

Internal Audit Report



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Corporate Services

EU Withdrawal

Assignment No 20-05

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Legal and Governance
Corporate and Democratic Services
Perth & Kinross Council
Council Offices
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Internal Audit

“Internal Audit is 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”. Public Sector Internal Auditing Standards (PSIAS)

The Council’s Audit Committee approved the PSIAS as the relevant standard for its [Internal Audit activity](#).

Background and Introduction

This audit was carried out as part of the internal audit plan for 2020/21, approved by the Audit Committee on 16 September 2020. The plan identified withdrawal from the European Union within key themes. This review continues on from an earlier EU Withdrawal report [19-08](#) in January 2020 and considers the Council’s preparedness for EU exit during the transition period ending 31 December 2020. Terms and conditions negotiated between the EU and UK for arrangements for trade, border controls, security co-operation, working and travel were agreed in December 2020. These passed through UK Parliamentary procedure and came into force with immediate effect. The new Trade and Cooperation Agreement or Treaty is available to read [here](#) with a summary explainer document available [here](#).

Scope and Limitations

The audit scope reviews the Council’s preparedness for EU withdrawal during the exit transition period at Corporate level, taking into account the Corporate risk register to January 2021. Therefore, emerging risks and updated issues identified by the Council’s EU Exit Group [referred to as the ‘Group’] are included. In October 2020, COSLA advised Local Authorities to prepare for a No Deal or at best a Minimal Deal. As Covid19 emergency restrictions came into force to manage the pandemic, issues for Council services, communities and partnerships were included. The dynamic nature of this scope has required the Council to be flexible and agile.

Review of impact on Council services within the detail of the new Agreement has yet to be fully understood. Early observation suggest that the Agreement has some areas with clearly articulated rules and other areas that are open to interpretation. As the Council’s Legal Team has not yet undertaken a thorough review of the Agreement, details are excluded from this scope.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A ‘control objective’ is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, based on the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

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During 2020 Corporate Risks referred to EU withdrawal included:-

- Competition for labour arising from a reducing working age population, increasing demands for services and the impact of EU Exit may impact on the Council's ability to recruit and retain suitably skilled and experienced staff [C05]
- As a consequence of EU Exit there is a risk that there is reduced availability of funding previously provided through EU Grants. Also, as a result of economic pressures and resultant known impact arising from Covid19, there has been a significant downturn in the local economy which could worsen and have wide-ranging impacts on PKC, local communities and businesses [C14 & 15 merged]

New emerging risks were identified as the Transition period drew to a close in 2020. These are noted in a separate control area below.

This review will focus on controls to manage these risks above.

Control Objective [1]: Controls are in place to manage risks of competition for labour arising from trends including the impact of EU Exit impacting on the Council's ability to recruit and retain suitably skilled and experienced staff

Internal Audit Comments:

In response to the Corporate risk identified for work and employment, the Council's EU Exit Group has been working with its partners on a specific workstream dedicated to Workforce issues.

The Group aims are to ensure the Council and its partner organisations including Arm's Length Organisations, communities and businesses are prepared for the UK exit from the EU; that risks are managed or mitigated, with opportunities maximised in Perth & Kinross area. To achieve these, the Group has several objectives and applied resources to monitor areas including the Workforce workstream. The group has reported regularly on progress. The wider effect on Communities and information received from Home Office around EU Settlement Scheme was included within the Communities workstream and Communications workstream to publicise information on the website.

Workforce planning implications of employees intending or not to remain in the UK after the EU exit are being managed and EU Exit implications included in a new Workforce Plan. Updates and progress were provided regularly to the Council's Policy and Governance Group and Executive Officers' Team. A session was arranged with the Ethnic Minority Law Centre, to support staff with EU exit related issues and make people aware of settled status application. Furthermore, the Council has worked with community planning partners, commercial and third sector organisations, Health and Social Care Partnership with NHS Tayside, local and national contingency resiliency groups to assist in managing Employment risks.

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By January 2021, an issue reported was that EU nationals are currently unable to access local centre for registering their documents for Settled status (Perth Registrars), due to Covid restrictions. This service was to be provided for EU nationals who do not have access to digitally registering their information. Current process requires documents and a photograph to be scanned, plus a facial recognition scan; however, there is an increased risk of virus spreading with handling of documents and close contact of less than 2 metres. The situation was reviewed in February 2021 and it was still not safe to restart the service. It is unlikely that this will now be possible before the EU Settlement scheme deadline of 30 June 2021.

