

Agenda Item No 7

Report 178/21 Appendix 1

Angus Council Internal Audit



Internal Audit Annual Report 2020-2021

1 June 2021

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Contents Page

Executive Summary - Overall Opinion and Assurances	1
Internal Audit Role and Structure	3
Summary of Internal Audit Activity 2018-19	5
Corporate Governance	14
Performance & Quality Assurance	15
Appendix A Summary of Internal –Quality Assurance Assessment	19
Appendix B – Definition of Assurance Levels, Control Assessments & Recommendation Priorities	22

Executive Summary - Overall Opinion and Assurances

Background

1. The Public Sector Internal Audit Standards (PSIAS) state that:

“The Chief Audit Executive (Service Leader) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

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

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”

2. To meet the above requirements, this Annual Report summarises the conclusions and key findings from the internal audit work undertaken during the year ended 31 March 2020, and up to 08 June 2020 relating to the year ended 31 March 2020, including my overall opinion on internal control system.
3. My governance, risk management, and internal control audit and assurances for 2020-21 are informed by a number of sources detailed in paragraph 10 below.
4. My opinions relate solely to the Council and do not include those bodies included in the group accounts.

Overall internal audit opinion

Objectives

5. The PSIAS require me to provide the Scrutiny & Audit Committee with assurance on the whole system of internal control. In giving my opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the whole system of internal control. My report also provides:
 - assurances to Members of the Council and the Chief Executive in relation to my assessment of, and opinion on, the Corporate Governance arrangements during the year under review
 - assurances to the Director of Finance in relation to internal financial controls to support and inform his duties as s95 Officer
 - performance information in relation to internal audit and
 - the results of the internal audit quality assurance programme

Opinion

6. In my professional judgement as Service Leader Internal Audit, notwithstanding the delays caused in completing work due to the impact of the Covid-19 pandemic, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the basis and the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations as they existed at the time against the audit criteria. The evidence gathered meets professional audit standards and is sufficient to provide senior management with the proof of the conclusions derived from the internal audit.
7. In my opinion the Council has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, effective and efficient achievement of objectives and the management of key risks, and proper arrangements are in place to promote value for money.
8. The internal audit work for the year has identified a number of areas of good practice and good internal control. A number of recommendations to improve systems and controls have been made. The more material findings are highlighted later in this report. Overall during 2020/21 the level of assurance provided from audit work has improved on previous years.
9. I have concluded that the Local Code of Corporate Governance is adequate and effective, and although some areas for improvement have been identified, the Code is complied with in all material respects.

Basis of opinion

10. In assessing the level of assurance to be given, I have taken into account:
 - All reviews undertaken as part of the 2020-21 internal audit plan and the work of the Counter Fraud Team, including some work in progress that has yet to be fully reported to committee;
 - Any scope limitations imposed by management. There were no limitations of scope to the audit work conducted in 2020-21, although the plan was revised mid-year to take account of changing circumstances primarily related to the impact of the Covid-19 pandemic (Report 229/20 refers). (see further comments at para. 24 and the table following paragraph 30)
 - Matters arising from previous reviews and the extent of follow-up action taken;
 - Expectations of senior management, the Council and other stakeholders;
 - The extent to which internal controls address the Council's risk management /control framework;
 - The effect of any significant changes in the Council's objectives or systems;
 - The internal audit coverage achieved to date, including the impact of the Covid-19 pandemic in reducing the coverage achieved from March 2020 onwards;
 - Formal assurances received from the Director of Finance (Section 95 Officer) and the Director Legal & Democratic Services (Monitoring Officer);
 - Certification against minimum governance and internal financial control standards received from the Directors and from the Chief Executive's Unit;

- My observations of the work of the Corporate Governance Officers Group (CGOG) in relation to their self-assessment of local code compliance;
- My observations and knowledge of the Council's approach to recovery and change resulting from the Covid-19 impact;
- The assessment of risk completed during the preparation of the audit plan;
- Reports issued by the Council's External Auditors and other review agencies;
- The approach to the maintenance of governance and the control environment in managing the Covid-19 emergency, and
- My knowledge of the Council's governance, risk management, financial and performance monitoring arrangements.

