry out as part of audit on Business Planning, Budget Setting, Monitoring and Reporting).

#### **Financial Governance Audits**

3.7 To provide assurance on the internal financial controls in place and substantive testing of transactions to ensure completeness and accuracy of data in core financial systems, reviews included:

- Business World ERP System Key Controls (An integration of 4 audits to assess key controls of the Business World system for Payroll and HR, Sales to Cash, and Procure to Pay processes and core General Ledger and Management Reporting (Record to Report), assess System Access, test sample of transactions from various data sets).
- Treasury Management (Assess whether treasury functions are administered effectively and in compliance with policy, strategy, codes of practice and indicators).
- Revenues – Council Tax and NDR (Ensure that the billing, collection and recovery processes and procedures for Council Tax and NDR are robust and adequately applied).

#### **ICT Governance Audits**

3.8 To provide assurances that computer systems are secure, reliable and conform to nationally agreed standards, reviews included:

- ICT Operational Computer Systems (Review the change request processes in place to ensure they are fit for purpose to support service delivery).
- ICT Cyber Essentials (Review the self-evaluation and evidence associated with Cyber Essential requirements).

#### **Internal Controls Audits**

3.9 To provide assurances in relation to a range of the Council's internal controls in areas identified by Management, reviews included:

- Schools (Review of internal financial controls and business administrative procedures in place to ensure the efficient and effective use of resources in the school establishments).

- Physical Disabilities Services (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. Ensure there is sound budgetary control in place).
- Foster and Kinship Carer Payments (Review the controls in place to ensure payments to foster and kinship carers' payments are accurately and correctly calculated and acted upon).
- Community Equipment Service (Assess the adequacy of operational processes and practices in place to meet the needs of users to ensure the efficient and effective operation and delivery of the Community Equipment Service).
- Social Work Locality Payments (Review of the internal financial controls and business administrative procedures in place to ensure the efficient and effective use of resources, including evaluation of the systems and processes).
- Benefits Assessments - Scottish Welfare Fund (Assess the adequacy of operational processes in place to administer the payment of Crisis Grants and Community Care Grants for the Scottish Welfare Fund (SWF) and that they are effective, appropriate and consistent).

#### **Asset Management Audits**

- 3.10 To provide assurances that Council assets are safeguarded and properly accounted for, and used economically, efficiently and effectively, reviews included:
- Asset Registers (Review of systems, processes and controls that are in place to ensure complete and accurate records of all Property, Fleet, and IT assets that underpin Asset Management Plans to deliver Council's strategies, plans and priorities, including the data migration and transition to utilising Technology Forge Cloud).
  - Capital Investment (Review the governance arrangements in place for capital planning and investment including strategic asset management plans to ensure these are aligned to Council priorities and business requirements – carry out as part of audit on Business Planning, Budget Setting, Monitoring and Reporting).

#### **Legislative and Other Compliance Audits**

- 3.11 To test compliance with the terms of the funders' service level agreements or legislative requirements, reviews included:
- EU Funded Programmes - LEADER and EMFF (Perform annual audits of EU grant-funded programmes for 2014-2020, Liaison Entre Actions de Développement de l'Économie Rurale (LEADER) and the European Maritime Fisheries Fund (EMFF), under the terms of Service Level Agreements (SLAs) to assess compliance with the requirements of the SLAs and the relevant EC Regulations).

#### **Consultancy Work**

- 3.12 In its 'critical friend' role, Internal Audit provided internal challenge and advice to Managers through engagement in a number forums as the Council continues to transform its services (for example: Fit for 2024 Transformation Programme Board; Social Work Performance Board; Social Work Charging; Corporate Landlord; Contract and Supplier Management Portal implementation; and Information Governance Group).
- 3.13 During the year Internal Audit responded to a number of requests for ad hoc advice and assistance on internal controls, risk management and governance. One significant activity was providing advice for policy development (School Fund, Petty Cash/Purchase Cards).
- 3.14 Internal Audit considered and applied National Reports that give rise to introducing best practice arrangements or lessons learned from other local authorities or other public sector bodies, thus adding value to the Council.

## **Other Work**

- 3.15 Internal Audit responded to specific control issues highlighted by Managers during the year by incorporating those aspects within specific audit scopes. There were two significant pieces of contingency work requested by the Management:
- Business Support Grants, including Community Council payments and Newly Self-Employed Grant payments (Ensure that applications are made in accordance with current Scottish Government legislation and payments are made in a timely manner).
  - Education Maintenance Allowance (EMA) Process (Ensure compliance with EMA legislation, policies and procedures and that all required documentation and attendance records are fully maintained and updated in order that payments made are accurate and timely. Focus on the policies, procedures and processes required for the administration of the EMA).
- 3.16 Resources were deployed in the delivery of the Follow-up work to monitor progress with implementation of Internal Audit recommendations and ensure that Management Actions have been timeously and effectively implemented, to check that these have had the desired effect to manage identified risks, and to demonstrate continuous improvement in internal control and governance.
- 3.17 Internal Audit evaluated fraud prevention controls and detection processes on an on-going basis to ensure fraud risk is considered in every audit, and provided intelligence via data sharing requests from Police Scotland as part of the wider assurance framework on counter fraud and crime controls. The Principal Internal Auditor co-ordinated the submission of the few remaining NFI data sets in January 2021 in accordance with the notified timetable and specifications, following the retirement of the Corporate Fraud and Compliance Officer in December 2020.

