

Agenda Item	5
Report No	AS/6/23

THE HIGHLAND COUNCIL

Committee: **Audit & Scrutiny Committee**

Date: **15th June 2023**

Report Title: **Internal Audit Reviews and Progress Report –11/03/22 – 02/06/23 and update on 2023/24 audit plan**

Report By: **Strategic Lead (Corporate Audit & Performance)**

1. Purpose/Executive Summary

1.1 This report provides details of the work undertaken by the Internal Audit section since the last report to Committee in March 2023.

2. Recommendations

2.1 The Committee is asked to:

- i. consider the Final Reports referred to in Section 4.1 of the report;
- ii. note the current work of the Internal Audit Section outlined at sections 5 and 6, and the status of work in progress detailed at Appendix 1; and
- iii. note the update on the 2023/24 audit plan.

3. Implications

3.1 Risk – the risks and any associated system or control weaknesses identified as a result of audit work or corporate fraud investigations will be reviewed and recommendations made for improvement.

3.2 Resources – details are provided at section 5.2 below regarding Internal Audit resources.

3.3 There are no Legal, Community (Equality, Poverty, Rural and Island), Climate Change / Carbon Clever or Gaelic implications.

4. Audit Reports

4.1 There have been **3** final reports issued during this period as detailed in the table below:

Service Directorate	Subject	Opinion
Housing & Property	Housing Rent Collection	Substantial Assurance
Resources & Finance	Review of Absence Management Arrangements (follow-up)	Reasonable Assurance
Health & Social Care	Commissioned Children's Services	Limited Assurance

Each report contains an audit opinion based upon the work performed in respect of the subject under review. The five audit opinions are set out as follows:

- (i) **Full Assurance:** There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
- (ii) **Substantial Assurance:** While there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iii) **Reasonable Assurance:** Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iv) **Limited Assurance:** Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
- (v) **No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

5. Internal Audit work in progress and update on 2023/24 audit plan

5.1 Work in progress

As reported to the March Committee meeting, audits in progress from the 2022/23 plan were carried forward into quarter 1 of 2023/24. Details of this work and its status is provided at **Appendix 1**. The other main priority for this quarter is completion of the work required for the Chief Audit Executive's annual report including the annual audit opinion which forms part of the Annual Governance Statements within the annual accounts.

5.2 Staff resources

As reported to the last Committee meeting, there has been a member of staff on long-term sickness absence. A phased return to work has now been agreed and they are expected to be working full-time from the beginning of July.

Following interviews, an external applicant has been offered the post of Corporate Audit Manager. The required pre-employment checks are still being processed and once completed, then a start date can be agreed.

The effect of the above means that less audit resources than normal are available for

the 2023/24 audit plan. However, this is still expected to be sufficient in order that the annual audit opinion can be provided.

5.3 Update on 2023/24 audit plan

As detailed above, the audit work carried forward is still in progress. In the meantime, meetings will be held with the Chief Executive and the Executive Chief Officers to identify the audit priorities for the remainder of the year. This plan will then be presented to Committee for approval.

In addition, the option of moving to the production of an agile, responsive, rolling audit plan rather than the traditional fixed annual plan, is being explored. The main benefit of this approach is a more flexible plan that can immediately respond to emerging risks and changes arising within the Council. This will be discussed in more detail with the Executive Leadership Team to consider the benefits and the challenges arising from such a change, and whether there is merit in making this change. Committee will be kept informed accordingly.

6. **Other Work**

6.1 The Section has been involved in a variety of other work during the period which is summarised below:

(i) Audits for other Boards, Committees and Organisations

Audit work has been undertaken during this period for the Pension Fund which will be reported to the Pensions Board and Committee, and High Life Highland which will be reported to their Finance and Audit Committee.

(ii) Corporate Fraud, Whistleblowing concerns and other investigations activity

The Single Point of Contact (SPOC) work is an ongoing commitment providing information to Police Scotland and the Department of Work and Pensions. An allowance of time for these commitments is made within the Audit Plan each year.

Ongoing activities include:

- An investigation which resulted from a whistleblowing report is nearing completion and an investigation report is being drafted for issue to management.
- Investigation and recovery of payroll overpayments which have arisen due to the late notification that the employee had left their employment.
- Investigation and reporting of matches from the National Fraud Initiative 2022 exercise.

Other work undertaken during this period has included advice on improving security following the theft of fuel and a new investigation into the potential misuse and/ or theft of school funds.

Where active fraud and whistleblowing investigations are in progress, no further information can be provided in order to prevent these being compromised. However, once the investigations have been completed including any associated disciplinary/ legal action where relevant, the system weaknesses reports will be provided to Committee to scrutinise.

Designation: Strategic Lead (Corporate Audit & Performance)

Date: 5th June 2023

Author: Donna Sutherland

Internal Audits in progress

Service	Audit Subject	Priority	Planned Days	Current Status	Comments
Communities & Place	Waste Management Income Systems	Medium	5	Fieldwork in progress	
Depute Chief Executive	Review of Transformation Programme	High	5	Report being drafted	
Education & Learning	Review of financial arrangements in Schools	Medium/ High	23	Fieldwork in progress	
Education & Learning	ICT arrangements in schools	Medium/ High	19	Fieldwork in progress	
Infrastructure, Environment & Economy	Review of winter maintenance payments	Medium	2	Report being drafted	
Infrastructure, Environment & Economy	Review of roads maintenance	High	28	Terms of Reference issued	
Infrastructure, Environment & Economy	City and Region Deal	High	10	Fieldwork completed	
Performance & Governance	Verification of Statutory Performance Indicators	Low	10	Fieldwork in progress	
Performance & Governance	Climate Change Plans and Implementation	Medium/ High	14	Fieldwork in progress	
Performance & Governance	Gaelic Language Plan (GLP)	Medium	11	Being planned	Delayed until GLP4 in progress
Property & Housing	Housing Rent Collection	Medium	5	Final Report issued	Reported to ASC 15/06/23
Property & Housing	Corporate Landlord Model	High	21	Fieldwork in progress	
Resources & Finance	Review of the control and usage of Imprests	Medium	2	Report being drafted	

Service	Audit Subject	Priority	Planned Days	Current Status	Comments
Resources & Finance	Review of the use and control of imprests in H&SC establishments	Medium	16	Fieldwork in progress	
Resources & Finance	Review of Absence Management Arrangements (follow-up)	Medium/ High	3	Final Report issued	Reported to ASC 15/06/23
Resources & Finance	Review of the arrangements in place to reduce the risk of fraud in procurement	Medium/ High	3	Draft Report issued	
Health & Social Care	Review of commissioned children's services	Medium/ High	4	Final Report issued	Reported to ASC 15/06/23