
INTERNAL AUDIT WORK TO OCTOBER 2022

Report by Chief Officer Audit and Risk

AUDIT COMMITTEE

12 December 2022

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide members of the Audit 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 August to 31 October 2022 associated with the delivery of the approved Internal Audit Annual Plan 2022/23 is detailed in this report. A total of 5 final Internal Audit reports have been issued. There were 6 recommendations made associated with 2 of the reports (3 Medium-rated; 3 Low-rated).
- 1.3 An Executive Summary of the final Internal Audit assurance 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 Committee:**
 - a) Notes the Executive Summaries of the final Internal Audit assurance reports issued in the period from 1 August to 31 October 2022 associated with the delivery of the approved Internal Audit Annual Plan 2022/23;**
 - b) Notes the 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 2022/23 was approved by the Audit and Scrutiny Committee on 14 March 2022. 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 1 August to 31 October 2022 associated with the delivery of the Annual Plan 2022/23.
- 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.

Completed Internal Audit Assurance Reports

- 4.3 Internal Audit issued final assurance reports on the following subjects:
- Assessor Service (b/f from 2021/22)
 - Public Protection
 - Hawick Conservation Area Regeneration Scheme (CARS)
 - Adult Social Care: Self-Directed Support
 - Members Allowances
- 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 2022/23 consists of the following:

Audit Area	Audit Stage
Jedburgh Conservation Area Regeneration Scheme (CARS)	Awaiting guidance from funder Historic Environment Scotland on specific matters
Economic Development Funded Programmes - UK Community Renewal Fund	Testing underway
Passenger Transport	Testing underway
Procurement	Testing underway
Payroll	Testing underway
Benefits Assessments	Testing underway
Housing Strategy	Testing underway
Corporate Transformation – Digital	Testing underway
Fleet Management	Testing underway
Financial Planning, Budgeting & Monitoring, including Workforce Planning	Testing underway
Schools Financial and Business Administration Processes	Testing underway

Changes to Internal Audit Planned Assurance Work

4.7 The following changes have been made to the Internal Audit Annual Plan 2022/23 to reflect changes in risks and assurance requirements:

- a) The planned Internal Controls assurance audit on Residential Care Homes (Review of internal financial controls and administrative procedures in place in Council-managed establishments for the effective delivery of services) has been removed from the Internal Audit Annual Plan 2022/23 in agreement with the Director Strategic Commissioning and Partnerships. Due to changes in processes and practices being implemented, this has been designated as an Internal Audit consultancy review in a 'critical friend' role.
- b) The planned Internal Controls assurance audit on Homecare (Controls are adequate to ensure homecare provision is in place for those in need, and financial controls and administrative procedures are sound to safeguard Council and client funds) has been removed from the Internal Audit Annual Plan 2022/23 in agreement with the Director Strategic Commissioning and Partnerships. Due to changes in processes and practices being implemented, this has been designated as an Internal Audit consultancy review in a 'critical friend' role.

Internal Audit Consultancy and Other Work

4.8 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 Programme Board, Sustainability Board).

- b) Learning and development is undertaken by all Internal Audit team members during the research stage of new audit areas, and through joining appropriate webinars and completing mandatory e-Learning courses.
- c) One of the Internal Auditors has passed her final exams to become a professionally qualified Certified Internal Auditor, and has been promoted to one of the vacant Senior Internal Auditor posts in accordance with the Audit and Risk People Plan.
- d) The Chief Officer Audit & Risk is the Chair of the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) and a member of the CIIA Local Authority Forum whose virtual meetings provide the opportunity to share good practice and to keep knowledge of new Internal Audit developments up to date. The Chief Officer Audit & Risk and the Principal Internal Auditor joined virtual CIIA webinars on the topics of 'Risk in Focus 2023'; 'Risk Appetite and Risk Tolerance'; and 'Wellbeing – Future Generations and Auditing Wellbeing'. The Principal Internal Auditor is a member of CIIA Practitioners Forum, CIIA Data Analytics Forum and CIIA Fraud Forum, whose virtual meetings are providing valuable insights.
- e) The Chief Officer Audit & Risk provided support in the advertising, recruitment and selection processes for the External Members Audit Committee.

Recommendations

4.9 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.

4.10 The table below summarises the number of Internal Audit recommendations made during 2022/23:

	2022/23 Number of Recs
High	0
Medium	3
Low	3
Sub-total reported this period	6
Previously reported	7
Total	13
Recommendations agreed with action plan	13
Not agreed; risk accepted	0
Total	13

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 2022/23 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 during the preparation of the Internal Audit Strategy and Plan 2022/23. Good governance is important to enable Scottish Borders Council to achieve its objectives, including those supporting sustainable development.

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 in this report. The Internal Audit work is carried out in accordance with the appropriate legislation and professional standards.

