

AGENDA ITEM NO 4

REPORT NO 228/20

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 24 SEPTEMBER 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; and
- (iii) Agree that a full review of the Internal Audit Charter, usually undertaken annually, will be delayed until after completion of the external PSIAS compliance review, and that three references in the footnote of the current charter will be updated from Audit Manager to Service Leader Internal Audit.
- (iv) Note the update to the Housing Regulator's scrutiny arrangements and the Housing Service's reporting intention, and
- (v) Note the Audit Scotland Covid-19 Guide for Audit and Risk Committees and that a further report on this will be brought to a future meeting.

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 being presented to the same committee meeting as this report (Report 229/20). This report covers all audit work that had commenced at 11 September 2020.

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 CHARTER

The Audit Charter is normally reviewed annually. There has been no change in guidance relating to the Audit Charter and therefore it is proposed to delay a full review until after the conclusion of the external PSIAS quality review so that any actions from the review can be reflected in the Charter if necessary. In the meantime, three instances in the Footnotes require the Audit Manager's job title to be updated to the Service Leader Internal Audit. These changes are highlighted in Appendix 2.

5. UPDATE TO SCOTTISH HOUSING REGULATOR'S SCRUTINY ARRANGEMENTS

The Scottish Housing Regulator issued further adjustments to its regulatory approach in response to the Covid-19 pandemic. The changes include new guidance on completing Annual Assurance Statements and Business Planning, along with an extension to the deadline for submission of the Annual Assurance Statement from October to November 2020. There is also an extension to the deadlines for reporting to tenants and service users on performance (from October to December 2020). Our Housing service plans to report by the original deadlines.

6. AUDIT SCOTLAND PUBLICATION – COVID-19 GUIDE FOR AUDIT AND RISK COMMITTEES

Audit Scotland has issued a Covid-19 Guide for Audit and Risk Committees (the guide). The guide explores covid-19 related risk areas and suggests questions that elected members should be considering under the following headings:

- Internal controls and assurance
- Financial management and reporting
- Governance, and
- Risk management

The guide also has sections on looking ahead and suggested further reading. The report can be found on the Audit Scotland website, and has been uploaded to the Members' Sharepoint site.

There are a number of recent and planned reports to Council and committees that provide information about the questions identified by the guide. A report will be brought to a future Scrutiny and Audit meeting to identify where the primary information can be found or provide an update if there has not yet been any reporting.

7. 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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Appendix 1 Internal audit update report
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Angus Council Internal Audit



Update Report

Scrutiny & Audit Committee

24 September 2020

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

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Introduction

This report presents the progress of Internal Audit activity within the Council from June 2020 to 11 September 2020 and provides an update on progress with:

- planned audit work; and
- 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, and additional Covid-19 related work identified after March 2020.



We have reviewed the planned work outstanding in August 2020 in light of changing and new risks, and a revised plan will be presented to the same meeting as this report in September 2020 (Report 229/20). The table below notes all work that is started, including the one audit outstanding from the 2018/19 plan.

All audit work involving Procurement staff is on hold to allow the procurement team to deal with Covid-19 related procurement activity.

Definitions for control assurance assessments are shown on page 18.

