

## Internal Audit

# Audit Committee Internal Audit Update Report April 2024

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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 summaries of these are provided to the Audit 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 Audit Committee of Internal Audit's work since the last update. Details are provided of the progress against the approved 2023/24 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:

- Four audits have been finalised.
- 10 audit recommendations have been closed, with 18 progressing for future follow up.

## 1.3 Action requested of the Audit Committee

The Audit 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 2023/24 Audits

Service	Audit Area	Position
Business Services	Resettlement and Integration	Review In Progress
Business Services	Financial Sustainability	Review In Progress
Business Services	Compliance with Procurement Regulations	Review In Progress
Business Services	City Region Deal	Review In Progress
Business Services	System Licences	Final Report Issued
Business Services	Digital Strategy and Wider Change	Review In Progress
Business Services	workSTYLE	Review In Progress
Business Services	Voluntary Severance	Review In Progress
Business Services	Fixed Asset Register	Final Report Issued
Business Services	Cyber Resilience	Final Report Issued
Council Led HSCP Services	Self-Directed Support Payments	Review In Progress
Council Led HSCP Services	Social Care Commissioning – Support at Home	Review In Progress
E&CS	Children with Disabilities	Review In Progress
E&CS	Devolved School Management (Secondary)	Review In Progress
E&I	Planning Enforcement	Final Report Issued
E&I	Housing Void Controls	Review In Progress
IJB	IJB Asset Management	Review In Progress

### 2.2 Audit reports presented to this Committee

#### 2.2.1 Audit reports

Report Title	Assurance Year	Risk Level	Net Risk Rating	Conclusion
2331 – System Licences	2023/24	Service	<b>Moderate</b>	<p>The level of net risk is assessed as <b>MODERATE</b>, with the control framework deemed to be providing <b>REASONABLE</b> assurance that adequate control is being exercised over the Council's use of licences across its suite of systems.</p> <p>Although there are limited corporate controls over system licencing, Service implemented controls generally provide reasonable assurance that licences are controlled for higher risk systems. However, exceptions were identified where licence numbers are potentially being exceeded, and current controls are insufficient to ensure this is identified and corrective action taken timeously e.g. in advance of a supplier audit or contract renewal.</p>

Report Title	Assurance Year	Risk Level	Net Risk Rating	Conclusion
				<p>Individual services hold information regarding their systems, licences, and users. However, contract information, terms and conditions are not held consistently in an accessible format to provide overall assurance over compliance. A central inventory of system licences, developed in response to the last audit of this area in 2021, was over two years out of date with no process to update it regularly. There is therefore a risk that information is incomplete.</p> <p>Compliance monitoring varies between systems and services. System access and licence arrangements are often only reviewed at the point a contract renewal is required, and such reviews are not well documented. A proportionate, risk-based, scalable process is required to ensure all software in use is appropriate, remains fit for purpose, and offers value for money. Regular monitoring is needed to provide assurance over compliance with the Council's Mandatory Code of Practice for IT Asset Management, and with licence terms and conditions.</p> <p>Whilst it is acknowledged that system ownership, and implementation of revised processes will require to be delegated to services / business system owners, the role of IT in developing and supporting these processes is critical to providing corporate assurance over this area.</p>
2427 – Cyber Resilience	2023/24	Strategic	<b>Moderate</b>	<p>The level of net risk is assessed as <b>MODERATE</b>, with control framework deemed to provide <b>REASONABLE</b> assurance over the Council's Cyber Resilience.</p> <p>This report is considered exempt. The full executive summary is available in the individual report.</p>
2426 – Planning Enforcement	2023/24	Service	<b>Minor</b>	<p>The level of net risk is assessed as <b>MINOR</b>, with the control framework deemed to provide <b>SUBSTANTIAL</b> assurance over the effectiveness of processes in place in respect of planning enforcement. Substantial assurance has been taken over the following aspects: Written Procedures and Documentation.</p>