Internal Audit Role and Structure

Role of Internal Audit

11. The PSIAS defines Internal Audit as “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

Structure and Reporting

12. For the year to 31 March 2021 the in-house Internal Audit service was part of the Strategic Policy, Transformation and Public Sector Reform Directorate. The team is supplemented for IT audit expertise through a contract with Azets (formerly called Scott Moncrieff). They were appointed following a tendering exercise in February 2019.
13. Throughout the year the audit leads had open access to all members and officers of the Council and operated in accordance with the Internal Audit Charter. The results of all internal audit work reported to the Scrutiny & Audit Committee were reported in my own name. The Committee remit is to provide independent assurance to the full Council of the adequacy of the risk management framework and the internal control environment. The Committee provides independent review of Angus Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
14. Internal Audit undertakes an annual programme of work based on a formal risk assessment process which is revised on an on-going basis to reflect emerging risks and changes within the Council.
15. All internal audit reports are subject to consultation with management for consideration of factual accuracy and recommendations made. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken to implement the agreed action plans. I am required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters (including non-

compliance with audit recommendations if applicable) arising from internal audit work are reported to relevant Service Directors, Depute Chief Executive, the Chief Executive, CLT and the Council's Scrutiny & Audit Committee.

Summary of Internal Audit Activity 2020-21

Scope and Responsibilities

Management

16. It is the Council's Chief Officers' responsibility to establish a sound internal control system. The internal control system comprises the whole network of systems and processes established to provide reasonable assurance that organisational objectives will be achieved, with particular reference to:

- risk management
- the effectiveness of operations
- the economic and efficient use of resources
- compliance with applicable policies, procedures, laws and regulations
- safeguards against losses, including those arising from fraud, irregularity or corruption
- the integrity and reliability of information and data

Internal audit

17. Internal Audit assists management by examining, evaluating and reporting on the controls in order to provide an independent assessment of the adequacy of the internal control system. To achieve this, Internal Audit should:

- analyse the internal control system and establish a review programme
- identify and evaluate the controls which are established to achieve objectives in the most economic and efficient manner
- report findings and conclusions and, where appropriate, make recommendations for improvement
- provide an opinion on the reliability of the controls in the system under review
- provide an assurance based on the evaluation of the internal control system within the organisation as a whole

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

Planning Process

19. In order to be able to provide an annual assurance statement supporting the Governance Statement, I include all of the Council's activities and systems within the scope of the internal audit reviews.

20. The annual internal audit plan is designed to provide the Scrutiny & Audit Committee and management with assurance that the Council's internal control system is effective in managing the

key risks and value for money is being achieved. The plan is therefore informed by the Council's risk management system and linked to the Corporate Risk Register.

21. The Annual Internal Audit Plan was agreed in consultation with senior management and formally approved by the Scrutiny & Audit Committee in March 2020. The plan can be subject to revision during the year to reflect changes in the Council's risk profile and changing circumstances. Changes were required to the 2020-21 plan as a result of changes in the risk profile and work environment caused by Covid-19.
22. We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. However, internal audit can never guarantee to detect all fraud or other irregularities and cannot be held responsible for internal control failures.

Cover achieved





23. In March 2020, following the situation created by Covid-19, a number of the 2019/20 projects had to be put on hold due to the emergency work being undertaken in services and were therefore carried forward into 2020/21. Council Services' response to Covid-19 has continued to impact on the timing of, and time taken to complete, audit reviews.
24. In September 2020 the 2020/21 plan was revised and reported to Scrutiny & Audit Committee in Report 229/20. The revisions took account of the delays caused by Covid-19 and the changing risk profile for the Council. The plan approved in September identified an audit pool rather than a fixed plan of work. The rolling plan approach was designed to maximise the audit work that could be undertaken in the remaining period of 2020/21 and to contribute to ensuring that there would not be a limitation of audit scope to allow my annual opinion to be provided fully.
25. In addition to the audit work undertaken, members of the Internal Audit and Counter Fraud teams were involved in providing advice around new guidance in response to Covid-19 and in work to counter fraud in various Covid-19 response grants that the Council administered. I also attended the Silver Incident Management Team meetings for a proportion of 2020 and 2021 in order to evidence governance and control decision making first hand on an ongoing basis.
26. Although some planned audit work has not been completed, taking into account the conclusions from work done this year, including alternative sources of assurance, and previous years' results I have concluded that I can provide an annual opinion without any limitation of scope.
27. At 01 June 2021 a significant number of projects from the revised 2020/21 plan have been delivered. In March 2021 a revised plan for 2021/22 was agreed, including the majority of the items still remaining in the audit pool from 2020/21 plan. The tables following paragraph 30 show the position for all projects from the pool that have been started during the year, or removed from the pool. Where work in progress has not yet been reported, the findings to date have been taken into account in my overall conclusion.
28. In addition, my overview of the Council's response to the pandemic has continued to provide 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. There are good examples of innovations, partnership working, new business processes and solutions, and






new technology being embraced in order to deliver services to the community in the Council's role as a Category 1 responder to carry out the following three essential functions: Caring for the Vulnerable; Liaising with Resilience Partners; and Supporting Economic Recovery. This was achieved using amended governance arrangements, new ways of decision-making, leadership and implementation of virtual meetings, conference calls, and systems remote access. There has been ongoing management review of Covid-19 driven arrangements throughout 2020-21 with action taken to make further change when required.




