ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 25 AUGUST 2020

INTERNAL AUDIT ACTIVITY UPDATE

REPORT BY CATHIE WYLLIE – SERVICE LEADER (INTERNAL AUDIT)

ABSTRACT

This report provides the Internal Audit Activity update on the main findings of internal audit reports issued since the date of the last Scrutiny and Audit Committee.

1.   RECOMMENDATIONS

It is recommended that the Scrutiny and Audit Committee:

(i)   Note the update on progress with the planned Internal Audit work;

(ii)   Note management's progress in implementing internal audit and counter fraud recommendations;

(iii)   Note Audit Scotland's publication of Fraud and Irregularities 2019/20 in June 2020 and that a report on the Council's internal control arrangements in relation to the control weaknesses highlighted nationally will come to a future Scrutiny & Audit Committee meeting;

(iv)   Note the update to Report 160/20 regarding Audit Scotland's Fraud and Irregularities 2018/19 in relation to Children & Learning; and

(v)   Note a Scottish Government audit initiative to help improve counter fraud measures in grant awards.

2.   ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN (LOIP) AND COUNCIL PLAN

The contents of this report contribute to the achievement of the corporate priorities set out in the Angus Local Outcomes Improvement Plan and the Council Plan. This is achieved through this report providing the Scrutiny & Audit Committee with information and assurance about council internal control systems, governance and risk management.

3.   BACKGROUND

Introduction

Annual internal audit plans are ratified by the Scrutiny and Audit Committee and a progress report is submitted to each meeting of the Committee. This report outlines progress in delivering the planned work.

Due to the impact of Covid-19 on the ability to complete planned internal audit work and the change in risk assessments a revised plan is currently being developed and will be brought to the September meeting of the committee. In the meantime, the activity report notes the current position for all outstanding 2018/19 and 2019/20 work, and all 2020/21 work that has been commenced.

We previously noted that two members of the team (one from internal audit and one from counter fraud) were redeployed to the Council Emergency Centre on 24 March 2020. The Counter Fraud team member returned to the team on 6 July 2020. The Internal Audit team member returned on 3 August 2020.

Internal Audit issues a formal report for each review undertaken as part of the annual audit plan. Each report contains an action plan which incorporates all the recommendations made. This action plan, prepared under SMART (Specific, Measurable, Achievable, Realistic, Timed) criteria, is agreed with management who nominate persons responsible for taking forward the actions and who set their own completion date for each action. This agreed action plan forms an integral part of the final audit report and audit recommendations are ranked to indicate materiality. SMART internal control actions are also agreed following Counter Fraud investigations.

As part of the on-going audit process, Internal Audit reviews the implementation of recommendations and reports the results to each meeting of the Scrutiny and Audit Committee. The latest results are included in the Update Report at **Appendix 1**.

Ad-hoc requests for advice are dealt with as they arise. There was an increase in this activity in the period from April to July due to Covid-19, and this work is discussed further in Appendix 1.

4. **AUDIT SCOTLAND FRAUD AND IRREGULARITY UPDATE 2019/20 and 2018/19**

Audit Scotland published its report Fraud and Irregularity Update 2019/20 on 30 June 2020. This has been uploaded to the Members' Sharepoint site. The report summarises fraud incidents reported by Scottish Local Authorities in the 2019/20 financial year. The main control weaknesses that facilitated the frauds are noted in the following exhibit from the report.

Source: Audit Scotland

A report examining the Angus Council controls and recent Internal Audit and Counter Fraud work in the areas identified by Audit Scotland will be brought to a future meeting of the Scrutiny & Audit Committee.

An update on Report 160/20 which reviewed the Audit Scotland report for 2018/19 is included in Appendix 1.

5. **SCOTTISH GOVERNMENT AUDIT INITIATIVE RE COUNTER FRAUD**

All internal auditors in Scottish Local Authorities were contacted in July about a project being taken forward by the Scottish Government Directorate of Internal Audit and Assurance to help improve counter fraud measures across the public sector. The proposed Grant Fraud Analytics project is designed to examine a small number of grant applications related to the covid-19 pandemic response and provide a Proof of Concept towards further work. The purpose is to strengthen fraud risk mitigation for future grant award processes through developing a counter fraud process that

would be consistent across a number of partners and allow more information to be available for due diligence work prior to grants being awarded. A consultant will work initially with two nominated Local Authorities. Angus Council is not involved at this stage but may be involved in future as the project progresses.

6.   FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

NOTE: The following background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices:

Appendix 1   Internal audit update report

Angus Council Internal Audit

Update Report

Scrutiny & Audit Committee

25 August 2020

Cathie Wyllie
Service Leader – Internal Audit
Strategic Policy, Transformation & Local Government Reform

Contents Page

Introduction

This report presents the progress of Internal Audit activity within the Council up to the 23 July 2020 and provides an update on:

- Progress with the 2018/19 Internal Audit Plan;
- Progress with the 2019/20 Internal Audit Plan;
- Progress with implementing internal audit and counter fraud recommendations

Audit Plans Progress Report

At the end of June 2020, we had outstanding items from the 2018/19 and 2019/20 audit plans, as well as an agreed plan for 2020/21.

Covid-19 has had a significant impact on the work of internal audit for the following reasons:

- Two staff (1 FTE Internal Audit and 0.6FTE Counter Fraud) were redeployed to the Emergency Centre in late March 2020. One returned to Counter Fraud in July and the other will return to Internal Audit in August 2020.
- Services time and resources were focussed on the response to the pandemic and therefore unable to engage with audit.
- New audit work was undertaken to respond to changing risks.

We are currently reviewing the planned work in light of changing and new risks, and a revised plan will be brought to the September meeting. In the meantime, we have noted below all the remaining outstanding work from 2018/19, 2019/20 and the 2010/21 work that is started.

Definitions for control assurance assessments are shown on page 22.

2019/20 Internal Audit Plan – Progress update

The table below summarises progress with outstanding 2019/20 work as at the 23 July 2020. This includes the one item brought forward from 2018/19 on the Procurement Reform Act 2014.