Progress with Internal Audit Work post June 2020

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)
Annual Assurance re IJB	June 2020	Outcomes from relevant audits and Annual Report 164/20 shared with IJB auditor. Assurance re council oversight of IJB on hold			<i>TBC</i>
Gifts & Hospitality Register and Register of Interests	July/August 2020	In progress			<i>Dec 2020</i>
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	Complete	Substantial		Sept. 2020
Car Parking Income & Contract Management	Feb. 2020	In progress			<i>TBC</i>
Pupil Equity Fund	March 2020	In progress but on hold			<i>TBC</i>
Comfort funds (Care Homes, Day Care Centres)	TBC	In progress but on hold			<i>TBC</i>
Data matching bank accounts used in Covid-19 support payments (New Covid-19 related risk area)	August 2020	In progress			<i>December 2020</i>
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)
IT Governance					
Eclipse post implementation Review (Children & Families) (19/20 plan)	Feb. 2020	Complete	Substantial		Aug 2020
IT resilience & disaster recovery (19/20 plan)	Jan. 2020	Complete	Substantial		Aug. 2020
Internal Controls					
Business continuity planning and disaster recovery	Jan. 2020	Complete	Substantial		Sept 2020
Procurement – Exemptions from Tendering process	March 2020	In progress, but on hold			<i>TBC</i>
Automated New Start/Recruitment Process	Mar./April 2020	Planned but on hold			<i>TBC</i>
Asset Management					
Review of Building Maintenance	June 2020	Building Maintenance planned but delayed			<i>TBC</i>
Review of Roads Maintenance	TBC	Planning in progress			TBC
Legislative and other compliance					
Procurement Reform (Scotland) Act 2014 (B/F from 2018/19 plan)	2018/19 plan April 2019	Back in progress -			<i>Dec 2020</i>
Private Water Supplies Legislation	TBC	Planning in progress			TBC
LEADER	Aug 2020	In progress			<i>Dec 2020</i>

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 Revised guidance for completion issued 11 September 2020			<i>TBC</i>
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 On hold In progress			Aug. 2020 TBC 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, on hold			<i>TBC</i>
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
Covid -19 Food Fund Emergency cash	New project May 2020	Complete	N/A	N/A	Sept. 2020
Audit Scotland Update on Covid-19 Guide for Audit and Risk Committees	Sept/Oct 2020	In progress	N/A	N/A	Dec 2020

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. Our work on the Angus Alive audit plan for 2019/20 has been completed. Discussions on the 2020/21 audit plan have been delayed due to the Covid-19 crisis. Work is also nearing completion on the 2019/20 audits for the IJB, with two draft reports issued. Final agreement on these has been delayed, also due to the Covid-19 crisis. 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: -

- Business Continuity Planning and Disaster Recovery
- Payroll - Leavers and Establishment Changes
- Covid-19 - Food Fund Emergency Cash

Business Continuity Planning and Disaster Recovery

Scope

An audit of Business Continuity (BC) arrangements was included in the 2019/20 audit plan. The audit brief was agreed on 11/03/2020 with the following objectives:

- A Business Continuity management framework, including policy and governance arrangements, has been implemented with roles and responsibilities assigned;
- Business Continuity Plans demonstrate a comprehensive understanding of the organisation, identifying the key services, as well as the critical activities that support them;
- Comprehensive and robust plans have been developed to manage the initial response to an incident and to ensure the continuity and recovery of critical activities; and
- Effective processes exist to confirm business continuity arrangements are kept up-to-date and plans are regularly exercised and reviewed.

IT Resilience and Disaster Recovery was also covered in the 2019/20 audit plan. The work was reported to the August 2020 Scrutiny & Audit Committee meeting in Report 202/20. The conclusions from that audit gave substantial assurance.

Background

The ability to be able to respond to unexpected events and provide continuity of service is critical to the organisation and it is essential that formal plans and procedures exist to support it in the event of a disaster.

The effectiveness of these plans requires a structured and methodical approach to identifying critical business processes, contingent resources, and optimal recovery strategies as well as robust maintenance and test processes.

Revision to scope due to Covid-19

Initial work had been undertaken but the audit was paused due to the coronavirus pandemic. Following a review of the work done to date and the extent of the live use of plans in response to the coronavirus pandemic we have assessed that it is unnecessary to undertake further audit work at this time. Assurance can be taken from activity to update business continuity arrangements prior to March 2020 and the outcomes from the live experience since March 2020.

Work done and Key Findings:

We undertook initial enquiries with the Manager, Risk, Resilience & Safety and identified the Business Continuity arrangements had been reviewed prior to March 2020 to ensure they were fit for purpose, and to identify any required changes to align with good practice. A Business Impact Analysis was done with involvement from Directors and CLT. The work also included review of:

- BC information and templates to ensure that it is easily understood, and the forms are easy to complete,
- each BC plan with the owner of the plan, and
- training and exercising to ensure training and testing of people and plans.

