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## **INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2022/23**

**Report by Chief Officer Audit and Risk**

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### **AUDIT COMMITTEE**

**10 May 2023**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to present to the Audit Committee the Internal Audit Annual Assurance Report for the year to 31 March 2023, which includes the Chief Officer Audit & Risk's independent assurance opinion on the adequacy of the Council's overall control environment.**
- 1.2 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive (CAE), the Council's Chief Officer Audit & Risk, provides an annual internal audit opinion and report on the adequacy and effectiveness of the Council's governance, risk management and internal controls to support the preparation of the Annual Governance Statement. This is in support of the overall governance arrangements of the Council, as set out in the Local Code of Corporate Governance.
- 1.3 The Remit of the Audit Committee, relevant to the content of this report, indicates that it should:
- Assess the adequacy and effectiveness of the Council's systems of internal financial control and framework of internal control, risk management and corporate governance arrangements, and consider annual assurance reports.
  - Monitor and review the performance of Internal Audit, conformance to the Public Sector Internal Audit Standards and code of ethics.
- 1.4 To meet the requirements of the PSIAS the Internal Audit Annual Assurance Report 2022/23, at Appendix 1, includes the annual Internal Audit opinion, provides details of the Internal Audit activity and performance during the year to fulfil its role, and summarises the outcomes of assessments of the Internal Audit service against the PSIAS.

#### **2 RECOMMENDATIONS**

##### **2.1 I recommend that the Audit Committee:**

- a) Considers the Internal Audit Annual Assurance Report 2022/23 (Appendix 1) and assurances contained therein; and**
- b) Provides any commentary thereon, including any further actions required by Management.**

### **3 BACKGROUND**

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 that came into force on 10 October 2014 require a local authority to operate a professional and objective internal auditing service. This service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the *Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector (PSIAS)*. The standards require Internal Audit to have suitable operational independence from the organisation.
- 3.2 The Public Sector Internal Audit Standards (PSIAS) 2017 require that:  
"The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.  
The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.  
The annual report must incorporate:
- the opinion;
  - a summary of the work that supports the opinion; and
  - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."
- 3.3 The Remit and Terms of Reference of the Audit Committee, relevant to the content of this report, indicates that it should:
- Assess the adequacy and effectiveness of the Council's systems of internal financial control and framework of internal control, risk management and corporate governance arrangements, and consider annual assurance reports.
  - Monitor and review the performance of Internal Audit, conformance to the Public Sector Internal Audit Standards and code of ethics.

### **4 INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2022/23**

- 4.1 The Internal Audit Annual Assurance Report 2022/23, at Appendix 1, includes the Chief Officer Audit & Risk's (chief audit executive) independent and objective opinion regarding the adequacy and effectiveness of the Council's governance, risk management and internal controls. It also provides details of the Internal Audit activity that supports the opinion and of the performance during the year to fulfil its role, and summarises the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS).
- 4.2 Internal Audit's purpose is to support the Council in its activities, designed to achieve its declared objectives for the benefit of Scottish Borders' communities and other stakeholders.
- 4.3 The Internal Audit Annual Assurance Report 2022/23 provides assurances in relation to the Council's corporate governance framework that is a key component in underpinning the delivery of the Council's outcomes and priorities in accordance with its values as set out within the Council Plan. The key messages of assurance and areas of improvement set out in the Internal Audit Annual Assurance Report 2022/23 will be used to inform the Annual Governance Statement 2022/23.

## **5 IMPLICATIONS**

### **5.1 Financial**

The Local Authority Accounts (Scotland) Regulations 2014 that came into force on 10 October 2014 require a local authority to operate a professional and objective internal auditing service.

The net cost of the Internal Audit service was £273k (2021/22 £259k). The net service expenditure (100%) relates to staff resources totalling 5.5 FTE comprising Chief Officer Audit & Risk (50% for Internal Audit activity), one Principal Internal Auditor, two Senior Internal Auditors (one is an interim contractor), and two Internal Auditors. These resources are for the provision of Internal Audit services to prepare annual opinions on the adequacy of the overall control environment for Scottish Borders Council, Scottish Borders Council Pension Fund, and Scottish Borders Health and Social Care Integration Joint Board.

