**Internal Audit**

# Audit, Risk and Scrutiny Committee Internal Audit Update Report June 2023

# Contents

# 1 Executive Summary

## 1.1 Introduction and background

Internal Audit's primary role is to provide independent and objective assurance on the Council's risk management, control, and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Council involving the examination and evaluation of the adequacy of systems of risk management, control, and governance, making recommendations for improvement where appropriate. Reports are produced relating to each audit assignment and these are provided to the Audit, Risk and Scrutiny (ARS) Committee. Along with other evidence, these reports are used in forming an annual opinion on the adequacy of risk management, control, and governance processes.

This report advises the ARS Committee of Internal Audit's work since the last update. Details are provided of the progress against the approved 2022-23 Internal Audit plan, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

## 1.2 Highlights

Full details are provided in the body of this report however Internal Audit would like to bring to the Committee's attention that since the last update:

- Two audits from the previous financial year are being finalised.
- Work is underway with regards to delivery of the 2023/24 Internal Audit Plan.
- 13 audit recommendations have been closed.

## 1.3 Action requested of the ARS Committee

The Committee is requested to note the contents of this report and the work of Internal Audit since the last update.

# 2 Internal Audit Progress

## 2.1 2022-23 Audits

| Service | Audit Area | Position |
|---|---|---|
| HSCP | Adults with Incapacity (Management of funds) | **Review in progress** |
| Resources | Corporate Asset Management | **Review in progress** |

## 2.2 Follow up of audit recommendations

Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Committee and establishes a follow-up process to monitor and ensure that management actions have been effectively implemented.

As at 31 March 2023 (the baseline for our exercise), 23 audit recommendations were due and outstanding:

- Five rated as Major
- Ten rated as Moderate
- Eight rated as Minor

As part of the audit recommendations follow up exercise, 13 recommendations were closed:

- Five rated as Major
- Five rated as Moderate
- Three rated as Minor

For the remaining ten[1], five have been discussed with management and updates provided on the progress of their implementation. For the other five, no update was provided by Management.

Appendix 1 – Grading of Recommendations provides the definitions of each of the ratings used.

Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions provides a detailed breakdown of the outstanding audit recommendations that will be taken forward and followed up as part of the next cycle.

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[1] This is the position with regards to recommendations that were due as at 31 March 2023. Recommendations falling due past this date and those made as part of subsequent Internal Audit Reports will be followed up as part of the standard follow up cycle and reported to Committee session on session.

# 3 Appendix 1 – Grading of Recommendations

| Risk level | Definition |
|---|---|
| Corporate | This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level. |
| Function | This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function. |
| Cluster | This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer. |
| Programme and Project | This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned. |

| Net risk rating | Description | Assurance assessment |
|---|---|---|
| Minor | 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 in the area audited. | Substantial |
| Moderate | 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 in the area audited. | Reasonable |
| Major | 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 in the area audited. | Limited |
| Severe | 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 in the area audited. | Minimal |

| Individual issue / risk | Definitions |
|---|---|
| Minor | Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period. |
| Moderate | An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period. |
| Major | The absence of, or failure to comply with, an appropriate internal control, such as those described in the Council's Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Council. Action should be taken within three months. |
| Severe | This is an issue / risk that is likely to significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Examples include a material recurring breach of legislative requirements or actions that will likely result in a material financial loss or significant reputational damage to the Council. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately. |

# 4  Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions

| Overall Report Area | Report | Grading | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|---|---|---|---|---|---|---|---|
| Finance | AC2009 - Travel Policy | Moderate | 2.4.6 The Council should ensure that action is taken to comply with its Procurement Regulations in respect of travel related expenditure | 31/03/2023 | 31/03/2023 | No update provided. | No update provided |
| Data & Insights | AC2205 - Commissioning | Minor | 2.2.6i The extent to which each commissioning activity is intended to impact on outcomes should be set out clearly in the delivery plan. In preparing the Delivery Plan for 2023/24 officers will seek to design its presentation to highlight the anticipated relationship between the proposed intentions and agreed outcomes. | 31/03/2023 | 31/03/2024 | Discussed with Management and a work in progress. Waiting to see the actual implementation before closing recommendation. | In progress |

