Report

Report to:	**Risk and Audit Scrutiny Committee**
Date of Meeting:	**27 June 2023**
Report by:	**Executive Director (Finance and Corporate Resources)**

Subject:	**Internal Audit Activity as at 9 June 2023**

1. Purpose of Report

1.1. The purpose of the report is to:-

♦ update the Risk and Audit Scrutiny Committee (RASC) on progress of the Internal Audit service in the period 6 May to 9 June 2023

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

(1) that progress be noted.

3. Background

3.1. Findings from internal audit assignments are reported to the Committee throughout the year. The last progress report to the Committee was 23 May 2023 and reported on work completed in the period 18 February to 5 May 2023. This report covers all work completed in the period 6 May to 9 June 2023. Performance information is also included.

4. Delivery of the Internal Audit Plan: Progress

4.1. As at 9 June 2023, 94% of the 2022/2023 Audit Plan was complete with 3 assignments still work in progress at that date. Preparatory work has started on the 2023/2024 Plan.

4.2. Key performance indicators reflecting quality, on time and within budget for the 2022/2023 Internal Audit Plan are summarised in Appendix 1 together with explanations. 3 from 5 indicators exceeded targets with the other 2 indicators falling marginally behind target.

4.3. Appendix 2 lists all assignments completed in the period 6 May to 9 June 2023 together with a summary of overall assurances from each area of work.

5. Public Sector Internal Audit Standards - External Review

5.1. The external review is in progress and is expected to conclude by the end of this month. The Committee was advised in March 2023 that the findings from the review would be reported in June 2023. Members are being asked to note that, although this output is not available at the date of writing this report, it is anticipated that the review will conclude with the next 2 weeks (and the formal output reported to a subsequent meeting of the Committee). There have been no significant findings reported to date and the function is anticipated to be assessed as continuing to

generally conform with the requirements of the Public Sector Internal Audit Standards.

6.   Progress against Strategy

6.1.   The Public Sector Internal Audit Standards (PSIAS) require progress against the audit strategy to be monitored and reported to the Committee as part of regular monitoring reports that are presented at each meeting.

6.2.   Delivery of the strategy in 2022/2023 has been evidenced by the material completion of the Internal Audit Plan in year monitored during the year by performance indicators which have been regularly reported to the Committee.

7.   Employee Implications

7.1.   There are no employee issues.

8.   Financial Implications

8.1.   The confirmed final financial position for the Internal Audit function for 2022/2023 is a marginal overspend that reflected lower than anticipated fees from external clients.

9.   Climate Change, Sustainability and Environmental Implications

9.1   There are no Climate Change, Sustainability and Environmental implications relating to this report.

10.   Other Implications

10.1.   The main risks to the delivery of the Audit Plan are, generally, vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. These have been mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan. The risk of significant, subsequent amendments to the Plan, arising from a change in the Council's priorities or risks, were reduced given the approach in 2022/2023 that has allowed capacity and content to be reassessed mid-year.

10.2.   There are no implications for sustainability in terms of the information contained in this report.

11.   Equality Impact Assessment and Consultation Arrangements

11.1   There is no requirement to equality assess the contents of this report.

11.2.   Heads of Service are consulted on each and every audit assignment.

Paul Manning
Executive Director Finance and Corporate Resources

9 June 2023

Link(s) to Council Values/Priorities/Outcomes
♦ Accountable, effective, efficient and transparent

Previous References

List of Background Papers

♦ Figtree extracts of Action Plans

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Key audit performance indicators as at 31 March 2023   **Appendix 1**

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	30/38	79%	80%	Marginally below target.
Draft reports delivered within 6 weeks of file review	43/43	100%	80%	
2022/2023 Audit Plan completed to draft by 30 April 2023	45/48	94%	100%	The three outstanding audit assignments at this date related to a special investigation and two routine assignments covering petty cash and purchase cards.
Internal Audit recommendations delivered on time	15/15	100%	90%	
Client to agree findings and actions within 4 weeks of draft issue	38/38	100%	80%	

Assignments completed 6 May to 9 June 2023   **Appendix 2**

Job Number	Assignment name	Draft Issue	Final Issue	Assurance Info
Current Year				
I420085	Fraud Policies	07/02/2023	23/05/2023	Revised fraud policy presented to RASC.
I613198	Anti-fraud checks	31/03/2023	31/03/2023	Work deferred to release resources to assist with the implementation of Fusion.
I677204	Whistle Blowing concern	31/03/2023	31/03/2023	Investigated by Resource. No significant outcome and, therefore, not investigated by Internal Audit.
I410092	Follow-up Procurement	31/03/2023	31/03/2023	Work deferred to assess impact of implementation of Fusion.
I341105	Sustainability	12/04/2023	12/04/2023	Position Statement – see Appendix 3.