Main Audit Findings

29. The majority of control objectives were assessed as having been achieved, with a number of areas of good practice noted. Where necessary actions were agreed to improve the control environment or tighten up the operation of the existing controls.
30. A variety of audit reports in both financial and non-financial areas have been issued during 2020-21 and all were considered by the Scrutiny and Audit committee. In the following table the * under level 4 actions denotes that the service has its own action plan in place covering the areas reviewed in the audit or our consultancy work resulted in an action plan being prepared by the service. Definitions of overall control assurance are provided in Appendix B.

Audits	WIP status	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
				1	2	3	4
Corporate Governance							
Corporate Governance annual review – 2019-20	Complete	N/A	N/A	-	-	-	*
Annual Assurance re IJB	Outcomes from relevant audits and Annual Report 178/21 shared with IJB auditor. Assurance re council oversight of IJB on hold and will be picked up in 2021/22	N/A	N/A	-	-	-	-

Audits	WIP status	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
Gifts & Hospitality Register and Register of Interests (Rec for area not in scope of this audit but identified during the audit)	Complete	Comprehensive		-	1	-	-
Covid-19 governance – Use of delegated powers	Complete	Comprehensive		-	-	3	-
Financial Governance				-	-	-	-
Payroll/Resourcelink processes – Leavers and establishment changes	Complete	Substantial		-	5	1	-
Car Parking Income & Contract Management	Removed from plan December 2020	N/A	N/A	-	-	-	-
Pupil Equity Fund	Complete	Substantial		-	1	3	-
Data matching bank accounts used in Covid-19 support payments (New Covid-19 related risk area) Data matching bank accounts used in Covid-19 support payments	Complete	N/A	N/A	-	-	-	-
Payroll continuous auditing April – June 2020 July – Sept 2020 Oct. – Dec. 2020 Jan. – Mar. 2021	Complete Complete Complete Complete	Comprehensive Comprehensive Comprehensive Comprehensive	N/A	-	-	-	-

Audits	WIP status	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
Creditors continuous auditing April – June 2020 July – Sept 2020 Oct. – Dec. 2020 Jan. – Mar. 2021	Complete Complete Complete Complete	Comprehensive Comprehensive Comprehensive Comprehensive	N/A	-	-	-	-
Petty Cash	Complete	Comprehensive		-	-	3	-
IT Governance				-	-	-	-
Eclipse post implementation Review (Children & Families) (19/20 plan)	Complete	Substantial		-	2	2	-
IT resilience & disaster recovery (19/20 plan)	Complete	Substantial		2	5	1	-
IT Interfaces	Complete	Limited		1	10	1	-
Internal Controls				-	-	-	-
Business continuity planning and disaster recovery	Complete	Substantial	N/A	-	-	-	-
Personal Protective Equipment (PPE)	Complete	Substantial		-	-	2	*

Audits	WIP status	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
Asset Management				-	-	-	-
Review of Property Asset Maintenance	Complete	Substantial		-	1	1	*
Legislative and other compliance							
LEADER	Complete	Comprehensive		-	-	-	-
Other							
PSIAS Compliance - External Review (Appendix A)	Complete	General conformance with PSIAS (equivalent of Substantial)		-	2	-	-
Review of Audit Scotland's publications on Fraud and Irregularity 2018/19 was covered in Report 160/20, with two areas for further work (one is complete and one is in progress): Children & learning	Complete	N/A	N/A	-	-	-	-
Review of Audit Scotland's publications on Fraud and Irregularity 2019/20 issues	Complete	N/A	N/A	-	-	-	-

Audits	WIP status	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
Consultancy & Advice				-	-	-	-
Review of changes to policies and procedures due to Covid-19 response April to July 2020	Complete	N/A	N/A	-	-	-	-
Covid -19 Food Fund Emergency cash	Complete	N/A	N/A	-	-	-	*
Audit Scotland Update on Covid-19 Guide for Audit and Risk Committees	Complete	N/A	N/A	-	-	-	-
IT Security Controls in Response to Covid-19	Complete	N/A	N/A	-	-	-	*
Strategic Framework Business Grant Counter Fraud review	Complete	N/A	N/A	-	-	-	-

The following audits are planned, in progress but on hold due to Covid 19, have been moved to the audit pool, or are in progress but incomplete at June 2020. The fact that these are not complete has not impacted on my ability to provide an opinion for 2020/21. No significant issues have been identified in the testing to date in the items in progress and this has informed my overall opinion.