### **5.2 Risk and Mitigations**

The PSIAS require Internal Audit to evaluate the effectiveness of the Council's Risk Management arrangements and contribute to improvements in the process. Each Internal Audit engagement has been risk-based and, where appropriate, has tested the specific Service's management of risk, with recommendations made to improve compliance with the Council's Risk Management Policy.

Internal Audit provides assurance to the Council Management Team and the Audit Committee on the adequacy and effectiveness of internal controls, governance and risk management within the Council, highlights good practice and recommends improvements. Key components of the audit planning process include a clear understanding of the Council's functions, associated risks, and range and breadth of audit areas for inclusion within the Annual Plan. There is effective liaison between Internal Audit and the Corporate Risk Officer on an on-going basis to ensure that risks are considered in every audit and that risk reviews take account of findings and improvements arising from Internal Audit work.

Continuous improvements in internal controls and governance arrangements can be demonstrated through Management-initiated actions complemented by the implementation of Internal Audit recommendations. It is anticipated that further improvements in the management and mitigation of risks will arise as a direct result of Management implementing the Internal Audit recommendations made during the year or outstanding from previous years, which will enable Management to demonstrate further improvement in internal controls and governance arrangements.

Delivery of the Internal Audit services in conformance with the PSIAS will enable the Council to meet the requirements of the Local Authority Accounts (Scotland) Regulations 2014 to review findings of assessments as part of the consideration of the system of internal control required by regulation 5.

### **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). This report does not relate to new or amended policy or strategy and as a result an integrated impact assessment is not an applicable consideration.

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, alongside the Internal Audit Charter. Good governance is important to enable Scottish Borders Council to achieve its objectives, including those supporting sustainable development. During the year 2022/23 the Internal Audit function adopted a continuous audit approach to assess governance arrangements and progress with action plans to meet climate change obligations and sustainable environmental programmes, including observation of the Sustainability Board.

#### **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. Arising from the in-year Internal Audit review referred to in paragraph 5.4, the Internal Audit Strategy for 2023/24 has been amended to include integrating climate change into all assurance audits as a cross-cutting risk to provide assurance that the underlying controls and processes in all Services that support climate change commitments, plans and programmes are operating as intended.

#### **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 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 Directors have been advised to take into account the findings from Internal Audit work during the year when completing their internal control and governance assurance statements as part of the annual self-evaluation and assurance process for the Council's Annual Governance Statement 2022/23.

6.2 The Chief Officer Audit & Risk (*chief audit executive*) is required to give an independent opinion on the Council's governance, risk management and internal controls. This report and Appendix 1 have been presented to the Council Management Team to outline the key messages of assurance and areas of improvement.

6.3 The Acting Chief Financial Officer, Interim Chief Officer Corporate Governance (Monitoring Officer), the Director People, Performance & Change, the Clerk to the Council and the Communications team have been consulted on this cover report and any comments received have been incorporated.

**Approved by**  
**Jill Stacey, Chief Officer Audit & Risk      Signature .....**

**Author(s)**

Name	Designation and Contact Number
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**Background Papers:** Appropriate Internal Audit files

**Previous Minute Reference:** Audit and Scrutiny Committee 27 June 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](mailto:intaudit@scotborders.gov.uk)

## Chief Officer Audit & Risk's Annual Assurance Report and Opinion 2022/23 for Scottish Borders Council

### 1 Introduction

- 1.1 It is Management's responsibility to design and maintain proper risk management, governance and internal control processes and systems to ensure probity in systems and operations, including the prevention, detection and resolution of fraud and irregularities. Management is also responsible for checking that the arrangements and controls are operating effectively. These are known as the first and second lines, which are not fixed but evolve as the Council changes.
- 1.2 Internal Audit, as the third line, 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; and objectively provides relevant assurance.
- 1.4 The Objectives of Internal Audit are set out in its Charter: As part of Scottish Borders Council's system of corporate governance, Internal Audit's purpose is to support the Council in its activities designed to achieve its declared objectives and to do so:
- In support of the Council's vision, values and priorities.
  - As a contribution to the Council's corporate management of risk.
  - As an aid to ensuring that the Council and its elected members, employees and contracted third parties are operating within the law and relevant regulations.
  - As a contribution towards establishing and maintaining a culture of honesty, integrity, openness, accountability and transparency throughout the Council in all its activities and transactions.
  - As a contribution towards ensuring that financial statements and other published performance information are accurate and reliable.
- 1.5 The Public Sector Internal Audit Standards (PSIAS) (2017) requires that:  
 "The chief audit executive (*the Council's Chief Officer Audit & Risk*) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- The annual report must incorporate:
- the opinion;
  - a summary of the work that supports the opinion; and
  - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."

