INTERNAL AUDIT WORK TO JULY 2023

Report by Chief Officer Audit and Risk

AUDIT COMMITTEE

25 September 2023

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 April to 31 July 2023 associated with the delivery of the approved Internal Audit Annual Plan 2023/24 is detailed in this report. A total of 6 final Internal Audit reports have been issued. There were 8 recommendations made associated with 5 of the reports (0 High-rated; 3 Medium-rated; 5 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 April to 31 July 2023 (Appendix 1) associated with the delivery of the approved Internal Audit Annual Plan 2023/24;

b) Notes the Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal Audit Charter;

c) Acknowledges the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work; and

d) Approve the minor amendments to the Internal Audit Annual Plan 2023/24, as set out in paragraph 4.8.

3   BACKGROUND

3.1   The Internal Audit Annual Plan 2023/24 was approved by the Audit Committee on 13 March 2023. 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, an Audit Assignment detailing the scope, objectives and timing is agreed with the relevant Director and Service Management; at the conclusion of the fieldwork, a Draft Report is issued to the relevant Director and Service Management for response on the factual accuracy and acceptance of the findings and recommendations, as appropriate; and a Final Report is then issued.

4   PROGRESS UPDATE

4.1   Internal Audit has carried out the following work in the period from 1 April to 31 July 2023 associated with the delivery of the Annual Plan 2023/24.

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:

- Performance Management Local Government Benchmarking Framework
- Complaints (*b/f from 2022/23*)
- Resilience Planning
- Health and Safety
- Looked After Children
- Biodiversity of the Scottish Borders (*originally Parks & Environment in Plan*)

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
Full assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied, to support the achievement of objectives. Minor improvements might be required.
Substantial assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.
Moderate assurance	Whilst there is a system of governance, risk management and control in place, there are weaknesses in the system that leaves some risks not addressed, and there is evidence of non-compliance with some of the controls.
Limited assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives.
No assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives.

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 2023/24 consists of the following:

Audit Area	Audit Stage
Cost of Living Crisis Support (*originally Benefits Assessments audit in Plan split into 2*)	Drafting the report
Pupil Equity Fund (PEF) (*originally Benefits Assessments audit in Plan split into 2*)	Drafting the report
Refugee and Asylum Seekers Funding (*originally Homelessness in Plan*)	Drafting the report
Partnering Arrangements	Drafting the report
Hawick Conservation Area Regeneration Scheme (CARS)	Testing nearly completed
Asset Management (Property) (*b/f from 2022/23*)	Specific utilities review underway
Staff Retention (*originally Recruitment and Retention audit in Plan split into 2*)	Audit Assignment issued
Revenues (Council Tax and NDR)	Planning the engagement
VAT	Planning the engagement

Changes to Internal Audit Planned Assurance Work

4.7 It was highlighted within the cover report for the Internal Audit Strategy and Annual Plan 2023/24 that "the Plan should be considered to be flexible and will be periodically reviewed, and amended as required, to reflect any new arrangement or changing risks and priorities. Any amendments relating to the Council will be brought to Council Management Team and the Audit Committee for approval."

4.8 The following minor amendments have been made to assurance audits in the Internal Audit Annual Plan 2023/24 to ensure each audit engagement reflects the specific risks and areas of assurance required by the relevant Directors and Service Managers consistent with the Council's objectives:

- Biodiversity of the Scottish Borders (*originally Parks & Environment in Plan*)
- Cost of Living Crisis Support (*originally Benefits Assessments audit in Plan split into 2*)
- Pupil Equity Fund (PEF) (*originally Benefits Assessments audit in Plan split into 2; 15 days transferred from Consultancy*)
- Refugee and Asylum Seekers Funding (*originally Homelessness in Plan*)
- Staff Retention (*originally Recruitment & Retention audit in Plan split into 2*)
- Staff Recruitment (*originally Recruitment & Retention audit in Plan split into 2; deferred to 4th quarter to allow streamlined process to be implemented*)

This demonstrates the agile approach to design risk-based plans that determine the priorities of the Internal Audit activity on a rolling basis throughout the year.

