

Scotland Excel

To: Executive Sub-Committee

On: 17 May 2024

**Report by:
Chief Auditor**

Internal Audit Annual Report 2023/24

1. Summary

- 1.1 The Public Sector Internal Audit Standards require the Chief Auditor to prepare a report, at least annually, to senior management and the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan.
- 1.2 The annual report must also provide an annual audit opinion on the overall adequacy and effectiveness of Scotland Excel's internal control environment.
- 1.3 The Annual Report for Scotland Excel is attached at Appendix 1 and outlines the role of Internal Audit, the performance of the Internal Audit Team, the main findings from the internal audit work undertaken in 2023/24 and contains an audit assurance statement.

2. Recommendations

- 2.1 Members are invited to consider and note the contents of the Internal Audit Annual Report.

Scotland Excel Internal Audit Annual Report 2023-2024

**Renfrewshire Council
Internal Audit**

May 2024

Scotland Excel

Internal Audit Annual Report 2023/2024

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Scotland Excel

Internal Audit Annual Report

1 April 2023 – 31 March 2024

1. Introduction

1.1 As host Authority, Renfrewshire Council provides an internal audit service to Scotland Excel. This includes:

- The compilation of an annual audit plan following consideration and evaluation of those areas of greatest risk in the organisation's operation, and consultation with the Chief Executive;
- Delivery of the planned audit assignments;
- Follow up of previous audit recommendations;
- Provision of any ongoing advice and support on audit and risk management related matters;
- Provision of an Annual Report and Assurance Statement, and presentation to elected members of Scotland Excel.

1.2 The Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which defines Internal Audit's role as:

".....an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

1.3 In line with the Standards, the purpose of this Annual Report is to report on:

- The status/outcome of the planned Internal Audit reviews 2023/24 relating to Scotland Excel;
- The outcome of Internal Audit reviews of supporting Renfrewshire Council corporate systems;
- Internal audit performance;
- Planned audit work for 2024/25;
- The annual assurance statement which provides an opinion on the overall adequacy and effectiveness of the organisation's internal control environment.

2. Responsibilities of Management and Internal Audit

- 2.1 It is the responsibility of management to ensure that for the areas under their control there is an adequate and effective system of internal control which facilitates the effective exercise of the organisation's functions and which includes arrangements for the management of risk.
- 2.2 Internal Audit is not a substitute for effective control exercised by management as part of their responsibilities. Internal Audit's role is to independently assess the adequacy of the risk management, internal controls and governance arrangements put in place by management and to undertake sufficient work to evaluate and conclude on the adequacy of those controls for the period under review.
- 2.3 The internal audit team will ensure that independence and objectivity are maintained in line with the PSIAS including where non-audit work is undertaken. Internal auditors will have no operational responsibilities. There have been no impairments impacting on the Chief Auditor's independence and the team has been adequately resourced during the year.

3. Internal Audit Activity during 2023/2024

- 3.1 One specific engagement on the contract monitoring – implementing collaborative procurement is nearing completion and will be reported to management as soon as possible. The 2022/23 review of contract management of Social Care Contracts was completed during the year and reported to the Executive Sub-Committee on 17 November 2023. The main findings in relation to this review is summarised in table 1 below:

Table 1

Audit Area	Conclusion
Contract Management – Social Care Contracts	Substantial Assurance <ul style="list-style-type: none">The audit has identified that satisfactory arrangements were in place to develop social care framework contracts and there were no recommendations made during the review.

- 3.2 The Annual Report for 2022/2023 was submitted to the Executive Sub-committee on 19 May 2023.
- 3.3 The implementation rate of audit recommendations is a measure of operational culture and effectiveness. During 2023/24, one recommendation was followed up and found to be completed.

- 3.4 Internal Audit also carried out reviews of the main corporate systems operating within Renfrewshire Council which support Scotland Excel's activity. The main findings in relation to these are summarised in Table 2 below and Renfrewshire Council management have agreed to implement the audit recommendations made in relation to each review:

Table 2

Audit Area	Conclusion
Debt Management	Reasonable Assurance Minor improvements have been recommended in relation to timeous raising of invoices and documenting the strategy for debt management.
Disaster Recovery	Limited Assurance The audit identified scope for improvement in the existing arrangements. Recommendations were made to enhance and strengthen controls; including development of a central register of critical systems, formalizing ICT procurement guidance, and seeking assurance from software as a service providers regarding their ability to meet disaster recovery requirements.
Payroll Overpayment Process	Reasonable Assurance Improvements in processes and increased awareness over recent years has resulted in the value of overpayments being significantly reduced. By far, the main reason for overpayments occurring is late notification of changes by managers within the employing service. The auditor has recommended that clear and accessible guidance should be made available to service management, along with regular communications to ensure that newer managers are aware of the deadlines and where they can access relevant guidance.
Health and Safety	Limited Assurance The corporate arrangements for health and safety require to be improved. It was identified that procedures require to be reviewed and updated. Improvements are required in terms of corporate oversight, compliance and performance reporting.
Purchasing Processes (Corporate	Limited Assurance The review focused on corporate