1.6 This Annual Report provides the annual internal audit opinion and summarises the work carried out by Internal Audit during the year to 31 March 2023 that underpins the opinion in accordance with the Internal Audit Charter, Strategy and Annual Plan 2022/23. The report also summarises the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS).

## **2 Opinion on the systems of Internal Control and Governance**

- 2.1 My opinion is that there are generally sound systems of governance, risk management and control in place across the Council. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.
- 2.2 Internal Audit reports during the year confirm improvements in internal controls, governance, and risk management through Management-initiated actions complemented by their implementation of Internal Audit recommendations. Recent progress has been made on the one outstanding recommendation from 2019/20 (of 40 in total), as well as the one outstanding recommendation from 2020/21 (of 8 in total). In addition, Management have implemented 16 of the 32 recommendations made in 2021/22. This is a positive position given the significant pressures on Council officers, and their hard work is recognised by Internal Audit.
- 2.3 Reasonable assurance can be provided on the adequacy of the internal controls and governance arrangements in place. The key governance documents have been reviewed and updated where required, including: Local Code of Corporate Governance (30 March 2023); Interim Scheme of Administration (24 November 2022); Procedural Standing Orders (25 August 2022); Scheme of Delegation (31 March 2022); Financial Regulations (22 February 2022); Procurement & Contract Standing Orders (January 2021); and Codes of Conduct for Councillors and for Employees. A new Member Officer Relationships Protocol was developed to complement the Councillor Code of Conduct to provide a framework and guidance; a valuable resource given the large number of new elected members post-local elections 2022 (August 2022). The Local Code of Corporate Governance reflects the appropriate framework for effective governance of the Council's affairs and facilitates the exercise of its functions to deliver best value.
- 2.4 The Council continues to make progress in embedding Risk Management and awareness ensuring that the risks to achieving corporate objectives are systematically identified, analysed, evaluated, controlled, monitored and reported regularly. Corporate and Service Risk Registers are subject to regular review by those Managers who are allocated the responsibilities for managing individual risks. The Council Management Team received quarterly updates on risk management, and the Audit Committee received an annual report and risk presentations during the year to fulfil their role of oversight of how risks are managed. In response to prior year Internal Audit recommendations, the Business Continuity Policy has been updated and the Continuity2 system has been upgraded. Further improvements are required on the Council's Business Continuity Framework to ensure adequate support resources are deployed, and a programme of testing is developed and implemented to demonstrate that business continuity is being applied in practice.
- 2.5 Management have agreed further recommendations, as highlighted in Internal Audit reports during the year 2022/23. The common issues, non-compliance or scope for improvement were: keeping policies and procedures up-to-date which is of particular importance during a period of change; and the need for Senior Management to carry out second line monitoring of controls for assurance purposes, for example, performance management and training completion, though the latter is an improving position.
- 2.6 The Council Management Team should continue to oversee implementation of Internal Audit recommendations to demonstrate continuous improvement. In light of the complex operating environment there is a need for Senior Management to carry out second line monitoring of controls for assurance purposes relating to the most significant risks.

### 3 Internal Audit Annual Plan 2022/23 Delivery

- 3.1 The whole Internal Audit team continued in 2022/23 to work from home, facilitated by the use of MS Teams and access to network drives and business applications, to complete their audit engagements. The level of Actual Audit Days was broadly same as the Plan in total (100%). There has been no impairment to the independence or objectivity of the Internal Audit function arising from the deferment of some audits nor from consultancy work undertaken during the year.
- 3.2 The following revisions to the Internal Audit Annual Plan 2022/23 were approved by the Audit Committee (*date notified*):
- Complaints (Corporate Governance) - deferred to 2023/24 in agreement with the Director Resilient Communities to align with the implementation of the new policy and procedures (*13 March 2023*)
  - Residential Care Homes (Internal Controls) and Homecare (Internal Controls) - these activities were designated as an Internal Audit consultancy review on Care Homes and Care At Home in a 'critical friend' role, in agreement with the Director Strategic Commissioning & Partnerships, to oversee process changes being designed and implemented and to augment risk management and quality assurance practices. (*12 December 2022 and 13 February 2023*)
  - Property (Asset Management) - deferred to 2023/24 in agreement with the Director Infrastructure and Environment to align with the determination of a resourcing model and the development of an implementation action plan associated with the Estates Strategy that is awaiting finalisation and approval by Council. (*13 February 2023*)
- 3.3 The range and breadth of Internal Audit work that has been performed during the year, which is listed below, is sufficient to inform the Internal Audit assurance opinion.

