
FOLLOW-UP REVIEW 2021-22 OF COMPLETED INTERNAL AUDIT RECOMMENDATIONS

Report by Chief Officer Audit & Risk

AUDIT AND SCRUTINY COMMITTEE

14 March 2022

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 2021.**
- 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 2021 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 reports on progress Management have made in implementing the recommendations by the expected date (presented to 22 November 2021 Audit and Scrutiny Committee). The second 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).
- 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 6 Internal Audit recommendations were selected that had been marked as completed on the Pentana system by Management during the period January to December 2021. 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
ICT Security	1	0	1	0
Risk Management	2	0	2	0
Scottish Government Support Grants	3	0	3	0

- 4.3 From the 6 recommendations tested, 6 were found to have been completed satisfactorily.
- 4.4 For the 6 Audit recommendations that were found to have been completed satisfactorily (ICT Security 1 Medium-rated; Risk Management 2 Medium-rated; Scottish Government Support Grants 3 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 The Strategic Leadership Team (Chief Executive and Directors) considered this report on 2 March 2022 as part of their senior Management oversight of progress with and outcomes from implementing Internal Audit recommendations.
- 4.6 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.
- 4.7 A further update on progress with the implementation of Internal Audit recommendations will be included within the Internal Audit Annual Assurance Report 2021/22 for Scottish Borders Council which is scheduled for presentation to the Audit and Scrutiny Committee in June 2022.

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 of defence in the governance of risk.

5.3 **Integrated Impact Assessment**

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).

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 Strategic Leadership Team (Chief Executive and Directors) have received quarterly update reports on Internal Audit recommendations, including this report, to enhance the senior Management monitoring and oversight of progress.

6.2 In addition, the Chief Legal Officer (and Monitoring Officer), 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 and Pentana system

Previous Minute Reference: Audit and Scrutiny Committee 22 November 2021

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