We established that:

- There is a policy in place, with plans which have had several updates and with an action plan in place for 2020/21. There has been regular updating on progress to CLT. Following the review in 2020 noted below it is intended to review the policy and bring any required changes to the Policy and Resources Committee.
- There are BC plans in place for those services identified as essential across the council. This is reviewed annually.
- There is a 3-year training and exercise program in place. This includes awareness sessions on a professional development and learning basis annually, alongside a three-year testing schedule of plans which includes live play, tabletop and switch off tests.
- There will be a full review later in 2020 to consider how best we continue to train and exercise with virtual options alongside live play. However, it should be noted that the ongoing response, recovery and renewal activity continue to test our plans, and is dynamic with staff being briefed and plans updated on an ongoing basis. Much of this is aligned to Scottish Government Guidance.
- Exercises have been carried out locally with other partners within the local resilience partnership.
- There are plans to put training online.
- The team review incidents annually and then update the corresponding Gold and Silver incident management plans.
- The Council's Business Continuity and Emergency Plans were invoked in March 2020. An Emergency Centre was set up, and Gold/Silver/Bronze groups established to oversee and manage activity to respond to the pandemic. Experience is that this has and continues to work well, with some adjustments made to accommodate social distancing requirements, and on-going adjustment to suit circumstances. Two self-assessment reviews of how this has operated have been carried out to date and an action plan to update the plan for lessons identified is in place. There are ongoing debriefs to ensure we capture learning at agreed intervals and address areas for improvement as our response and recovery continues.

Conclusion

Based on these findings **substantial assurance** can be taken over the operation of Business Continuity and emergency planning procedures. Action plans are already in place to address areas for improvement identified from self-assessment and the IT resilience and disaster recovery audit. The issues identified for action following live use of the plan are generally not high risk, except for the identification of a single point of failure in the knowledge and expertise of the Manager, Risk, Resilience & Safety. Action is in place to address this. We also note that staffing of the Covid-19

Emergency Centre will be a fluctuating need for an unknown time period and consideration should be given to how this will be resourced. Both issues should be considered in implementing the recommendation to undertake a review of resources. Emergency planning sits within the Risk, Resilience and Safety service. All areas of the service have seen increased activity due to the covid-19 pandemic, some of which will continue for the foreseeable future.

Recommendation – Design Priority 2

A review of resources in the service should be undertaken to ensure we can continue to address organisational needs during the current coronavirus pandemic and beyond.

Payroll – Leavers & Establishment Changes

Background & Scope

The Council's Payroll Team is part of the HR, Digital Enablement, IT & Business Support Directorate. The Service Leader – HR & Business Support has overall responsibility for payroll operations. The system used by the Council to process payroll is Resourcelink (Zellis, the name of the provider).

In preparing the 2019/20 Internal Audit Annual Plan, following discussions with Audit Scotland, the Council's External Auditor, it was agreed that Internal Audit would carry out a review of the Council's procedures and controls relating to staff leaving the Council's employment, and the recording of establishment changes.

The External Auditor plans to place reliance on this work in forming their audit opinion. The Covid-19 emergency has delayed this work and External Audit have advised that they require this work to be completed to allow them to place reliance on this for their annual accounts audit.

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

- Up-to-date payroll guidance and procedures are in place for processing leavers' final salary payments and removing the employee from the payroll system;
- Payroll guidance and procedures for leavers are being followed correctly by both Directorate and Payroll staff;
- Adequate procedures are in place to detect, record and recover any overpayments to former employees, and these procedures are being properly implemented;
- Adequate IT security and information governance procedures are in place for all Council leavers, and these are being adhered to;
- Adequate procedures are in place to request, authorise and record establishment changes, including updating the approved Directorate establishment, and these procedures are being followed.

