

Angus Council Internal Audit



Internal Audit Annual Report 2015-2016

June 2016

Allan Munn
Audit Manager
Chief Executive's Unit

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Executive Summary - Overall Opinion and Assurances

Background

1. As Audit Manager to Angus Council I am required to provide an annual report to those charged with governance¹. In doing this I am required to “*evaluate the quality of risk management processes, systems of internal control and corporate governance processes, across all parts of the organisation and report this directly and independently to the most senior level of management*”² I am also required to provide an independent opinion on compliance with the Local Code of Corporate Governance.
2. My governance audit and internal control audit and assurances for 2015-16 are informed by a number of sources detailed in section 1.4 of this report. Sample evidence was sought from directors to support their certification against minimum governance and internal financial control standards.
3. My governance and internal financial control opinions relate solely to the Council and do not include those bodies included in the group accounts.

Corporate Governance

4. The Council operates within a well-established governance framework and the results of the 2015-16 audit indicate a number of areas supporting good governance have been improved during the year including:
 - The Council’s committee structure was reviewed and revised.
 - A review and update of the Council’s Standing Orders and Scheme of Delegation to Officers was completed.
 - The Council established a Culture and Leisure Trust which went live under the banner of Angus Alive from 1 December 2015.
 - The introduction of charrettes to improve community engagement and consultation at a local level in 5 of the Council’s towns.
5. In relation to compliance with the local code, the results of the assessment by the Corporate Governance Officers Group (CGOG) and the audit work indicate that the Council was fully compliant with all of the principles of the Local Code. The main areas that require to be taken forward to further enhance the governance arrangements are:
 - Delivery of the revised information governance action plan and submission of the records management plan to the keeper of records.

¹ CIPFA Code

² Chartered Institute of Internal Auditors

6. This area, together with the actions brought forward from the 2015-16 Corporate Governance Action Plan will provide improvements to the overall governance framework.
7. It is therefore recommended that these are considered for inclusion within the Annual Governance Statement as areas for improvement in 2016-2017.
8. The review of the assurances from the Strategic Directors identified a small number of areas, within specific individual directorates, where full compliance was not in place and where improvement areas were identified. These areas have been reflected in draft directorate corporate governance action plans and do not adversely affect the conclusion that the Council is compliant with the local code.

Annual Internal Audit Opinion

9. I am required to provide an opinion on the overall internal control environment which includes internal financial controls. As with my governance assurances, this opinion is based on the sources cited in section 1.4.
10. The internal audit work of the year has identified a number of areas of good practice and good internal control. A number of level 1 recommendations have again been made with some of the more material findings highlighted in section 4.1. As discussed in section 4.2, there is still some slippage in the tracking and implementing of internal audit recommendations, however significant steps have been taken during the year to improve the processes to address the outstanding recommendations.
11. With the exception of those improvement areas identified in section 4.1 and 4.2, it is my overall opinion that the internal financial governance and control framework of the Council is considered to be sound and reasonable assurances have been obtained of effective working in the year under review.

1. Introduction and Background to the Annual Report

1.1 Objectives

12. As Audit Manager to Angus Council I am required to provide an annual report and opinion on the Corporate Governance and internal control arrangements within the Council during the financial year 2015-16.

13. The objectives of my annual report are to:

- Provide independent assurances to Members of the Council and the Chief Executive in relation to my assessment of, and opinion on, the Corporate Governance arrangements during the year under review including compliance with the Local Code of Corporate Governance.
- Provide an opinion on the overall adequacy and effectiveness of the Council's control environment, including specific assurances to the Head of Corporate Improvement and Finance in relation to internal financial controls to support and inform his duties as s95 Officer.
- Outline the work of Internal Audit during the year, indicating the more material findings arising from that work and draw attention to any issues I judge particularly relevant to the preparation of the Annual Governance Statement.
- Provide performance information in relation to internal audit and communicate the results of the internal audit quality assurance programme.