We have continued to work with services, and Scott Moncrieff who provide IT audit support to the team, to finalise remaining work. Some projects remain on hold due to the covid-19 impact on resources in the internal audit team and other services.

Additional work related to Covid-19 has also been undertaken and this report includes reporting on:

- providing advice and reviewing documents related to development of new services and their related controls.
- Use of delegated powers

Progress with 2019/20 Internal Audit Plan

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Corporate Governance					
GDPR compliance	April 2020	On hold			*TBC*
Annual Assurance re IJB	June 2020	In progress			*September 2020*
Covid-19 governance – Use of delegated powers	New project May 2020	Complete	Comprehensive		Aug. 2020
Financial Governance					
Payroll/Resourcelink processes – Leavers and establishment changes	May 2020	In progress – required for External Audit to place reliance on			*Aug. 2020*
Car Parking Income & Contract Management	Feb. 2020	In progress but on hold			*TBC*
Pupil Equity Fund	March 2020	In progress but on hold			*TBC*
IT Governance					
Eclipse post implementation Review (Children & Families)	Feb. 2020	Complete	Substantial		*Aug 2020*
IT resilience & disaster recovery	Jan. 2020	Complete	Substantial		*Aug. 2020*
Internal Controls					
Business continuity planning and disaster recovery	Jan. 2020	In progress but on hold			*Sept 2020*

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Adults with Incapacity – Interim Procedures	TBC	Fieldwork suspended temporarily in July 2019 at the request of the service and in consultation with the CSWO; interim findings reported to service.			*TBC*
Procurement – exemptions from Tendering process	March 2020	In progress, but delayed			*TBC*
Automated New Start/Recruitment Process	Mar./April 2020	Planned but on hold			*TBC*
Asset Management					
Review of Roads/Building Maintenance	June 2020 Split into two audits and take the Roads Maintenance element into the 2020/21 plan	Building Maintenance planned but delayed			*TBC*
Housing Improvements – Capital Grants	July/Aug. 2020	Delayed			*TBC*
Legislative and other compliance					
Procurement Reform (Scotland) Act 2014 (B/F from 2018/19 plan)	2018/19 plan April 2019	In Progress			*Sept. 2020*

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / *(target in italics)*
Other					
PSIAS compliance External review	March 2020	Self-evaluation complete, but external review postponed			*TBC*

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / *(target in italics)*
Consultancy and Advice					
Finance Service capacity review	Oct. – Dec. 2020 Jan 2020	In progress			*TBC*
Business support review	April 2020	On hold			*TBC*
Covid -19 Food Fund Emergency cash	New project May 2020	Currently being finalised	N/A	N/A	*Sept. 2020*

Progress with 2020/21 Internal Audit Plan

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / *(target in italics)*
Corporate Governance					
Corporate Governance annual review – 2019-20	June 2020	Complete	N/A	N/A	16 June 2020 (Report 164/20)
Financial Governance					
Payroll continuous auditing April – June 2020	On-going	Complete	Comprehensive	N/A	Aug. 2020
Creditors continuous auditing April – June 2020	On-going	Complete	Comprehensive	N/A	Aug. 2020

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Other projects		5			
Gifts & Hospitality register and register of interests	July/August 2020	In progress			TBC
Private Water Supplies Legislation	TBC	Planning in progress			TBC
Comfort funds	TBC	Planning in progress			TBC
Review of Roads maintenance	TBC	Planning in progress			TBC
Review of changes to policies and procedures due to Covid-19 response April to July 2020	April to July Consultancy work	July 2020 review complete	N/A	N/A	Aug. 2020
Review of Audit Scotland's publications on Fraud and Irregularity 2018/19 was covered in Report 160/20, with two areas for further work: Children & learning Use of council vehicles 2019/20	July TBC October	Complete In progress In progress			Aug. 2020 TBC TBC

Angus Alive and Angus Health & Social Care IJB

Angus Council's Internal Audit staff are committed to work on the audit plans for both Angus Alive and Angus Health & Social Care IJB. Reports on two Angus Alive audits for 2019/20 have been issued. Work is also nearing completion on the 2019/20 audits for the IJB, with one draft report issued, and the other currently being finalised. Reports for both bodies are presented to their respective audit committees throughout the year.

A whistleblowing disclosure from a council employee in AHSCP was investigated by a third party, assisted by staff in the Internal Audit team. The report is currently being considered by AHSCP management.

Summary findings of internal audit reviews

This section provides a summary of the material findings of internal audit reviews concluded since the last meeting. It also provides information on the number of recommendations made. Recommendations are ranked in order of importance, with level 1 being the most material. Execution of recommendations is followed up by Internal Audit and reported to this Committee.

Members are asked to consider the following summaries and provide any commentary thereon: -

- Review of changes to policies and procedures due to Covid-19 response
- Data Analysis/Continuous Auditing: Payroll & Accounts Payable
- Update on report 160/20 Audit Scotland Fraud and Irregularity review 2018/19
- Eclipse Post-Implementation Review (Children & Families)
- IT Resilience & Disaster Recovery
- Covid-19 - Use of Delegated Powers

Review of Changes to Policies and Procedures due to Covid-19 Response

Introduction

At the end of March 2020, the Council established an Emergency Centre and revised governance and other arrangements in response to the Covid-19 pandemic.

The key changes were:
- Establishment of the emergency centre – staffing and arrangements
- Gold/silver/bronze structure of officer decision making
- Revised Council and committee arrangements and delegated powers agreed at meeting on 3 April 2020

My observations on the initial establishment of emergency arrangements was made in my Annual Report 162/20 as follows:

"my overview of the Council's response to the pandemic has provided good positive assurance about our disaster recovery planning in practice, managers' awareness of the need to maintain good governance in change, and risk management arrangements."

Background and Scope

National and Scottish Government issued guidance on various emergency measures and funding made available to Local Authorities in response to the emergency. Various council services were involved in developing our response to new and changed service requirements. A number of these operational changes may be covered in audits throughout 2020/21 but there has already been some audit input from Internal Audit team members as new arrangements were developed.