| Overall Report Area | Report | Grading | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|---|---|---|---|---|---|---|---|
| Data & Insights | AC2205 - Commissioning | Minor | 2.2.6ii The extent to which key measures are intended to improve because of commissioning intentions should be set out clearly in the delivery plan. In preparing the Delivery Plan for 2023/24 officers will seek to refer to such targets as are appropriate. | 31/03/2023 | 31/03/2024 | Discussed with Management and a work in progress. Waiting to see the actual implementation before closing recommendation. | In progress |
| Data & Insights | AC2205 - Commissioning | Minor | 2.3.8 Key measures / indicators should have unique reference numbers to facilitate matching and monitoring between reports. | 31/03/2023 | 30/06/2023 | Discussed with Management and a work in progress. Waiting to see the actual implementation before closing recommendation. | In progress |

| Overall Report Area | Report | Grading | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|---|---|---|---|---|---|---|---|
| Finance | AC2209 - Debt Recovery | Minor | 2.8.3 The Service review income applied to debtor accounts which has not been applied to outstanding invoices to ensure it is matched where appropriate to outstanding invoices. | 31/03/2023 | 31/03/2023 | No update provided. | No update provided |
| Finance | AC2209 - Debt Recovery | Moderate | 2.10.4 The Service should establish a comprehensive system of debt recovery performance reporting which is target based and reported regularly to relevant team leaders, service managers and Chief Officers for debt recovery escalation and decision-making purposes. The following regularly reporting should be considered: aged debt analysis, unallocated cash receipts, unresolved disputes, payment arrangements, deferred recovery action, and customers subject to cessation of service | 31/03/2023 | 31/03/2023 | No update provided. | No update provided |
| Finance | AC2209 - Debt Recovery | Moderate | 2.3.4 The Service should reconcile the Council's and the Sherriff Officers' debt records to ensure they agree and do so on a recurring basis. | 31/03/2023 | 31/03/2023 | No update provided. | No update provided |

| Overall Report Area | Report | Grading | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|---|---|---|---|---|---|---|---|
| Finance | AC2209 - Debt Recovery | Moderate | 2.3.9 The Service should automate the submission of debt files to the Council's Debt Collection and Sheriff Officer Agency. | 31/03/2023 | 31/03/2023 | No update provided. | No update provided |
| Integrated Children's and Family Services | AC2301 - Out of Authority Placements | Minor | 1.1 Management should review the current suite of policies and guidance and make appropriate updates where required. Management should look to specifically address when input is required from Educational Psychologists and the broken hyperlink in LOIP to Children's Service Plan. Consideration should be given to the other recommendations made within this report that would result in updates to procedures. The implementation of a new case management system (D365 replacing CareFirst) will require a change in how information and supporting evidence is presented to the CSSF. This will be reflected in a review of the procedures and practice guidance in relation to OAP's. | 30/03/2023 | 30/06/2023 | The guidance for CSSF has taken longer than was anticipated due to a combination of factors. | In progress |

| Overall Report Area | Report | Grading | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|---|---|---|---|---|---|---|---|
| Integrated Children's and Family Services | AC2301 - Out of Authority Placements | **Moderate** | 1.4 Management should review the controls in place for assessments, specifically the requirements for follow up reviews. This should look to ensure that dates are recorded accurately and that reviews are carried out as scheduled. D365 will provide for a more effectively tracking of compliance. This aspect will be incorporated into the action associated with 1.1 | 30/03/2023 | 30/06/2023 | This action will require to utilise the electronic recording system D365 for each CSSF presentation. This system will then allow an electronic case by case scrutiny of when child/young person's placement was endorsed, for how long and when there should be a future presentation at forum. This is not yet in usage for CSSF having only been trialled and put into place for Care packages for children with disabilities via their resource allocation forum RAF during April '23. The required training for this will be completed by end of June '23 and will be documented in our revised guidance. | **In progress** |