1.2 Responsibilities in relation to Corporate Governance and Internal Control

14. The Council adopted a Local Code of Corporate Governance in May 2002. This Code defines how the Council will conduct its business and affirms Council commitment to the fundamental principles of openness and inclusivity, integrity and accountability in overall governance arrangements.

15. Each Strategic Director shall comply with the requirements of the Council's Local Code of Corporate Governance and shall be responsible for providing the Chief Executive with an Annual Assurance Statement for their areas of responsibility.

16. The Local Code requires that both the Chief Executive and Internal Audit review compliance with the Local Code on an annual basis and provide their respective reports. These are the Annual Governance Statement and the Audit Manager's annual report and opinion respectively. Both reports will be presented to the Scrutiny and Audit Committee in June of each year.

17. Compliance with the code will be assessed on an annual basis by an officer working group on Corporate Governance, currently the CGOG.
18. In addition, I am required to review and report annually on compliance, adequacy and effectiveness of the Code.
19. In terms of internal controls and directorate governance, it is the responsibility of the Council's Strategic Directors to establish an appropriate and sound system of internal control, to monitor the continuing application of the controls and to annually certify adherence. It is the responsibility of the Audit Manager to provide an annual overall assessment of the adequacy and effectiveness of the internal control system which specifically includes internal financial controls.

1.3 Limitations of Scope of Internal Audit Work

20. There were no limitations of scope to the audit work conducted in 2015-16.

1.4 Basis of Opinions

21. My opinions in relation to the Corporate Governance and Internal Control arrangements are informed by a number of sources:
 - The audit work undertaken by Internal Audit during the year to 31 March 2016.
 - Formal assurances received from the Head of Corporate Improvement & Finance (Section 95 Officer) and the Head of Legal & Democratic Services (Monitoring Officer).
 - Certification against minimum governance and internal financial control standards received from the Strategic Directors and from the Chief Executive's Unit.
 - Our observations of the work of the CGOG in relation to their self-assessment of local code compliance.
 - The assessment of risk completed during the preparation of the audit plan.
 - Reports issued by the Council's External Auditors and other review agencies.
 - My knowledge of the Council's governance, risk management, financial and performance monitoring arrangements.

