

## AGENDA ITEM NO 5

### REPORT NO 294/21

#### ANGUS COUNCIL

#### SCRUTINY AND AUDIT COMMITTEE – 23 SEPTEMBER 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. RECOMMENDATIONS

It is recommended that the Scrutiny and Audit Committee:

- (i) note the update on progress with the planned Internal Audit work; and
- (ii) note management's progress in implementing internal audit and counter fraud recommendations.

### 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

- 3.1 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 from the plan agreed at the Scrutiny & Audit Committee in March 2021 (Report 60/21).
- 3.2 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.
- 3.3 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.
- 3.4 The latest results are included in the Update Report at **Appendix 1** and summarised in section 4 below.
- 3.5 Ad-hoc requests for advice are dealt with as they arise.

#### 4. SUMMARY OF AUGUST ASSURANCES

- 4.1 The following table summarises the conclusions from audit work completed since the last Scrutiny & Audit Committee. Further information on each audit, and definitions of control assurances, are provided in Appendix 1.
- 4.2 Recommendations from consultancy work are not graded. The number of recommendations made are noted under the Grade 4 column. \* In the final column denotes that the service already has actions in place to address weaknesses identified in the audit or has action plans for other improvements in progress.

Audit	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
			1	2	3	4
Data analysis - Payroll July 2021	Comprehensive		-	-	-	-
Data analysis – Creditors, including update on outstanding item from April April 2021 to June 2021 revised July and August 2021 Substantial - revised from Comprehensive due to resolution of outstanding matter from June	Substantial (revised from Comprehensive)		-	1	-	-

#### 5. FINANCIAL IMPLICATIONS

There are no direct financial implications from this report.

#### 6. EQUALITY IMPACT ASSESSMENT

An Equality Impact Assessment is not required, as this report is providing reflective information for elected members.

**NOTE:** No 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

23 September 2021

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Service Leader – Internal Audit  
Strategic Policy, Transformation & Public Sector Reform

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## INTRODUCTION

This report presents the progress of Internal Audit activity within the Council from June 2021 to 16 August 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


The table below notes all work that is started or in progress, including incomplete work from June 2021. It also includes the fixed portion of the plan agreed in March 2021.



No audits from the pool agreed in March 2021 have been started since we last reported.

All audit work involving Procurement staff was put on hold to allow the procurement team to deal with Covid-19 related procurement activity. A meeting was held with the Manager (Procurement & Commissioning) in May to re-schedule that activity and this is reflected in the table below.

Definitions for control assurance assessments are shown at the end of this report.

### Progress with Internal Audit Work post June 2021

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / <i>(target in italics)</i>
<b>Corporate Governance</b>					
Corporate Governance annual review – 2019-20	June 2021	Complete	N/A	N/A	1 June 2021 (Report 178/21)
Annual Assurance re IJB	March/April 2022		N/A	N/A	<i>June 2022</i>
Risk Management	Feb./March 2022				<i>June 2022</i>
Review of GDPR compliance	Sept./Oct. 2021				Jan. 2022
<b>Financial Governance</b>					
Council Tax	Feb./March 2021	Complete	Comprehensive		<b>Aug 2021</b>

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Non-domestic rates system	Oct. / Nov. 2021				<i>Jan. 2022</i>
Housing arrears	Dec. 2021/ Jan. 2022				<i>March 2022</i>
Payroll continuous auditing April – June 2021 July 2021 Aug – Sept 2021 Oct. – Dec. 2021 Jan. – Mar. 2022	On-going  July 2021	N/A	Comprehensive		Aug 2021 Sept 2021
Creditors continuous auditing April – June 2021 July and August 2021  Sept. – Dec. 2021 Jan. – Mar. 2022	On-going  July 2021	N/A	Substantial (revised from Comprehensive in August)		Aug 2021 Sept 2021
<b>IT Governance</b>					
I-Pay follow-up	March 2021	Complete	N/A Consultancy project	N/A	<b>Aug 2021</b>
IT User access administration – IDOX TBC	TBC				<i>TBC</i>
IT project management	TBC				<i>TBC</i>
End User Computing	TBC				<i>TBC</i>
<b>Internal Controls</b>					
Procurement – Exemptions from Tendering process	August 2021	In progress, but on hold			<i>Nov. 2021</i>
Automated New Start/Recruitment Process	Mar./April 2020	Draft report issued			<i>Nov 2021</i>
Protection of vulnerable groups	July 2021	Draft report Issued			<i>Nov 2021</i>
Fostering, adoption and kinship allowances	Feb. / March 2022				<i>June 2022</i>

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Adults with incapacity follow-up	Jan. 2022				<i>March 2022</i>
<b>Asset Management</b>					
Review of Roads Maintenance	March/April 2021	In progress			<i>Nov. 2021</i>
Housing improvements – capital projects	July/Aug. 2021	In Progress			<i>Nov. 2021</i>
<b>Legislative and other compliance</b>					
Procurement Reform (Scotland) Act 2014 (B/F from 2018/19 plan)	2018/19 plan April 2019	Draft report issued. Work to be updated before finalisation			<i>Nov. 2021</i>
Tendering Exemptions	Aug. / Sept. 2021	Planning			<i>Nov. 2021</i>
Participatory budgeting	Proposed to be removed from the plan August 2021				<i>N/A</i>
Corporate parenting	Nov. 2021				<i>Jan. 2022</i>
<b>Other</b>					
Review of Audit Scotland's publications on Fraud and Irregularity 2018/19, final item - Use of council vehicles	April 2021	In progress			<i>Nov. 2021</i>
<b>Consultancy and Advice</b>					
Finance Service capacity review	Oct. – Dec. 2020	In progress, but on hold			<i>TBC</i>
Organisational resilience	Oct. 2021	Planning			<i>Jan. 2022</i>
Business support review	TBC	Planning			<i>TBC</i>

## **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 planning process for ANGUSalive was delayed due to Covid-19. Plans for 2020/21 and 2021/22 were agreed at their Finance & Audit Sub-committee on 9 April 2021 and work for 2020/21 is expected to be complete in early August.