Internal Audit Consultancy and Other Work

4.9 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 / Digital Transformation Programme Boards, Information Governance Group, Social Work Programme Board, Sustainability Board).

b) Continuous audit work to assess the governance relating to organisations that constitute significant partnering arrangements from the Council's perspective.

c) 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.

d) The Chief Officer Audit & Risk is the Chair of the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG), a member of the Chartered Institute of Internal Auditors (CIIA) Local Authority Forum, and a member of the Heads of Internal Audit and Risk UK Forum, which provide the opportunity to share good practice and to keep knowledge of new Internal Audit developments up to date. 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 to take into account within Internal Audit work. The virtual CIIA webinars in recent months covered the topics of 'Roadmap to Resilience', 'Integrated Risk', 'Trusted Advisor', 'AI Evolution' and 'Elevating the Impact of Internal Audit: A Glimpse Into the Future'. HIA UK sessions covered: Cyber Security; ESG; Fraud; and Responsible AI and Internal Audit. Others in Internal Audit team are members of relevant specialist practitioners' forums, including Data Analytics, Counter Fraud, and Computer Audit.

e) All 7 of the Audit & Risk team members attended the 2-day SLACIAG Conference on 15 & 16 June 2023 at Dumfries House in East Ayrshire which again proved to be a fantastic venue. This was first SLACIAG Conference held in-person since 2019, which was chaired by the Chief Officer Audit & Risk and attended by 137 delegates from the Internal Audit teams representing 31 Scottish Councils and Strathclyde Partnership for Transport. There was excellent networking opportunities for all individuals, significant sharing of knowledge and practice during the workshop sessions, and lots of suggestions for improvement actions in keeping with the Conference 2023 title "Connections Collaborations Catalysts". The themes of the Conference 2023 were Counter Fraud, Data Analytics, Climate Change, and Resourcing the Function with a range of virtual and in-person speakers from Tenancy Fraud Forum, Scotland Excel, Chartered Institute of Internal Auditors, Birmingham City Council, Sustainable Scotland Network, and Audit Scotland. Keynote Speakers were the Chief Executive of East Ayrshire Council (Day 1) and the Executive Director of Finance of Glasgow City Council (Day 2). Media photos taken at the event featured in the former's BLOG of that week and #SLACIAG23 was used to promote the event through Social Media. Digital tools captured output from the workshop sessions.

Recommendations

4.10 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 weakness in existing controls, leaving the Council or Service open to a very high risk of not achieving its strategic objectives or evidencing best value, 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 Director Assurance Statement on Internal Control and Governance.
Medium: Substantial risk of not achieving its strategic objectives or evidencing best value, requiring reasonably urgent action within three months of formally raising the issue.
Low: Moderate risk of not achieving its strategic objectives or evidencing best value, 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 the attention of Senior Management.
Outwith the report, Internal Audit informs operational managers about other matters as part of continuous improvement.

4.11 The table below summarises the number of Internal Audit recommendations made during 2023/24:

	2023/24 Number of Recs
High	0
Medium	3
Low	5
Sub-total reported this period	**8**
Previously reported	0
Total	**8**

Recommendations agreed with action plan	8
Not agreed; risk accepted	0
Total	**8**

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 2023/24 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 during discussions with the Corporate Risk Officer. The agreed Internal Audit recommendations are linked to relevant risks and risk registers in the Pentana system.

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.

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 Council Management Team at its meeting on 13 September 2023, and Director of Finance & Procurement, Director of Corporate Governance (and Monitoring Officer), Director of People Performance and Change, Clerk to the Council, and Communications team by email, have been consulted on this report.

Approved by

Jill Stacey, Chief Officer Audit and Risk   Signature ……………………………………

Author(s)

Name	Designation and Contact Number
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Background Papers: Appropriate Internal Audit files
Previous Minute Reference: Audit Committee 10 May 2023

