

Internal Audit Assurance

1. INTRODUCTION

- 1.1 The City of Edinburgh Council Internal Audit (IA) team performs one annual review to provide assurance over the controls established to mitigate SEStran's specific key risks.
- 1.2 The purpose of this paper is to provide an update on the outcomes of the 2023/24 SEStran IA review of the Financial Sustainability, progress with the completion of management actions agreed as part of 2022/23 audit, and to request the Board's recommendations on potential areas for inclusion in the planned 2024/25 audit.

2. BACKGROUND, SCOPE, AND OUTCOMES OF 2023/24 IA REVIEW – Financial Sustainability

Audit Background

- 2.1 The Partnership's Core budget for the financial year 2023/24 was £815,000 and Projects expenditure was budgeted for £923,000. Core budget was made up of the Scottish Government grant (£625,000) and requisitions from the eight constituent councils (£190,000). The core budget provides for the day-to-day running costs of the Partnership and includes employee costs, premises costs and supplies and services. As at 31 January 2024, it is projected that core annual expenditure will be £68,000 under budget. The 2023/24 net expenditure on projects is also forecast to be £82,000 less than the budget.
- 2.2 The Board's Reserves Policy recommends establishment of an unallocated General Fund Reserve based on a minimum value of 5% core revenue budget (£41,000). As at 1 April 2023, the Partnership had an unallocated General Fund Reserve of £49,000. The policy also recommends that where slippage occurs on core revenue projects, this is retained as an earmarked balance. Slippage of £159,000 was included in the 2023/24 projected budget.
- 2.3 An update on the financial planning process for 2024/25 and indicative figures for 2025/26 was presented to the Partnership Board on 1 December 2023. These plans include an increase to the costs of the Partnership's organisational structure of £43,000. This is a result of the strategic realignment undertaken to support the delivery of the Regional Transport Strategy (RTS). The Partnership will be looking to proactively secure additional funds to ensure delivery of key strands of the RTS and ongoing financial sustainability.

Audit Scope

- 2.4 The scope of the 2023/24 IA review was to assess the adequacy of design and operating effectiveness of the key controls in place to support the ongoing financial sustainability of SEStran. The review also followed up on the implementation of

management actions raised in the previously completed 2022/23 internal audit review of the Thistle Assistance programme.

Audit Outcomes

- 2.5 The overall assessment of the review was 'Reasonable Assurance' (amber) and confirmed that while there are some moderate weaknesses in the financial management policies and procedures, design and operating effectiveness of controls provide reasonable assurance that SEStran's financial sustainability objectives will be achieved.
- 2.6 Areas for improvement identified in the review include:
- i) financial planning procedures should be documented to include scenario planning, identification of efficiency savings and lessons learned
 - ii) the reserves policy requires review and approval
 - iii) a log of all potential funding opportunities and the actions taken to secure them should be maintained
 - iv) Finance Officer reports on current financial position should also be presented to the Performance and Audit Committee, and
 - v) risk mitigation actions should be routinely monitored to confirm effective implementation.
- 2.7 Several areas of good practice were also identified as part of this review and are included in the Executive Summary section of the detailed report, appended below.
- 2.8 Management has also addressed eight out of ten medium rated IA recommendations raised in the 2022/23 audit of the Thistle Assistance Programme. The remaining two recommendations and associated management actions along with management's status update is provided in Appendix 3 of the detailed report.

3. 2024/25 INTERNAL AUDIT REVIEW

- 3.1 City of Edinburgh Council's 2024/25 Internal Audit annual plan was approved by the Council's Governance, Risk, and Best Value Committee on 19 March 2024. The plan includes one Internal Audit review for SEStran, which is consistent with the level of assurance provided in prior years.
- 3.2 The most significant areas of risk and potential areas for SEStran 2024/25 annual review will be discussed with the management team by November 2024, and the review is likely to be completed between January to March 2025.

