ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 30 NOVEMBER 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 (Appendix 1);
(ii)   note management's progress in implementing internal audit and counter fraud recommendations (Appendix 1);
(iii)   agree to the Procurement Reform (Scotland) Act 2014 work being moved to the 2022/23 plan and the addition of a review of Audit Scotland's Fraud and Irregularity 2020/21 report to the 2021/22 plan (Appendix 1); and
(iv)   note the arrangements for the Committee's 2021/22 self-assessment session on 10 March 2022 at 10.00am till 12.00 noon and agree the format for the meeting (item 5 below).

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 NOVEMBER 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
On-line Recruitment / New Start process	Substantial		-	6	4	1
Protection of Vulnerable groups	Substantial		-	-	3	-
Housing improvements – capital projects	Comprehensive		-	-	-	-
Procurement Reform (Scotland) Act 2014 (B/F from 2018/19 plan)	Draft report issued to service in November 2020. Covid 19 work delayed completion and service now undertaking significant review. Proposed to carry forward and revisit in 2022/23 plan		-	-	-	-

Audit	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
Data analysis - Payroll August & September 2021 updated Cumulative assurance to September 2021	Comprehensive		-	-	-	-
Data analysis – Creditors, September 2021 updated Cumulative assurance to September 2021	Substantial		-	-	-	-

5.   2021/22 COMMITTEE SELF-ASSESSMENT

5.1   Invitations have been issued to the Committee's members for a Microsoft Teams meeting on 10 March 2022 at 10.00 am to undertake the annual self-assessment for the committee.

5.2   It is proposed to follow the same format used for the 2020/21 self-assessment. The session will be facilitated by the Service Leaders Change and Internal Audit and members of their teams. An action plan on progress with the 2020/21 action plan will be provided in advance of the meeting along with the Cipfa checklists. The checklists for Knowledge and Skills Framework; Good Practice; and Evaluating the Effectiveness of the Audit Committee will be discussed and scored where appropriate, and the action plan updated during the meeting.

5.3   The results will be reported in the Committee's Annual Report for the Council.

6   FINANCIAL IMPLICATIONS

There are no direct financial implications from this report.
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7.   EQUALITY IMPACT ASSESSMENT

An Equality Impact Assessment it 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

30 November 2021

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

Contents Page

INTRODUCTION

This report presents the progress of Internal Audit activity within the Council from June 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 PLAN 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 Match 2021.

An audit of the LEADER programme has been brought into the plan from the pool agreed in March 2021 since we last report. One other audit has been added following the issue in July 2021 of Audit Scotland's Fraud & Irregularity 2020/21 Report.

All audit work involving Procurement staff was put on hold to allow the procurement team to deal with Covid-19 related procurement activity. Although work has restarted it is progressing slowly due to the workload resourcing positions within the service and a change of Directorate and approach.

One member of the audit team has been temporarily seconded on a part-time basis to support the activities of the Council Emergency Centre (CEC). The time spent this year from 1 April 2021 to the end of September is 12 days, and an agreement is in place for continued support of approximately four to six hours per week from week commencing 18 October until Christmas, or until a more permanent solution to resourcing the CEC is found. Although this impacts on the time available for audit projects I do not anticipate that this will prevent me from providing my annual assurances and opinion for 2021/22.

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 / *(target in italics)*
Corporate Governance					
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	*June 2022*
Risk Management	Feb./March 2022				*June 2022*
Review of GDPR compliance	Nov./Dec. 2021				March 2022

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Financial Governance					
Council Tax	Feb./March 2021	Complete	Comprehensive		Aug 2021
Non-domestic rates system	Oct. / Nov. 2021	In Progress			*Jan. 2022*
Housing arrears	Dec. 2021/ Jan. 2022				*March 2022*
Payroll continuous auditing Complete April – June 2021 July 2021 Aug – Sept 2021 To do Oct. – Dec. 2021 Jan. – Mar. 2022	On-going	N/A	Comprehensive		Aug 2021 Sept 2021 Nov 2021
Creditors continuous auditing Complete April – June 2021 July and August 2021 Sept. 2021 To do Oct - Dec. 2021 Jan. – Mar. 2022	On-going	N/A	Substantial (revised from Comprehensive in August)		Aug 2021 Sept 2021 Nov 2021
IT Governance					
I-Pay follow-up	March 2021	Complete	N/A Consultancy project	N/A	Aug 2021
IT User access administration – IDOX TBC	Dec 21/Jan 22	Planned			*March 2022*
IT project management	Nov/Dec 2021	Planned			*March 2022*
End User Computing	Feb/March 2022	Planned			*June 2022*
Internal Controls					
Procurement – Exemptions from Tendering process	August 2021	In progress			*Jan. 2022*