The scope of this reporting is to summarise Internal Audit input to policy and procedure development during April to July 2020.

Work Done

The policies, reports and procedures reviewed were:

- Draft Temporary Redeployment Policy

- Draft report to Council on special committee arrangements and delegated powers

- Business support grants high level on-going discussion of award procedures being put in place.

- Implementation plan for Raven system

- Change in arrangements for year-end petty cash

- Draft and final versions of papers for GOLD re proposals for Council support via Food Fund and associated logistics, including discussions re potential Food Fund fraud opportunities

- Draft Financial Governance paper

- Draft and Final Key Supplier Support Policy, implementation plan and explanatory note

- Review and comment on revised Shielding information from SG

- Process for self-employed grants

- Appeals procedure for self-employed hardship grants

Conclusion

Comments/recommendations made by Internal Audit during consultation were taken into account in finalising the documents and procedures reviewed, providing real time audit assurance that the policies, procedures and guidance produced followed good practice and included appropriate controls.

Data Analysis/Continuous Auditing

Internal Audit carries out interrogation of Payroll and Accounts Payable (Creditors) information as part of the Continuous Auditing Programme. We used the data analysis software, CaseWare IDEA (Interactive Data Extraction Analysis) and Microsoft BI to analyse the data extracted from the Council's systems.

We previously reported the results of our data analysis/continuous auditing in June 2020 (Report 161-20), which covered the period from April 2019 to September 2019 for payroll and the full financial year 2019/20 for creditors. No significant issues were identified at that time.

Creditors/Accounts Payable

The level of assurance given as a result of the testing on authorisation is **Comprehensive Assurance.**

Payments to suppliers for April – June 2020 has been analysed. There were eleven instances of an invoice being both registered and authorised by the same employee, involving six employees. These instances have been investigated and satisfactory explanations obtained.

Payroll

The level of assurance given for the period April – June 2020 as a result of the testing on NI numbers and bank details is **Comprehensive Assurance.**

No concerns were raised regarding duplicate or missing NI numbers, duplicate bank account numbers or high value payments. Any duplicate NI numbers were explained as an employee having a main job plus sessional/supply work, or 2 part-time roles. One missing NI number related to a new staff member from out with the UK who is exempt from NI for the initial period of employment. All duplicate bank accounts related to 2 employees who lived at the same address. Two unexpected high value payments (i.e. not Chief Officers salaries) were investigated and found to be a redundancy payment and a retirement.

Update on Report 160/20 Audit Scotland Fraud and Irregularity review 2018/19

Report 160/20 advised members of the Audit Scotland Report "Fraud and irregularity update 2018/19" and considers the internal control issues raised in relation to Angus Council. The report noted "Full information on some areas was not readily available and will be followed up with services. If significant issues are identified this will be reported to a future committee." Information from Children & Learning Service is now included below.

The information in columns 1 and 2 relates to frauds identified in other organisations. Column 3 summarises controls in place in Angus Council, and recent or planned internal audit or counter fraud work in the area. The level of controls over IT equipment in place in schools does expose the council to some risk which has been assessed by the service as acceptable.

Fraud	Internal control weakness. The Fraud was facilitated by	Angus Council
School Fundraising. Over £6,000 of cash collected at a school fundraising event was misappropriated by a third party involved with the event	A failure to timeously follow up non-receipt of funds	**Counter fraud** There have been no recent reports of funds raised being misappropriated. **Our procedures** Guidance on running school funds has recently been updated and shared with Head Teachers via the HT Mail process. Information is available to staff on the education intranet. **Internal audit work** School Fund audits and follow-up reviews have taken place over the last three years and action plans arising from this work have been completed.
Theft of school laptops An unknown third party allegedly stole laptops valued at £7,000 from a school	Physical control weaknesses included: • Key boxes not being locked • Annual asset returns not being completed • Computer equipment not being securely marked	**Counter fraud** There have been no recent reports of theft of IT equipment from a school. **Our procedures** Services/Schools are responsible for managing their assets and inventory of IT equipment. The IT Service records hardware on the service desk (and issue service numbers) but this is for support purposes only and is not intended to be an asset register. Where schools purchase devices through PECOS they will be logged on the service desk and service labels issued. Schools are responsible for applying these to devices. Schools sometimes opt to purchase equipment not on PECOS. These items are unsupported by IT and do not have labels issued.

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There is limited scope to track Windows devices when they are on the network. Mobileiron allows for some tracking of Apple registered devices. Chromebooks cannot be tracked.

There was a general discussion about either using invisible marking or different service labels to track devices but there was limited appetite at the time. Schools could pursue this themselves if they wished.

Internal audit work

Inventory guidance is in the process of being revised in response to a recent stock audit.

IT keep central hardware records. This was planned to be tested as part of the 2019/20 internal audit review of Stock and Inventories but has been re-scheduled to 2020/21.

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Eclipse Post-Implementation Review (Children & Families)

Introduction

As part of the 2019/20 audit plan, Internal Audit has completed a review of the implementation of phase 1 of the upgrade to Eclipse software. Phase 1 of the Eclipse system went live in June 2019.

Background & Scope

An upgrade to the CareFirst social work case management system to Eclipse software was planned to be implemented in four phases.

- Phase 1 Children & Families
- Phase 2 Adults
- Phase 3 Criminal Justice
- Phase 4 Financial Module

Project management and governance of Phase 1 was audited as part of the 2018/19 internal audit plan. A significant number of good practice elements in the project management and governance of the Phase 1 implementation were identified and reported to management in report 18-13 in December 2018. Report 16/19 to the January 2019 Scrutiny & Audit Committee refers.

The audit was a post-implementation review of the Phase 1 Eclipse system which sought to provide assurance on the following objectives:

- System requirements and functionality for Phase 1 of the implementation were clearly defined.

- An internal assessment has been made to determine any requirements not fulfilled as part of go-live for Phase 1.

- An action plan has been produced to manage and monitor fulfilment of outstanding requirements.