4. RECOMMENDATIONS

The Board is requested to:

- note the progress with completion of management actions, agreed as part of 22/23 audit report
- note outcomes of the 2023/24 IA review of Financial Sustainability, and the associated risks, and

- provide insights or recommendations on key risks or areas of concern that the Board would like IA to consider including in the 2024/25 IA review.

Appendix 1: Internal Audit Report – Financial Sustainability

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Policy Implications	None
Financial Implications	SEStran is charged an annual fee for provision of the annual IA assurance review. The fee for 2023/24 is £5,000, which remains consistent with the 2022/23 fee applied.
Equalities Implications	None
Climate Change Implications	None



South East of Scotland Transport Partnership (SEStran)

Final Internal Audit Report

Financial Sustainability

31 May 2024

OO2301

Overall Assessment	Reasonable Assurance
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This Internal Audit review is conducted for SEStran under the auspices of the 2023/24 internal audit plan. The review is designed to help the SEStran assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there are specific recommendations included in this report to strengthen internal control, it is management’s responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of SEStran. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and critical risk findings will be raised with senior management as appropriate.

Executive Summary

Overall
Assessment

Reasonable
Assurance

Overall opinion and summary of findings

Review of the design and effectiveness of the controls in place to ensure SEStran’s continued financial sustainability provide reasonable assurance that financial sustainability objectives will be achieved.

The following improvement actions were identified during the review:











- financial planning procedures should be documented to include scenario planning, identification of efficiency savings and lessons learned
- the reserves policy requires review and approval
- a log of all potential funding opportunities and the actions taken to secure them should be maintained
- Finance Officer reports on current financial position should also be presented to the Performance and Audit Committee
- risk mitigation actions should be routinely monitored to confirm effective implementation.

Areas of good practice identified

- Financial plans are developed and approved on a timely basis in advance of the start of the financial year.
- There is a comprehensive risk register in place supported by a well-developed risk appetite assessment for all risk categories.
- Progress against project workstreams is effectively reported to the Performance and Audit Committee using a RAG status.
- SEStran has strategies in place to identify available funding sources.
- Finance Officer reports provide an update on the current financial position and include a reforecast budget and explanatory narrative of any variances.

[See Appendix 1 for Control Assessment and Assurance Definitions](#)

Audit Assessment

Audit Area	Control Design	Control Operation	Findings	Priority Rating
1. Financial Planning			Finding 1 – Financial Planning Procedures	Medium Priority
			Finding 2 – Review of Reserves Policy	Low Priority
			Finding 3 – Monitoring of Funding Opportunities	Low Priority
2. Ongoing Monitoring and Reporting of Savings Plans Performance			Finding 4 – Finance Officer Reports	Low Priority
			Finding 5 – Risk Management Action Tracking	Low Priority

Background and scope

The Partnership's Core budget for the financial year 2023/24 was £815,000 and Projects expenditure was budgeted for £923,000. Core budget was made up of the Scottish Government grant (£625,000) and requisitions from the eight constituent councils (£190,000). The core budget provides for the day-to-day running costs of the Partnership and includes employee costs, premises costs and supplies and services. As at 31 January 2024, it is projected that core annual expenditure will be £68,000 under budget. The 2023/24 net expenditure on projects is also forecast to be £82,000 less than the budget.

The Board's Reserves Policy recommends establishment of an unallocated General Fund Reserve based on a minimum value of 5% core revenue budget (£41,000). As at 1 April 2023, the Partnership had an unallocated General Fund Reserve of £49,000. The policy also recommends that where slippage occurs on core revenue projects, this is retained as an earmarked balance. Slippage of £159,000 was included in the 2023/24 projected budget.

An update on the financial planning process for 2024/25 and indicative figures for 2025/26 was presented to the Partnership Board on 1 December 2023. These plans include an increase to the costs of the Partnership's organisational structure of £43,000. This is a result of the strategic realignment undertaken to support the delivery of the Regional Transport Strategy (RTS). The Partnership will be looking to proactively secure additional funds to ensure delivery of key strands of the RTS and ongoing financial sustainability.