#### **Corporate Governance Audits**

- 3.4 To provide assurances in relation to the Council's corporate governance framework that is a key component in underpinning delivery of the corporate objectives and priorities within the Council Plan, reviews included (*date reported to Audit Committee*):
- Corporate Governance (Assessment of progress on implementation of improvement actions within the Annual Governance Statement 2021/22. Led the review and refresh of the Council's Local Code of Corporate Governance by Officer Working Group – (*Audit Committee scrutiny 13 March 2023; Council approval 23 March 2023*). Annual evaluation against the Local Code of Corporate Governance to determine whether the arrangements are operating as described. Prepare this Annual Assurance Report for Management and the Audit Committee, forming the statutory opinion on the adequacy of the Council's arrangements for governance, internal control and risk management.) - *10 May 2023*.
  - Information Governance (Continuous audit approach to review the Information Governance framework including roles and responsibilities, policy development and implementation, to assess compliance with legislation, and provide annual assurance to the Senior Information Risk Owner) - *10 May 2023*.
  - Performance Management LGBF (Provide independent validation of performance indicators and benchmarking information, specifically to ensure accuracy of data submitted on an annual basis to the Improvement Service as part of the Local Government Benchmarking Framework.) – *12 September 2022*.
  - Performance Management Framework (Continuous audit approach to assess progress of the review and enhancement of the Council's Performance Management Framework.) – *10 May 2023*.



- Corporate Transformation Programme - Fit for 2024 (Continuous audit approach to review the governance and accountability arrangements, including processes for benefit (financial and other) identification, tracking and realisation (return on investment and value for money), and evaluation of outcomes and lessons learned.) – *10 May 2023*
- Workforce Planning (Review of approach to people planning and succession planning in alignment with business and financial planning processes to provide skills, knowledge and competency requirements for service delivery to meet the Council's objectives.) – *12 September 2022*
- Attendance Management (There are adequate controls in place to manage short and long term absences to minimise the impact on service delivery.) – *12 September 2022*
- Business Planning, Budget Setting, Monitoring and Reporting (Ensure business plans are aligned to Council priorities, that the systems and procedures for preparing, monitoring and controlling the budget, including financial savings, are robust, that the roles and responsibilities of budget holders are clear, and there is transparency of reporting to Elected Members.) – *10 May 2023*
- Contract Management - Strategic Contracts: CGI and Live Borders (Review of the Council's Strategic Contract Management and Contract Monitoring arrangements associated with the service provision agreement with the Integrated Sports and Culture Trust, Live Borders, and the IT contract with CGI, including roles and responsibilities, to ensure that there are adequate governance and effective internal controls in place.) – *12 September 2022.*
- Partnering Arrangements (Assess the governance and strategic arrangements in place to ensure they are robust; roles and responsibilities of partners are clearly defined; and controls are in place to ensure resources are used effectively.) – *10 May 2023*

#### **Financial Governance Audits**

3.5 To provide assurance on the internal financial controls in place and substantive testing of transactions to ensure completeness and accuracy of data in core financial systems, reviews included:

- Members Allowances (Adequate controls are in place to ensure Members allowances and expenses are accurate, and are paid correctly and timely.) – *12 December 2022*
- Payroll (Compliance testing of controls at Service level, including assurance work on Payroll processes.) – *13 February 2023*
- Procurement to Payment (Review of implementation of Contract and Supplier Management System, including assurance work on Procurement to Payment processes.) – *10 May 2023*
- Schools Budgets – DSM (Review the Council's implementation of the new DSM scheme.) – *12 September 2022*

#### **ICT Governance Audits**

3.6 To provide assurances that computer systems are secure, reliable and conform to nationally agreed standards, reviews included:

- IT Systems Maintenance and Support (Review of the controls in place to ensure new systems are adequately installed, tested and implemented in a timely manner to ensure business requirements are met, including ongoing ownership of support and maintenance.) – *10 May 2023*