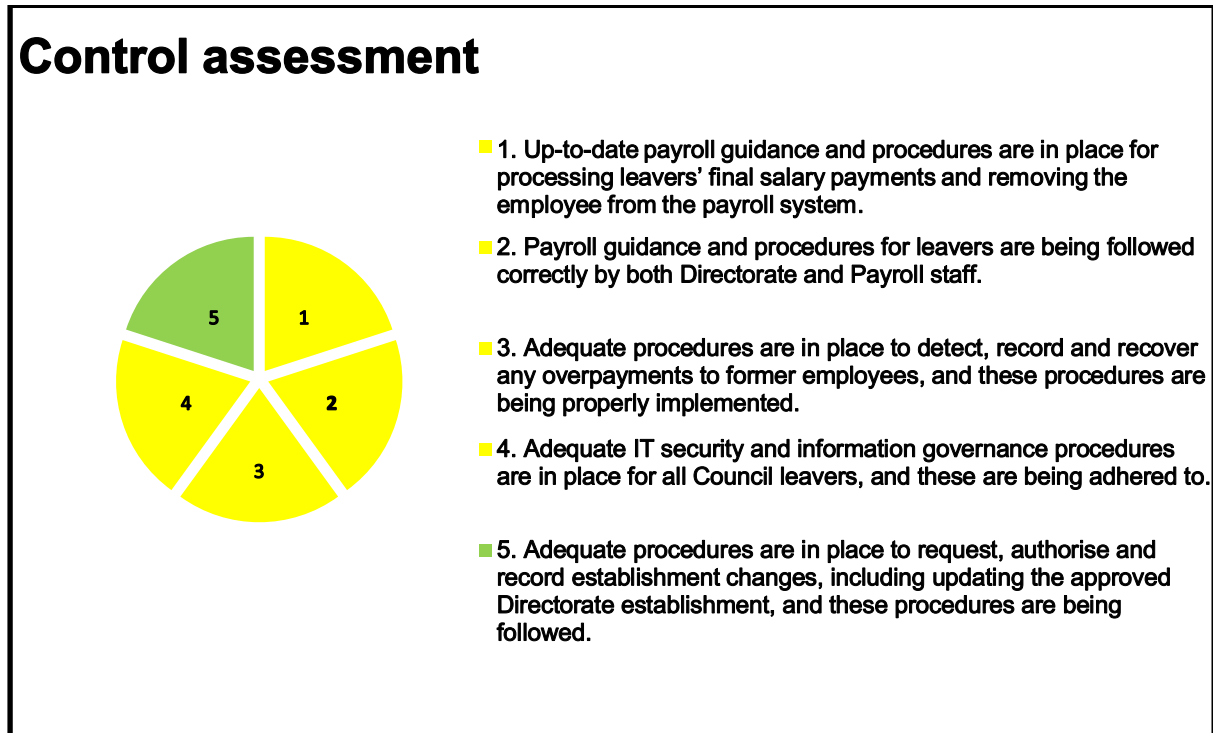
All relevant findings and recommendations should be considered when completing the new processes for Leavers and Establishment Changes.