Scope

The objective of this review was to assess the adequacy of design and operating effectiveness of the key controls in place to support the ongoing financial sustainability of SEStran.

This audit also confirmed that 8 out of the 10 medium rated management actions, agreed in the 2022/23 audit of the Thistle Assistance Programme, have been implemented. Details of the two outstanding actions is included in Appendix 3.

Alignment to SEStran Risks

- Financial risk
- Project management risk
- Contract management risk - Grants

Limitations of Scope

This review does not provide any assurance on current financial sustainability, only over the controls in place to support its achievement.

Reporting Date

Testing was undertaken between 26 February and 29 March 2024

Our audit work concluded on 29 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 – Financial Planning Procedures

Finding Rating	Medium Priority
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SEStran’s financial planning arrangements include the development of an initial financial plan, presented to the Partnership Board and Performance and Audit Committee in December, with a final plan being presented in March each year. Financial plans are developed with assistance from the City of Edinburgh Council’s finance team and meetings are held with SEStran senior management to discuss budget assumptions and projections.

Although financial plans are prepared on a timely basis, there are no documented procedures outlining how this is achieved. Documenting the steps for preparation and key milestones for reporting of financial plans would ensure a comprehensive and consistent approach each year.

Financial plans are developed on the basis of various key assumptions on estimated spend and likely funding sources. SEStran does not currently

undertake any formal scenario planning exercises on these assumptions. Scenario planning exercise would help SEStran to evaluate the resilience of its financial plans for potential spend increase or income reduction.

There is also no formal process for the identification of efficiency savings. This is done on an ad hoc basis during contract renewals etc.

Risks

- **Financial Planning** – potential inconsistencies in the financial planning process may reduce the reliability of financial plans
- **Budgetary Resilience** – changes in key budgetary assumptions may pose a risk to financial sustainability
- **Financial Sustainability** – missed opportunities to achieve efficiency savings may pose a risk to financial sustainability.

Recommendations and Management Action Plan: Financial Planning Procedures

Ref.	Recommendation	Agreed Management Action	Action Owner and Lead Officers	Timeframe
1.1	A financial planning procedure document should be developed that includes key reporting milestones and roles and responsibilities.	A financial planning procedure will be developed.	Brian Butler, Partnership Director, SEStran	31/10/2024
1.2	Scenario planning exercises should be performed on key budgetary assumptions, as part of the annual financial planning cycle. This should be included in the financial planning procedures and results should be reported along with financial plans for approval.	A scenario planning procedure will be included in the wider financial planning procedure. It will describe how scenarios and sensitivities will be selected.	Keith Fiskien, Senior Partnership Manager, SEStran	31/10/2024

1.3	The identification of efficiency savings should be included as a step within the financial planning procedures. Once identified, the achievement of these savings should be monitored and reported.	The requirement to identify and realise efficiency savings will be included in the financial planning procedure and undertaken each year as part of the process.		31/10/2024
1.4	The identification of lessons learned from the annual financial planning cycle should be included within the procedures document. These should then be reviewed prior to the next planning cycle and improvements made, where appropriate.	A lessons learned process will be included in the financial planning procedure.		31/10/2024

Finding 2 – Review of Reserves Policy

Finding Rating	Low Priority
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The Partnership Reserves Policy was approved by the Partnership Board in March 2020. Reserve balances consist of both earmarked funds, made up of underspent project funding to be applied the following year, and an unallocated General Fund. The adequacy of the unallocated General Fund is assessed through consideration of the Partnership’s strategic, operational and financial risks. The policy states that it should be reviewed within a three-year period, however, it is yet to be reviewed following its initial approval in 2020 and is therefore overdue for review.

Risks

- **Financial Sustainability** – General fund reserves may not be sufficient to mitigate against current strategic, operational and financial risks.