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

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Audit Plan Category: Corporate Governance Corporate Risk: none (Statutory performance return) Subject: Performance Management Local Government Benchmarking Framework (LGBF) No: 016/020 Date issued: 9 August 2023 Draft; 24 August 2023 Final Level of Assurance: Substantial assurance on the data included within the 2022/23 LGBF Return	The purpose of the review was to provide independent validation of performance indicators and benchmarking information to support self-assessment and continuous improvement of the Council's services, specifically to ensure accuracy of data submitted for the LGBF. 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. Scottish Borders Council reports on 13 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. Services are aware that they will be required to provide their Data returns and the working documents to support their data for the year ending 31 March to the Performance and Improvement Team within the People, Performance and Change Directorate for the LGBF return. This should be prepared and checked for accuracy by Services in advance of the notification from the Performance Team, in June, when the data is requested. Internal Audit validation testing found 10 minor anomalies associated with 7 of the 13 performance indicators provided by Services; 3 of which are relevant to the audit recommendation from the previous year on accuracy of Culture and Leisure data provided by Live Borders which is ongoing. These anomalies have been resolved and amended figures included in the LGBF return prior to submission to the Improvement Service. Internal Audit are able to provide substantial assurance on the data included within the 2022/23 LGBF Return.	0	0	0	Management have checked the factual accuracy of the report and have accepted its findings. The LGBF return was submitted to the Improvement Service to meet the deadline of 31 August 2023.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Audit Plan Category: Corporate Governance Corporate Risk: none (Management Request for assurance on revised policy) Subject: Complaints (b/f from 2022/23) No: 023/002 Date issued: 29 June 2023 Draft; 09 August 2023 Final Level of Assurance: Substantial	The purpose of the audit was to review and assess the new arrangements in place for complaints to ensure the implementation of the revised policy and procedures. The Council implemented a revised Complaints process in October 2022, which was based on the guidance provided by the Scottish Public Services Ombudsman (SPSO). The new process involved using the Jadu system, which holds the details of the complaint, to whom it would be allocated, the required deadlines for responses, and the response provided. The following example of good practice was found: • The revised procedures are clear and easy to follow and are aligned to the SPSO information. Internal Audit are able to provide Substantial assurance: there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives. It is further acknowledged that this is still a relatively new process for staff to complete and it is anticipated to improve over time. Internal Audit have made the following recommendations that are designed to assist with the planned lessons learned evaluation: • Management should ensure full compliance to SPSO requirements by analysing non-compliant cases, setting realistic targets and by regular reporting and publishing of performance data. (Low) • Line Managers should ensure their staff are completing their mandatory training, and greater monitoring and reporting structures should be put in place to assist with this. (Low)	0	0	2	Management have confirmed the factual accuracy and accepted the findings of the audit report, and have agreed to implement the recommendations which will be progressed as part of the planned lessons learned evaluation.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Audit Plan Category: Corporate Governance Corporate Risk: CMT011 Major Incidents Subject: Resilience Planning No: 054/004 Date issued: 10 July 2023 Draft; 02 August 2023 Final Level of Assurance: Substantial	The purpose of the audit was to review the approach to emergency and business continuity planning, including resilient communities, risk assessments, early warning systems, post incident reviews and lessons learned. The Civil Contingencies Act 2004 delivers a single framework for civil protection in the UK. The Council as a Category 1 responder is subject to the full set of civil protection duties. The following examples of good practice were found: • The use of the Resilience Direct platform demonstrates various good practices including good cyber resilience. • Effective early warning systems are in place with good communication processes. • A number of community groups are in place with good governance to allow effective support to the Council. The Council not only meets the specific duties placed on it by the Civil Contingencies Act but also demonstrates good practices defined in the guidance. Progress has been achieved by Management with 3 of the 4 previous audit recommendations relating to Business Continuity having been completed: Business Continuity Policy; Continuity2 System Upgrade; and Programme of Testing. The Training of BC plan owners is still to take place (due date 30 September 2023). Internal Audit are able to provide Substantial assurance: there is a generally sound system of governance, risk management and control in place. There is some scope for improvement. Internal Audit have made the following recommendation to provide clarity to stakeholders and assist in embedding resilience: • Management should review and update the Council's website content to ensure it covers information about the Council's civil contingency duties and create a Resilience Policy and Framework. (Low)	0	0	1	Management in Emergency Planning have confirmed the factual accuracy and accepted the findings of the audit report, and have agreed to implement the recommendation.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Audit Plan Category: Corporate Governance

Corporate Risk: CMT008 H&S Compliance

Subject: Health and Safety

No: 070/006

Date issued: 18 July 2023 Draft; 07 August 2023 Final

Level of Assurance: Moderate | The purpose of the audit was to ensure the Council is complying with relevant Health & Safety (H&S) legislation, has a structured approach to H&S awareness, including use of the H&S Management system to ensure there are adequate and effective controls in place to manage health and safety risks.

To maintain compliance with the legislation there is a requirement for Health and Safety Risk Assessments to be completed by the relevant Service and saved within the H&S IT system Assure. We found reasonable evidence of this taking place. Policies and procedures are readily available to all staff via the Intranet. Mandatory training is available via the SB Learn system.

The following examples of good practice were found:
  • There is a comprehensive timetable for updating H&S policies.
  • Extensive performance and management data is produced.

Internal Audit are able to provide Moderate assurance. Whilst there is a system of governance, risk management and control in place, there are weaknesses in the system that leaves some risks not addressed, and there is evidence of non-compliance with some of the controls.