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 Strategic Leadership Team has been consulted on this report to ensure their awareness and oversight of internal control, governance and risk arrangements and any matters requiring their attention.
- 6.3 The Acting Chief Financial Officer, 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 Committee 12 September 2022

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: Financial Governance</p> <p>Subject: Members Allowances</p> <p>No: 022/014</p> <p>Date issued: 31 October 2022 Draft; 16 November 2022 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the audit was to review that adequate controls are in place to ensure Members allowances and expenses are accurate, and are paid correctly and timely.</p> <p>The Ethical Standards in Public Life etc. (Scotland) Act 2000 defines the behaviours required from elected members. Standards are set out in the Code of Conduct for Councillors issued by the Scottish Government. It is a requirement of the above Act that elected members’ remuneration and expenses are made public. The Democratic Services team provides advice and guidance to the elected members regarding their remuneration, expenses and allowances. The information is summarised in an annual report that is published on the Council’s website, to ensure transparency of remuneration and expenses and compliance with the Act.</p> <p>The following examples of good practice were identified:</p> <ul style="list-style-type: none"> • Policies and procedures, which comply with Scottish Government requirements, are reviewed and updated periodically, prior to elections taking place. • Good communication processes are in place, including issuing correspondence, arranging training events and the new protocol on working relationships with councillors. <p>Internal Audit are able to provide Substantial assurance that Councillors’ remuneration, allowances and other expenses are paid as set by Scottish Borders Council and Scottish Government.</p> <p>Internal Audit have made the following recommendations:</p> <ul style="list-style-type: none"> • Develop a policy on Councillor training to provide clarity on requirements to facilitate training needs assessment, monitoring and evaluation. (Low) • Design and use an electronic process for reimbursement of Councillors’ expenses, in line with the Digital Strategy, that would still comply with national guidelines/requirements. (Low) 	0	0	2	<p>Management have accepted the factual accuracy of the report and its findings, and have agreed to implement the recommendations.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Internal Controls</p> <p>Subject: Assessor Service (b/f from 2021/22)</p> <p>No: 053/006</p> <p>Date issued: 13 September 2022 Draft; 27 September 2022 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the audit was to assess that there are adequate controls to ensure that statutory responsibilities are discharged appropriately to provide and maintain the valuation roll and to ensure timely and correct value assessment of properties to meet statutory requirements, standards and practices.</p> <p>New arrangements relating to self-catering units came into force with effect from April 2022. Self-catering units which are currently in the valuation roll and liable for non-domestic rates (NDR) will only remain so liable provided that additional criteria are satisfied.</p> <p>The Assessor has been proactive in notifying operators of the change and has provided Customer Services with some guidance on answering operator enquiries. Information about the change to legislation was included in the 2022/23 NDR bills. The Assessor has liaised with the Scottish Assessors Association to understand how other Assessors are preparing to administer the change.</p> <p>The change in legislation is relatively straightforward and will not present the Assessor with any significant technical difficulties, although it is very probable the logistics will be problematic, as the Assessor cannot influence when information comes in and in what numbers or whether the information supplied by the operator will be sufficient to make a decision. The Assessor has undertaken some scenario planning which indicates significant strain on current resources.</p> <p>Internal Audit are able to provide Substantial assurance. Largely satisfactory risk, control, and governance arrangements are in place or have been planned to be in place at an appropriate time. The changes in legislation will likely adversely impact on resources within the Assessor Service, although there is a degree of uncertainty as to the precise extent to which this will occur.</p> <p>Internal Audit 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: Legislative and Other Compliance</p> <p>Subject: Hawick Conservation Area Regeneration Scheme (CARS)</p> <p>No: 154/031</p> <p>Date issued: 28 September 2022 Draft; 04 October 2022 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to examine and evaluate compliance with the scheme rules and contract, including auditing requirements, specifically: Historic Environment Scotland Clause 5 (Auditing Procedures) of the contract signed 5 April 2019.</p> <p>Hawick Conservation Area Regeneration Scheme (CARS) Partnership Project between Historic Environment Scotland (HES), South of Scotland Enterprise (SOSE) (previously South of Scotland Economic Partnership) and Scottish Borders Council (SBC) started in 2019/20. Its purpose, to undertake heritage and conservation based regeneration activities within Hawick town centre over a six year period from 2019 to 2025.</p> <p>This is being achieved through the award of grants to property owners for external fabric building repairs and complementary initiatives relating to upgrading the public realm, education and training opportunities.</p> <p>The revenue project budget is £1.575m jointly funded by HES (£1.315m), SOSE (£60k) and SBC (£200k).</p> <p>Robust documented processes are in place which cover the key stages starting with an enquiry through to payment of the grant based upon evidence of completed work to payment. The management of the scheme is fundamentally sound and run substantially in accordance with the requirements of the contract, and appropriate controls exist around segregation of duties and authorisations were in operation.