Conclusion

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

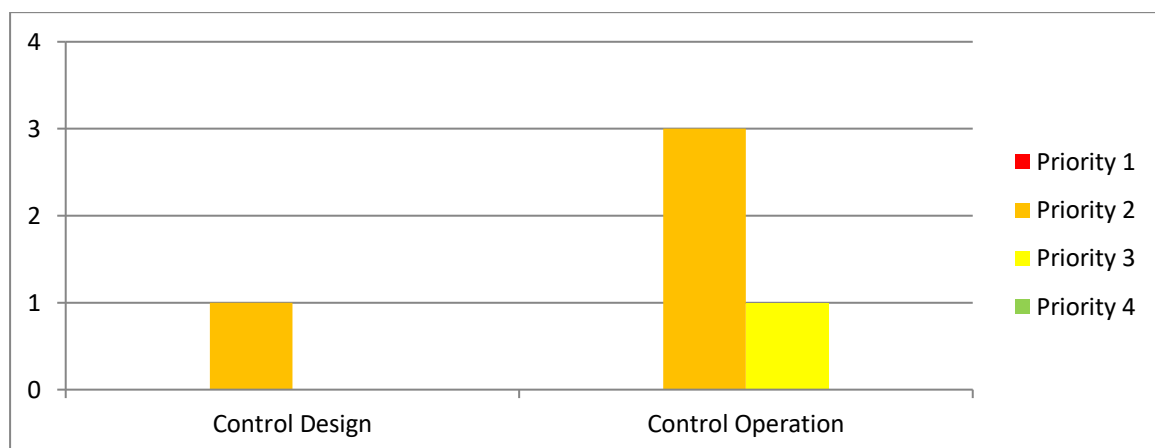
Overall assessment of Key Controls

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



Audit Recommendations summarised by Type & Priority

Improvement Actions by type and priority



There are five recommendations in this report, one design control priority 2 and three priority 2 operational controls and one priority 3.

Key Findings

Good Practice:

We have identified the following areas of good practice:

- There is segregation of duties performed by Payroll staff in the input and checking of PF-03 forms to Resourcelink.
- IT have Leavers process notes for staff to follow for disabling and deleting accounts which they have been informed of in a report from Human Resources.

Planned Improvements/Changes:

- The Resourcelink Development was to be completed by end of June however due to current circumstances with Covid-19 that is now not possible and a timeframe for completion is yet to be determined.
- Staff have started to build the Establishment Changes process in Firmstep; the Business Relations Manager is waiting on the completion of our review to incorporate any necessary changes before it is completed and cascaded live. The new leavers process has not been started.

Area Identified for Improvement:

We have made 5 recommendations to address medium and low risk exposure which are:

Level 2

- One central folder to hold all payroll documents for employees should be available for staff. Staffing require additional support to ensure the cleansing and organising of employee documents is completed timeously, and management should consider how this can be achieved.
- To enhance controls the person who checks the Leavers calculations should pdf stamp the calculation sheet; the sheet should be amended to have a box to be completed.
- The following issues should be addressed in designing and implementing the new automated leavers and establishment change processes:
 - Documented procedures/guidance should be available for users of the new systems.
 - Documented procedures for the recovery of salary overpayments to leavers.
 - When the online leavers system is being finalised, the information requested on the online forms should be reviewed to ensure that only relevant information is collated.
 - Consideration should be given to putting controls in place to ensure that all stages of the establishment change process must be completed/authorised prior to moving on to the next stage in the system.

Level 3

- The IT guidance document “Email Roles and Responsibilities” should be reviewed to ensure it reflects current practice.

Covid-19 Food Fund – Emergency cash provision

Scope

Internal Audit were asked by the GOLD group to carry out an audit assurance check of the Covid-19 Food Fund Emergency Cash provision, and report on the findings. Completion of this work has been delayed, as staff who needed to confirm the factual accuracy of our findings were unable to respond due to their involvement in Covid-19 emergency duties.

The audit was to review the guidance, procedures and controls in place regarding the management and allocation of the emergency cash provision to ensure that they were suitable in the circumstances and that the terms of use for these funds were developed to a satisfactory standard. The cash came from the Council’s Food Fund resources allocated by the Scottish Government. Actual cash transactions were not tested.

The audit was to seek to provide assurance on the following objectives:

- Appropriate Angus Council guidance for the use of the emergency cash provision has been established, which is in line with national guidance;
- The Angus Council guidance has been developed in consultation with the Welfare Rights service, in order to avoid any significant overlap with Welfare Rights emergency payments;
- Adequate cash handling procedures and controls for these funds have been put in place.

Risk

The direct risk was that the emergency cash provision may be used for inappropriate or unauthorised purposes, and that inadequate procedures and controls could result in misappropriation of funds.

Background

The Council put emergency plans into place and established the Council Emergency Centre (CEC) within Angus House on 24 March to assist with the management of the COVID19 pandemic. Key staff were identified from various services to run the centre.