### **Internal Controls Audits**

- 3.7 To provide assurances in relation to a range of the Council's internal controls in areas identified by Management, reviews included:
- Schools Financial and Business Administration Processes (Review of internal financial controls and business administrative procedures in place to ensure the efficient and effective use of resources in the school establishments including evaluation of the systems in place to set and monitor DSM budgets.) – *13 February 2023*
  - Mental Health Services (Adults and Children) \*\* Brought forward from 2021/22 (Assess the governance arrangements in place to commission specialist mental health services to promote closer integration and partnership working to meet the needs of people with mental health needs. Ensure there is sound budgetary control in place.) – *10 May 2023*
  - Public Protection (Review the governance arrangements, including roles and responsibilities of partners, to ensure statutory obligations are met, for both adults and children.) – *12 December 2022*
  - Self-Directed Support (Review of internal financial controls and governance arrangements regarding Self Directed Support to ensure national policy objectives are being met and public funds are safeguarded.) – *12 December 2022*.
  - Protective Services: Private Water Supplies (Review the Private Water Supply processes to ensure that statutory obligations are met and risks are appropriately managed.) – *10 May 2023*
  - Assessors Service \*\* Brought forward from 2021/22 (There are adequate controls to ensure that responsibilities are discharged appropriately to provide and maintain the valuation roll and to ensure timely and correct value assessment of properties to meet required standards and practices.) – *12 December 2022*
  - Winter Service (Assess the economy, efficiency and effectiveness with which resources are deployed to deliver the Winter Service to ensure that operational practices are being carried out as planned and objectives and goals are met.) – *12 September 2022*
  - Benefits Assessments (Assess the adequacy of operational processes in place to administer the payment of grants and social funds to ensure they are effective, appropriate and consistent.) – *10 May 2023*

### **Asset Management Audits**

- 3.8 To provide assurances that Council assets are safeguarded and properly accounted for, and used economically, efficiently and effectively, reviews included:
- Housing Strategy (Controls are in place to ensure efficient and effective use of funding and other resources for the provision of affordable housing to ensure achievement of housing strategy with partners.) – *13 February 2023*
  - Passenger Transport (Analyse and assess current processes for Passenger Transport to identify the approach which represents best value. Review the internal and client provider practices and consider options for improvement.) – *13 February 2023*
  - Fleet Management (Adequate controls are in place to ensure fleet asset records are complete and accurate and fleet replacement decisions represent value for money.) – *13 February 2023*

### **Legislative and Other Compliance Audits**

- 3.9 To test compliance with the terms of the funders' service level agreements or legislative requirements, reviews included:
- Hawick Conservation Area Regeneration Scheme (CARS) (Review as part of programme compliance and evaluation requirements of the external funders including audit requirements.) – *12 September 2022*

- Jedburgh Conservation Area Regeneration Scheme (CARS) (Review as part of programme compliance and evaluation requirements of the external funders including audit requirements.) – *10 May 2023*
- Economic Development Funded Programmes (Audits of grant-funded programmes to assess compliance with the requirements of the agreements: EU Funded Programme (LEADER) final review of the end of the extended programme; and UK Community Renewal Funding review of submission) – *12 September 2022 and 10 May 2023*
- Sustainable Environment (Continuous audit approach during the year to assess governance arrangements and progress with action plans to meet climate change obligations and sustainable environmental programmes, including observation of the Sustainability Board.) – *10 May 2023*

### **Audit Consultancy Work**

- 3.10 Provision of 'critical friend' internal challenge and assurance through engagement in various forums including Fit for 2024 Transformation Programme, Information Governance Group, Social Work Performance Board, and Sustainability Board.
- 3.11 During the year Internal Audit responded to a number of requests for ad hoc advice and assistance on internal controls, risk management and governance.

