
INTERNAL AUDIT WORK TO AUGUST 2021

Report by Chief Officer Audit and Risk

AUDIT AND SCRUTINY COMMITTEE

20 September 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 12 June to 27 August 2021 associated with the delivery of the approved Internal Audit Annual Plan 2021/22 is detailed in this report. A total of 2 final Internal Audit reports have been issued. There were 3 recommendations made associated with 1 of the reports (3 Medium-rated).
- 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 12 June to 27 August 2021 associated with the delivery of the approved Internal Audit Annual Plan 2021/22;**
 - 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; and**
 - c) Acknowledges the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**

3 BACKGROUND

- 3.1 The Internal Audit Annual Plan 2021/22 was approved by the Audit and Scrutiny Committee on 8 March 2021. To facilitate operational delivery an Internal Audit Programme of Work has been developed which provides an indication of when work is scheduled during the year, taking account of discussions with Management and availability of Internal Audit resources.
- 3.2 For each assurance audit: prior to commencement of the fieldwork, an Audit Assignment detailing the scope, objectives and timing is agreed with the relevant Service Management; and, at the conclusion of the fieldwork, a draft Report is issued to relevant Service Management for response on the factual accuracy and acceptance of the findings and recommendations, as appropriate, which is then issued as a final Report.

4 PROGRESS UPDATE

- 4.1 Internal Audit has carried out the following work in the period from 12 June to 27 August 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.
- 4.2 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

- 4.3 Internal Audit issued final assurance reports on the following subjects:
- Scottish Government Support Grants
 - Performance Management Local Government Benchmarking Framework (LGBF)
- 4.4 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.
- 4.5 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

4.6 Internal Audit assurance work in progress to complete the delivery of the Internal Audit Annual Plan 2021/22 consists of the following:

Audit Area	Audit Stage
Business Continuity	Drafting the Report
HR Policy Framework	Testing underway
Performance Management Framework	Testing underway
Homelessness	Testing underway
Digital Strategy (b/f from 2020/21)	Testing underway
Sustainable Environment	Testing underway
EU Funded Programme (LEADER)	Audit Assignment issued

Internal Audit Consultancy and Other Work

4.7 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 assurance through engagement in meetings of programmes and projects involving major change (Fit for 2024 Transformation Programme, Information Governance Group, Social Work Performance Board, Social Work Review Delivery Group, Commissioned Services Savings Delivery Group).
- b) Provided consultation feedback on financial policy framework (School Fund, Income Management, Debt Recovery).
- c) Learning and development for all Internal Audit team members during the research stage of new audit areas and through joining virtual audit forums and meetings, including the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) Conference 2021 sessions.
- d) The Chief Officer Audit & Risk joined CIIA Local Authority Forum and webinar on the topic of Inspiring Leadership in Internal Audit to share good practice and to keep knowledge of new developments up to date.
- e) The Principal Internal Auditor accessed CIIA webinar on Financial Sustainability and Cost Containment, and joined the CIIA Data Analytics Forum and Practitioners Forum, which are providing valuable insights.

Recommendations

4.8 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.

4.9 The table below summarises the number of Internal Audit recommendations made during 2021/22:

	2021/22 Number of Recs
High	0
Medium	3
Low	0
Sub-total reported this period	3
Previously reported	3
Total	6
Recommendations agreed with action plan	6
Not agreed; risk accepted	0
Total	6

5 IMPLICATIONS

5.1 Financial

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

5.2 Risk and Mitigations

- a) During the development of the Internal Audit Annual Plan 2021/22 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.

5.3 Integrated Impact Assessment

- (a) There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. 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).
- (b) The Internal Audit work is carried out in accordance with the appropriate legislation and professional standards. The latter includes compliance by those in the Internal Audit function with the Code of Ethics set out in the PSIAS which is appropriate for the profession of Internal Audit founded as it is on trust placed in its objective assurance about risk management, internal control and governance.

5.4 Sustainable Development Goals

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist.

5.5 Climate Change

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

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 **Data Protection Impact Statement**

There are no personal data implications arising from the content of this report.

5.8 **Changes to Scheme of Administration or Scheme of Delegation**

No changes are required to either the Scheme of Administration or the Scheme of Delegation as a result of the content in this report.

6 **CONSULTATION**

6.1 The Directors relevant to the Internal Audit reports issued have signed off the relevant Executive Summary within Appendix 1.