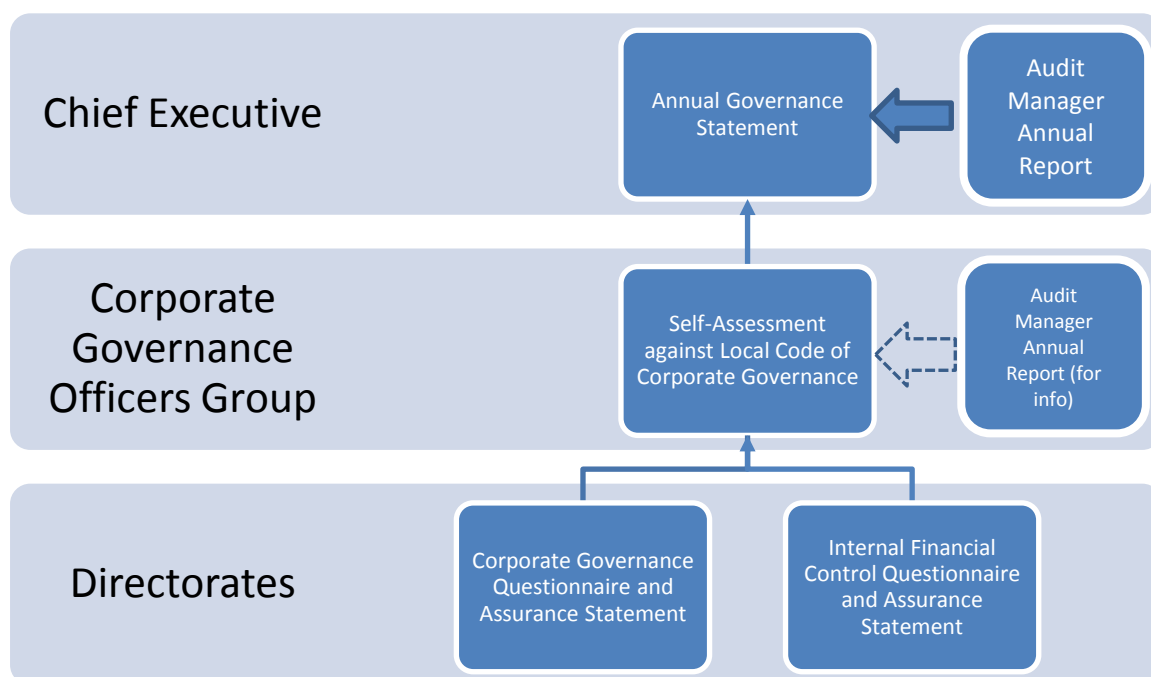
2. Compliance with the Local Code

2.1 The Local Code of Corporate Governance

22. The Council's local code has been in place since 2002 with a major review, based on a self-assessment exercise, resulting in a new local code effective from 1 April 2009. The code was last updated in June 2011 and is reviewed annually by the Corporate Governance Officers Group.
23. The Council's current Local Code is based on the CIPFA/SOLACE guidance note 'Delivering Good Governance in Local Government'. Revised guidance is due to be issued in 2016-17. Thereafter the Local Code will be revised to reflect the most up to date approach.
24. The Local Code is principles based and covers the following:-
- *Focusing on the outcomes of the Council and creating and implementing a vision for the local area* - This principle covers areas including articulation of Council vision, ensuring high quality services and best use of resources to ensure value for money.
 - *Members and Officers working together to achieve a common purpose with clearly defined functions and roles* - This principle requires clarity of roles and constructive relationships between members, officers, partners and the public.
 - *Promoting values for the Council and demonstrating the values of good governance upholding high standards of conduct and behaviour* - This covers areas of leadership and conduct, effective governance and ensuring organisational values are effective.
 - *Taking informed and transparent decisions which are subject to effective scrutiny and managing risk* - This principle expects rigorous and transparent decision making, constructive scrutiny based on good quality information and effective risk management systems in place.
 - *Developing the capacity and capability of members and officers to be effective* - This principle involves ensuring members and officers have the skills and capabilities to discharge their governance roles.
 - *Engaging with local people and stakeholders to ensure public accountability* - This principle looks for community engagement and accountability to the public and responsibility to staff.

2.2 Compliance Assessments

25. The diagram below illustrates the key processes involved in determining compliance with the Local Code.



26. The CGOG, on behalf of the Chief Executive, conducts a self-assessment against the Local Code. This considers corporate compliance along with the assurances received from Directorates and the Chief Executive's Unit in the form of the completed Corporate Governance Questionnaire and Assurance Statement and the Internal Financial Control Questionnaire and Assurance Statement.

27. For 2015-16, these questionnaires were completed by the relevant Strategic Director and by the Chief Executive's Unit. All of this, along with my annual report, forms the basis for the assessment reported in the Annual Governance Statement.

28. A compliance assessment is also conducted by Internal Audit. This assessment was based on the following :

- The governance assurances provided in both Questionnaire and Assurance Statements by the Strategic Directors for their directorate and by the Chief Executive's Unit.
- The independent review and assessment by Internal Audit of the key areas for improvement identified within the Annual Governance Statement 2014-15.

2.3 Compliance Assessment

29. In conducting our compliance assessment, we reviewed the draft Self-Assessment against Local Code of Corporate Governance completed by the CGOG as well as the Corporate Governance and Internal Financial Control Questionnaires and Assurance Statements submitted by Directorates. We also considered the Annual Governance Statement and Audit Manager's Annual Report for 2014-15 as part of our overall assessment.