- There are effective processes through which projected benefits of functionality of Phase 1 are being measured and monitored and action is being taken where expected benefits are not yet being realised.

- Lessons identified from review of the Phase 1 implementation have been taken forward in planning Phases 2 and 3.

Conclusion

The overall level of assurance given for this report is '**Substantial Assurance**'.

Overall assessment of Key Controls

The audit reviewed and assessed the controls in place to manage the following Key Control Objectives:
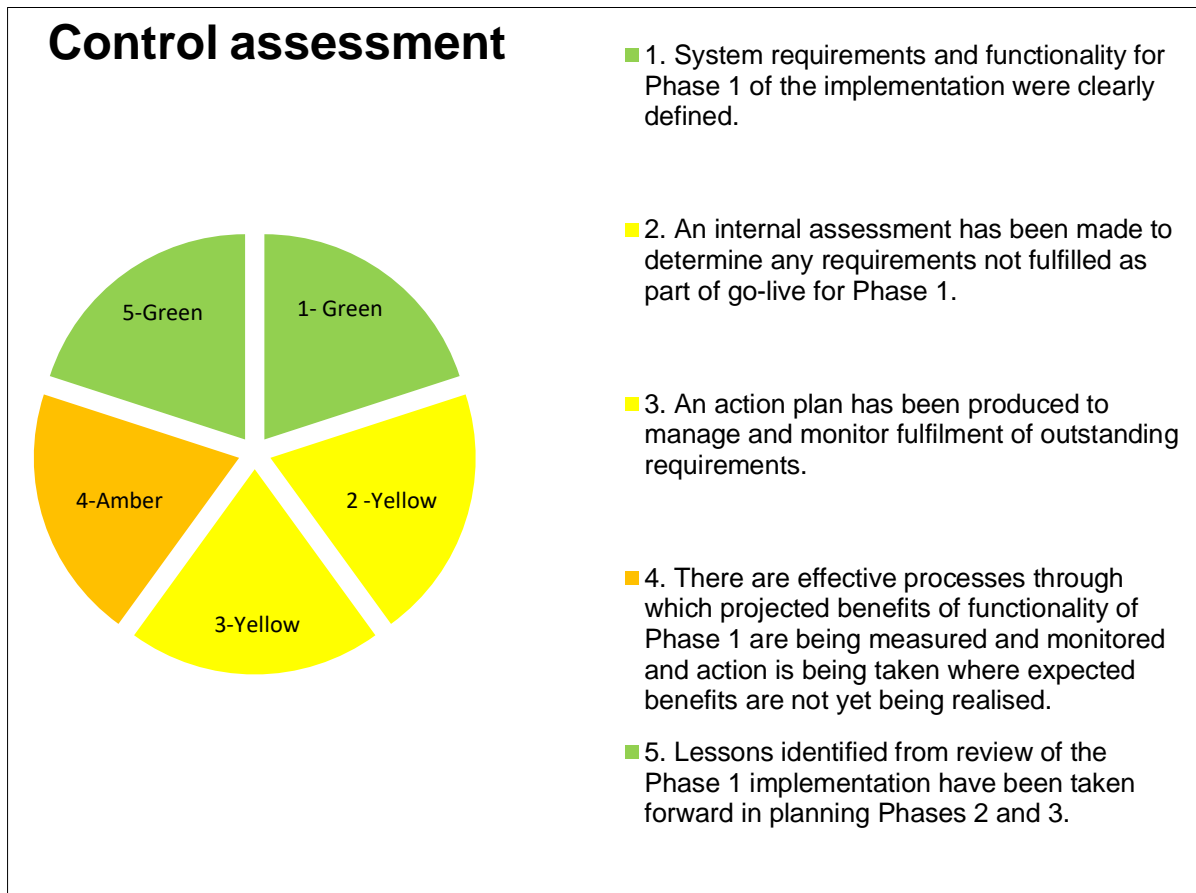

Control assessment

- ■ 1. System requirements and functionality for Phase 1 of the implementation were clearly defined.

- ■ 2. An internal assessment has been made to determine any requirements not fulfilled as part of go-live for Phase 1.

- ■ 3. An action plan has been produced to manage and monitor fulfilment of outstanding requirements.

- ■ 4. There are effective processes through which projected benefits of functionality of Phase 1 are being measured and monitored and action is being taken where expected benefits are not yet being realised.

- ■ 5. Lessons identified from review of the Phase 1 implementation have been taken forward in planning Phases 2 and 3.

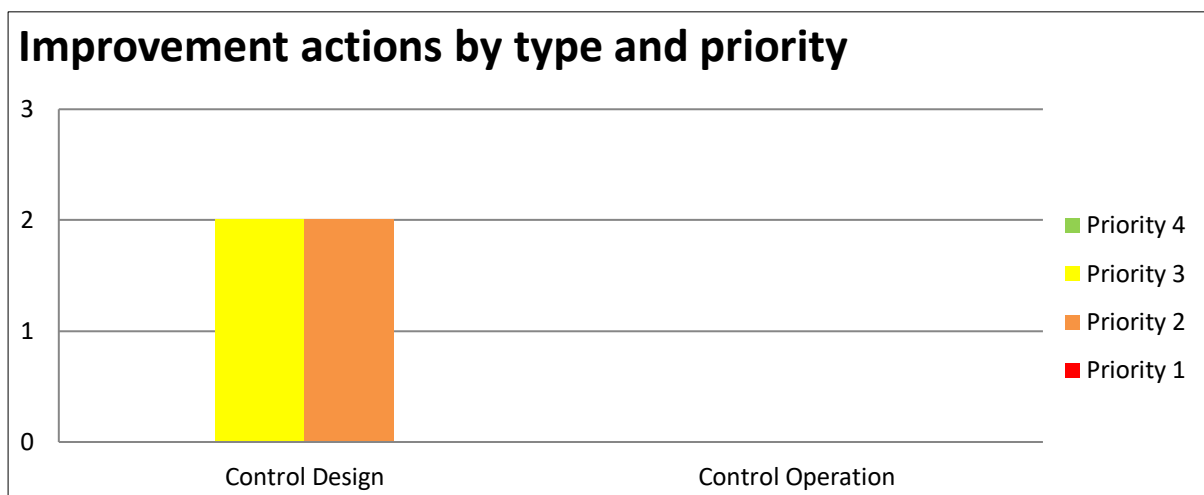## Audit Recommendations summarised by Type & Priority

Improvement actions by type and priority

There are four recommendations in this report; all of which are all design control recommendations (two priority 2 and two priority 3);

Key Findings

Good Practice:

We have identified the following areas of good practice:

- The requirements for the new social care system were formally documented and agreed.

