
PROGRESS WITH IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

Report by Chief Officer Audit and Risk

AUDIT COMMITTEE

12 December 2022

1 PURPOSE AND SUMMARY

- 1.1 The purpose of the report is to provide an update to Members of the Audit Committee on the status of the implementation by Management of audit recommendations made and agreed in Internal Audit reports during 2021/22 and previous years.**
- 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 Committee includes the 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 Committee:**
 - a) Acknowledges the progress made by Management in implementing Internal Audit recommendations to improve internal controls and governance, and mitigate risks;**
 - b) Considers whether it is satisfied with the progress or whether any further action is required; and**
 - c) Notes that Internal Audit will continue to monitor the completion of outstanding 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 address the identified weaknesses and mitigate risks. At Internal Audit Final Report stage the Audit Recommendations are input to Pentana Risk (previously Covalent), the Council's corporate performance management system. This is designed to assist with Management tracking of implementation, link with relevant risks and evidence improvement.
- 3.4 The Remit of the Audit Committee includes the 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. An update report on Progress with Implementation of Internal Audit Recommendations was presented to the Audit and Scrutiny Committee on 22 November 2021. Furthermore, a Follow-Up Review of Completed Internal Audit Recommendations was presented to the Audit and Scrutiny Committee on 14 March 2022.
- 3.5 Internal Audit continues to perform its standard quarterly follow-up activity to check that recommendations have been implemented and to ensure that the new controls had the desired effect on improving internal control and governance, and reducing risk. Internal Audit works with Management to address any actions that become overdue, and bring any matters to the attention of the Audit Committee.
- 3.6 The Audit and Scrutiny Committee 25 November 2019 decision "Requested that the Corporate Management Team determine an escalation process to address those Internal Audit recommendations not completed within the agreed timescale". In response, quarterly update reports on Internal Audit recommendations have been presented to the Corporate Management Team / Strategic Leadership Team to enhance the senior Management monitoring and oversight of progress (with the latest one presented on 27 July 2022).

4 PROGRESS UPDATE

4.1 The following table highlights the status as at 24 November 2022 of Internal Audit recommendations from current and previous years:

Year	Total	Implemented	Not Yet Due	Overdue
2019/20	40	38	2	0
2020/21	8	7	1	0
2021/22	32	12	20	0
2022/23 to Nov	13	3	10	0

4.2 Further details on those Internal Audit recommendations that are not yet fully implemented are shown in Appendix 1.

4.3 There are occasions when it is necessary to grant extra time to complete recommendations. Some Managers have proposed extensions to due dates which have been approved by Internal Audit based on the further work required to implement these recommendations in full, as highlighted in the Appendix. The Pentana Risk system has been updated accordingly.

4.4 Internal Audit will complete an annual audit in the fourth quarter of each year on a sample of Internal Audit actions that have been completed within the preceding calendar year. The purpose of this Follow-up activity will be to check the evidence that improvement action has been undertaken and to ensure that the new controls or governance had the desired effect on improving internal control and governance. The findings will be presented to the Strategic Leadership Team and then to the Audit Committee. This practice is to provide additional assurance on the evidence of improvement in internal controls, risk management and governance as part of its continuous improvement processes.

4.5 A further update on progress with the implementation of Internal Audit recommendations will be included within the Internal Audit Annual Assurance Report 2022/23 for Scottish Borders Council, which is scheduled for presentation to the Audit Committee in May 2023.

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 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

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 has been consulted on this report and any comments received have been taken into account.
- 6.2 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 and Pentana system

Previous Minute Reference: Audit and Scrutiny Committee 22 November 2021

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