



Internal Audit

Audit, Risk and Scrutiny Committee Internal Audit Update Report September 2023

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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 and 2023/24 Internal Audit plans, 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:

- One review has been completed, with the last review from the previous year in the process of being finalised.
- Work is underway with regards to delivery of the 2023/24 Internal Audit Plan.
- 19 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)	Final report issued
Resources	Corporate Asset Management	Review in progress

2.2 2023/24 Audits

Service	Audit Area	Position
Children and Family Services	Pupil Equity Fund	Review in progress
Children and Family Services	Secondary School Visits	Review Scheduled
Commissioning	Procurement Compliance	Review in progress
Commissioning	City Region Deal	Review in progress
Commissioning	Environmental Action	Review Scheduled
Council Led HSCP Services	Social Care Financial Assessments	Review Scheduled
Council Led HSCP Services	Care Management System	Review in progress
Customer	Volunteer Arrangements	Review Scheduled
Customer	Recruitment	Review Scheduled
Customer	PREVENT	Review Scheduled
Customer	Data Protection	Review in progress
Customer	Attendance Management	Review Scheduled
Customer	Cyber Controls	Review Scheduled
IJB	Compliant Handling	Review in progress
IJB	IJB Hosted Services	Review Scheduled
NESPF	Pensions Investment Strategy	Review Scheduled
Resources	Vehicle and Driver Compliance	Review in progress
Resources	Stores Stock Controls	Review in progress
Resources	Revenue Budget Setting and Financial Strategy	Review in progress
Resources	Creditors System	Review Scheduled
Resources	COVID-19 Spend	Review Scheduled
Resources	Private Sector Housing	Review Scheduled

2.3 Audit reports presented to this Committee

Report Title	Assurance Year	Conclusion
AC2314 – Adults with Incapacity	2022-23	<p>Internal audit has identified an overall net risk rating of MAJOR, with LIMITED assurance obtained over this area.</p> <p>Areas of controls are in development but have yet to be fully implemented. Efficiency is partly affected by ongoing development following the introduction of a new care management recording system – with specific service areas still identifying what needs to be recorded in the system. Procedures in respect of appointeeship, access to funds, financial guardianship and intervention are out of date and there is no evidence of review to ensure they are relevant and tried and tested for sufficiency. Reliance is</p>

Report Title	Assurance Year	Conclusion
		<p>largely placed on legislation and other high-level guidance, rather than locally relevant procedures and training. As a result, inconsistent practice was identified during the audit.</p> <p>Records are not always accessible, and the lack of clarity over procedure results in inconsistent filing, recording, and annotation of records. Some records are not on file, including legal documentation, certification of incapacity, and intended use of funds. Where changes take place, records are not consistently being updated to reflect changes. System records are incomplete. This presents risks to service delivery, and to the need to keep accurate data in compliance with data protection legislation. Where records are in place these do not always demonstrate adherence to the minimum intervention principle set out in the Adults with Incapacity (Scotland) Act.</p> <p>Whilst there are controls over funds received into and distributed from a centralised corporate appointee account, these funds are regularly withdrawn in cash, and a number of weaknesses were identified including an absence of checks, authorisation controls, and evidenced segregation of duties. Following withdrawals there is limited evidence of management of service users' assets. Funds are generally managed by care workers, and their activities in respect of AWI finances are not subject to regular independent review. Supporting evidence in respect of client funds management is limited and is not being reviewed and investigated where there are potential irregularities; this includes an absence of clear plans for spending, and records of use of funds, and changes from confirmed benefit entitlements. Inventories are not routinely maintained or updated, and financial assets in excess of relevant thresholds are not considered for separate management (e.g. in interest bearing accounts).</p> <p>The lack of control over this area means that there is substantial scope for fraud and error where funds and moveable property are being accessed and managed on others' behalf. Whilst no evidence of recent fraud or theft was identified in the audit, current controls may not prevent or identify it. There are risks to vulnerable service users' funds, and to staff involved in the management of their funds, if appropriate procedures, checks, and balances are not in place and operating effectively.</p> <p>Recommendations have been made to address the above risks, which Management has agreed to as part of a timebound action plan. This was discussed with Internal Audit and it considered to be proportionate in the wider context of ongoing work and recognising the need to consider flexibility and efficiency as well as control</p>

2.4 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 July 2023 (the baseline for our exercise), 34 audit recommendations were due and outstanding:

- Four rated as Major
- 23 rated as Moderate
- Seven rated as Minor

As part of the audit recommendations follow up exercise, 19 recommendations were closed:

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

For the remaining 15¹, all have been discussed with management and updates provided on the progress of their implementation.

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.

¹ This is the position with regards to recommendations that were due as at 31 July 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