The Council was given an allocation of £602k from the Food Fund. The Council’s GOLD group retrospectively approved an emergency rolling cash provision of £2,500 from the Food Fund. The Humanitarian Assistance Angus Response Team (HAART) were given access to this emergency cash, with £2,000 being held at Angus House Emergency Centre, and £500 by the Criminal Justice Team at The Cross, Forfar.

Following the initial approval of the emergency allocation of cash from the Food Fund monies received from Scottish Government, it was agreed by the HAART Steering group that the emergency cash was to be used to address any crisis situations where no alternative to cash provision would meet the need.

The cash was used to pay for food, electricity, toys etc. where the family required immediate assistance. At the time of our review, mid May 2020, approximately £490 had been utilised from the float. In total, by the end of June 2020, £609 was spent.

Conclusion

We found that although there was guidance that was issued to the staff at The Cross about recording expenditure for claiming a cash top-up, staff accessing the emergency fund were not issued with any additional guidance about the new Food Fund and were relying on previously existing emergency legislation and procedures to award and record expenditure. In the circumstances, this was considered acceptable.

Guidance was not developed in conjunction with Welfare Rights, however the process put in place and the low level of use of the fund provided assurance that there was not significant overlap with other emergency provision to people in need.

Our review highlighted a number of areas where proper cash handling and recording guidelines were not followed, and we have outlined a number of improvements which should be followed by all staff involved in the management of emergency cash provisions and petty cash in general. In particular, the equivalent of a cash book record should have been kept up to date at The Cross.

As the Food Fund Emergency Cash provision is no longer in use, and all remaining cash balances have been paid back into the Council's bank account, making audit recommendations specific to the use of this cash fund is not considered necessary or beneficial. The points noted in this review will be highlighted to staff on the Corporate intranet.

The 2020/21 Internal Audit Plan includes a piece of work on random petty cash counts and cash handling procedures, and the findings of this review will be used to help inform that work.

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 18 August 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 18 August 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	-	2	1	-	-	3
	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	6	10	2	1	22

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.
- Communities – Report 18-14 Level 2. The Environmental Protection section should review current guidance, policies and procedures to ensure that they are up to date, as lean and efficient as possible, held in one place and easy to access. This is even more important with fewer staff in the section to enable business continuity

**Table 2 – Actions in Progress - as at 18 August 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	-	1	-	-	-	1
HR, Digital Enablement, IT & Business Support	2018/19	-	-	-	-	-	-
	2019/20	8	15	5	1	-	29
Communities	2018/19	-	-	-	-	-	-
	2019/20	3	1	1	-	-	5
Grand Total		12	17	6	1	-	36

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 18 August 2020 (Not yet reached due date)

Directorate	Year review Carried Out	Grand Total
Communities	2019/20	4
Grand Total		4

Table 4 Actions in progress as at 18 August 2020 (due date extended)

Directorate	Year review Carried Out	Grand Total
HR, Digital Enablement, IT & Business Support	2019/20	8
Children, Families & Justice (*action assigned to a member of Business Support staff)	2019/20	1*
Communities	2020/21	2
Grand Total		11

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.



INTERNAL AUDIT CHARTER

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Introduction

The Local Authority Accounts (Scotland) Regulations 2014 introduced a requirement for all Scottish Local Authorities to operate a professional and objective internal auditing service, which must be delivered in accordance with recognised standards. The standards and practices applied in the UK for all public sector internal audit providers, in-house, shared or outsourced, are the Public Sector Internal Audit Standards (PSIAS), which came into effect in April 2013, and were updated in April 2017.

PSIAS encompasses the mandatory elements of international internal audit professional practices framework and includes both standards of practice and a professional code of ethics.

A key requirement of the Standards is the need to hold a formal Internal Audit Charter. This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, and the related responsibilities of the Scrutiny & Audit Committee and managers, in accordance with PSIAS.

