Internal Audit Report

Annual Validation Review

2 April 2024

CD2305

Overall Assessment	Reasonable Assurance

Contents

Executive Summary

Overall opinion and summary of findings

Our review of a sample of previously implemented audit actions found that the majority of controls have been sustained. Some controls continue to operate as originally implemented, while one control has been reasonably adapted to reflect changing circumstances.
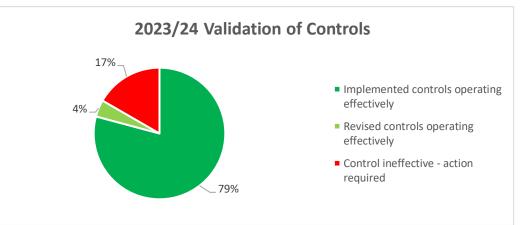
Controls weaknesses and resulting improvement actions have, however, been identified in the findings for the following four previously completed audits:

- **School Admissions, Appeals, and Capacity Planning** - independent quality assurance checks are not being completed

- **Drivers** - monthly reconciliations of the three systems in place within Fleet do not always take place

- **Arm's-Length External Organisations** - there is currently no consistent approach to reporting on ALEO performance and the impact of financial risks

- **Health and Safety (Asbestos)** – the surveying process was paused for the past 12 months due to migration to a new system. Senior management knowledge of, and approval of, this delay could not be confirmed.

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Validation review results

Based on our sample of closed management actions, our review identified that of the 24 actions reviewed, 19 (79%) were functioning as originally validated, and 1 (4%) had received reasonable changes to be in line with new circumstances, and 4 (17%) controls were ineffective with action required.

Recommendations to address the current risks associated with the four un-sustained actions have been raised in the four findings in this report.

2023/24 Validation of Controls

- Implemented controls operating effectively
- Revised controls operating effectively
- Control ineffective - action required

Audit Code and Title	Findings	Priority Rating
CF1901 School Admissions, Appeals, and Capacity Planning	Finding 1 – Operational Processes - Admissions and Appeals	**Medium Priority**
CW1913 Drivers	Finding 2 – Establish an Accurate Population of Council Drivers	**Medium Priority**
CW2001 Arm's-Length External Organisations	Finding 3 – ALEO Financial Sustainability	**Medium Priority**
CW2006 Health and Safety - Asbestos	Finding 4 – Housing Property Services – Asbestos Location and Condition	**Medium Priority**

See Appendix 1 for Assurance Definitions

Background and scope

Internal Audit (IA) findings are raised where audit outcomes confirm that the controls established to mitigate the Council's risks are either inadequately designed or are not operating effectively.

When finalising internal audit reports, management actions are agreed by Directorates that should address the control weaknesses identified in the findings. Implementation of these agreed actions will provide assurance that the associated risks are effectively managed, reducing the Council's overall exposure to risk. It is essential that the management actions (once implemented) are effectively sustained. If not, the Council remains exposed to an unnecessary level of risk.

An annual 'validation' audit is IA plan to assess whether management actions implemented to address audit findings raised in previous years have been sustained and remain effective.

Between 1 January 2022 and 31 December 2022, a total of 156 management actions in scope were implemented (34 High and 102 Medium and 20 Low).

In October 2022, following CLT and GRBV approval, a risk-based approach to Internal Audit review and validation of evidence to support closure of management actions was implemented. As a result, a self-attestation process for all low rated actions and a sample of medium actions was introduced, with the remaining medium actions and all high actions being full validated by Internal Audit.

The 2023/24 annual validation audit included a sample of low, medium, and high rated actions, including those closed as self-attested.

Scope

The objective of this review was to validate whether 15% (24) of management actions closed between 1 January 2022 and 31 December 2022 continue to be effectively sustained.

The sample selected (across 17 audits in total) covered all Council Directorates and the Health and Social Care Partnership. Further details of the sample selected are included at Appendix 1.

Reporting Date

Testing was undertaken between 1 December 2023 and 31 January 2024.

Our audit work concluded on 15 March 2024, and our findings and opinion are based on the conclusion of our work as at that date.

Findings and Management Action Plan

Finding 1 – Operational Processes - Admissions and Appeals

Finding Rating	Medium Priority

CF1901 School Admissions and Appeals – actions closed March 2022

Audit testing of enrolment processes during the audit in 2020 highlighted that official proof of birth and address (two items confirming that the pupil's address is within the relevant catchment area) were not consistently obtained. Additionally, where two items confirming address were obtained, they did not consistently provide adequate and valid evidence of residence at the address and did not always match. Our findings also noted that there was limited independent oversight performed to ensure that schools had obtained complete and accurate evidence of address to support school placements.

IA recommended that schools business managers should undertake quality assurance (QA) checks of evidence obtained to ensure compliance with procedures and request additional evidence from parents where the evidence requested did not meet requirements. In addition, the required evidence to close this action noted that QA checks should be undertaken for both the annual registration process and for other stage applications.