Audits	WIP status
Annual Assurance re IJB	Assurance re council oversight of IJB on hold and will be picked up in 2021/22
Comfort funds (Care Homes, Day Care Centres)	Planned but on hold
Procurement – Exemptions from Tendering process	In progress, but on hold
Procurement Reform (Scotland) Act 2014 (B/F from 2018/19 plan)	Draft report issued but finalisation on hold
Review of Roads Maintenance	In progress
Review of Audit Scotland’s publications on Fraud and Irregularity. 2018/19 was covered in Report 160/20, with two areas for further work (one is complete and one is in progress): Use of council vehicles	In progress
Finance Service capacity review (consultancy)	In progress, but on hold
Private Water Supplies Legislation	Moved to Audit Pool
Automated New Start/Recruitment Process	In progress
Council Tax	In progress, substantially complete
IPay follow up consultancy	Draft report issued

One area was assessed in 2020/21 as providing Limited or No Assurance that controls were adequate – Interfaces. The Limited opinion results from there being a lack of documentation of the design and operation of interfaces for Council systems, as well as a reliance on the knowledge of a small number of staff for their successful day to day operation. An action plan is under development to address the identified weaknesses.

31. Good progress has been made in addressing the action plans agreed to deal with areas assessed as having limited assurance in previous years: There are two remaining actions to be completed; one each for Environmental Health (rationalisation of policies and procedures due 31 August 2021) and Climate change targets (production of the Sustainable Energy & Climate Action Plan (SECAP) due 31 May 2021). Both are partially complete, and have been delayed due to Covid-19.
32. Internal Audit also contributed to the 2020-21 internal audit work for the Angus Integration Joint Board (IJB) and Angus Alive as part of the agreements of shared or support services. This work is in progress. The IJB audit service is led by the Chief Internal Auditor of NHS Tayside.

Discharge of Audit Recommendations

33. As part of the annual audit work, the discharge of recommendations from Internal Audit and Counter Fraud work is reviewed. Reasonable progress is being made in implementing agreed actions.
34. Services monitor their recommendations through Pentana. During the year we reviewed the progress of implementation of recommendations in some detail, reporting to the Council Management Team and the Scrutiny & Audit Committee.
35. At the beginning of 2020 we revised the dates of all actions to September 2020 in recognition that a large number of staff were unlikely to be able to spend time on the actions given the work required in response to Covid-19. Where necessary further revisions have been agreed with staff responsible for the actions. Although the number of outstanding actions fluctuates the proportion of outstanding internal audit actions with extended due dates is significantly higher than usual this year at 85% compared to 60% in June 2020 and 62% in June 2019. This is primarily due to the impact of Covid-19 and will be kept under review to ensure the risks these actions address are mitigated as soon as possible. 12% of outstanding Counter Fraud actions have exceeded their initial due date (2019/20 25%).
36. All services have continued to take steps to address their outstanding recommendations, with a good number of older actions being completed during the year.
37. Last year there were five Level 1 actions outstanding as at 8 June 2020; none was overdue. This year two of these remain outstanding, with revised completion dates at the end of May and June 2021. Two new level 1 actions have been agreed this year and are due for completion in September 2021. One further Level 1 action is under consideration relating to the Interfaces report issued in May 2021.
38. We will continue to review implementation of recommendations as part of our 2021-22 follow up work.

Independence

39. PSIAS require me to communicate on a timely basis all facts and matters that may have a bearing on internal audit's independence.
40. I confirm that the staff members involved in each 2020-21 internal audit review were independent of the area under review and their objectivity was not compromised in any way.

Corporate Governance

41. The Council has a Local Code of Corporate Governance which is kept under review and is updated to reflect recognised best practice in corporate governance.