30. In conducting our independent review of the key areas for improvement identified within the Annual Governance Statement, we reviewed internal audits undertaken in related areas in 2015-16 and considered the risks raised and the recommendations and actions agreed. We also considered findings and matters raised by other assurance providers, such as external audit, the Corporate Governance Officers Group and other external inspection bodies and reviewed progress in completion of the Annual Governance Statement action plan from 2014-15
31. Those areas which were found not to be fully compliant or where the risk assessment has changed are detailed in the respective Corporate Governance and Internal Financial Control sections below. It should be noted that a small number of those areas have been raised in previous Annual Reports.

2.4 Corporate Governance

Risk Management

32. The Risk, Resilience and Safety Group met only once in 2015-16. The group has been renamed the Risk Group. The key function of the Risk Group is to implement the Council's risk management strategy. This role includes the co-ordination of risk management across all Council services; to drive a consistent risk management approach; to challenge risk scores and the attitude to risk appetite and mitigation; and to provide support for peer reviews, staff training, knowledge sharing and continuous improvement.
33. The Risk Group should also regularly report on Risk Management activity to the Corporate Governance Officers Group. The Risk Group role has yet to firmly embed its contributions to the overall risk management process.
34. The Corporate Risk Register was reported to Scrutiny and Audit Committee on a quarterly basis during the year and the Directorate Risk Registers were reported to the respective Service Committees as part of mid-term performance reports and annual performance reports in 2015-16.
35. There is a continuing service wide use of Covalent to monitor risks and record actions to further mitigate risks.
36. Risk Management Guidance has been developed in support of the Risk Management Strategy and is held on the Council Intranet.

Annual Governance Statement action plan 2014-15 update

37. The review of the Annual Governance Statement Action Plan from 2014-15 indicated that some progress has been made in discharging the actions within it. A summary of the actions is considered below :

Information Governance

38. Information Governance Steering Group has continued to meet regularly during 2015-16. The original Improvement Plan has been revised by the Information Governance Steering Group and renamed The Information Governance Improvement Plan 2016-18. Due dates for actions are now between June 2016 and March 2018.
39. Records and Information Management Group has met regularly during 2015-16. The Records Management Plan is still in draft and to be submitted to the keeper of records by September 2016.
40. The Information Governance Strategy and Information Governance Framework documents were revised and submitted for approval to the Information Governance Steering Group on 25 April 2016.
41. Information Governance updates are submitted to each meeting of the Transforming Angus Board and Transforming Angus Digital Programme Board.

Project and Programme Management

42. A new Transforming Angus programme and project governance framework was created at the end of October 2015 with the aim of improving programme management and project delivery controls. This framework created a number of procedures and template documentation which are to be used to record various aspects of the Transforming Angus programme including the recording of benefits. Managers confirmed that the intention was to apply these forms to the existing projects and monitor progress through the Transforming Angus Programme Board.
43. Benefits realisation is a key component of good project governance however this is not yet fully embedded within the project management process. The Council's strategic partner (EY) has developed a benefits realisation tool which is being utilised for reporting on the Help to Live at Home project and management has recently adopted this toolkit for the wider programme. Assistance from EY will be obtained to ensure the most effective implementation of the tool in its tailored application to other projects and programmes.
44. Staff involved in the TA Programme were provided with training in the project management application software "Microsoft Project". This will support the management of projects with the ability to highlight potential issues with resources, critical tasks and project timelines.

Complaints

45. An internal audit of this matter was carried out in 2015-16 and made recommendations to address staff training; access to, and review of, the complaints database; compliance with target response times; and reporting.

46. Service reports on the Council's complaints handling process for the year 2015-16 were presented to the Scrutiny and Audit Committee. These reports included the records of complaints raised to Scottish Public Services Ombudsman together with the outcomes of such complaints. These reports indicate the processes are operating satisfactorily.

Equalities

47. The Annual Governance Statement 2014-15 Action Plan includes an action relating to equalities. This is detailed as "We will review procedures for carrying out and publishing equality impact assessments". The work on equalities carried out during the year allows the action in the annual governance statement action plan to be discharged.