## **Non SBC Work**

- 3.18 The Council's Internal Audit service provided independent assurance work relating to the systems of internal control, corporate governance and risk management arrangements of Scottish Borders Pension Fund and Scottish Borders Health and Social Care Integration Joint Board. Separate Internal Audit annual assurance opinions are reported to their respective Senior Management and Boards, based on the work delivered in accordance with Annual Plans that have been approved by their respective Senior Management and Boards.
- 3.19 The shared Internal Audit services arrangement between Midlothian and Scottish Borders Councils continued to be delivered during 2020/21, albeit via remote working. The SBC Chief Officer for Audit & Risk fulfils the roles of Chief Internal Auditor for Midlothian Council and for Midlothian Health and Social Care Integration Joint Board, and provides the strategic leadership for the effective delivery of Internal Audit services to those client organisations through approved plans and reports to their respective Senior Management and Boards. There are positive outcomes from the shared knowledge and expertise on the identification and assessment of best practice across all those organisations. The Principal Internal Auditors in each Council are in regular contact to share tools and techniques designed to improve the operational practices of Internal Audit service delivery and to support learning and development of the respective teams. There is good liaison between Internal Audit staff across the two Councils to share knowledge of risks and controls relating to specific audits, and to engage in virtual forums as part of their learning and development. An Interim Internal Auditor who has extensive Internal Audit knowledge and experience of internal controls and governance of Councils and Health and Social Care Integration Joint Boards has been deployed under a contract for services to supplement the Midlothian Council team resources. The shared Internal Audit services arrangement will continue in 2021/22.

## **4 Public Sector Internal Audit Standards and Quality Assurance & Improvement Plan**

- 4.1 The professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) include:
- Definition of Internal Auditing;
  - Code of Ethics;
  - Attribute Standards (Purpose, Authority and Responsibility; Independence and Objectivity; Proficiency and Due Professional Care; Quality Assurance and Improvement Programme);
  - Performance Standards (Managing the Internal Audit Activity; Nature of Work; Engagement Planning; Performing the Engagement; Communicating Results; Monitoring Progress; and Communicating the Acceptance of Risks).
- 4.2 The Public Sector Internal Audit Standards (PSIAS) requires the annual internal self-assessment against the PSIAS to be subject to an External Quality Assessment (EQA) every five years, by appropriately qualified and independent reviewers. The findings of the SBC EQA, completed by North Lanarkshire Council in early January 2021, assessed the function as 'fully conforms' with the requirements within the 13 Assessment Areas of the Definition of Internal Auditing, the Code of Ethics, Attribute Standards and Performance Standards (consistent with the internal self-assessment 2019/20). The findings and the main areas for improvement highlighted in the Final EQA Report were reported to the Audit and Scrutiny Committee on 15 February 2021.
- 4.3 The PSIAS requires the chief audit executive, the Council's Chief Officer Audit & Risk, to carry out an annual internal self-assessment against the PSIAS, develop a quality assurance and improvement plan (QAIP) based on the outcome, and report the results of the QAIP to senior management and elected members. An internal self-assessment 2020/21 of Internal Audit practices against the Standards was carried out in February/March 2021, as required by the PSIAS. Some further enhancements were identified and progress was reviewed on the implementation of the improvements identified in the EQA.
- 4.4 The following improvements that were added to the QAIP arising from the EQA and the 2020/21 internal self-assessment have been implemented in recent months:

(a) Introduce an Annual Declaration by Internal Audit staff as an enhancement to SBC's Appraisal process to reflect behaviour in compliance with Seven Principles of Public Life and code of ethics to ensure Internal Audit independence and objectivity is not impaired (no.1 EQA).
(b) Update the Audit Programme template to include information on the outcome of the opportunity referenced for the Internal Audit team to declare any conflicts of interest (no.2 EQA).
(c) Amend the Internal Audit Annual Assurance Report 2020/21 to include assurance/specific reference as to whether there had been no/any impairment during the year to the organisational independence of the function (including no/any scope or resource limitations) (no.3 EQA).
(d) Add specific references within the Internal Audit Strategy and Annual Plan 2021/22 to explain more fully the planning process to better comply with expected good practice, including formally documenting the results of the annual risk assessment, more information about other sources of assurance, and/or undertaking and referencing assurance-mapping work (no.5 EQA).
(e) Amend the Audit Programme to document proposed testing approach for individual audit assignments to ensure that the intended approach/testing is fully/more clearly documented prior to audit testing commencing (no.6 EQA).
(f) Amend the Audit Review Form to provide more consistent evidence of any issues that were identified and rectified (no.7 EQA).
(g) Update the Internal Audit Charter to include the following explicit references: the PSIAS Mission Statement; a high level reference to statutory officers; compliance with the Seven Principles of Public Life; the professional qualifications and competences of the Chief Audit Executive; the aims of the Internal Audit Strategy, and the risk-based Internal Audit planning process; and

arrangements to ensure Internal Audit independence and objectivity is not impaired (no.8 2020/21 internal self-assessment).

The remaining improvement action in the QAIP arising from the EQA and 2020/21 internal self-assessment is as follows:

(1) Review the performance management arrangements with a view to ensuring a balanced suite of performance indicators are established, monitored and reported as appropriate. This should include consideration of seeking more formal feedback from clients / stakeholders as part of performance management arrangements (no.4 EQA).

This improvement action will be implemented during 2021 and progress will be reported to the Audit and Scrutiny Committee within the Internal Audit Mid-Term Performance Report 2021/22.

**Jill Stacey BA(Hons) ACMA CGMA**  
**Chief Officer Audit & Risk**  
**20 April 2021**