Purchase Cards)	purchase card procedures. The main areas for improvement identified relates to purchasing goods outwith the agreed procurement routes and the authorisation of goods ordered. There was also a lack of evidence relating to the authorisation of the increase of PCard spend limits.
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4. Review of Internal Audit Performance

- 4.1 Internal Audit produces regular reports on its performance during the year to the Renfrewshire Council, Audit, Risk and Scrutiny Board, against a range of measures set annually by the Director of Finance and Resources. These targets are set for all internal audit engagements and include Renfrewshire Council and other associated bodies, for which the team provides internal audit services. Table 3 shows the actual performance against targeted performance for the year.

Table 3

Internal Audit Performance 2023/24		
Performance measure	Target 2023/24	Actual 2023/24
% of audit assignments completed by target date	95%	92%
% of audit assignments completed within time budget	95%	98.5%
% completion of audit plan for the year*	95%	98.5%

* this measures the completion percentage as at 31 March. 100% of the plan is ultimately delivered through the finalisation of the outstanding elements in the new financial year.

- 4.2 The percentage completion of the audit plan is slightly below the target set for the year. This was due to the level of unplanned leave and the additional time attributed to unplanned work. It should be noted that this had no effect on the planned reviews for Scotland Excel for 2023/24. The actual performance for the year for the two other indicators, is above the target performance level.
- 4.3 The PSIAS require the Chief Auditor to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both periodic internal self-assessments and five-yearly external assessments, carried out by a qualified, independent assessor from outwith the organisation.
- 4.4 We continued to participate in the Scottish Local Authorities Chief Internal Auditors' Group peer review process. Our most recent external assessment was reported to the Council's Audit, Risk and Scrutiny Board in May 2023 and

included 7 recommendations for improvement, all recommendations have now been completed. The annual internal self-assessment process has concluded that the internal audit service fully complies with the PSIAS.

Risk Management

- 4.6 The internal audit service through the Risk Manager, provides advice and support to Scotland Excel officers, as required.

5. Planned Audit Work for 2024/25


- 5.1 Following a risk based assessment of the activities of Scotland Excel and consultation with the Chief Executive, the following internal audit work has been agreed for 2024/25:

- A review of contract monitoring – contract delivery plan;
- Follow up of previous audit work;
- Ad-hoc internal audit and risk management advice.

6. Audit Assurance Statement

- 6.1 Internal Audit has performed its work in accordance with the role defined in paragraph 1.2. The audit work performed and completed has been reported to the Chief Executive, and to the Executive Sub Committee in this annual report. Where areas for improvement in internal control have been identified appropriate recommendations have been made and accepted for action by management.
- 6.2 In view of the continued challenges common to all public bodies, there will be a requirement for the council and the bodies for which it is host authority to exercise very close scrutiny over revenue spending over financial management and compliance with overarching governance arrangements, and this will continue to receive due internal audit attention.
- 6.3 It is not feasible for the system of internal control to be without any weakness. It is important to balance the risks involved in accepting systems limitations with the consequences if a problem emerges. Internal Audit recognises this and assesses this in its reporting mechanism.
- 6.4 There are corporate systems and processes within Renfrewshire Council that Scotland Excel rely upon. It can be seen from Table 2 above that some of these processes require to be improved to provide a reasonable level of assurance. Renfrewshire Council management has agreed to implement the recommendation made by internal audit, in relation to these reviews. In this context, it is considered that reasonable assurance can be placed upon the adequacy and effectiveness of Scotland Excel Joint Committee's internal control, risk management and governance arrangements, as evidenced by:-
- The results of the audit work in 2023/24 in relation to the corporate systems which supported Scotland Excel's activities.

- Management action in response to audit recommendations.
- Management self assessment of internal control, risk management and governance arrangements.
- The regular review and updating of the Local Code of Corporate Governance by the Council in accordance with the Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives framework for corporate governance requirements, and of the corporate governance arrangements within Scotland Excel.

Signed. 

Chief Auditor

Date 17 May 2024