48. We have carried out two Equalities audit follow up exercises throughout the year and the majority of the audit recommendations have been completed.

49. Our findings indicate that of the 9 recommendations (4 Level 1 and 5 Level 2) outstanding at 31 January 2016, 5 have now been completed, 4 are partially completed. One of the 4 partially complete is a cross cutting recommendation and is complete for some directorates/services but not others. Of the 4 level 1 recommendations, 3 are complete and 1 is substantially complete. This matter is reported in more detail to the Scrutiny and Audit Committee as part of the Internal Audit Activity Update Report in June 2016.

Actions to be carried forward to 2016-17

50. There has been limited progress in developing the framework and policy for Chief Officers' posts. A report to Council in December 2015 outlines an action for the review of management structures and remuneration. Target date for completion is March 2018.

51. Work is on-going in relation to the actions for the self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and a revised due date of December 2016 has been set.

52. The review of the Financial Regulations due by 31 March 2016 has not been completed and will be carried forward to the 2016-17 action plan.

53. The review of the local code of Corporate Governance has also not been completed as the revised guidance was not issued until after the year end.

Directorate Governance Action Plans

54. The Directorates continue to maintain Corporate Governance Action Plans. As part of our review of the Directorate Questionnaires, we were satisfied that the Action Plans reflected the areas for improvement identified within each Directorate's Internal Financial Control Questionnaire and Corporate Governance Assurance Statement.

55. Action Plans for the Resources Directorate and People Directorate have been taken forward during 2015-16. The Resources Directorate actions have been updated in

Covalent. There has been a lack of progress in completing actions within the People Directorate. These are being carried forward into the 2016-17 Corporate Governance Action Plan for the Children and Learning directorate.

2.5 Internal Financial Control

56. Our Corporate Governance audit recognised that there continued to be significant levels of change within the Council. The review undertaken last year confirmed that the People Directorate operational scheme of delegation and authorised signatory lists required amendment in order to bring them into line with their new management structures. This work has not yet been completed. However, as similarly noted above, the Children and Learning 2016-17 Governance Action Plan will record the outstanding actions.

2.6 Summary Compliance Assessment

57. The initial self-assessment of the local code by the CGOG in 2015-16 found that the Council was fully compliant with the local code. Opportunities for improvement were identified in relation to information governance. These areas, together with the actions not completed in 2015-16, will be considered for inclusion in the 2016-17 Governance Action Plan.

58. Reference was also made at the CGOG to further development of the arrangements for community empowerment and the development of locality plans as part of the governance framework of the Council.

59. The results of our audit assessment are consistent with those reached by the CGOG.

60. The review of the assurances from the Strategic Directors identified a small number of areas, within specific individual directorates, where full compliance was not in place and where improvement areas were identified. These areas, have, in the main, been reflected in draft directorate corporate governance action plans and do not adversely affect the conclusion that the Council is substantially compliant with the local code.

61. As part of the annual corporate governance exercise Directors are asked to complete an internal financial control questionnaire and assurance statement certifying compliance with core internal financial controls.

62. Strategic Directors have generally certified positively in terms of their directorate compliance with only a small number areas identified as requiring improvement.

63. Our audit work identified a small number of areas of non-compliance with the core internal financial controls within individual directorates. The assurance statement submitted by the Children and Learning directorate (previously People) indicated that work is still required in relation to the update of schemes of delegation and authorised signatories. Further work is also required to improve budget monitoring and outturn arrangements at a service area level.

3. Internal Audit

“Internal auditing is an independent 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.”

Source: Chartered Institute of Internal Auditors

3.1 Role of Internal Audit

64. The Chartered Institute of Internal Auditors (CIIA) indicates that *“the role of the internal auditor is to provide assurance to management that all key risks are being managed effectively. To do this, the internal auditor will evaluate the quality of risk management processes, systems of internal control and corporate governance processes, across all parts of the organisation and report this directly and independently to the most senior level of management.”*

3.2 Structure and Reporting

65. Internal Audit is part of the Governance section of the Chief Executive’s Unit. As Audit Manager, I had open access to all members and officers of the Council and operated in accordance with the Internal Audit Charter.