Report Title	Assurance Year	Risk Level	Net Risk Rating	Conclusion
				However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Consistent Processing, Scope for Automation, Review and Approval, and Performance Data. Recommendations have been made to address the noted points and support Management to strengthen the framework of control.
2428 – Fixed Asset Register	2023/24	Strategic	<b>Moderate</b>	<p>The level of net risk is assessed as <b>MODERATE</b>, with the control framework deemed to provide <b>REASONABLE</b> assurance over the Council's Fixed Asset Register.</p> <p>The Fixed Asset Register (FAR) is used to record the Council's non-current assets, which are expected to be retained in use for more than one financial year. These include council dwellings; other land and buildings; vehicles, plant, and equipment; infrastructure assets; community assets; surplus assets, assets held for sale; assets under construction; investment properties; heritage assets and intangible assets. These assets will be recognised in the Council's financial accounts after capital expenditure has been incurred to create or enhance them, will be depreciated / amortised in line with the Council's accounting policies, and where applicable are subject to revaluation at least once every five years.</p> <p>The total value of non-current assets in the register as at 31 March 2023, as reflected in the unaudited annual accounts, was approximately £2.433b (2022: £2.328b). Given the value of the Council's fixed asset portfolio, it is a significant line item in the annual accounts and as such a focus of External Audit. This report refers to findings of External Audit as part of their 2022/23 review. It is not the intention of Internal Audit to mirror the work of External Audit and instead where the same conclusions have been drawn, reference is made to show the consistent issues. Where External Audit has made recommendations to improve the framework of control, the recommendations in this report are</p>

Report Title	Assurance Year	Risk Level	Net Risk Rating	Conclusion
				<p>seen as complementary and corrective actions and improvements carried out in unison. Internal Audit does not expect any duplication of efforts between the outputs of this review and that of External Audit.</p> <p>An experienced team within Finance prepare and monitor capital budgets in consultation with relevant service managers and this work and attendance at relevant service meetings, such as asset disposal meetings, helps ensure maintenance of records required for updating the Fixed Asset Register at year end. Comprehensive guidance is available to relevant Finance staff on the use of the FAR. In addition, clear capital expenditure guidance is available to Council staff via the Finance Hub.</p> <p>System outputs reviewed during the audit, were in line with the CIPFA code of practice on local authority accounting requirements, based on system inputs (e.g. depreciation charge based on useful life and depreciation method).</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: System Functionality, Completeness and Existence, Historic Assets, and Capital Expenditure from Current Revenue (CFCR).</p> <p>Recommendations have been made to address the above risks and enhance controls, including working with the system supplier to address system functionality concerns and increasing the frequency of year end processes where possible, such as CFCR reviews, to reduce workload at year end. In addition, it is recommended Service engagement on recorded assets is recommended to gain assurance over existence of expired assets and completeness.</p>

Section 3 Grading of Recommendations provides the definitions of each of the ratings used.

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### 2.3 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 January 2024 (the baseline for our exercise), 28 audit recommendations were due and outstanding:

- One rated as Major
- 20 rated as Moderate
- Seven rated as Minor

As part of the audit recommendations follow up exercise, 10 audit recommendations were closed:

- One rated as Major
- Four rated as Moderate
- Five rated as Minor

The position going forward is that of 18 outstanding audit recommendations<sup>1</sup>:

- 16 rated as Moderate
- Two rated as Minor

For the 18 outstanding recommendations, updates have been provided by Management for 15, new implementation dates agreed and discussions ongoing to support their implementation. For the remaining three, no response was provided by Management.

