
FOLLOW-UP REVIEW 2023/24 OF COMPLETED INTERNAL AUDIT RECOMMENDATIONS

Report by Chief Officer Audit & Risk

AUDIT COMMITTEE

11 March 2024

1 PURPOSE AND SUMMARY

- 1.1 The purpose of the report is to provide an update to the Audit Committee on the results of the Follow-Up Review which included a sample check on the adequacy of new internal controls for Internal Audit Recommendations marked as completed by Management in the period January to December 2023.**
- 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 Audit function to consider "all matters relating to the implementation of recommendations contained within internal audit reports", as part of its high level oversight of the framework of internal control, risk management and governance within the Council.

2 RECOMMENDATIONS

2.1 I recommend that the Audit Committee:

- a) Acknowledges the results of the spot check on Internal Audit recommendations that have been marked as completed by Management in the period January to December 2023 to improve internal controls and governance, and mitigate risks;**
- b) Considers whether it is satisfied with the outcomes or whether any further action is required; and**
- c) Notes that Internal Audit will continue to monitor the completion of recommendations and will provide update reports to this Committee.**

3 BACKGROUND

- 3.1 Internal Audit is an independent appraisal function established for the review of the internal control system as a service to Scottish Borders Council. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources and the management of risk.
- 3.2 The Internal Audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes (by way of making audit recommendations); and objectively provides relevant assurance.
- 3.3 Management has the responsibility for ensuring that agreed Internal Audit actions are implemented to improve controls and governance and mitigate risks. At the Internal Audit Final Report stage, the Internal Audit Recommendations are input to Ideagen (formerly Pentana), the Council's corporate performance and risk management system. This is designed to assist with Management tracking of implementation, link with relevant risks, and evidence continuous improvement.
- 3.4 The Internal Audit Annual Plan 2023/24 includes two follow-up reviews. The first follow-up review reports on progress Management have made in implementing the Internal Audit recommendations by the expected date (the Q2 2023/24 progress update was presented to the Audit Committee at its meeting of 13 November 2023, and the requested Q3 2023/24 progress update was presented to the Audit Committee at its meeting on 12 February 2024). The second follow-up review checks a sample of Internal Audit recommendations which have been marked as complete by Management and reviews the adequacy of the actions taken and improvements made (the subject of this report). 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.
- 3.5 The Remit of the Audit Committee includes the Audit function to consider "all matters relating to the implementation of recommendations contained within internal audit reports", as part of its high-level oversight of the framework of internal control, risk management and governance within the Council.

4 FOLLOW-UP REVIEW OF COMPLETED RECOMMENDATIONS

- 4.1 The objective of this follow-up audit was to review a sample of 'completed' Internal Audit recommendations to assess the evidence that they had been implemented satisfactorily and to ensure that the new controls had the desired outcomes of improving internal control and governance, and reducing risk.
- 4.2 During the course of the year, the Internal Audit quarterly follow-up on progress with the implementation of Internal Audit recommendations by Management has provided insight and evidence on a broad range of areas. Therefore, rather than a sample, the total of the 'completed' Internal Audit recommendations are the subject of this report for assurance purposes.

4.3 A total of twenty-seven (27) Internal Audit recommendations had been marked as completed on the Ideagen system by Management during the period January to December 2023. These are summarised in the following table, indicating the year the recommendations were made, to which Internal Audit reports they related, and their priority rating:

(Year) Internal Audit Report	Number of completed recommendations	High Priority	Medium Priority	Low Priority
(2019) Performance Management LGBF	1	0	1	0
(2019) Developer Contributions / Development Management Fees	1	0	1	0
(2020) LDS Financial Management	1	0	1	0
(2021) Business Continuity	2	0	2	0
(2021) Grants incorporating FtPP	1	0	0	1
(2021) Capital Investment	2	0	2	0
(2021) Business World ERP system	2	0	1	1
(2022) Winter Service	2	0	0	2
(2022) Attendance Management	1	0	1	0
(2022) Members Allowances	2	0	0	2
(2022) Schools Financial and Business Administration Processes	2	0	1	1
(2022) Housing Strategy	1	0	0	1
(2022) Passenger Transport	1	0	0	1
(2022) Fleet Management	1	0	1	0
(2022) Mental Health Services	2	0	2	0
(2023) Resilience Planning	1	0	0	1
(2023) Health & Safety	2	0	2	0
(2023) Complaints	1	0	0	1
(2023) Pupil Equity Fund	1	0	1	0
Total	27	0	16	11

4.4 All were found to have been completed satisfactorily. The evidence that was provided by Management for each of the 27 'completed' Internal Audit recommendations indicated that sufficient action had been taken to address the matters raised in the original Internal Audit report, thus improving the effectiveness of internal controls and governance arrangements, and reducing risk relating to these service areas, processes and systems. The above provides assurance of evidence-based continuous improvement. It is important for Management to ensure that these improved internal controls are sustained in the medium-term.

4.5 Internal Audit will continue to work with Directors and Action Owners to ensure the in-progress Internal Audit Recommendations are fully implemented with provision of evidence to support this, thus demonstrating continuous improvement. Managers have been reminded that requests can be made to extend due dates if progress on implementation has not been as originally expected, subject to the consideration of the risk implications.

4.6 A further update on progress with the implementation of Internal Audit recommendations will be included within the Internal Audit Annual Assurance Report 2023/24 for Scottish Borders Council, which is scheduled for presentation to the Audit Committee in April 2024.

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

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.

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.

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).

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 controls and governance.

The Internal Audit Strategy for 2023/24 has been amended to include integrated impact assessment compliance into all assurance audits as a cross-cutting risk to provide assurance that the underlying controls and processes in all Services are operating as intended to demonstrate the Council is fulfilling its Equality Duty and Fairer Scotland Duty.

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 Charter, and the Internal Audit Strategy and Plan 2023/24. 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.

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. Recommendations may arise from this work.

During the year 2023/24 the Internal Audit function has adopted a continuous audit approach, including observation of the Sustainability Board, to assess the Council's governance arrangements and progress with action plans to meet its climate change obligations and sustainable environmental programmes. Recommendations may arise from this work.

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 Council Management Team considered this report on 28 February 2024 as part of their Senior Management oversight of progress with and outcomes from implementing Internal Audit recommendations to improve governance arrangements, risk management and internal controls.

6.2 In addition, the Director – Finance & Procurement, Director - Corporate Governance (and Monitoring Officer), Director – People Performance & Change, and Communications team have been consulted on this report in line with required practice.

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 Committee 13 March 2023

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