Recommendations and Management Action Plan: Review of Reserves Policy

Ref.	Recommendation	Agreed Management Action	Action Owner and Lead Officers	Timeframe
2.1	The Partnership’s Reserves Policy should be reviewed to ensure the level of unallocated general fund held remains appropriate. Consideration should be given to current strategic, operational and financial risks. Once reviewed this should be reported to the Partnership Board.	A requirement to review the reserves policy on a three-year basis will be included in the financial planning procedure. The policy will be reviewed and presented to the 21 st June meeting of the Partnership Board.	Brian Butler, Partnership Director, SEStran	30/06/2024

Finding 3 – Management of Funding Opportunities

Finding Rating	Low Priority
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SEStran operates a number of funded project workstreams and has a number of procedures in place to identify other potential funding sources. Where a potential project is deemed to be favourable (aligned to SEStran’s aims and objectives etc.) then an application is made in a bid to secure the funding.

Although current project performance is extensively monitored and reported, there is no central log to manage and monitor all potential funded projects and the status of any bids made to secure the funds.

Risks

- **Financial Sustainability** – absence of a central log may not allow for the effective management of funding sources and the progression of bids, leading to potential funding loss.

Recommendations and Management Action Plan: Management of Funding Opportunities

Ref.	Recommendation	Agreed Management Action	Action Owner and Lead Officers	Timeframe
3.1	SEStran should develop a central log of all identified potential funded projects. This log should include the deadline for applications and assist in monitoring the progress made in preparing these.	A log of all applications for funding – formal or otherwise – will be created and maintained on a project by project basis.	Brian Butler, Partnership Director, SEStran Keith Fiskin, Senior Partnership Manager, SEStran	31/10/2024

Finding 4 – Finance Officer Reports

Finding Rating	Low Priority
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SEStran’s Performance and Audit Committee receives reports for the approval of the annual accounts and financial plans. The Committee’s remit includes review of the adequacy of financial information presented to the Partnership.

The Finance Officer reports detailing current financial position against budget, are submitted to the Partnership Board in September, December and March of each financial year, however these are not presented to the Performance and Audit Committee for scrutiny.

Presenting these reports to the Performance and Audit Committee would add an additional layer of scrutiny and strengthen financial governance.

Risks

- **Financial Governance** – financial monitoring reports are not subject to adequate scrutiny and challenge.

Recommendations and Management Action Plan: Finance Officer Reports

Ref.	Recommendation	Agreed Management Action	Action Owner and Lead Officers	Timeframe
4.1	Finance Officer reports, which detail current performance against budget, should be presented to the Performance and Audit Committee for scrutiny prior to presentation to the Partnership Board.	The Performance and Audit Committee will be asked to approve the recommendation that Finance Officer reports are presented to them for scrutiny prior to presentation to the Partnership Board.	Brian Butler, Partnership Director, SEStran	31/10/2024

Finding 5 –Risk Management Action Tracking

Finding Rating	Low Priority
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SEStran has a robust risk register in place for managing risk which includes a gross risk assessment, identified mitigating actions and a net risk assessment. Mitigating actions are developed with the aim of reducing risk in line with the Partnership’s risk appetite.

There is however no method currently to formally track the implementation of identified risk mitigation actions.





Risks

- **Risk Management** – Mitigating actions are not effectively implemented to reduce risk in line with SEStran’s risk appetite.

Recommendations and Management Action Plan: Risk Management Action Tracking

Ref.	Recommendation	Agreed Management Action	Action Owner and Lead Officers	Timeframe
5.1	The implementation of risk mitigation actions should be regularly monitored to ensure risks are effectively managed/mitigated.	A central log of all actions is being created and will include actions from the Risk Log. In order to ensure that agreed actions are rapidly progressed, the Actions Log will be reviewed and updated by action owners on a weekly basis and reviewed by the Partnership Director at Team meetings on a fortnightly basis.	Brian Butler, Partnership Director, SEStran Angela Chambers. Business Support Manager. SEStran	30/06/2024