Internal Audit have made the following recommendations:
  • The H&S team should request the quarterly stats on H&S Mandatory training, to enable them to monitor the completion of H&S courses, and assess impact of course content (Medium)

  • The H&S team should liaise with relevant Managers to ensure that Overdue Actions in the Assure system are completed timeously. (Medium)

  • Managers should be reminded to tick the "Publish to Portal" box when completing a Health & Safety Risk Assessment to ensure relevant staff can readily locate the document to gain the appropriate understanding of the H&S risks and safe operating practices. (Medium) | 0 | 3 | 0 | H&S Management have confirmed the factual accuracy and accepted the findings of the audit report, and have agreed to implement the recommendations.

This will require support from the Health and Safety Team in their specialist advisory and second line role, though needs to be led by Management within Services in line with their responsibilities for compliant health and safety practices within all the Council's Services. |

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Audit Plan Category: Internal Controls Corporate Risk: CMT019 C&YP Learner Placements Subject: Looked After Children No: 170/005 Date issued: 27 June 2023 Draft; 13 July 2023 Final Level of Assurance: Substantial	The purpose of the audit was to assess the adequacy of controls in place to ensure sound budgetary control and meet the demand on service delivery for Looked After Children. Scottish Borders is committed to ensuring that, where appropriate, children are cared for within a family setting either within their own families or within a foster care setting. The following examples of good practice were found: • Good governance arrangements, supervision and sign off to ensure compliance with policies and procedures. • Unaccompanied Asylum Seeking Children (UASC) are cared for and protected in the same manner as with any other child. It is difficult and challenging to manage the demand on service with a national shortage of both placements and Social Workers. Where placements are not available, other expensive options have to be used and additional costs must be paid where lack of provision to meet children's needs. In some cases, children are cared for out with the area. There has been a significant increase (60%) in placement costs over the last 5 years. The National Transfer Scheme for Unaccompanied Asylum Seeking Children (UASC) is mandatory for all local authorities in Scotland. With the Council being allocated 2 UASC per cycle, the majority are over the age of 16; however, there are UASC under 16 who are cared for as young people within the Scottish Borders. The Council currently have 14 UASC. Internal Audit are able to provide Substantial assurance, and have made the following recommendation: • Management should ensure sufficient budget is secured for C&FSW to address the current low level of funding per child against comparator Councils, refocus on Early Intervention to provide support and advice to prevent children going into care in the first place, and ensure sufficient staff are employed in the service to meet current and future demands. (Low)	0	0	1	Management have confirmed the factual accuracy and acceptance of the findings of the audit report, and have agreed to implement the recommendation. *Note: The Revenue Budget Monitoring 2023/24 Quarter 1 report, presented to the Executive Committee on 15 August 2023, has highlighted some budget control pressures relating to this area with further mitigation actions underway and planned by Management to ensure financial sustainability of the Council.*

| Report | Summary of key findings and recommendations | Recommendations | | | Status |
		H	M	L	
Audit Plan Category: Internal Controls Corporate Risk: CMT032 Climate Change Subject: Biodiversity of the Scottish Borders (originally Parks and Environment in Plan) No: 216/010 Date issued: 31 July 2023 Draft; 23 August 2023 Final Level of Assurance: Substantial	The purpose of the audit was to review progress on the implementation of Scottish Borders Local Biodiversity Action Plan 2018-2028 to ensure compliance with the Council's Biodiversity duty under the Nature Conservation (Scotland) Act 2004. Our work strongly suggests that biodiversity issues have been well thought-out and that the Council is taking reasonable steps to meet its biodiversity duties. The Council has developed a Scottish Borders Local Biodiversity Action Plan (LBAP). The latest version covers the period 2018 to 2028 and provides a framework for delivery of biodiversity vision which is the maintenance and enhancement of the biodiversity of the Scottish Borders through the sustainable use of local natural resources and the conservation of the Scottish Borders way of life. The LBAP is highly co-produced, with several public bodies working in collaboration, and is organised around the priority themes of the Scottish Biodiversity Strategy (SBS) and addresses major issues such as planning, land use, flood management and climate change. Internal Audit are able to provide Substantial assurance. There is a generally sound system of governance, risk management and control in place. Some scope for improvement was identified which may put at risk the achievement of objectives. Internal Audit made the following recommendation to ensure there is appropriate oversight of Scottish Borders Council's progress with actions associated with the Scottish Biodiversity Strategy. Internal Audit have made the following recommendation: • Targets and milestones should be developed for the delivery of the Scottish Borders Local Biodiversity Action Plan and progress should be monitored and reported to Management and Elected Members at appropriate intervals. (Low)	0	0	1	Management have confirmed the factual accuracy and accepted the findings of the audit report, and agreed to implement the recommendation.