

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 2 MARCH 2021

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. RECOMMENDATION

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. Note the position at section 4 below regarding the Head of Internal Audit's annual opinion for 2020/21.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN /COUNCIL PLAN

The contents of this report contribute to the achievement of the corporate priorities set out in the Angus Community 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 was agreed at the September Scrutiny and Audit committee meeting (Report 229/20 refers).

One member of the Internal Audit team has been working half time in the Council Emergency Centre (CEC). A more permanent solution to the resourcing of CEC is under consideration. Additional IT audit support has been called down from our

existing support contract with Azets and work within the internal audit team reorganised to maximise work done. This can be accommodated within the approved budget.

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.

4. IMPACT OF COVID 19 RESPONSE ON AUDIT WORK AND THE ANNUAL OPINION FOR 2020/21

As noted above a revised plan has been agreed to take account of the impact of Covid-19 on resourcing and risk. We have also had a reduction in available audit days due to staff redeployment.

Cipfa has issued guidance about the Head of Internal Audit's (HIA) annual audit opinion for 2020/21 and the possibility of there being a limitation of scope to allow the opinion to be delivered. The guidance offers advice about planning to ensure sufficient assurance is available to the HIA, but also notes that if a limitation of scope is expected this should be discussed with management and the audit committee as soon as possible. There has been ongoing discussion with Directors and relevant managers to ensure we have taken action to address this risk.

At this stage I do not anticipate a need to report a limitation of scope in arriving at my opinion. I am satisfied that I have identified alternative sources of evidence to draw upon and made alternative arrangements for work to fill gaps caused by the reduction in planned work and available resources during this year. This position is dependent upon the majority of planned audit work being completed and reported by June 2021. An update on this position will be provided to the April Scrutiny and Audit committee meeting. CLT and CGOG (the Corporate Governance Officers Group) will also be involved on an ongoing basis should this position change.

5. 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

2 March 2021

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 22 February 2021 and provides an update on progress with:

- planned audit work, including new audits drawn from the audit pool; 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.

Outstanding planned work in August 2020 was reviewed in light of changing and new risks, and a revised plan was presented to and agreed by the September 2020 Scrutiny and Audit Committee meeting (Report 229/20). The table below notes all work that is started or in progress.




The following new audit has been drawn from the agreed pool since the last activity report was made:


- i-Pay follow-up



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 at the end of this report.


Progress with Internal Audit Work post June 2020

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / <i>(target in italics)</i>
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	March 2021	Outcomes from relevant audits and Annual Report 164/20 shared with IJB auditor. Assurance re council oversight of IJB on hold			<i>June 2021</i>
Gifts & Hospitality Register and Register of Interests	July/August 2020	Complete	Comprehensive		Dec. 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	Complete	Substantial		Sept. 2020
Car Parking Income & Contract Management	Feb. 2020	Removed from plan December 2020	N/A	N/A	Dec 2020
Pupil Equity Fund	March 2020	Draft report under review			<i>April 2021</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	Complete	N/A	N/A	Jan. 2021

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Payroll continuous auditing April – June 2020 July – Sept 2020 Oct. – Dec. 2020	On-going	Complete Complete Complete	Comprehensive Comprehensive Comprehensive	N/A N/A N/A	Aug. 2020 Dec 2020 Mar. 2021
Creditors continuous auditing April – June 2020 July – Sept. 2020 Oct. – Dec. 2021	On-going	Complete Complete Complete	Comprehensive Comprehensive Comprehensive	N/A N/A N/A	Aug. 2020 Dec. 2020 Mar. 2021
Petty Cash	Nov. 2020	Complete	Comprehensive		Jan. 2021
Council tax	Jan. / Feb. 2021	In Progress			<i>April 2021</i>

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
IT Interfaces	Feb. 2021	Planned			<i>April 2021</i>
IT Security Controls in Response to Covid-19	Feb./Mar. 2021	Planned			<i>June 2021</i>
I-Pay follow-up	March 2021	Planning			<i>June 2021</i>
Internal Controls					
Business continuity planning and disaster recovery	Jan. 2020	Complete	Substantial	N/A	Sept 2020
Procurement – Exemptions from Tendering process	March 2020	In progress, but on hold			<i>June 2021</i>

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Automated New Start/Recruitment Process	Mar./April 2020	Planned but on hold			<i>June 2021</i>
Personal Protective Equipment (PPE)	Dec. 2020/ Jan. 2021	Draft report under review			<i>April 2021</i>
Asset Management					
Review of Property Asset Maintenance	Feb. 2021	In progress			<i>April 2021</i>
Review of Roads Maintenance	TBC	Planning in progress			<i>June 2021</i>
Legislative and other compliance					
Procurement Reform (Scotland) Act 2014 (B/F from 2018/19 plan)	2018/19 plan April 2019	Draft report issued			<i>April 2021</i>
Private Water Supplies Legislation	TBC	Planning in progress			<i>TBC</i>
LEADER	Aug 2020	Complete	Comprehensive		Dec 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	Complete	General compliance with PSIAS (equivalent of Substantial)		<i>Jan 2021 R11/21</i>

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
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	July 2020	Complete			Aug. 2020
Use of council vehicles	TBC	On hold			<i>June 2021</i>
2019/20 issues	March 2021	In progress			<i>April 2021</i>

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	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	Complete	N/A	N/A	Dec 2020 Report 306/20

Angus Alive and Angus Health & Social Care IJB

Angus Council's Internal Audit staff are committed to work on the audit plans for both ANGUSalive and Angus Health & Social Care IJB. The 2020/21 Audit Plan for the IJB was agreed, and our main piece of work from this was planned. Changes to the planned work were agreed in December 2020 and planning is underway for the revised work. Discussions on the 2020/21 audit plan for ANGUSalive have been delayed due to Covid-19. A draft plan is currently being drafted.

