
FOLLOW-UP REVIEW OF COMPLETED INTERNAL AUDIT RECOMMENDATIONS

Report by Chief Officer Audit & Risk

AUDIT AND SCRUTINY COMMITTEE

29 June 2021

1 PURPOSE AND SUMMARY

- 1.1 The purpose of the report is to provide an update to the Audit and Scrutiny Committee on the results of the Follow-Up Review which included a sample check on the adequacy of new internal controls for Internal Audit Recommendations marked as completed by Management in the period January to December 2020.**
- 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 results of the spot check on Internal Audit recommendations that have been marked as completed by Management in the period January to December 2020 to improve internal controls and governance, and mitigate risks;**
 - (b) Considers whether it is satisfied with the outcomes or whether any further action is required; and**
 - (c) Notes that Internal Audit will continue to monitor the completion of recommendations and will provide update reports to this Committee.**

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 improve controls and governance and mitigate risks. At Internal Audit Final Report stage the Audit Recommendations are input to Pentana Risk, the Council's corporate performance management system. This is designed to assist with Management tracking of implementation, link with relevant risks, and evidence continuous improvement.
- 3.4 The Internal Audit Annual Plan 2021/22 includes two follow-up reviews. The first checks a sample of Internal Audit recommendations which have been marked as complete by Management and reviews the adequacy of the actions taken and improvements made (the subject of this report). The second reports on progress Management have made in implementing the recommendations by the expected date (scheduled for 22 November 2021 Audit and Scrutiny Committee).
- 3.5 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.

4 PROGRESS UPDATE

- 4.1 The objective of this follow-up audit was to review a sample of 'completed' Internal Audit recommendations to assess the evidence that they had been implemented satisfactorily and to ensure that the new controls had the desired outcomes of improving internal control and governance, and reducing risk.
- 4.2 A sample of 13 Internal Audit recommendations were selected that had been marked as completed on the Pentana system by Management during the period January to December 2020. The sample related to the Internal Audit reports in the following table:

Audit Report	Number of recommendations included in this review	High Priority	Medium Priority	Low Priority
Contracting & Procurement	3	0	2	1
Health & Safety	1	0	1	0
Peebles High School	1	0	1	0
Building Standards Emergency Works	5	0	5	0
Looked After Children	2	0	2	0
ICT Security	1	0	1	0
Total	13	0	12	1

- 4.3 From the 13 recommendations tested, 7 were found to have been completed satisfactorily and 6 required further work.
- 4.4 For the 7 Audit recommendations that were found to have been completed satisfactorily (Contracting & Procurement 2 Medium-rated 1 Low-rated; Peebles High School 1 Medium-rated; Looked After Children 2 Medium-rated; ICT Security 1 Medium-rated), the evidence that was provided by Management indicated that the Audit recommendations had been implemented satisfactorily and the action taken had the desired outcome of improving internal control and governance, and reducing risk. This provides assurance of evidence-based continuous improvement.
- 4.5 Of the 6 Audit recommendations that were identified as requiring further work all were Medium-rated (1 Health and Safety; 5 Building Standards – Emergency Works). In all instances, action had been taken by Management to progress the recommendations though these had not been completed in their entirety to provide the improvements required and as initially agreed by Management. There has been positive engagement between Internal Audit and relevant Management to confirm the further work required and the timescales for their full implementation to improve internal control and governance, and reduce risk. These Audit recommendations have been re-opened on the Pentana system as 'in progress' to enable the remaining elements to be completed by relevant Management by the revised due dates (Health & Safety - 31 July 2021; Building Standards - Emergency Works - 31 August 2021).
- 4.6 The Corporate Management Team considered this report on 16 June 2021 as part of their senior Management oversight of progress with and outcomes from implementing Internal Audit recommendations. CMT concurs that it is unacceptable for Audit Actions to be marked as completed without the evidence to support this in full. CMT has encouraged relevant Management to ensure the further work is completed within the agreed timescales to achieve desired outcomes.
- 4.7 Internal Audit will continue to work with Directors and action owners as a critical friend to ensure the audit actions are fully completed with provision of evidence to support this, to demonstrate continuous improvement. Managers have been reminded that requests can be made to extend due dates if progress on implementation has not been as originally expected.

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.

- (c) Internal Audit recommendations also highlight potential risks and are taken into account when risk registers are reviewed and new risks are identified. Internal Audit is the third line in the governance of risk.

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). It does not relate to new/amended policy/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 The Corporate Management Team has been consulted on this report on 16 June 2021 as part of their Senior Management oversight of progress with and outcomes from implementing Internal Audit recommendations.

6.2 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 & Risk

Signature

Author(s)

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Background Papers: Appropriate Internal Audit files, and Pentana system
Previous Minute Reference: Audit and Scrutiny Committee 23 November 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.

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