- The process of developing requirements included all appropriate stakeholders.

- The lessons learned report has been produced based on the implementation of Phase 1. This has been maintained and reviewed throughout the project.

- The lessons learned report of Phase 1 has been incorporated into Phase 2, and there is a culture of continuous improvement.

Areas Identified for Improvement:

During the audit we identified a number of areas for improvement, and have made the following recommendations:

We have made 4 recommendations to address two high risk and two moderate risk exposures.

Priority 2

- There is no formal benefits realisation plan and benefits have not been defined, quantified or monitored. We recommend that the Council develops formal processes through which benefits expected from projects can be managed and monitored. In the case of Eclipse, in the absence of a business case, the Project Board should set out success criteria and/or benefits that are expected to be realised from the implementation of the solution.

Priority 3

- There is no action plan in place for managing unfulfilled requirements. We recommend that an exercise is performed to identify any gaps between original requirements and what has been implemented and that an action plan is developed to address these.

- Gap analyses between requirements and what has been implemented should form part of the formal implementation processes for the remaining phases of the project.

Wider Learning Points –

- The recommendations should also be considered for phases 2, 3 and 4.

- The recommendations relating to benefits realisation should be followed for all Council projects.

IT Resilience & Disaster Recovery

Introduction

As part of the 2019/20 audit plan, Internal Audit has completed an audit of the processes relating to IT Resilience and DR (Disaster Recovery) within the Council.

The audit sought to examine the adequacy of processes within the Council for ensuring effective IT resilience and disaster recovery planning arrangements.

Background & Scope

The Council is highly reliant on availability of technology for the successful operation of internal and customer facing services. The expectation is that systems and services will be available 24/7/365. As a result of this, there is an expectation that technology infrastructures and systems will be highly resilient (to reduce the risk of services being unavailable) and disaster recovery plans are robust (to support the response to an incident).

Decisions on the extent of resilience are typically risk-based in nature and consider factors such as cost as well as the service being delivered i.e. it is easier to justify additional cost for business-critical systems that would result in significant disruption if they were not available.

The audit reviewed the arrangements in place against the following control objectives:

- An exercise has been undertaken to establish the extent of resilience of core business systems and supporting technology.
- Where there are gaps between business expectation and IT resilience, there is an agreed strategy to address these.
- Resilience requirements is a key consideration as part of the renewal and/or upgrade of technology, including hosted/cloud service provision.
- IT disaster recovery plans are documented for all key technologies and applications.
- There is regular exercising of IT disaster recovery plans to confirm that they are capable of supporting the response to a disaster.

Conclusion

- The overall level of assurance given for this report is '**Substantial Assurance**'.

Overall assessment of Key Controls

The audit reviewed and assessed the controls in place to manage the following Key Control Objectives:
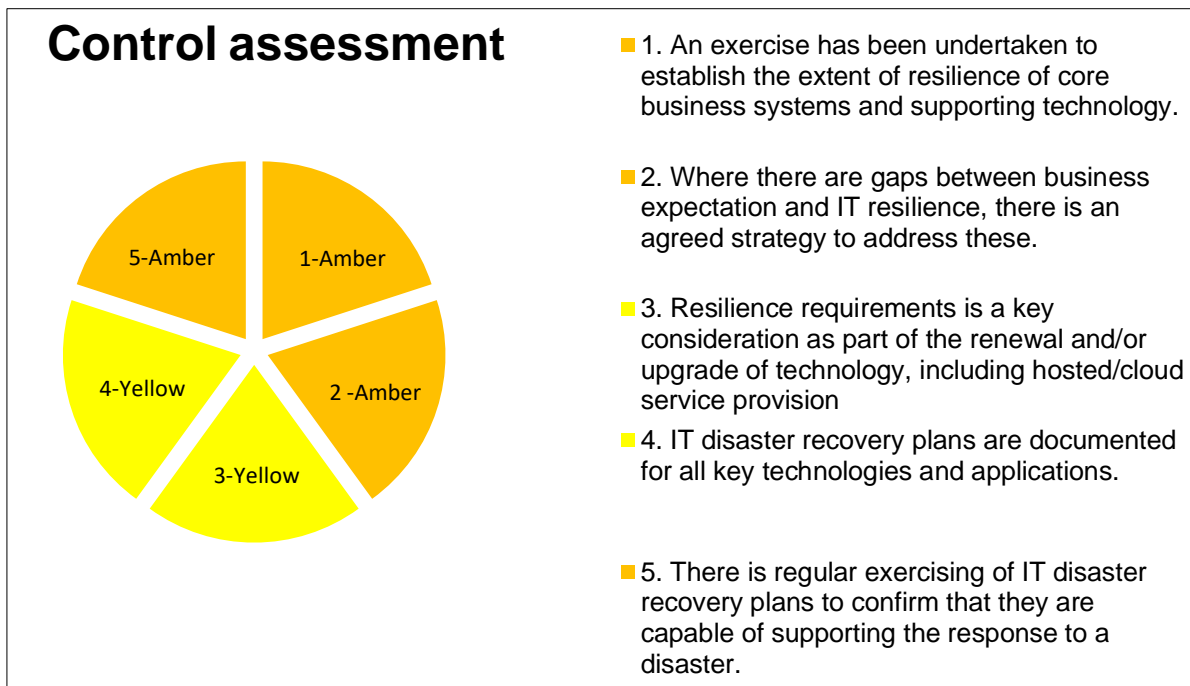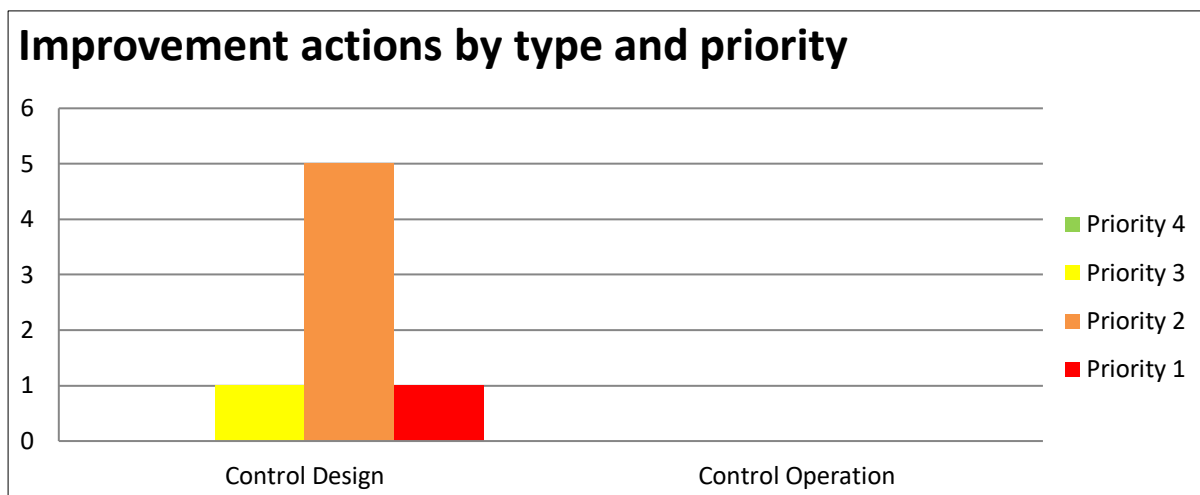
Control assessment