Position Statement: Sustainability

Objective
To provide a position statement of progress with the Sustainability agenda across the following areas; governance; risk management; detailed short and medium term action plans; net zero targets; longer term route maps; decision-making processes and tools and collaboration and community empowerment.

Key Summary
SLC have clearly set out the Council's ultimate climate change goals. The first being that SLC will no longer be generating any carbon emissions from its non-domestic buildings within the next 15 years, which is in line with the Scottish Government's expectations for the Scottish public sector. This effectively means a shift to heat and power from electricity (or other sustainable sources) for all buildings as opposed to gas and oil. This is a significant undertaking given the size of the Council's current non-domestic estate that still has gas or oil heating systems. It is essential that decisions taken now, in relation to SLC's buildings, support the future zero emission goals. Consideration needs to be given to what SLC's estate may need to look like in the future so that relatively limited funds can be spent in the best way in the short to medium-term. The second goal is for fleet/pool cars to no longer be generating any carbon emissions within the next 15 years. Again, a significant undertaking which will require all Council transport decisions to fully reflect these objectives and the Scottish Government's expectations that the purchase of new petrol and diesel light commercial vehicles will begin to be phased out in the next couple of years. In addition to these targets, which are directly within the Council's control, SLC have also now pledged to influence a reduction in the emissions generated from household waste and employee travel to progress towards to net zero emissions in the next couple of decades (through to 2045/2046). A key assumption being used by the Council is that the electricity grid will be net zero by 2035 (i.e. derived from sustainable sources). This effectively means that by using electricity from the grid, the Council will achieve net zero for lighting and activities powered by grid electricity. Once reviews and feasibility studies are complete, SLC can then agree a "route-map" with milestones for both direct and indirect emissions. In addition to these key objectives are a myriad of other actions outlined within the current sustainable development and climate change strategy, including aims to manage the natural environment well; encourage sustainable production and use of food; embracing a zero-waste ethos; promoting a green economy and employment and sustainable procurement decisions and ensuring all planning/design decisions support a sustainable future. It is clear that sustainable development and climate change needs to be a factor in all decisions made across the Council if SLC are to achieve their goals.

The Climate Change and Sustainable Development Committee are tasked with ensuring sufficient plans are in place; that actions are defined and clearly communicated to those accountable for contributing to achieving desired changes; that the progress is sufficiently tracked, and that, most importantly, progress is being made. The challenges and barriers to achievement need to be fully understood. The status quo may need to be challenged and difficult decision made.

Underlying all of the corporate decisions should be consistent consideration of the actual implications for the residents and communities in South Lanarkshire, in particular, the impact of decisions in areas of existing challenge, such as fuel and food poverty or other areas of inequality and this is recognised in SLC's strategy and action plan.

Identification of Key Findings

• **Governance** General assurances were obtained re structure, accountabilities etc supporting the sustainability agenda with no significant issues to note.

• **Risk Management** Sustainability risks are reflected in the corporate risks register and top risk for some Resources as expected. The residual risks scores are very high corporately and increasing for some Resource risk registers (not decreasing with mitigations, but residual score going up). Mitigating actions are high level and involve many actions across the full span of the Sustainability agenda. Over time, how to fund might be one of the biggest risks. Mitigating actions are in place but these may need to be revised through time.

• **Action Plans** The review looked at the detailed short and medium term action plans now in place for next 5 years. Key assurance for 2022/2023 is that the 5-year action plan is now in place to support the strategy and SLC are also producing annual plans to support the 5-year plan. All actions should be tracked through IMPROVE and the actions be reflected in Resource/Service plans.

Net zero targets Key assurance is that SLC has now set these targets. These represent a significant undertaking with further work required to establish how indirect emissions not already measured will be measured.

Route maps The Council is committed to achieving zero emissions target for direct emissions for non-domestic buildings, but decisions need to be prioritised. The findings from the review work taking place are key to developing the route map. Also key, is how it will be funded and addressing the practical and logistical challenges that will hinder delivery.

Decision-making Underlying all of this will be the need to embed cultural change that puts sustainability and carbon/waste reduction at the forefront of all decision making.

Collaboration and Community Empowerment Likewise, working in partnership will be key to addressing issues around fully funding the agenda through to completion.