### **Other Audit Work**

- 3.12 During the year Internal Audit resources were deployed in undertaking the following other audit work in support of the Internal Audit function meeting its wider objectives as set out in the Internal Audit Charter:
- Follow-up (Undertook two reviews: The first assessed performance of Management in implementing Internal Audit recommendations by the agreed due date - *12 December 2022*; and the second included a sample check of Internal Audit recommendations which were flagged as completed, to check that they have been effectively implemented and that the new controls have had the desired effect – *13 March 2023*).
  - Counter Fraud (Internal Audit activity included: testing fraud prevention controls and detection processes to ensure fraud risk is considered in assurance audit work; engaging with other Services to oversee the Council's participation in the National Fraud Initiative (NFI) including data submissions in November and December 2022 and oversight of data matches for their investigation in February and March 2023; specifically providing intelligence via data sharing requests from Police Scotland as part of the wider assurance framework on counter fraud and crime controls; and Internal Audit consultancy review of the sufficiency of the Council's Whistleblowing Policy, requested by the Chief Executive – *10 May 2023*).
  - PSIAS Self-Assessment (Undertook an annual self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS) and reported its outcomes to Management and the Audit Committee.)
  - Audit Committee Self-assessment (Provided assistance to the Chair in undertaking the Self-Assessment of the Audit Committee against the CIPFA best practice guidance in March 2023. Provided support for the Audit Committee members' learning and development during the year, including completion of Audit Committee Skills and Knowledge self-assessments, and delivery of Induction on Governance, Assurance and Audit on 27 June 2022 and Overview of Internal Audit and Counter Fraud Fundamentals on 1 December 2022 during Development Sessions.)
  - Integrity Group (Attended the Integrity Group virtual meetings and provided support to the Group to fulfil its role.)
  - Boards / Committees (Prepared for and attended Audit Committee virtual meetings and other Boards / Committees, as relevant to fulfilling the Internal Audit role.)

- Administration of Audit Scotland Reports (Monitored publication of Audit Scotland national reports that give rise to introducing best practice arrangements or lessons learned from other local authorities or other public sector bodies, and co-ordinated submission to the relevant Committees thus adding value to the Council.)
- Audit Planning 2023/24 (Reviewed and updated the Internal Audit Charter and Internal Audit Strategy. Reviewed and extensively updated the Audit Universe to develop and consult on the proposed coverage within the Internal Audit Annual Plan 2023/24. *The latter was approved by Audit Committee on 13 March 2023.*)

#### **Non SBC Work**

- 3.13 The Council's Internal Audit function provided independent assurance services to the Scottish Borders Council Pension Fund and the Scottish Borders Health and Social Care Integration Joint Board relating to their systems of internal control, corporate governance and risk management arrangements.
- 3.14 Separate Internal Audit annual assurance opinions will be reported to their respective Senior Management and Board / Audit Committee, based on the work delivered in accordance with their respective Internal Audit Annual Plans 2022/23 that were approved by their respective Senior Management and Board / Audit Committee in March 2022.

#### **4 Public Sector Internal Audit Standards and Quality Assurance & Improvement Plan**

- 4.1 The professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) include:
- Definition of Internal Auditing;
  - Code of Ethics;
  - Attribute Standards (Purpose, Authority and Responsibility; Independence and Objectivity; Proficiency and Due Professional Care; Quality Assurance and Improvement Programme);
  - Performance Standards (Managing the Internal Audit Activity; Nature of Work; Engagement Planning; Performing the Engagement; Communicating Results; Monitoring Progress; and Communicating the Acceptance of Risks).
- 4.2 The Public Sector Internal Audit Standards (PSIAS) requires the annual internal self-assessment against the PSIAS to be subject to an External Quality Assessment (EQA) every five years, by appropriately qualified and independent reviewers. The findings of the SBC EQA, completed by North Lanarkshire Council in early January 2021, assessed the function as 'fully conforms' with the requirements within the 13 Assessment Areas of the Definition of Internal Auditing, the Code of Ethics, Attribute Standards and Performance Standards. The findings and the main areas for improvement highlighted in the Final EQA Report were reported to the Audit and Scrutiny Committee on 15 February 2021.
- 4.3 The PSIAS requires the chief audit executive, the Council's Chief Officer Audit & Risk, to carry out an annual internal self-assessment against the PSIAS, develop a quality assurance and improvement plan (QAIP) based on the outcome, and report the results of the QAIP to senior management and elected members. An internal self-assessment 2022/23 of Internal Audit practices against the Standards was carried out in February/March 2023. This identified some minor refinements relating to operational tools to ensure their efficiency and effectiveness and other housekeeping actions for inclusion in the QAIP. These were discussed with the whole team at an Away Day on 8 March 2023. Progress will be reported to the Audit Committee within the Internal Audit Mid-Term Performance Report 2023/24.

**Jill Stacey BA(Hons) ACMA CGMA**  
**Chief Officer Audit & Risk**  
**18 April 2023**

*Audit Committee – 10 May 2023*