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
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	Mar-23	Oct-23	Prioritised a number of services to receive specific reports on recovery and collection progress to enable action to be taken - e.g. commercial waste and property debts due to high volume and value. This has not covered all service income streams and we continue to expand the range of services included. Performance reporting data is still being developed and would ask that a revised date of 31/10/23 is included to enable resources to be directed to complete this.	In progress
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.	Mar-23	Oct-23	Service Income team leader now has access to Sherriff Officer portal and has sight of the debts that have been transferred to SOs. SO is now providing updates on debts they have been unable to recover and these are then subject to write off processes - with team being able to update Council system to close and remove. In further discussion with the	In progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
						Corporate debt team action has been taken as far as we believe possible and we will continue to monitor through the performance reports, above. Once performance reporting is in place would aim to remove, therefore revised date of 31/10/23.	
AC2209 - Debt Recovery	Moderate	2.9.2	The Service should automate the cessation of non-statutory services which are not essential to well-being within the debtors system.	Jun-23	Dec-23	This remains work in progress due to resource limitations, a revised date of 31/12/23 is asked for to explore how we implement this.	In progress
AC2215 - Staff Resourcing	Minor	2.3.17 (a)	The Council should ensure there is clear ownership of the responsibility for performing and retaining evidence of IR35 checks on agency worker engagements.	Jul-23	Aug-23	We are currently finalising a change to the new supplier process whereby IR35 checks will be retained and the amended form/process should be published in the coming days.	In progress
AC2307 - Contract Management	Moderate	3.1.1a	The Service should review the refreshed guidance to see where more practical guidance can be provided in application, including use of visual aids for example flow charts to assist in breaking down complex information to aid ease of understanding.	Jun-23	Dec-23	We will require a little more time to finalise and reissue the guidance. We've been focussing on the refresh of our Joint Procurement Strategy and production of annual reports which has taken up capacity within the team, the additional time will	In progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
						ensure we can close all of these out.	
AC2307 - Contract Management	Moderate	3.1.2	The Service should include a revised risk matrix within the refreshed guidance, including the addition of a definition around high risk/high value, the contract management elements required for different contract types / levels of risk, and examples of these to provide a reference point for delegated procurers.	Jun-23	Dec-23	We will require a little more time to finalise and reissue the guidance. We've been focussing on the refresh of our Joint Procurement Strategy and production of annual reports which has taken up capacity within the team, the additional time will ensure we can close all of these out.	In progress
AC2307 - Contract Management	Moderate	3.1.3a	The Service should consider its approach to communicating good practice, sharing information that can increase contract manager experience and awareness, and providing assistance as and when required to develop the Council's procurement and contract management culture.	Jun-23	Dec-23	We will require a little more time to finalise and reissue the guidance. We've been focussing on the refresh of our Joint Procurement Strategy and production of annual reports which has taken up capacity within the team, the additional time will ensure we can close all of these out.	In progress
AC2307 - Contract Management	Moderate	3.1.6b	The Service should ensure that key indicators and community benefits, management information requirements, supplier contacts, and review meeting schedules are clearly set out to ensure clarity over Council expectations.	Jun-23	Dec-23	We will require a little more time to finalise and reissue the guidance. We've been focussing on the refresh of our Joint Procurement Strategy and production of annual reports which has	In progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
						taken up capacity within the team, the additional time will ensure we can close all of these out.	
AC2307 - Contract Management	Moderate	3.1.6c	The Service should consider applying a system of risk rating to contracts for monitoring and management reporting purposes to ensure that high risk contracts are reviewed more frequently by Cluster Management and at a Strategic Management Level. This should look at areas such as performance indicators and receipt of community benefits.	Jun-23	Dec-23	We will require a little more time to finalise and reissue the guidance. We've been focussing on the refresh of our Joint Procurement Strategy and production of annual reports which has taken up capacity within the team, the additional time will ensure we can close all of these out.	In progress
AC2307 - Contract Management	Moderate	3.1.5a	The Service should ensure there is clarity regarding the responsibility for and extent of record keeping required for different types of contracts and different levels of contract risk.	Jun-23	Dec-23	We will require a little more time to finalise and reissue the guidance. We've been focussing on the refresh of our Joint Procurement Strategy and production of annual reports which has taken up capacity within the team, the additional time will ensure we can close all of these out.	In progress
AC2211 - Transformational Programme	Moderate	2.5.2	Finance should liaise with budgets holders and apply MTFs savings as appropriate to H&SCP budgets.	Apr-23	Dec-23	Work is ongoing with regards to monitoring and the application of the MTFF, including sessions with SLT to address the budget. All of these points will be	In progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
						addressed by the time of Q2 monitoring reporting.	
AC2211 - Transformational Programme	Moderate	2.6.13	Where relevant, budget monitoring information should be regularly reported to groups responsible for Delivery Plan projects with sufficient detail to identify project budget underspends and pressures requiring corrective action.	Jun-23	Dec-23	Work is ongoing with regards to this recommendation and will be addressed by the time of Q2 monitoring reporting, and in line with other recommendations.	In progress
AC2201 - IT Infrastructure Resilience	Major	2.4.7 a	The Service should establish Cyber Essentials PLUS accreditation for the Council.	June-23	Oct-23	We are now a cyber essentials certified organisation. We have delayed the additional PLUS element until the device refresh programme is complete end August. This is due to the replacement of windows10 version in favour of Windows11 with a view to be PLUS in October.	In progress
AC2201 - IT Infrastructure Resilience	Minor	2.1.6	P&OD will work with D&T on the mandatory and essential elements of training and seek to ensure training is appropriate to job families. Consideration will be given to including the course as part of existing mandatory training (e.g. Information Governance course).	Apr-23	Dec-23	Although content has been agreed allocation across job families remains to be finalised.	In progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2209 - Debt Recovery	Moderate	2.1.8a	Debt recovery policies and written procedures, including the Service Income policy, Corporate Debt Recovery policy, payment arrangements procedure and the write off procedure should be reviewed and updated where necessary.	Jun-23	Sep-23	Corporate Debt policy has been reviewed and moved onto the new corporate template. This has now been through the Project Board and is submitted to the August Risk Group for approval.	In progress