Reports for both bodies are presented to their respective audit committees throughout the year. Where IJB audit reports are particularly relevant to the council they will also be reported to the Scrutiny & Audit committee.



## SUMMARY OF 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: -

Audit	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
			1	2	3	4
Data analysis - Payroll July 2021	Comprehensive		-	-	-	-
Data analysis – Creditors, including update on outstanding item from April April 2021 to June 2021 revised July and August 2021 Substantial - revised from Comprehensive due to resolution of outstanding matter from June	Substantial (revised from Comprehensive)		-	1	-	-

### Data Analysis/Continuous Auditing: Payroll and Accounts Payable

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

## **Payroll**

The level of assurance given for the period July 2021 as a result of the testing on duplicate and missing NI numbers, duplicate bank account numbers, and high value payments is **Comprehensive Assurance**.

No concerns were raised regarding duplicate or missing NI numbers, duplicate bank account numbers or high value payments. Duplicate NI numbers found related to employees with more than one part-time job.

## **Creditors/Accounts Payable**

The level of assurance given as a result of testing payments registered and authorised by the same person is yellow and checking for duplicate payments is green giving an overall assurance level of **Substantial Assurance**.

Payments to suppliers for July and August 2021 have been analysed. There were three instances of an invoice being both registered and authorised by the same employee in July and one in August. These instances have been investigated and satisfactory explanations obtained.

Report 250/21 in August 2021 noted one such item from April was awaiting further information and would be updated in the September report. This is updated below and has resulted in the revision of the overall assurance level to Substantial.

## **Data Analysis/Continuous Auditing: Update on Outstanding Accounts Payable Query**

We previously reported (Report 250/21 refers) that there was an outstanding query from the April 2021 testing on invoices both registered and authorised by the same person.

Testing on an invoice registered and authorised by the same person identified that the log-in belonged to a person who left the Council approximately two years ago. Further investigation identified that the current user had been given the login information when they started two years ago and had not received their own log-in until April 2021 (just prior to the audit). We also identified sharing between, and use of login details, by other staff at the same location. This has been discussed with the service involved and a Grade 2 operational recommendation agreed that staff will be reminded never to share log-in details. Council wide communication of the same message was issued on 10 September 2021.

The level of assurance relating to invoices being registered and authorised by the same person for the period to date has been re-assessed as Substantial on the basis that although we have undertaken a 100% test and only identified issues at one location, the sharing of login details means that the internal control of segregation of duties is significantly compromised and there is no test that can be devised to identify if this weakness has been exploited.

## 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 42 actions overdue and in progress as at 13 September 2021 (excludes actions for Angus Alive and IJB). CLT receive and review regular detailed reports on the outstanding audit actions.

- There are no overdue audit actions.
- Table 1 identifies actions which would have been overdue but have had the **original completion date extended**.
- Table 2 details all other actions which are **currently in progress** (not yet reached due date).

**Internal Audit Actions in progress as at 13 September 2021  
(due date extended)**

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Communities	2018/19 2019/20	- -	1 -	- -	- -	- -	1 -
HR, DE, IT & Business Support	2018/19 2019/20	- 2	- 9	- 3	- 1	- -	- 15
Legal & Democratic	2018/19 2019/20	- -	- 1	- -	- -	- -	- 1
SPT&PSR	2018/19 2019/20	1 -	- -	- -	- -	- -	1 -
<b>Grand Total</b>		<b>3</b>	<b>11</b>	<b>3</b>	<b>1</b>	<b>-</b>	<b>18</b>

The 2018/19 outstanding Priority 1 action is:

- SPT & PSR - Report 18-20 We will finalise and agree the SECAP and put appropriate monitoring procedures in place. Update - The SECAP and Action Plan is currently being completed and will be finalised once we have a response back from the Strategic Environmental Assessment (SEA) Scoping which is with the statutory bodies currently, the response for this was due on the 31 August. This will be reported to Council thereafter. The revised completion date for this action is 31 October 2021.

The 2018/19 priority 2 outstanding actions are:

- 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. Revised due date 31 December 2021.

**Internal Audit Actions in Progress as at 13 September 2021  
(Not yet reached due date)**

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Infrastructure	2020/21	-	1	-	-	-	1
HR, Digital Enablement, IT & Business Support	2020/21	2	15	4	1	-	22
Finance	2020/21	-	-	-	1	-	1
<b>Grand Total</b>		<b>2</b>	<b>16</b>	<b>4</b>	<b>2</b>	<b>-</b>	<b>24</b>

## Summary of Progress – Counter Fraud

Internal control actions resulting from counter fraud reviews are included in Pentana to allow them to be monitored more effectively. Counter Fraud recommendations are not assigned a priority.

### Counter Fraud Actions in progress as at 14 September 2021

<b>Directorate</b>	<b>Year review Carried Out</b>	<b>Total</b>
HR, Digital Enablement, IT & Business Support	2019/20	2
Communities	2020/21	4
<b>Grand Total</b>		<b>6</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. <b>Very high risk exposure.</b>
2	Recommendation concerning absence or non-compliance with key control which creates significant risks within the organisation. Substantial weakness identified. Prompt management action required. <b>High risk exposure.</b>
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. <b>Moderate risk exposure.</b>
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. <b>Limited risk exposure.</b>