Appendix 1 – Control Assessment and Assurance Definitions

Control Assessment Rating		Control Design Adequacy	Control Operation Effectiveness
Well managed		Well-structured design efficiently achieves fit-for purpose control objectives	Controls consistently applied and operating at optimum level of effectiveness.
Generally Satisfactory		Sound design achieves control objectives	Controls consistently applied
Some Improvement Opportunity		Design is generally sound, with some opportunity to introduce control improvements	Conformance generally sound, with some opportunity to enhance level of conformance
Major Improvement Opportunity		Design is not optimum and may put control objectives at risk	Non-conformance may put control objectives at risk
Control Not Tested	N/A	Not applicable for control design assessments	Control not tested, either due to ineffective design or due to design only audit

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.

Appendix 2 – Areas of Audit Focus and Control Objectives

Audit Areas	Control Objectives
Financial Planning	Financial governance arrangements, aligned to the current organisational structure, are in place.
	There are established annual financial planning processes and procedures, including expected timescales and consultation processes.
	The initial 2024/25 financial plan, and indicative 2025/26 figures, have been prepared and approved on a timely basis using appropriate assumptions.
	There are procedures in place to identify efficiency savings and secure all available funding sources.
	A proportionate reserves policy, aligned to the risk appetite of the Partnership, is established. Reserves are maintained according to this policy.
	Scenario planning is used to assess the potential impact of factors such as increased costs and reduced funding on financial sustainability.
Ongoing Monitoring and Reporting of Financial position and Savings Plans Performance	Regular reporting takes place on the Partnership's financial position, the achievement of efficiency savings targets and the delivery of projects within budget.
	Reporting includes reforecasting of financial plans and the identification of adverse variances and planned mitigating actions.
	Financial sustainability risks are included within the Partnership's risk register and actions are identified to mitigate them.
	Actions are tracked and implementation is monitored, as appropriate.
	Lessons learned are captured and used to inform the development of future financial and savings plans.

Appendix 3 – 2022/23 Internal Audit – Thistle Assistance Programme – Implementation Status

Ref.	Recommendation	Agreed Management Action	Due Date	Status	Management Update
3.1	Management should review the existing progress of the VoyagAR project and consider formalising project management controls, proportionately for the remainder of project.	Noted and agreed. Implementation of formalised project management controls will depend on successful completion and testing of final Voyager application in March 2023.	30 June 2023	Outstanding	SEStran is looking for a new third-party developer to take on the project.
3.2	For all future projects, a Project Initiation Document should be drafted and agreed by the Project SRO and Senior Management, to formally establish a project with clearly defined project management arrangements.	SEStran will review the current arrangements and consequently implement the recommended actions, as needed.	30 September 2023	Outstanding	Process and template is being developed and tested with EV and RTS masterplan work.



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Areas of good practice identified

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Findings and Management Action Plan

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Finding Rating	Medium Priority
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Risks

- **Financial Planning** – potential inconsistencies in the financial planning process may reduce the reliability of financial plans
- **Budgetary Resilience** – changes in key budgetary assumptions may pose a risk to financial sustainability
- **Financial Sustainability** – missed opportunities to achieve efficiency savings may pose a risk to financial sustainability.

Recommendations and Management Action Plan: Financial Planning Procedures

Ref.	Recommendation	Agreed Management Action	Action Owner and Lead Officers	Timeframe
1.1	A financial planning procedure document should be developed that includes key reporting milestones and roles and responsibilities.	A financial planning procedure will be developed.	Brian Butler, Partnership Director, SEStran	31/10/2024
1.2	Scenario planning exercises should be performed on key budgetary assumptions, as part of the annual financial planning cycle. This should be included in the financial planning procedures and results should be reported along with financial plans for approval.	A scenario planning procedure will be included in the wider financial planning procedure. It will describe how scenarios and sensitivities will be selected.	Keith Fiskin, Senior Partnership Manager, SEStran	31/10/2024