66. I reported in my own name the results of all internal audit work to the Scrutiny & Audit Committee. The Committee remit is to consider the outcomes of audit and investigation work; monitor the discharge by management of the recommendations made; ratify internal audit plans; and review the performance of internal audit.

67. Professional practice standards and best practice in relation to the provision of public sector internal audit services are contained in the Public Sector Internal Audit Standards (PSIAS), effective from 1 April 2013

68. The PSIAS public sector requirements state that:

“The chief audit executive [Audit Manager] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

The annual report must incorporate:

- *the opinion;*

- *a summary of the work that supports the opinion; and*
- *a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”*

69. The responses to these requirements are included in Section 3.3 of this report.

70. Internal Audit undertakes an annual programme of work based on a formal risk assessment process which is revised on an on-going basis to reflect emerging risks and changes within the Council.

71. All internal audit reports are subject to consultation with management for consideration of factual accuracy and recommendations made. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken to implement the agreed action plans. I am required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters (including non-compliance with audit recommendations) arising from internal audit work are reported to the Head of Corporate Improvement and Finance, Chief Executive and the Council's Scrutiny & Audit Committee.

3.3 Performance & Quality Assurance

72. Quality assurance arrangements within the section are contained within the Audit Manual and encompass a robust day to day quality system and file review process.

73. The External Assessment completed by CIPFA in 2014-15 confirmed that the internal audit function was compliant with the PSIAS. A number of recommendations were made to improve the efficiency and effectiveness of the function and these are currently being taken forward. There was no significant change to the operation of the function during 2015-16 and the function continues to be compliant with the PSIAS.

74. Internal Audit performance measures were not established as planned in 2015-16. It was however planned that a LEAN development exercise would be carried out with a view to reviewing all aspects of the Internal Audit work. Due to a number of leadership changes this was not carried out until May 2016 but the exercise highlighted a number of areas to be addressed. These include an element of performance measurement. This and other items produced from the LEAN development will be fully addressed in 2016-17.

75. Currently, performance indicators used for Internal Audit are those developed by the CIPFA Directors of Finance Section. For 2015-16, the efficiency indicator shows the section discharged 98.4% of planned productive hours, compared with 97.6% in the previous year.

76. The Internal Audit service has a staff complement of 3.6 FTE. The co-sourcing contract which continued in 2015-16 provided additional audit days to supplement the work of the Internal Audit Section as well as the role of Audit Manager.

77. During the course of the year there was a vacancy within the team for a period of approximately 3 months. This vacancy was subsequently filled and an additional level of coaching and supervision was required in order to support the new member of staff. Also during the course of the year the Audit Manager role was reassigned due to staff movements within the co-source provision. These changes and the associated re-scheduling of work impacted on the reporting schedule and the resource contingencies however the Audit Plan was completed as agreed.
78. The work of the Internal Audit function is reviewed by External Audit as part of their final accounts review. The purpose of this review is to ensure that the Internal Audit section performs to professional standards in the conduct of audit work in order that External Audit can place reliance on it.

4. Summary of Internal Audit Activity 2015-16

79. The main areas of audit conducted in the year, with a summary of the more material findings, supplemented by our review work on discharge of level 1 recommendations, are outlined below.