Management agreed to instruct schools business managers to undertake sample QA checks of evidence obtained to support applications. This was to include completion of checks prior to completion of enrolment processes. Checking of completion was to form part of the Communities and Families Self-Assurance (SA) Framework from 2021 onwards.

Evidence of the addition of compliance checks to the SA framework was not subject to IA validation due to covid restrictions in place during the follow up process. Email communications with all primary schools' management were provided as evidence to support closure of the audit action. In closing the action, it was recommended that as similar issues were noted within secondary schools sampled, that a similar reminder should be issued to secondary schools.

Results of Validation Testing:

It was established that independent QA checks are not currently in place as Education colleagues consider there is no requirement for this at either primary or secondary stages for the following reasons:

- reliance is now placed on prior school / partner provider nursery checks (birth certificate), which covers approximately 96% of primary 1 (P1) registrations for this proof

- capacity issues for secondary schools mean that rigorous checks are already in place to ensure the validity of catchment applications, with limited out of catchment requests able to be considered.

The Transactions team however confirmed that nursery checks do not cover all proofs required, for example proof of address for all enrolments, and baptismal certificates for RC schools.

Since the audit was completed, a new enrolment system, Gateway, is in place for P1 intake. The Transactions team advised that the system is more auditable and user friendly, and that all P1 enrolment evidence added to the system is now visible and accessible to the central schools and lifelong learning team. The system is likely to be further developed for other year groups.

Risks

Service Delivery / Governance and Decision Making - ineligible enrolment of pupils who do not live in the catchment area potentially leading to capacity issues for eligible pupils.

Recommendations and Management Action Plan: Quality Assurance Checks in Schools

Ref.	Recommendation	Agreed Management Action	Action Owner / Lead Officer	Timeframe
1.1	QA processes should be developed for review of evidence obtained to support school enrolments to ensure compliance with procedures. The process should cover independent checks of both P1 registrations and other year groups. Where non compliances are identified, additional evidence should be requested from parents where the evidence provided does not meet requirements.	**Risk accepted** A new process has been introduced, new enrolment arrangements will be rolled out for all year groups with the proof of address clearly shared, where this was not clearly shared previously, Risk accepted as there is no longer a need for school staff to complete QA on this.	N/A	N/A
1.2	Consideration should be given to whether to include the QA processes in the schools' self-assurance framework or to monitor and review compliance centrally.	Not applicable as QA processes will not be introduced.	N/A	N/A
1.3	Once implemented, the results of QA checks should be reviewed to: • establish any thematic issues or learning points to share across all schools • determine future levels of checking required.	Not applicable as QA processes will not be introduced.	N/A	N/A

Finding 2 – Establish an Accurate Population of Council Drivers

CW1913 Drivers Audit - actions closed August 2022

The Drivers audit noted that there was no complete and accurate list of all Council vocational and grey fleet drivers who should be subject to ongoing licence checks in line with the frequency specified in the Council's Driving for the Council policy. Audit recommended that Fleet issue a Council-wide email reminding employees of their responsibilities in relation to the Driving for the Council policy, obtain monthly Council leavers' reports, and reconcile these reports with the three systems in place within Fleet (Tranman, eDavis, and the Fuel Fob system) to remove leavers. Fleet management agreed to implement the above actions.

<u>Results of Validation Testing:</u>

During validation testing management advised that, due to pressure on officers, monthly reconciliations of the three systems in place with Fleet do not always take place, though reconciliations do take place at least every two months.

Risks

Health and Safety / Reputational Risk

- colleagues who are either vocational or grey fleet drivers who are not legally eligible to drive may currently be driving as part of their Council role

- health and safety and reputational risk in the event of a significant incident where the driver is not legally fit to drive.

- inability to perform driver risk assessments and make appropriate adjustments based on the outcomes of licence checks.

Recommendations and Management Action Plan: Establish an Accurate Population of Council Drivers

Ref.	Recommendation	Agreed Management Action	Action Owner / Lead Officer	Timeframe
2.1	Management should consider whether the frequency of reconciliations is appropriate in line with the associated risks. If it is deemed that monthly checks are necessary, then adequate resource should be assigned to ensure these take place. If it is agreed that the frequency can be reduced, then this should be documented and communicated, and the associated risks of less frequent checks recorded and reviewed periodically.	Frequency of reconciliations will be conducted every two months. A review of the reconciliations will be conducted in six months to understand any impact of the increased frequency if any.	Executive Director of Place Fleet and Workshops Manager Inventory and Scheduling Team Leader, Place	31/10/2024

Finding 3 – ALEO Financial Sustainability

Finding Rating	Medium

Arms-Length External Organisations – actions closed March 2022

The original recommendation was to update existing quarterly monitoring reports for high-risk ALEOs to include the potential service delivery and financial impacts associated with new, emerging, and ongoing ALEO financial risks. The recommendation went on to specify that these reports should go to Corporate Leadership Team, the Governance Hub, and relevant Executive Committees.

Results of Validation Testing:

During the annual validation exercise it was identified that there is currently no consistent approach to reporting on ALEO performance and the impact of financial risks. In discussion with management, it was confirmed that some reports are not being provided at all, and some are being provided several months late.