42. Compliance with the code is assessed on behalf of the Chief Executive on an annual basis by an officer working group on Corporate Governance. The outcome is reported to the Chief Executive and Scrutiny & Audit committee in June each year.
43. I have concluded that the Local Code is adequate and effective, and although some areas for improvement have been identified, the Code is complied with in all material respects. Positive continuous improvement in arrangements has taken place during 2020/21, to address the items in the corporate governance action plan, but also to improve performance management information and risk management.
44. Our audit work identified:
- A small number of areas of non-compliance with the core internal financial controls within individual directorates.
 - Oversight of Angus Alive, the IJB, and Tayside Contracts continued to provide good and improving oversight during 2020/21. In particular good arrangements were developed to allow effective joint planning and working in response to Covid-19 with the management teams at Angus Alive and Tayside Contracts.
 - The Council plan is aligned with the change programme and the budget. Significant review has taken place during the year to ensure the impact of Covid-19 has been recognised as fully as possible.
 - The review of governance planned to take place during 2020/21 is progressing.
 - Governance changes to address the Covid-19 impact at both officer and member levels were well planned, proportionate, and reviewed and amended appropriately throughout the year.
 - Audit work undertaken in response to new Covid-19 risks identified a high level of good control within new systems being implemented.
 - Covid-19 recovery is being planned at both a strategic and operational level. Officers are working to ensure that these are linked and that recovery is also linked to on-going activity within services and at a corporate level, eg through the change programme.
 - Risk management training and development of service risk registers, paused in early 2020 due to Covid 19, is now back in progress.
 - Improvements to performance management arrangements have continued to be rolled out during 2020/21 through the PLED (performance led) work and increasing use of Pentana to manage actions and other performance data.

Risk Management

45. Risk management arrangements were revised during 2018/19 and rolled out and embedded at a corporate level during 2019/20. Further work to provide training and develop service risk registers was planned for 2020 but this was put on hold due to Covid-19. This work re-started in early 2021 and included training for members in April 2021.
46. Risk Management reporting to Scrutiny & Audit committee was restarted in January 2021 and it is planned to continue this every six months as required by the Risk Management Strategy.

47. I assessed last year that the risk management arrangements were working well at a corporate level to share and integrate risk priorities across the Council whilst supporting services to be more accountable and responsible for all aspects of risk underpinning their business objectives. This position has continued throughout 2020/21 and was strengthened by the creation of a Covid-19 risk register that is regularly reviewed and updated and linked with the Corporate Risk Register.
48. As noted in the next section and Appendix A, the external quality assessment of the internal audit work identified that risk management arrangements in the Council need to be fully rolled out and embedded to allow the risk management arrangements to fully inform audit planning in future. Further discussion about how the Scrutiny & Audit committee should oversee risk was undertaken at the Scrutiny & Audit Committee self-assessment meeting in April 2021.
49. It is important that the completion of the roll out of the risk management strategy is undertaken as quickly as possible. Plans to achieve this are in place with a revised completion date of December 2021.

Performance & Quality Assurance

Performance & Quality Assurance

50. Quality assurance arrangements within the Internal Audit section are contained within the Audit Manual and encompass a robust day to day quality system and file review process.
51. The External Quality Assessment completed by the Internal Audit team at Scottish Borders Council during 2020 identified a number of good practices and confirmed that the internal audit function was compliant with the PSIAS. The service conforms fully in 11 of 13 criteria and generally in the remaining two, giving an overall assessment of “Generally Compliant”. An improvement plan was agreed with actions related to assurance mapping for Internal Audit and risk management for the Council and Scrutiny & Audit committee.
52. The external review must be carried out every five years and was last done in 2014. We joined the SLACIAG peer review process to undertake the external review due in 2019. Delays to the development of the peer review process meant that the review was re-scheduled to the beginning of 2020. The review process began but was put on hold till late 2020 due to the Covid-19 pandemic. These delays which were outwith our control mean the service did not comply with the need to obtain an external review within the 5 year timeframe.
53. The Counter Fraud Team follow Cipfa guidance in discharging their duties. A separate annual report (181/21), including an assessment of activity against the guidance, will be presented to the same Scrutiny & Audit Committee as this annual report.

Conformance with Public Sector Internal Audit Standards

54. I confirm that the Council’s internal audit service conforms to the Public Sector Internal Audit Standards, which are based on the International Standards for the Professional Practice of Internal Auditing. This assessment is based on the results of our External Quality Assurance review undertaken during 2020 and reported to Scrutiny & Audit in January 2021. A summary of our external assessment is provided at Appendix A together with the agreed action plan.