The Health and Social Care Workstream awaits Government guidance regarding applications for permanent residency for people who lack capacity, and who have no-one to advocate on their behalf.

Strength of Internal Controls:

Strong

Control Objective [2]: Controls are in place to manage risks of reduced availability of funding previously provided through EU Grants, economic pressures and known impacts arising from Covid19 on services for the economy

Internal Audit Comments:

Awareness of funding provision and implications is being monitored by the economy and business workstream of the EU Exit Group. There is no clarity as yet over post EU exit UK replacement grant funding (UK Shared Prosperity Fund) to fund economic development projects. Monitoring of the impact of Brexit on local Business via overall Business Surveys/Barometer is taking place. The EU Exit Communications Plan has been updated.

The Council's medium-term financial plans 2021-27, reported to full Council in September 2020 refers to income uncertainties ahead with full impact of EU withdrawal in relation to the economy, communities and public sector funding still evolving, creating income uncertainties.

Known impacts and economic pressures arising from Covid19 on services and resources are noted in the updated corporate risk register at Nov 2020. This impacts on many service areas including financial resilience, community vulnerability and increased demand, workforce, economic risks to businesses with covid19 restrictions, additional costs affecting revenue budgets. Briefing sessions have taken place on a regular basis to update Council Members, management leads and partners, including Arm's Length Organisations. Restrictions to manage the pandemic continue to affect Council services and the community partners in 2021.

Strength of Internal Controls:

Strong

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Control Objective [3]: Regular reviews are carried out to identify new emerging risks during EU Exit transition	
<p>Internal Audit Comments:</p> <p>The Council's EU Exit Group reported more frequently as transition period progressed, identifying new emerging risk areas and updating the EU Exit Preparedness Assessments. This paralleled the Corporate risk reporting process; corporate risks updated for emerging issues and elected Members Groups kept informed. The Council Executive Officer Team and Policy and Governance Group were regularly updated on new risks, for example risk of a 'hard deal' exit as recommended by COSLA in October 2020. Another emerging risk was of priority work of staff on Covid 19 response, recovery and renewal resulting in insufficient staffing capacity to ensure preparedness for EU Exit Planning.</p> <p>The EU Exit group reported on other workstreams running concurrently to manage the EU Exit transition effects including Contingency and Resiliency, IT, Supply Chain and Procurement and Regulatory Services workstreams. Regular discussions were held with community partners and the Tayside Local Resilience Partnership.</p> <p>The Group is monitoring events and terms in the new Agreement for issues that may affect Council services and partners. One item for example relates to UK owned data stored in the EU/EEA and free flow of personal data from the EU/EEA to the UK. A bridging mechanism will be applied for up to six months, but no firm 'deal' exists for UK owned data stored in the EU/EEA. The Information Commissioner's advice is being taken to implement Standard Contractual Clauses, business system owners informed and location of personal data in externally hosted or cloud-based business applications is being monitored by the IT workstream in the Group.</p> <p>A specific workstream is reviewing the Agreement as it refers to procurement and supply chain. Procurement documents are being updated to reflect changes in Regulation and identification of categories where there may be some interruption to supply is underway, for Services to be notified. Dialogue between local officers and many other bodies continues.</p>	
Strength of Internal Controls:	Strong

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

This audit has not identified any areas where a response by management is required, therefore there are no appendices or action plan.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

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Acknowledgements

Internal Audit acknowledges with thanks the co-operation of all officers involved during this audit.

Feedback

Internal Audit welcomes feedback, in connection with this audit or with the Internal Audit service in general.

Distribution

This final report will be distributed to

B Renton, Interim Chief Executive

S Devlin, Executive Director - Education & Children's Services

G Paterson, Director of Integrated Health and Social Care/Chief Officer

K Donaldson, Chief Operating Officer

C Mailer, Depute Director – Communities

J Pepper, Depute Director, Education & Children's Services and Chief Social Work Officer

S MacKenzie, Head of Finance, Corporate and Democratic Services

L Simpson, Head of Legal and Governance Services

A Seggie, Service Manager, Employability, Skills & Special Projects Manager within Planning & Development CDS

C Mackie, Transformation Manager, CDS - Business Transformation and Improvement

S Munro, Human Resources Team Leader, Reward & Wellbeing

Pat Nicoll, Senior Human Resources Officer

External Audit

Committee Services

Authorisation

The auditor for this assignment was N Duncan.

This report is authorised for issue:

Date: February 2021