4.1 Main Audit Findings

80. A number of areas of good practice were noted from the audit work of the year including:
- To help assure appropriate resilience for the area, Angus Council is a member of the Tayside Local Resilience Partnership. The Council have worked closely with other members of the partnership as part of the recent flooding events in Perthshire and Angus. De-brief reports are prepared following any incidents that have occurred to enable lessons learned to be incorporated into revised procedures and to update Business Continuity Plans.
 - The Council complies with the mandatory elements of the CRC Energy Efficiency Scheme and pays the correct allowances for carbon emissions and energy usage. The Council also plans and completes projects to help reduce carbon emissions and tracks progress against Carbon Reduction Targets.
 - The Council has properly utilised the funding provided by the Scottish Government to implement applicable parts of the Children and Young Persons Act or otherwise the funding is to be carried forward to 2016-17. Implementation and operation of the remaining requirements of the Act are being addressed with progress reported to Management and Council Members.
 - The Council's Complaints Handling Procedure is compliant with the Scottish Public Services Ombudsman (SPSO) Model. The Complaints Handling Procedures are published on the Council intranet and also guidance is available to the general public via the Council website. All complaints and outcomes are recorded.

- The Revenues and Benefits team produce a suite of performance reports, with regular reporting and feedback to staff on the speed of processing and accuracy. There is a checking process in place which targets higher risk claims. The team also has a Risk Based Verification Policy where more intense verification is required for claims that are more prone to fraud and error. This enables resources to be targeted efficiently.
- There is a housing asset management strategy and operational plan which makes reference to the Scottish Housing Quality Standard and the Energy Efficiency Standard for Social Housing requirements. The Council's improvement and capital work programme is linked to the standards. There is a current and future financial plan for programmes in order to maintain compliance with the standards.
- The Council has implemented the Self Directed Support (SDS) framework and policy successfully. While there have been some delays in reassessing all required service users by the original deadline of 31 March 2015, additional resources were identified and put in place to assist in achieving this by 31 March 2016.
- The Council has put in place a Universal Credit Implementation Group as a sub group of the Welfare Reform Group and has appointed a new post of Welfare Reform Officer to assist the Council to fulfil its Universal Credit obligations as outlined in the DWP Delivery Partnership Agreement. The Council liaises with partner agencies including Local Authorities, Housing Associations, the DWP, Citizens Advice Bureau, NHS Tayside, Credit Unions, Voluntary Associations, Registered Social Landlords and Dundee & Angus College for a joined up approach to Universal Credit. Furthermore the Council has developed a Financial Inclusion Strategy in response to Welfare Reform challenges, and has set up a Financial Inclusion Partnership Group in liaison with external partners in order to drive delivery, monitor performance and update actions plans as required. Public Access Computers, free Wi-Fi, computer groups, employment support and advice groups and supported on-line access in Angus have been identified. An information leaflet has been prepared by the Universal Credit Implementation Group and is currently being finalised before being issued.

81. A variety of audit reports in both financial and non-financial areas have been issued during 2015-16.

82. In terms of financial audit work, areas covered included:

- | | |
|--|-----------------------------|
| • Community Asset Transfer | • Council Tax Reduction |
| • Creditors | • Procurement |
| • Children and Young People (Scotland) Act | • Debtors and Debt Recovery |
| • Fuel Management | • Salaries |
| • Landfill Tax | • Third Party Payments |
| • Tayside Contracts | • Travel and Subsistence |

- Self-Directed Support

83. The most significant improvement requirements identified from the financial audit work relate to:

- **Procurement:** There is a need to ensure that the review, monitoring and amendment of the actions contained within the Corporate Procurement Improvement Plan 2015-2016 are adequately addressed and carried out as planned.
- **Travel and Subsistence:** All claims should be authorised by appropriate level of staff and where necessary, the schemes of delegation that define these authorities are updated as required.
- **Fuel Management:** Managers in the Angus Health and Social Care Partnership should receive the monthly fuel back-up information and ensure that it is reviewed for any anomalies relating to their staff and vehicles. Operational procedures should be drawn up and provided to each service for the administration of key fobs, with clear advice on the roles and responsibilities on the requirements for updating Tayside Contracts with details of any changes to vehicle and person records
- **Creditors – Construction Industry Scheme:** This scheme requires invoices to be passed to the Payments team promptly to allow the tax rate calculation to be made and the invoice returned to the originating division for payment to be processed within the credit period. The audit highlighted significant challenges within the process and it was agreed that a “Lean” review would be carried out to assist in the establishment of a more efficient and effective process.
- **Landfill Tax:** There is a need to develop a policy in relation to the management of outstanding debt related to unpaid commercial waste tipping fees. This policy should be a means of determining how the debt is pursued and also how the access to services may be withdrawn from those firms who have outstanding debt.