</p> <p>Budget monitoring reports are produced monthly which covers relevant areas including Hawick CARS. The Project Officer maintains a financial spreadsheet that records expenditure for grants on the basis of offers made to overcome the timing differences between grant offer and claim by the Grantees.</p> <p>Internal Audit are able to provide assurance of substantial compliance with the scheme rules and the HES contract.</p>	0	0	0	<p>Management have confirmed the factual accuracy and accepted the findings of the audit report.</p> <p>The submission to Historic Environment Scotland, on 30 September 2022 to meet the requirements, included the assurance conclusions from this Internal Audit report within an Accountant's Report and the Abstract Accounts 2021/22 for Hawick CARS.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Internal Controls</p> <p>Subject: Adult Social Care - Self-Directed Support</p> <p>No: 181/004</p> <p>Date issued: 06 October 2022 Draft; 31 October 2022 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the audit was to assess that the internal financial controls and governance arrangements regarding Self Directed Support (SDS) ensure that national policy objectives are being met and public funds are safeguarded.</p> <p>The Social Care (Self-directed Support) (Scotland) Act 2013 came into force on the 1 April 2014. Self-directed support is offered to people for their social care requirements that social work pay for. It is support which helps people to have better lives, ensures they have the same freedom and choices, and they get support when they need it. People are encouraged to plan for the future, and can plan for emergencies.</p> <p>Self directed support places duties on the local authority:</p> <ul style="list-style-type: none"> • Clients must be involved in assessment and planning as they wish. These should be completed collaboratively and participation facilitated between the client and the social worker • The local authority must provide or signpost information to allow service users to make informed decisions; must provide reasonable assistance to enable a person's views to be heard; ensure that any choices are informed through consideration of impact implication. <p>Client records are held in the Mosaic system, which contains all the care plans and relevant information relating to the client. Maintaining client records is the responsibility of the relevant Social Worker.</p> <p>The existing payment processes are due for a major change (in October 2022) as an interface between Mosaic and Business World (BW) systems has been developed. This demonstrates good collaboration between the Care Resource Team (CRT), Accounts Payable (AP) and Finance.</p>	0	3	1	Management have accepted the factual accuracy of the report and its findings, and have agreed to implement the recommendations.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Adult Social Care - Self-Directed Support (cont'd)	<p>Internal Audit are able to provide substantial assurance. Largely satisfactory risk, control, and governance systems are in place. There is some scope for improvement, such as: development of a structured policy review timetable; re-establishing Management Information; ensuring changes to care plans are actioned timeously; and completing a reconciliation process. There is urgency in respect of implementing the latter recommendation as part of the development of an interface between Mosaic and Business World systems.</p> <p>Internal Audit have made the following recommendations:</p> <ul style="list-style-type: none"> • A structured timetable for SDS policy review and update should be established to formalise the process ensuring a consistent approach is followed. (Low) • Monitoring and reporting should be re-instated to provide meaningful and accurate data regarding SDS for senior management. (Medium) • Locality Managers should ensure that changes to Clients SDS care plans are actioned timeously. (Medium) • A full reconciliation should be completed of data held in Mosaic against data held in the Access Database prior to the Go-Live date – now set for 21 November 2022. (Medium) 				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Internal Controls</p> <p>Subject: Public Protection</p> <p>No: 183/002</p> <p>Date issued: 04 October 2022 Draft; 31 October 2022 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the audit was to review the governance arrangements, including roles and responsibilities of partners, to ensure statutory obligations are met, for both adults and children.</p> <p>From the transition to an integrated Public Protection Committee (PPC) model in January 2020, the PPC has fulfilled the statutory roles the of Adult Support Protection Committee and the Child Protection Committee as well as incorporating Justice Services, Violence against Women and Girls, CONTEST/Prevent and Serious & Organised Crime. The PPC reports to the Critical Services Oversight Group (CSOG), an executive level group with representation from the Council, NHS Borders and Police Scotland.</p> <p>Throughout the Covid-19 pandemic the PPC met remotely to ensure that local public protection services continued to operate effectively, and CSOG maintained an overview of public protection services, ensuring that a clear focus was maintained on Child Protection, Adult Support & Protection, and Domestic Abuse. During our audit we noted that the Independent Chair of the PPC resigned; a new Chair is now in place.</p> <p>Policies and procedures are currently undergoing review, and these will be updated and made available when the review is complete. A Joint Learning and Development Framework identifies a broad set of competencies and shared learning aims to enable consistency of training provision across all public protection areas. Training is delivered both on-line via Teams and face to face. The current information sharing protocol is being reviewed to ensure compliance with GDPR.</p> <p>Internal Audit are able to provide substantial assurance. Largely satisfactory risk, control, and governance systems are in place to meet statutory obligations. Internal Audit have made no recommendations at this time; however, Internal Audit have made suggestions for improvement actions.</p>	0	0	0	Management have accepted the factual accuracy of the report, its findings and suggestions for improvement actions.