1. An exercise has been undertaken to establish the extent of resilience of core business systems and supporting technology.

2. Where there are gaps between business expectation and IT resilience, there is an agreed strategy to address these.

3. Resilience requirements is a key consideration as part of the renewal and/or upgrade of technology, including hosted/cloud service provision

4. IT disaster recovery plans are documented for all key technologies and applications.

5. There is regular exercising of IT disaster recovery plans to confirm that they are capable of supporting the response to a disaster.

Audit Recommendations summarised by Type & Priority

Improvement actions by type and priority

There are seven recommendations in this report; all of which are design control recommendations (one priority 1, five priority 2 and one priority 3)

Key Findings

Good Practice:

We have identified the following area of good practice:

- There has been considerable investment by the Council in enhancing the resilience of the core network which underpins wider objectives of supporting remote and agile working as well as digital capability of the Council. It will, when the radio communications

link between Arbroath and Forfar is implemented, allow for a highly resilient infrastructure which will reduce the risk of IT disaster recovery plans having to be invoked for core technology.

- The Applications Support Team within IT will help the Council in establishing more consistency in approach to management of applications, including resilience.

Areas Identified for Improvement:

During the audit we identified a number of areas for improvement, and have made the following recommendations:

We have made 7 recommendations to address very high, high and moderate risk exposure, including: one Priority 1, five Priority 2 and one Priority 3 recommendations.

Priority 1

- Our review identified that there has not been any formal testing of IT disaster recovery plans for some time. This means that there is no formal assurance that the recovery plans are capable of supporting an effective and efficient response to an incident. It is recognised that this was planned for May 2020 and has been delayed due to the Covid - 19 emergency.

Priority 2

- Whilst there is a high level of resilience for the core network and key solutions such as email, internet access and Citrix desktop, there has not been any exercise undertaken to establish the resilience of business applications in use across the Council. At present, decisions regarding business applications and funding of their resilience rest with Services. For the majority of business applications, the main source of resilience, beyond network connectivity, are daily backups. This presents a risk that recovery expectations set out in Business Continuity Plans are not achievable.

- The Council should develop, as intended, an Applications Strategy to more fully understand what applications are in place and how systems can be rationalised/updated to support the Council to achieve its digital ambitions and achieve value for money in its technology investments.

- The IT Disaster Recovery Plan does not include any references to technical documentation that would support the recovery and restoration of services in the event of an incident. The current document largely focuses on incident response. We also noted that the Plan is not finalised.

Priority 3

- Whilst assurances over resilience and disaster recovery are obtained for cloud-based applications at procurement stage, there is no ongoing process to confirm that disaster recovery plans are being tested and security controls are being maintained.

Covid-19 – Use of Delegated Powers

Introduction
As part of the 2019/20 annual plan, the Chief Executive has requested Internal Audit to carry out a formal check on how officers are exercising their revised delegated decision-making powers as a result of the response to the coronavirus emergency.

The purpose of this audit was to provide assurance that there is good governance in the emergency delegated powers process.

Background & Scope
On Monday 23 March 2020 the UK Government announced restrictions on movement to help stop the spread of the coronavirus that causes the Covid-19 illness.

The Council put emergency plans into place and established the Emergency Centre within Angus House on 24 March. Key staff were identified from various services to operate the centre.

Where appropriate the Chief Executive has used her delegated powers under paragraph 5 of the Scheme of Delegation to the Chief Executive – "in an emergency, to initiate action under any statutory procedure related to a function of the Council, subject to a report being made to the appropriate Committee at the first opportunity on any item for which Committee approval would normally be necessary".

Actions taken that are relevant to good governance in decision making in the current circumstances include:
- Establishment of daily Gold and Silver meetings of key personnel, with meeting frequency and timings changed to suit requirements as the situation developed.
- Regular staff briefings.
- Identification from service leaders/directors of imminent critical business that needed to go to committee or Council for decisions.
- Reminder issued 26 March 2020 by the Chief Executive to Directors and Service Leaders to consider the delegated authority under which emergency related decisions are being made. Where officers do not have the delegated authority, and need to rely on the Chief Executive's emergency decision-making power to take decisions normally taken by committees or Council, there is a process for obtaining Director and Chief Executive approval for the action and a document to be completed to allow future reporting of the actions.