Section 4 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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<sup>1</sup> This is the position with regards to recommendations that were due as at 31 December 2024. 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 Grading of Recommendations

Risk Level	Definition
<b>Strategic</b>	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
<b>Directorate</b>	This issue / risk level has implications at the directorate 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 directorate.
<b>Service</b>	This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Head of Service.
<b>Programme and Project</b>	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
<b>Minor</b>	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.	<b>Substantial</b>
<b>Moderate</b>	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.	<b>Reasonable</b>
<b>Major</b>	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.	<b>Limited</b>
<b>Severe</b>	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.	<b>Minimal</b>

Individual Issue / Risk Rating	Definitions
<b>Minor</b>	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.
<b>Moderate</b>	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.
<b>Major</b>	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
<b>Severe</b>	This is an issue / risk that could 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. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

## 4 Audit Recommendations Follow Up – Outstanding Actions

Report	Ref	Recommendation	Grading	Original Due Date	Current Due Date	Committee Update	Status
222 – Confirm System	2.8.3	The Service should ensure there are business continuity and disaster recovery plans in place for the Confirm system.	Minor	Dec-23	Dec-23	No update provided.	No Update Provided
2227 – GDPR	2.9.5 i	All Services should identify the need for Data Sharing Agreements where sensitive and high-volume personal data is routinely shared and collaborate with the respective partner organisations.	Moderate	Dec-23	Dec-23	No update provided.	No Update Provided
1901 – School Repairs Maintenance	2.3.3	The Service should review repairs and maintenance expenditure to ensure future budgets are appropriate	Moderate	Dec-23	Dec-23	No update provided.	No Update Provided
2315 – PREVENT	1.5	A data sharing agreement covering sharing of Prevent concerns and personal data related to the PMAP process should be established with relevant partners.	Minor	Dec-23	Apr-24	Under review with Police Scotland	In Progress
2315 - PREVENT	1.4a	The Council's specific point of contact for Prevent should confirm Prevent expectations for Council suppliers and recipients of Council grants to C&PSS and Finance and the relevant suppliers / grant recipients expected to comply with Prevent requirements.	Moderate	Dec-23	Jun-24	New Home Office Liaison Officer for Scotland to clarify expectations for local authorities.	In Progress

Report	Ref	Recommendation	Grading	Original Due Date	Current Due Date	Committee Update	Status
1924 – Budget Setting, Monitoring and Financial Reporting	2.1.5	The Partnership should document procedures setting out the requirements of and controls which govern its budget setting, monitoring and reporting processes.	Moderate	Dec-23	Mar-24	Unfortunately the extension requested for this recommendation has not provided enough time over winter to complete this task. Meetings are in place with Finance managers and partner organisations to ensure this recommendation is implemented for the start of financial year 2024/25 and on that basis an extension to 31 March 2024 is requested.	In Progress
AW1801 – Community Hospital & Home Care Staff Costs	2.2.4	The Service should ensure budgets are aligned with the required establishments under the relevant model.	Moderate	Jan-24	Mar-24	Work is continuing with NHSG Finance colleagues and the Partnership/Location/Nursing managers to align budgets, with work ongoing in the North area, followed by completion of the work in Central and South locations. Discussions have been scheduled with Internal Audit to discuss closure. Similarly this requires to be in place for start of financial year 2024/25 and on that basis an extension to 31 March 2024 is requested.	In Progress
2405 – Pre School Commissioned Places	1.3b	Census returns in support of payments should be saved outwith the email system.	Moderate	Nov-23	Mar-24	This has not been possible to implement as yet, as there isn't the admin capacity. Due to service changes that are taking place by July 2024, it will be possible to implement this change/process.	In Progress
2229 – Community & Cultural Facilities	2.5.3	The agreement between MACBI and the Council should be finalised and signed by both parties.	Moderate	Jan-24	Mar-24	Chasers have been sent to MACBI but still waiting on a response	In Progress
2316 – Primary School Visits	1.1	The Service should put in place a comprehensive training package to allow new employees to the Council to undertake their required role within the school.	Moderate	Dec-23	Mar-24	Training will be planned for admin staff during March 2024. All aspects of the relevant recommendations will be covered at this training. There is also a group reviewing the admin post within schools and this will be coordinated with this review, working alongside colleagues in Resources and Performance team within ECS.	In Progress