84. In relation to non-financial work, areas covered included:

- | | |
|---------------------------------|---|
| • Business Continuity Planning | • Complaints Management |
| • Information Governance | • Housing Strategy |
| • IT Application Strategy | • Risk Management |
| • Service Reviews | • IT Security |
| • Universal Credit Preparedness | • Transforming Angus – Benefits Realisation |

85. The most significant improvement requirements identified from the non-financial audit work relate to:

- **Information Governance – Data Security:** All paper based files must be secured appropriately and these should be retained for appropriate periods. Staff must

adhere to the clear desk policy and also the completion of e-learning modules should be monitored to ensure all employees are conversant with all relevant policy and good practice.

- **IT Application Strategy:** The Council should establish an IT Applications Strategy and a supporting policy that defines how the applications will be managed across all services to ensure a more corporate approach to funding, renewal and replacement and generally to reduce the risk of duplicate and under-utilised application systems.
- **Universal Credit Preparedness:** The delivery of the services to clients has been well planned however there was no direct engagement with the service users prior to the launch and it was recommended that such a review is carried out within a 6-month period.
- **Transforming Angus – Benefits Realisation:** The Transforming Angus Programme is committed to delivering a number of significant benefits (both financial and no-financial). Management had identified that the benefits tracking process was not robust and a new approach, based on one designed and delivered by the Council's external consultant (EY) would be used to improve the management of benefits realisation. The audit made a number of recommendations that will contribute to the implementation of the new projects and programme benefits realisation processes.

86. The results of the above audits have all been considered by the Scrutiny and Audit Committee.

87. Internal Audit also contributed to a joint audit with the NHS Tayside Internal Auditors on the Financial Assurance due diligence process for the establishment of the Angus Integration Board (IJB). The results of this audit were provided to the IJB and a summary considered by the Council's Scrutiny and Audit Committee. No significant recommendations were made.

4.2 Discharge of Audit Recommendations

88. As part of the annual corporate governance audit, the discharge of recommendations is reviewed.

89. All Services now monitor their audit recommendations through Covalent. During the year we reviewed the progress of implementation of audit recommendations in some detail with two reports to the Scrutiny and Audit Committee.

90. These reviews highlighted that implementation of recommendations was generally slower than originally anticipated and in some cases the recommendations did not appear to be adequately addressed. In order to rectify this matter it was agreed with the Chief Executive that the review of outstanding Level 1 recommendations will be a standing quarterly agenda item for Council Management Team meetings. It was also

agreed that the adequacy of Covalent monitoring and reporting mechanisms would also be considered during 2016-17.

91. Since the first reports to the Scrutiny and Audit Committee, all Directorates have taken significant steps to address the outstanding recommendations, and in particular the level 1 recommendations. There are now 8 Level 1 recommendations in progress as at May 2016. No audit has any more than 1 Level 1 recommendation outstanding.
92. We will continue to review implementation of recommendations as part of our 2016-17 follow up work.

4.3 Annual Internal Audit Opinion

93. The internal audit work of the year has identified a number of areas of good practice and good internal control. A number of level 1 recommendations have again been made during the year with some of the more material findings highlighted in section 4.1 above.
94. As discussed above, there is continuing need for Services to actively monitor and address internal audit recommendations.
95. With the exception of those improvement areas identified in section 4.1 above, it is my overall opinion that the internal financial governance and control framework of the Council is considered to be sound and reasonable assurances have been obtained of effective working in the year under review.