- The Council held a meeting, open to the public, using Zoom technology, on 3 April 2020. At that meeting
    - Revised governance arrangements were approved for Council business (Report 121/20). Following this decision, a revised meeting timetable was put in place.
    - In line with the requirements of the Scheme of Delegation, Report 122/20 - Actions Taken in Response to Covid-19 Pandemic was taken to the Council meeting on 3 April 2020 to update members on the occasions to date when the Chief Executive had used her then existing emergency decision-making powers.
    - An interim Scheme of Delegation, consolidating the various revised delegations into one document was issued to officers on 24 April 2020.

The Chief Executive requested Internal Audit keep a formal check on how members and officers were exercising their revised delegated decision-making powers as a result of the response to the coronavirus emergency.

The review considered the following objectives:

- Proportionate emergency delegated decision-making procedures were put in place timeously
- An appropriate review mechanism for the arrangements is in place
- Procedures to record and approve decisions using emergency delegated powers have been followed
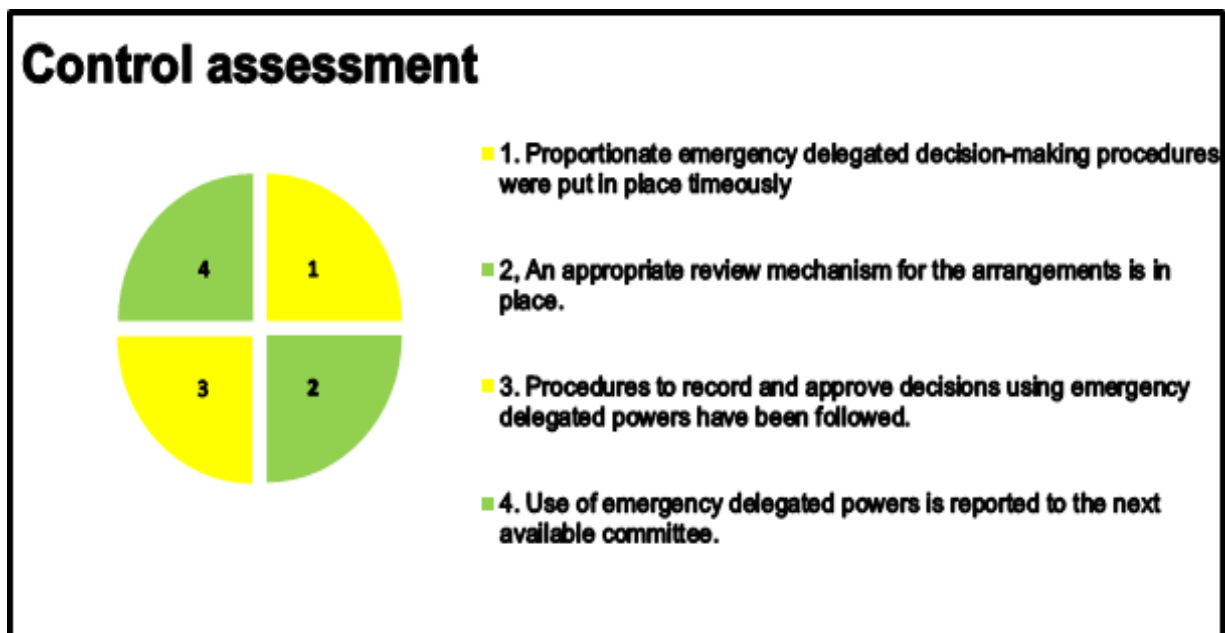- Use of the emergency powers is reported to the next available committee

This review considers the initial actions to establish emergency powers during the pandemic and the use of the Chief Executive's existing emergency powers. It also covers the use of new delegated powers created on 3 April for the Directors of Finance, Director of Legal and Democratic Services, Director of Communities, Director of Infrastructure and Director of Education and Lifelong Learning.

Conclusion
The overall level of assurance given for this report is '**Comprehensive Assurance**'.

Overall assessment of Key Controls

The audit reviewed and assessed the controls in place to manage the following Key Control Objectives:

Control assessment

- 1. Proportionate emergency delegated decision-making procedures were put in place timeously
- 2. An appropriate review mechanism for the arrangements is in place.
- 3. Procedures to record and approve decisions using emergency delegated powers have been followed.
- 4. Use of emergency delegated powers is reported to the next available committee.

Audit Recommendations summarised by Type & Priority

There are no recommendations in this report; 3 priority 3 recommendations regarding design control, identified during the fieldwork, were implemented prior to this report being finalised.

Key Findings

Good Practice:
We have identified the following area of good practice:
- Procedures for decision making powers were quickly put in place after the Covid-19 lockdown.
- When it was identified that an instance of a decision being taken without following the full procedures had occurred, an email was immediately issued, and improved, amended procedures were put in place.
- Procedures and processes have been updated as soon as issues have been identified.

Planned Improvements/Changes:
These procedures are in place during the Covid-19 pandemic only and will be reviewed as government advice changes.

Areas Identified for Improvement:
After discussions with the Service Lead, Legal & Democratic, regarding issues highlighted during fieldwork, the following recommendations were implemented prior to this report being finalised.

Level 3

- There should be a written process for the use of emergency powers through delegated authority, to ensure consistency and understanding for staff.
- Each emergency powers request should be recorded in a central log to ensure that each request passes through the full process.
- The emergency powers procedures should be completed in full for each request, including completion of the template emergency powers request form and authorisation by the appropriate delegated authority.

Implementation of Actions Resulting from Internal Audit Recommendations

Background

The summary report is presented below in accordance with the agreed reporting schedule.

Summary of Progress – Internal Audit

The figures presented in the tables below have been obtained after analysis of the corporate action recording and monitoring system, "Pentana". Work continues to be carried out on the configuration and management of the Pentana system to provide improved management information and to bring greater efficiency to the follow-up process.