Risks

- **Regulatory and Legislative Compliance** - management and scrutiny of ALEOs is not performed consistently across the Council by the first line as agreed and in line with relevant Audit Scotland, Standards Commission, the Scottish Parliament, and Office of the Scottish Charity Regulator regulations and guidance

- **Governance and Decision Making** - significant ALEO performance issues and risks may not be identified and addressed

- **Service Delivery** - lack of clear understanding in relation to the nature and quality of services provided to and from ALEOs by the Council

- **Financial and Budget Management** - the Council does not have a clear picture of future ALEO financial sustainability and its potential impact on both Council services and finances

- **Reputational Risk** - adverse publicity associated with ALEO operational performance and service delivery.

Recommendations and Management Action Plan: ALEO Financial Sustainability

Ref.	Recommendation	Agreed Management Action	Action Owner / Lead Officer	Timeframe
3.1	Review ALEO reporting as part of the new ALEO framework implementation. Ensure that monitoring reports include potential service delivery and financial impacts associated with new, emerging, and ongoing ALEO financial risks. Consider the most appropriate governance forums for these reports to be presented to and what frequency. In addition, reports should be provided to committee in a timely manner.	Work on the ALEO Governance framework has commenced and reporting and scrutiny is one of the key work themes. This work will consider what should be in these reports, which committee should consider it and the frequency of reports.	Executive Director of Corporate Services Head of Democracy, Governance and Resilience	31/10/2024

Finding 4 – Housing Property Services – Asbestos Location and Condition

Finding Rating	Medium Priority

Health and Safety (Asbestos) Audit - actions closed August 2022

In line with audit recommendations for Housing Property Services, a feasibility study was recommended to assess additional resources to support a shorter timeframe for verification and correction of asbestos locations and conditions in common property areas including ongoing condition monitoring within reasonable and acceptable timeframes.

Results of Validation Testing:

A mobile application is being implemented to allow ongoing re-inspection and monitoring. It has been verified that a clear process has been established and subcontractors to conduct the re-inspections have been identified. Additionally, training material for the subcontractors has also been developed but the re-inspections of asbestos locations and conditions are not yet under way.

Risks

- **Health and Safety** – colleagues and citizens could be exposed to asbestos fibres from Council owned and operated assets until asbestos locations are confirmed and managed

- **Technology and Information** - the Council is not managing asbestos information effectively

- **Technology and Information** – the Council is unable to respond accurately to any Freedom of Information requests in relation to asbestos

- **Service Delivery** – services are unable to deliver expected asbestos performance management outcomes.

Recommendations and Management Action Plan: Housing Property Services – Asbestos Location and Condition

Ref.	Recommendation	Agreed Management Action	Action Owner / Lead Officer	Timeframe
4.1	Re-inspections should resume following the implementation of the mobile application, with subcontractors being trained on how to use the application prior to conducting the inspections. The relevant committee and working group should be notified of the period where re-inspections were not performed.	Re-inspections are due to begin in March 2024 by the subcontractors. Training will be completed by all subcontractors before re-inspections are conducted. Work was paused to allow all asbestos data to be transferred to our NEC platform. Checks will be conducted to identify if the Asbestos Life Safety Group was notified of the break in re-inspections, failing this group will be notified in March 2024.	Executive Director of Place Service Director, Housing & Homelessness Head of Housing Operations Operations Manager - Housing Operations Asbestos Officer - Housing Strategy & Development	30/06/2024

Appendix 1 – Audits included in the annual validation review

A sample of actions across the following audits were reviewed as part of the 2023/24 annual validation review:

Directorate	Audit Code and Title	Priority Rating
Corporate Services	CS2102 Vulnerability Management	Medium
	CS2204 Implementation of Consultation Policy	Medium
	CW2001 Arm's length external organisations	High
	CS2106 Capital Budget Setting and Management	Medium
	CE1901 Social Media - Access Controls	Medium
Children, Education and Justice Services	ECS201 Criminal Justice Social Work	Medium
	RES2009 Salary Overpayments	Medium
	CW2106 Implementation of Child Protection Recommendations	Low
	CF1901 School admissions, appeals and capacity planning	High
Health and Social Care Partnership	HSC1902 Lone working	Medium
	RES2009 Salary Overpayments	Medium
Place	CE1902 Policy Management Framework	Medium
	CW1910 Life Safety	High
	CW1913 Drivers	Medium
	CW2004 PPP/DBFM Schools and Services Contract Management	Medium
	CW2006 Health and Safety – Asbestos	Medium

Appendix 2 – Control Assessment and Assurance Definitions

Overall Assurance Ratings	
Substantial Assurance	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.
Reasonable Assurance	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.
Limited Assurance	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.
No Assurance	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.

Finding Priority Ratings	
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
Low Priority	An issue that results in a small impact to the achievement of objectives in the area audited.
Medium Priority	An issue that results in a moderate impact to the achievement of objectives in the area audited.
High Priority	An issue that results in a severe impact to the achievement of objectives in the area audited.
Critical Priority	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.