The Charter will be reviewed annually and presented to the Scrutiny and Audit Committee for final approval.

Definition

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Angus Council.

It assists the Council in accomplishing its objectives by bringing a systematic, disciplined and risk-based approach to evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.

Role

The internal audit activity is established by the Board, which for the purposes of internal audit is the Scrutiny and Audit Committee (the Committee). Internal Audit's responsibilities are defined by this Committee as part of their oversight role.

The main objective of Internal Audit is to provide, in terms of the PSIAS, a high quality, independent audit service to the Council which provides annual assurances in relation to internal controls and overall governance arrangements.

In addition to this primary assurance role, Internal Audit will also: -

- Support the Director of Finance in discharge of his Section 95 Officer duties.
- Support the Director - Legal and Democratic Services in discharge of her Monitoring Officer duties.
- Provide consultancy services to directorates.
- Provide a counter fraud function.
- Investigate any allegations of fraud or irregularity.

- Advise on internal control implications of new systems and provide a project assurance service.
- Support the Council and Senior Management during key transformational/ change projects.

The nature of the assurance services provided by Internal Audit include, but are not limited to the following:

- Risk based audit
- Developing systems audit
- Compliance audits
- Value for money audits
- Quality assurance audits
- Fraud/irregularity investigations
- Advisory/consultancy reviews

The standards defined in this Charter will also apply to any work which may be carried out to provide assurance services to parties external to the Council.

Professionalism

Internal audit will adhere to the PSIAS, which are based on the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Core Principles of Professional Practice of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

Other professional guidance will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to the Council's relevant policies and procedures and Internal Audit's standard operating procedures manual.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies.

Authority and Scope

All internal audit staff shall have authority to:-

- a. enter any Council premises or land.
- b. have access to, and remove, all records, documents and correspondence which, in the view of the Service Leader – Internal Audit (or nominated representatives), are considered to relate to any matter which may have audit or assurance implications for the Council.
- c. be provided with full access to any computer system and personal computer or other computer storage device/ media in the ownership of the Council.
- d. require explanations considered necessary from any employee, including Chief Officers.
- e. require any employee, or agent of the Council, to produce cash, stores, assets or any other property under his control or to which he has access.

The scope of Internal Audit allows for unrestricted coverage of the Council's activities. In addition, Internal Audit through the Service Leader – Internal Audit, where they deem necessary, will have unrestricted access to: -

- The Chief Executive
- The Scrutiny and Audit Committee and all members
- Individual Chief Officers
- All Council employees

Right of access to other bodies funded by the Council should be set out in the conditions of funding.

Internal audit will safeguard all information obtained in performing its work and will only use it for the purposes of an audit, investigation or consultancy work. Internal audit will not disclose any information held unless this is authorised or there is a legal or professional requirement to do so.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities.

Organisation

The Service Leader – Internal Audit is the senior officer responsible to the Committee for the provision of a full independent core assurance internal audit service. The Service Leader – Internal Audit is full-time, directly employed by the Council, and will discharge their responsibility through a directly employed team, comprising both Internal Audit and Counter-Fraud staff. Specialist support for computer audit will continue to be procured via an external tendering exercise.

The Service Leader – Internal Audit will be the Chief Audit Executive for the purposes of the PSIAS. In relation to this the Service Leader – Internal Audit will report functionally¹ to the Committee, and administratively to the Head of Strategic Policy, Transformation and Public Sector Reform. It is recognised the administrative reporting line does not have authority over the scope or reporting of results of Internal Audit activity. Ultimate authority in this regard vests in the Service Leader – Internal Audit, who reports in their own name and retains final right of edit over all Internal Audit reports.

The Service Leader – Internal Audit will also have open access to the Chief Executive and Corporate Leadership Team. The Service Leader – Internal Audit will be responsible to the Committee for all elements of core assurance internal audit planning, delivery and reporting and provision of an annual report and opinion on governance, risk and internal control.

The Service Leader – Internal Audit, and the Team Leader – Internal Audit are required to hold a professional qualification and be suitably experienced.