The information presented below reflects the position of the 55 actions in progress at 23 July 2020 (excludes actions for Angus Alive and IJB). Chief Officers receive and review regular detailed reports on the outstanding audit actions.

- Table 1 identifies actions which would have been overdue but have had the **original completion date extended**.

  It should be noted that at the start of the Covid 19 lockdown restrictions, a decision was made to extend the due dates on all actions which were in progress or overdue at that time, due to additional work pressures and priorities faced by services. Due dates were extended to 30 September 2020, but officers were advised to continue with work to complete actions sooner wherever possible.

- Table 2 details all other actions which are **currently in progress** (not yet reached due date).

Table 1 – Actions in Progress - as at 23 July 2020
      (Original Due Date Extended)

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Finance	2017/18	-	1	1	-	-	2
	2018/19	-	1	2	-	-	3
	2019/20	-	-	-	-	-	-
Schools & Learning	2017/18	-	-	-	-	-	-
	2018/19	-	1	-	-	-	1
	2019/20	-	-	-	-	-	-
Infrastructure	2017/18	-	-	-	-	-	-
	2018/19	1	-	-	-	1	2
	2019/20	-	-	-	-	-	-
Communities	2017/18	-	-	-	-	-	-
	2018/19	-	1	1	-	-	2
	2019/20	-	-	-	-	-	-
SPT&PSR	2017/18	-	-	-	-	-	-
	2018/19	1	-	-	-	-	1
	2019/20	-	-	1	1	-	2
HR, Digital Enablement, IT & Business Support	2017/18	-	-	-	-	-	-
	2018/19	-	-	-	-	-	-
	2019/20	1	-	5	1	-	7
Legal & Democratic	2017/18	-	-	-	-	-	-
	2018/19	-	-	-	-	-	-
	2019/20	-	1	-	-	-	1
Grand Total		**3**	**5**	**10**	**2**	**1**	**21**

The 2017/18 priority 2 action is:
- We will put in place authorisation limits for grant funding for inclusion in the Financial Regulations at its next review / update – this is currently underway.

The 2018/19 priority 1 and 2 actions are:
- Infrastructure - Report 18-20 Level 1. We will agree a SMART action plan for the Carbon Working Group. Revised due date 30 September 2020.
- SPT&PSR - Report 18-20 Level 1. We will agree a SMART action plan for the Sustainability Working Group. Revised due date 30 September 2020.
- Finance - Report 18-02 Level 2. We will produce corporate guidance for services in relation to inventory recording. This was delayed to tie in with the timetable for the new financial regulations. Revised due date 30 September.
- Schools & Learning – Report 18-17 Level 2. We will issue VAT guidance to school fund administrators.
- Communities – Report 18-05 Level 2. We will update the Communities Risk Register to reflect these risks.

Table 2 – Actions in Progress - as at 23 July 2020
(Not yet reached due date)

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Strategic Policy, Transformation & Public Sector Reform	2018/19	1	-	-	-	-	1
	2019/20	-	-	-	-	-	-
HR, Digital Enablement, IT & Business Support	2018/19	-	-	-	-	-	-
	2019/20	8	15	2	1	-	26
Communities	2018/19	-	1	-	-	-	1
	2019/20	4	1	1	-	-	6
Grand Total		**13**	**17**	**3**	**1**	**-**	**34**

Summary of Progress – Counter Fraud

Since 2019 we have been working to include internal control actions resulting from counter fraud reviews in Pentana. This will allow them to be monitored more effectively. Counter Fraud recommendations are not assigned a priority.

Table 3 Actions in progress as at 23 July 2020 (Not yet reached due date)

Directorate	Year review Carried Out	Grand Total
HR, Digital Enablement, IT & Business Support	2019/20	2
Communities	2019/20	4
Grand Total		**6**

Table 4 Actions in progress as at 23 July 2020 (due date extended)

Directorate	Year review Carried Out	Grand Total
HR, Digital Enablement, IT & Business Support	2019/20	6
Children, Families & Justice (*action assigned to a member of Business Support staff)	2019/20	1*
Grand Total		**7**

Definition of Assurance Levels, Control Assessments & Recommendation Priorities

Level of Assurance definitions

Level of Assurance	Definition
Comprehensive Assurance	There is a sound control framework in place designed to achieve the system objectives, which should be effective in mitigating risks. Some improvements in a few, relatively minor, areas may be required, and any residual risk is either being accepted or addressed by management.
Substantial Assurance	The control framework in place is largely satisfactory, however there are a few areas where improvements could be made to current arrangements to reduce levels of risk, and/or there is some evidence that non-compliance with some controls may put some of the system objectives at risk.
Limited Assurance	Some satisfactory elements are evident within the control framework. However, some significant weaknesses have been identified which are likely to undermine the achievement of objectives, and/or the level of non-compliance with controls puts the system objectives at risk.
No Assurance	The control framework is ineffectively designed and operated. The issues identified require immediate attention to address the risks to the Council which are currently unacceptable. Significant improvements are required.

Control assessment definitions

Control Assessment	Definition
Red	Fundamental absence or failure of key control
Amber	Control objective not achieved – control is inadequate or ineffective
Yellow	Control objective achieved – no major weakness but scope for improvement
Green	Control objective achieved – control is adequate, effective & efficient

Recommendation Priority definitions

Priority	Definition
1	Recommendation concerning the absence/failure of fundamental control which is critical to the success of the system. Major weakness which significantly impairs the overall control framework. Immediate management action required. **Very high risk exposure**.
2	Recommendation concerning absence or non-compliance with key control which creates significant risks within the organisation. Substantial weakness identified. Prompt management action required. **High risk exposure**.
3	Recommendation concerning absence or non-compliance with lower level control, or an isolated instance of non-compliance with a key control. The weakness identified is not necessarily great, but controls would be strengthened and the risks reduced if it were rectified. To be addressed by management within a reasonable timescale. **Moderate risk exposure**.
4	Recommendation concerning minor issue which is not critical, but implementation would improve the system and/or strengthen controls. To be addressed by management within a reasonable timescale. **Limited risk exposure.**