1.3	The identification of efficiency savings should be included as a step within the financial planning procedures. Once identified, the achievement of these savings should be monitored and reported.	The requirement to identify and realise efficiency savings will be included in the financial planning procedure and undertaken each year as part of the process.		31/10/2024
1.4	The identification of lessons learned from the annual financial planning cycle should be included within the procedures document. These should then be reviewed prior to the next planning cycle and improvements made, where appropriate.	A lessons learned process will be included in the financial planning procedure.		31/10/2024

Finding 2 – Review of Reserves Policy

Finding Rating	Low Priority
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The Partnership Reserves Policy was approved by the Partnership Board in March 2020. Reserve balances consist of both earmarked funds, made up of underspent project funding to be applied the following year, and an unallocated General Fund. The adequacy of the unallocated General Fund is assessed through consideration of the Partnership’s strategic, operational and financial risks. The policy states that it should be reviewed within a three-year period, however, it is yet to be reviewed following its initial approval in 2020 and is therefore overdue for review.

Risks

- **Financial Sustainability** – General fund reserves may not be sufficient to mitigate against current strategic, operational and financial risks.

Recommendations and Management Action Plan: Review of Reserves Policy

Ref.	Recommendation	Agreed Management Action	Action Owner and Lead Officers	Timeframe
2.1	The Partnership’s Reserves Policy should be reviewed to ensure the level of unallocated general fund held remains appropriate. Consideration should be given to current strategic, operational and financial risks. Once reviewed this should be reported to the Partnership Board.	A requirement to review the reserves policy on a three-year basis will be included in the financial planning procedure. The policy will be reviewed and presented to the 21 st June meeting of the Partnership Board.	Brian Butler, Partnership Director, SEStran	30/06/2024

Finding 3 – Management of Funding Opportunities

Finding Rating	Low Priority
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SEStran operates a number of funded project workstreams and has a number of procedures in place to identify other potential funding sources. Where a potential project is deemed to be favourable (aligned to SEStran’s aims and objectives etc.) then an application is made in a bid to secure the funding.

Although current project performance is extensively monitored and reported, there is no central log to manage and monitor all potential funded projects and the status of any bids made to secure the funds.

Risks

- **Financial Sustainability** – absence of a central log may not allow for the effective management of funding sources and the progression of bids, leading to potential funding loss.

Recommendations and Management Action Plan: Management of Funding Opportunities

Ref.	Recommendation	Agreed Management Action	Action Owner and Lead Officers	Timeframe
3.1	SEStran should develop a central log of all identified potential funded projects. This log should include the deadline for applications and assist in monitoring the progress made in preparing these.	A log of all applications for funding – formal or otherwise – will be created and maintained on a project by project basis.	Brian Butler, Partnership Director, SEStran Keith Fiskin, Senior Partnership Manager, SEStran	31/10/2024

Finding 4 – Finance Officer Reports

Finding Rating	Low Priority
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SEStran’s Performance and Audit Committee receives reports for the approval of the annual accounts and financial plans. The Committee’s remit includes review of the adequacy of financial information presented to the Partnership.

The Finance Officer reports detailing current financial position against budget, are submitted to the Partnership Board in September, December and March of each financial year, however these are not presented to the Performance and Audit Committee for scrutiny.

Presenting these reports to the Performance and Audit Committee would add an additional layer of scrutiny and strengthen financial governance.

Risks

- **Financial Governance** – financial monitoring reports are not subject to adequate scrutiny and challenge.

Recommendations and Management Action Plan: Finance Officer Reports

Ref.	Recommendation	Agreed Management Action	Action Owner and Lead Officers	Timeframe
4.1	Finance Officer reports, which detail current performance against budget, should be presented to the Performance and Audit Committee for scrutiny prior to presentation to the Partnership Board.	The Performance and Audit Committee will be asked to approve the recommendation that Finance Officer reports are presented to them for scrutiny prior to presentation to the Partnership Board.	Brian Butler, Partnership Director, SEStran	31/10/2024

Finding 5 –Risk Management Action Tracking

Finding Rating	Low Priority
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SEStran has a robust risk register in place for managing risk which includes a gross risk assessment, identified mitigating actions and a net risk assessment. Mitigating actions are developed with the aim of reducing risk in line with the Partnership’s risk appetite.