55. During 2020-21 the main improvements made to the service related to continuing to develop how we map available assurances to inform audit planning. This will continue into 2021/22.

56. The FTE mix of staff is shown in the table below.

Period	Council Staff	Council Staff	Out-Sourced IT support	Service leader	Total
April 2019 to March 2020	Internal Audit	Counter Fraud			
	FTE	FTE	FTE	FTE	FTE
Permanent establishment	3.6	2.3	0.13	1	7.03
Temporary establishment (3 years 2019/20, 2020/21, and 2021/22)		1			1
Total	3.6	3.3	0.13	1	8.03

57. On 24 March 2020 two members of the team, accounting for 1.6 FTE time, were redeployed to the Council Emergency Centre (CEC). One member returned to the Counter Fraud Team (0.6 FTE) on 17 July 2020. The other member (1 FTE) returned to the Internal Audit Team on 31 July 2020 but was then redeployed to the CEC for further periods until February 2021. This resulted in a total loss during 2020/21 of 42 days to Counter Fraud work and 168 days to Internal Audit work. This impacted significantly on completion of the 2020/21 planned work.

58. Change Fund funding approved to appoint an additional temporary Fraud Officer for a two-year period from May 2019 has been extended for a further year. The additional time has primarily been used to enhance pro-active counter fraud activity.











59. Currently, performance indicators used for Internal Audit are those developed by the CIPFA Directors of Finance Section. For 2020-21, the efficiency indicator shows the section discharged 92% of planned productive hours, compared with 107% in the previous year. The reduction is primarily due to the hours lost to audit through redeployment of a member of staff to the Council Emergency Centre.












60. The work of the Internal Audit function is reviewed by External Audit as part of their annual audit. The purpose of this review is to ensure that the Internal Audit section performs to professional standards in the conduct of audit work in order that External Audit can place reliance on it. In their 2020-21 planning document Audit Scotland, the Council's external auditor, reported that they had carried out their assessment of the internal audit service and concluded that we operate in accordance with the main requirements of PSIAS. They plan to take account of our reports in their wider dimension audit work.

Appendix A Summary of Internal –Quality Assurance Assessment

Public Sector Internal Audit Standards require disclosure of the outcome of our regular internal and external quality assessments. The tables below summarises the outcome of and action plan from the external quality assessment undertaken during 2020 and reported to S&A in January 2021.

SUMMARY OF CONFORMANCE WITH THE PSIAS – Appendix A

Reference	Assessment Area	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
Section A	Definition of Internal Auditing				
Section B	Code of Ethics				
Section C	Attribute Standards				
1000	Purpose, Authority and Responsibility				
1100	Independence and Objectivity				
1200	Proficiency and Due Professional Care				
1300	<u>Quality Assurance and Improvement Programme</u>				

Reference	Assessment Area	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
Section D	Performance Standards				
2000	Managing the Internal Audit Activity				
2100	Nature of Work				
2200	Engagement Planning				
2300	Performing the Engagement				
2400	Communicating Results				
2500	Monitoring Progress				
2600	Communicating the Acceptance of Risks				

3. ACTION PLAN

Ref. No.	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
3.1	The work started to show sources of assurance relating to each of the Council's objectives and each item featuring on the Corporate Risk Register should be completed.	2	Work is underway to link further development of assurance mapping with risk recording in Pentana. Our aim is to have this completed for the Internal Audit planning cycle for the 2022/23 audit plan.	Service Leader- Internal Audit	January 2022
3.2	<p>The work identified as needed to improve organisational management of risk should be completed.</p> <p>Reporting of risk to the Scrutiny and Audit Committee should be increased to include an overall assessment of the corporate risk profile, and presentations by service leaders of risk within areas for which they are responsible.</p>	2	<p>The action plan to implement the Risk Strategy approved in November 2019 has been on hold due to Covid-19 response activity, but plans are in progress to undertake the remaining work during 2021.</p> <p>Six-monthly reporting to Scrutiny and Audit committee required by the approved policy will recommence in January 2021. Further information relating to information to be presented to the Scrutiny & Audit committee to be discussed at meeting on 26 January 2021.</p>	<p>Director- Strategic Policy, Transformation and Public Sector Reform.</p> <p>Chair of Scrutiny and Audit Committee</p>	<p>December 2021</p> <p>December 2021</p>

Key to Grading of Recommendations

Priority: 1 – Critical, 2 – Requires addressing, 3 – Good Practice, 4 – Value for Money

Appendix B – 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.