Report	Ref	Recommendation	Grading	Original Due Date	Current Due Date	Committee Update	Status
2316 – Primary School Visits	1.2	The Service should ensure staff are fully aware of what works require to be processed through the Property helpdesk and comply with Property and Facilities guidance.	Moderate	Dec-23	Mar-24	Training will be planned for admin staff during March 2024. All aspects of the relevant recommendations will be covered at this training. There is also a group reviewing the admin post within schools and this will be coordinated with this review, working alongside colleagues in Resources and Performance team within ECS.	In Progress
2230 – Elderly Residential Care	2.6.8	The Service should ensure timesheets align with rota information and any variations are investigated and addressed prior to authorising their payment. The Service should review rota procedures to ensure they are appropriate and consistent with requirements and across care homes. The Service should review the potential overpayments with Payroll and recover as appropriate.	Moderate	Dec-23	Mar-24	Work is continuing and on that basis an extension to 31 March 2024 is requested.	In Progress
2311 – IT in Schools	1.3a	The Service should establish a system of central monitoring for laptops, desktops and tablets issued to schools. This process should enable their use to be monitored to facilitate reallocation of underutilised devices and to facilitate identification of any missing devices.	Moderate	Dec-23	Jul-24	Jamf Mobile Device Management system is now in place for iPads and we are working towards Macbooks being managed in the same way. Chromebooks are managed through Glow and Gsuite. Laptops and desktops are managed by IT, through Microsoft Entra (formerly Azure). LoveLearning now receives a list of disposed iPads from IT and is working to ensure the same methodology is in place for Chromebooks. This also helps to recover unused licences. Desktops and laptops are managed by IT.	In Progress

Report	Ref	Recommendation	Grading	Original Due Date	Current Due Date	Committee Update	Status
2316 – Primary School Visits	1.3a	Those managing the QA process should ensure all staff issued with a record of retrospective orders should fully respond with their reasons.	Moderate	Dec-23	Mar-24	Training will be planned for admin staff during March 2024. All aspects of the relevant recommendations will be covered at this training. There is also a group reviewing the admin post within schools and this will be coordinated with this review, working alongside colleagues in Resources and Performance team within ECS.	In Progress
2316- Primary School Visits	1.3b	Schools should be made aware that failure to raise an order in advance of the goods/services being received is a breach of Financial Regulations, which has to be corrected to avoid reoccurrence. The Service should analyse the reasons for no compliance and put procedures in place to mitigate these issues.	Moderate	Dec-23	Mar-24	Training will be planned for admin staff during March 2024. All aspects of the relevant recommendations will be covered at this training. There is also a group reviewing the admin post within schools and this will be coordinated with this review, working alongside colleagues in Resources and Performance team within ECS.	In Progress
2316 – Primary School Visits	1.4	The Service should ensure all establishments are complying with Financial Regulations and inventory guidance relating to inventories.	Moderate	Dec-23	Mar-24	Training will be planned for admin staff during March 2024. All aspects of the relevant recommendations will be covered at this training. There is also a group reviewing the admin post within schools and this will be coordinated with this review, working alongside colleagues in Resources and Performance team within ECS.	In Progress
2316 – Primary School Visits	1.5	The Service should ensure staff comply with the arrangements set out in the Administrators Handbook in relation to the school fund.	Moderate	Dec-23	Mar-24	Training will be planned for admin staff during March 2024. All aspects of the relevant recommendations will be covered at this training. There is also a group reviewing the admin post within schools and this will be coordinated with this review, working alongside colleagues in Resources and Performance team within ECS.	In Progress

Report	Ref	Recommendation	Grading	Original Due Date	Current Due Date	Committee Update	Status
2322 – Risk Management	1.1	Management should work to deliver the roll out of the new approach to Risk Management. Work should then become cyclical to embed this further across the Council and develop on the baseline that has been established.	<b>Moderate</b>	Dec-23	Jun-24	All service Risk Registers are on Pentana and Services have been asked to complete the review of these by 4th June 2024.	<b>In Progress</b>