There is however no method currently to formally track the implementation of identified risk mitigation actions.





Risks

- **Risk Management** – Mitigating actions are not effectively implemented to reduce risk in line with SEStran’s risk appetite.

Recommendations and Management Action Plan: Risk Management Action Tracking

Ref.	Recommendation	Agreed Management Action	Action Owner and Lead Officers	Timeframe
5.1	The implementation of risk mitigation actions should be regularly monitored to ensure risks are effectively managed/mitigated.	A central log of all actions is being created and will include actions from the Risk Log. In order to ensure that agreed actions are rapidly progressed, the Actions Log will be reviewed and updated by action owners on a weekly basis and reviewed by the Partnership Director at Team meetings on a fortnightly basis.	Brian Butler, Partnership Director, SEStran Angela Chambers. Business Support Manager. SEStran	30/06/2024

Appendix 1 – Control Assessment and Assurance Definitions

Control Assessment Rating		Control Design Adequacy	Control Operation Effectiveness
Well managed		Well-structured design efficiently achieves fit-for purpose control objectives	Controls consistently applied and operating at optimum level of effectiveness.
Generally Satisfactory		Sound design achieves control objectives	Controls consistently applied
Some Improvement Opportunity		Design is generally sound, with some opportunity to introduce control improvements	Conformance generally sound, with some opportunity to enhance level of conformance
Major Improvement Opportunity		Design is not optimum and may put control objectives at risk	Non-conformance may put control objectives at risk
Control Not Tested	N/A	Not applicable for control design assessments	Control not tested, either due to ineffective design or due to design only audit

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.

Appendix 2 – Areas of Audit Focus and Control Objectives

Audit Areas	Control Objectives
Financial Planning	Financial governance arrangements, aligned to the current organisational structure, are in place.
	There are established annual financial planning processes and procedures, including expected timescales and consultation processes.
	The initial 2024/25 financial plan, and indicative 2025/26 figures, have been prepared and approved on a timely basis using appropriate assumptions.
	There are procedures in place to identify efficiency savings and secure all available funding sources.
	A proportionate reserves policy, aligned to the risk appetite of the Partnership, is established. Reserves are maintained according to this policy.
	Scenario planning is used to assess the potential impact of factors such as increased costs and reduced funding on financial sustainability.
Ongoing Monitoring and Reporting of Financial position and Savings Plans Performance	Regular reporting takes place on the Partnership's financial position, the achievement of efficiency savings targets and the delivery of projects within budget.
	Reporting includes reforecasting of financial plans and the identification of adverse variances and planned mitigating actions.
	Financial sustainability risks are included within the Partnership's risk register and actions are identified to mitigate them.
	Actions are tracked and implementation is monitored, as appropriate.
	Lessons learned are captured and used to inform the development of future financial and savings plans.

Appendix 3 – 2022/23 Internal Audit – Thistle Assistance Programme – Implementation Status

Ref.	Recommendation	Agreed Management Action	Due Date	Status	Management Update
3.1	Management should review the existing progress of the VoyagAR project and consider formalising project management controls, proportionately for the remainder of project.	Noted and agreed. Implementation of formalised project management controls will depend on successful completion and testing of final Voyager application in March 2023.	30 June 2023	Outstanding	SEStran is looking for a new third-party developer to take on the project.
3.2	For all future projects, a Project Initiation Document should be drafted and agreed by the Project SRO and Senior Management, to formally establish a project with clearly defined project management arrangements.	SEStran will review the current arrangements and consequently implement the recommended actions, as needed.	30 September 2023	Outstanding	Process and template is being developed and tested with EV and RTS masterplan work.