6.2 The Corporate Management Team, Director - Finance & Corporate Governance, Chief Legal Officer (and Monitoring Officer), Director – People Performance and Change, 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 29 June 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: Internal Controls</p> <p>Subject: Scottish Government Support Grants</p> <p>No: 087/001</p> <p>Date issued: 20 August 2021 Draft; 13 September 2021 Final</p> <p>Level of Assurance: Limited assurance on 3 of the 4 grants reviewed; Substantial assurance on the Spring Support Payment Grants.</p>	<p>The purpose of the review was to assess the adequacy of operational processes in place to administer the payment of Scottish Government Support Grants to ensure that they are appropriate and consistent.</p> <p>The Scottish Government Coronavirus Business Support Funds are administered by Scottish Borders Council to provide grant support to help businesses deal with the impact of Covid-19. The intention is to protect jobs, prevent business closure and promote economic recovery. There have been several different funds throughout the Covid-19 pandemic.</p> <p>SBC also administers the Scottish Government Self-Isolation Support Grants and Spring Support Payment Grants. These payments provide financial assistance to individuals advised to isolate due to Covid-19 and to parents of children who receive means-tested free school meals.</p> <p>The legislation surrounding these grants was complex and introduced a number of different grants that had to be incorporated into processes and procedures quickly to allow payments to be made in a timely manner.</p> <p>An 'Update on the Covid-19 Financial Support for Business' was presented to the Executive Committee on 18 May 2021 by the Executive Director Corporate Improvement & Economy. The report stated since April 2020 "The current value of funding distributed to local businesses by Scottish Borders Council is in excess of £70 million, with over 5770 businesses currently supported through the grant process".</p>	0	3	0	<p>Management Response:</p> <p>In general the findings are accurate; however for context the outcomes are a result of:</p> <ul style="list-style-type: none"> • the speed of deployment • lack of time and resources against volumes of work • competing priorities • the frequency of changes within SBC or SG • lack of clarity at start of schemes <p>This report reflects the outcomes driven by the pressures at the time which were exceptional and not the general standard of work or approach to administration undertaken by the service.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Scottish Government Support Grants (cont'd)	<p>The following best practice was found:</p> <ul style="list-style-type: none"> • Staff reacted quickly to a unique, fast changing situation to allow payments to be made to those in need. • Online forms were developed using conditional questions to determine eligibility. • The Spring Support Payment Grants were administered in accordance with Scottish Government criteria. <p>Grants may have been administered correctly but without the supporting evidence, Internal Audit can only provide Limited assurance on 3 of the 4 grants reviewed. Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave the grants vulnerable to being inconsistently administered and without a clear audit trail. Internal Audit are able to provide Substantial assurance on the Spring Support Payment Grant. Largely satisfactory risk, control, and governance systems are in place.</p> <p>The following recommendations for improvements are designed to be applicable to any further Scottish Government grants administered by SBC and to other similar activity:</p> <ul style="list-style-type: none"> • Management should ensure that the timeline of each grant is recorded to capture the specific details and changes made during the administration of the grant. (Medium) • Management should ensure that application forms include all specific and relevant information required to establish eligibility for grants to provide an appropriate audit trail. (Medium) • Management should ensure that staff are able to provide the correct information and supporting evidence to Internal Audit, with Management support if required. (Medium) 				<p>Management Response (cont'd):</p> <p>With that in mind and the lack of anticipated new schemes the timelines for actions have been set several months ahead.</p> <p>Internal Audit will liaise with the Service as a critical friend during the development of the improvement actions to ensure the redesigned internal controls are proportionate to the risks and take account of limited resources.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Corporate Governance</p> <p>Subject: Performance Management Local Government Benchmarking Framework (LGBF)</p> <p>No: 016/016</p> <p>Date issued: 26 August 2021 Draft; 13 September 2021 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to provide independent validation of performance indicators which are reported on an annual basis to the Improvement Service as part of the Local Government Benchmarking Framework (LGBF).</p> <p>The LGBF brings together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them. The data is from all Scottish Councils which represent very diverse communities in terms of geography, population, deprivation levels and community needs.</p> <p>Scottish Borders Council reports on 11 Performance Indicators which cover a range of services which the Council and partners provide. They fall under 4 headings: Corporate; Corporate Assets; Culture & Leisure; and Environment.</p> <p>Individual Services are responsible for providing the data to the Performance Team for the LGBF return. There was an improved process this year, where all backing papers were provided with the returns as requested.</p> <p>Our validation testing found anomalies for only one (1) of the indicators. It was agreed that this was an error and a revised performance indicator was submitted.</p> <p>Internal Audit considers the final figures for the 11 performance indicators provided and reported in the LGBF return 2020/21 to be reasonable and accurate, after noted amendment, and is able to provide Substantial assurance. The individual data collection methods applied by the Services are adequate though there is scope for improvement in the process and Management oversight (specifically implementation of the outstanding recommendation) to ensure data is complete, accurate and provided on time.</p>	0	0	0	<p>Management have accepted the factual accuracy of the report and its findings.</p> <p>The LGBF return was discussed by Corporate Management Team on 18 August 2021 prior to its submission on the 25 August 2021 to meet the deadline of 31 August 2021.</p>