¹ In this context functional reporting means the Committee will:-

- Approve the audit charter.
- Approve the Internal Audit risk based internal audit plan.
- Approve the Internal Audit Resources
- Receive reports from the Service Leader – Internal Audit on the result of Internal Audit activity or other matters the Service Leader – Internal Audit determines necessary.
- Approve decisions regarding the appointment or removal of the Service Leader – Internal Audit.

Independence and objectivity

To maintain the internal auditors' independence and objectivity, Internal Audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, manage risks, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Service Leader – Internal Audit will confirm to the Committee, at least annually, the organisational independence of the internal audit activity. Any interference experienced will be disclosed by the Service Leader – Internal Audit to the Committee and the implications discussed.

Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's governance, risk management, and internal control processes in relation to the Council's defined goals and objectives. Areas to be considered by Internal Audit include:

- Consistency of operations or programs with established objectives and goals and effective performance
- **Make enquiries of management and the Service Leader – Internal Audit to determine whether there are inappropriate scope or resource limitations**
- Effectiveness and efficiency of operations and employment of resources
- Compliance with significant policies, plans, procedures, laws, and regulations
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
- Safeguarding of assets.

Internal Audit is responsible for evaluating all processes ('audit universe') of the entity including governance processes and risk management processes. In doing so, Internal Audit maintains a proper degree of co-ordination with external audit.

Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Committee and to Senior Management (the Council's Corporate Leadership Team), including fraud risks, governance issues, and other matters needed or requested by the committee.

Internal Audit resource may be used to support consultancy and advisory services, related to governance, risk management and control, but not to the detriment of provision of core assurances. It may also evaluate specific operations at the request of the Committee or senior management, as appropriate.

Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management. Management is also responsible for developing, implementing and maintaining systems of internal control to guard against fraud or irregularity and ensure probity in systems and operations. Internal Audit will assist management by reviewing the controls and procedures in place.

Audit procedures alone cannot guarantee that fraud and corruption will be detected, nor does Internal Audit have the responsibility for prevention and detection of fraud. However, individual auditors will be alert in their work to risks and exposures that could allow a fraud, irregularity or corrupt practice to take place.

Financial Regulations lay out the responsibilities of Council Chief Officers, Managers and other staff in relation to any suspicion of fraud or irregularity. The role of Internal Audit is to fully investigate any suspicion of fraud, irregularity or corrupt practice and report in accordance with the Fraud Response Plan.

Internal audit plan

At least annually, the Service Leader – Internal Audit will submit an internal audit plan that includes risk assessment criteria to the Committee for review and approval. The Service Leader – Internal Audit will communicate the impact of any resource limitations and significant interim changes to senior management and the Committee.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the Committee. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process to the Committee.

Audits will be only allocated to staff who have the appropriate skills, experiences and competence.

Reporting and monitoring

A written report will be prepared and issued by the Internal Audit Service Leader or Team Leader – Internal Audit following the conclusion of each Internal Audit engagement and will be distributed as appropriate for management responses and comment. Internal Audit results will also be reported to the Committee.

The Internal Audit report may include management's response and corrective action taken, or to be taken, in regard to the specific findings and recommendations. Management's response should include an action owner, a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. Agreed actions will be monitored using the Council's Pentana Performance system. Action owners should update Pentana Performance with progress of implementation.

Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain open until evidentially cleared.

Periodic assessment

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK PSIAS, ongoing performance monitoring and external assessment.

The Service Leader – Internal Audit is responsible for providing periodically a self-assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to the Annual Plan.

In addition, the Service Leader – Internal Audit will communicate to senior management and the Committee on Internal Audit's quality assurance and improvement program, including results of ongoing internal assessments.

External assessments will be conducted at least every five years in accordance with Public Sector Internal Audit Standards. Review arrangements and findings will be reported to the Committee. The scope of the review will be agreed with the Convener of the Committee.

Approved by the Scrutiny & Audit Committee on 20 August 2019