Reports for both bodies are presented to their respective audit committees throughout the year.

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.

Data Analysis/Continuous Auditing – Payroll and Accounts Payable (Creditors) (October to December 2020)

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

We have previously reported no significant issues and Comprehensive Assurance on periods covering April 2020 to September 2020. We have now completed the following testing for the period October to December 2020

Payroll

The level of assurance given as a result of testing on NI numbers, duplicate bank accounts and high value payments is **Comprehensive Assurance**

No payments without an NI number were made. Duplicate NI numbers and payments to duplicate bank account numbers were satisfactorily explained. A number of high value payments were reviewed and were all satisfactorily explained. Four of the high value payments were retrospective payments due to late notification to Payroll.

Accounts Payable (Creditors)

The level of assurance given as a result of testing payments registered and approved by the same person is **Comprehensive Assurance**

Instances of the payment of an invoice being both registered and authorised by the same employee were 5 in October, none in November and 6 in December. The occurrence of no instances in November is best practice and this is the first time since we began continuous auditing that this has happened. Most instances are due to the payment being registered incorrectly initially and then when amended and authorised Integra then shows that person as having registered and authorised the payment. All instances were explained satisfactorily.

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 audit actions recorded and monitored on the Pentana Performance system.

The information presented below reflects the position of the 40 actions overdue and in progress at 22 February 2021 (excludes actions for Angus Alive and IJB). CLT receive and review regular detailed reports on the outstanding audit actions.

- Table 1 identifies actions which are currently **overdue**.
- Table 2 identifies actions which would have been overdue but have had the **original completion date extended**.
- Table 3 details all other actions which are **currently in progress** (not yet reached due date).

Table 1 – Internal Audit Actions Overdue as at 5 February 2021

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Communities	2018/19	-	1	-	-	-	1
Grand Total		-	1	-	-	-	1

The 2018/19 priority 2 overdue action is:

- Communities – Report 18-05 Level 2. We will update the Communities Risk Register to reflect these risks. Update - awaiting review and establishment of a separate risk register for Environmental Services. This has been delayed due to other more pressing demands over the last 6 months. Due date revised to 31 December 2020.

**Table 2 – Internal Audit Actions in progress as at 5 February 2021
(due date extended)**

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Infrastructure	2017/18	-	-	-	-	-	-
	2018/19	-	-	-	-	1	1
	2019/20	-	-	-	-	-	-
Communities	2017/18	-	-	-	-	-	-
	2018/19	-	1	-	-	-	1
	2019/20	-	-	-	-	-	-
SPT&PSR	2017/18	-	-	-	-	-	-
	2018/19	1	-	-	-	-	1
	2019/20	-	1	-	-	-	1
Finance	2017/18	-	1	1	-	-	2
	2018/19	-	1	2	-	-	3
	2019/20	-	-	-	-	-	-
HR, DE, IT & Business Support	2017/18	-	-	-	-	-	-
	2018/19	-	-	-	-	-	-
	2019/20	3	12	5	1	-	21
Legal & Democratic	2017/18	-	-	-	-	-	-
	2018/19	-	-	-	-	-	-
	2019/20	-	1	-	-	-	1
Grand Total		4	17	8	1	1	31

The 2017/18 priority 2 outstanding action is:

- Finance – Report 17-14. We will put in place authorisation limits for grant funding for inclusion in the Financial Regulations at its next review. Update - revised due date 31 March 2021, to align with timetable for completion of updated Financial Regulations.

The 2018/19 priority 2 and 2 outstanding actions are:

- SPT&PSR - Report 18-20 Level 1. We will finalise and agree the SECAP and put appropriate monitoring procedures in place. Update - this has been delayed until early 2021, due date extended to 31 March 2021.
- Communities – Report 18-14 Level 2. We will identify all current guidance, policies, and procedures relevant to the Environmental protection section and seek to rationalise the content. We will create a single point on the s-drive to store the related documents and ensure easy access.
- Finance - Report 18-02 Level 2. We will produce corporate guidance for services in relation to inventory recording. Update - revised due date 31 March 2021, to align with timetable for completion of updated Financial Regulations.

**Table 3 – Internal Audit Actions in Progress as at 25 January 2021
(Not yet reached due date)**

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Finance	2020/21	-	-	3	-	-	3
HR, DE, IT & Business Support	2018/19	-	-	-	-	-	-
	2019/20	1	2	1	-	-	4
	2020/21	-	1	-	-	-	1
Grand Total		1	3	4	-	-	8

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 4 Actions in progress as at 26 January 2021

Directorate	Year review Carried Out	Total
HR, Digital Enablement, IT & Business Support	2019/20	1
Grand Total		1

Table 5 Actions overdue as at 26 January 2021

Directorate	Year review Carried Out	Total
HR, Digital Enablement, IT & Business Support	2019/20	3
Communities	2020/21	4
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.