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
On-line Recruitment / New Start process	Mar./April 2020	Complete	Substantial		**Nov 2021**
Protection of vulnerable groups	July 2021	Complete	Substantial		**Nov 2021**
Fostering, adoption and kinship allowances	Feb. / March 2022				*June 2022*
Adults with incapacity follow-up	Jan. 2022				*March 2022*
Asset Management					
Review of Roads Maintenance	March/April 2021	Draft report issued, awaiting final input from service			*Jan. 2022*
Housing improvements – capital projects	July/Aug. 2021	Complete	Comprehensive		**Nov. 2021**
Legislative and other compliance					
Procurement Reform (Scotland) Act 2014 (B/F from 2018/19 plan)	Proposed to remove to 2022/23 plan November 2021	Draft report issued to service November 2020	N/A	N/A	*Nov. 2021*
Participatory budgeting	Removed from the plan August 2021				*N/A*
Corporate parenting	Nov. 2021				*Mar. 2022*
LEADER	Oct/Nov 2021	In Progress			*Jan 2022*
Other					
Review of Audit Scotland's publications on Fraud and Irregularity 2018/19, final item - Use of council vehicles	April 2021 Nov. 2021	In progress			*Jan 2022*

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Review of Audit Scotland's Fraud & Irregularity 2020/21 report.	Nov/Dec 2021				*Jan 2021*
Consultancy and Advice					
Finance Service capacity review	Oct. – Dec. 2020	In progress, but on hold			*TBC*
Organisational resilience	Oct. 2021	Planning			*March. 2022*
Business support review	Dec 2021/Jan 2022	Planning			*March 2022*

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
On-line Recruitment / New Start process	Substantial		-	6	4	1
Protection of Vulnerable groups	Substantial		-	-	3	-
Housing improvements – capital projects	Comprehensive		-	-	-	-
Procurement Reform (Scotland) Act 2014 (B/F from 2018/19 plan)	Draft report issued to service in November 2020. Covid 19 work delayed completion and service now undertaking significant review. Proposed to carry forward and revisit in 2022/23 plan	N/A	-	-	-	-
Data analysis - Payroll August & September 2021 updated Cumulative assurance to September 2021	Comprehensive		-	-	-	-
Data analysis – Creditors, September 2021 updated Cumulative assurance to September 2021	Substantial		-	-	-	-

On-line Recruitment/New Start Process

Introduction

As part of the 2020/21 annual plan, Internal Audit has completed a review of the new processes and controls in place for the recruitment of new employees. A sample of completed recruitment exercises was selected from services across the Council, to test the operation of the new system and the effectiveness of controls.

Background & Scope

Successful recruitment and selection is critical to ensure that the Council has the right people appointed to the right jobs. The benefits of successful recruitment will help Angus Council to achieve its potential through a well-trained effectively managed and motivated workforce.

Guidance on the Council's recruitment and selection process is held on the corporate intranet. In order to be a member of a recruitment panel, Council employees must have completed all of the following training:

- Managing Equalities and Diversity (e-learning)

- Successful Recruitment (e-learning)

- Successful Recruitment Skills Workshop

A new online process for recruitment was launched in December 2018 and went live on the 16 January 2019 using Firmstep, with updates/reminders provided via Dash throughout the process. The new system automates a number of processes which were previously carried out manually.

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

- Adequate training and guidance on the new online system has been provided for staff involved in recruitment, and procedures are in place to ensure that re-training takes place when legislative requirements or internal policies change.

- Effective controls are in place to ensure that recruitment panel members have completed the required internal training courses.

- Appropriate authorisation is granted for any new starts, in line with current Council policy.

- The new system has controls in place to ensure that appropriate vetting checks are carried out to obtain proof of identity, qualifications, references, and PVG certificates where relevant.

- All appointments are confirmed/authorised by senior management in line with the Scheme of Delegation.

- Effective procedures are in place to ensure new start information is passed securely and promptly to Payroll, IT and other relevant Council services prior to the new employee's start date.

- The new system allows appropriate monitoring reports to be produced to allow adequate reporting & analysis of performance against established recruitment performance indicators.

The recruitment process is due to be developed. Although there is some uncertainty around whether we will have Resourcelink after February 2023, any development work that won't necessarily be impacted because of this will continue. The Project Team are currently reviewing the project plan to confirm what priority will be given to each piece of work and what realistically can be achieved.

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:

Overall Assessment of Key Controls

Control Assessment

- 1. Adequate training and guidance on the new online system has been provided for staff involved in recruitment, and procedures are in place to ensure that re-training takes place when legislative requirements or internal policies change.

- 2. Effective controls are in place to ensure that recruitment panel members have completed the required internal training courses.

- 3. Appropriate authorisation is granted for any new starts, in line with current Council policy.

- 4. The new system has controls in place to ensure that appropriate vetting checks are carried out to obtain proof of identity, qualifications, references, and PVG certificates where relevant.

- 5. All appointments are confirmed/authorised by senior management in line with the Scheme of Delegation.

- 6. Effective procedures are in place to ensure new start information is passed securely and promptly to Payroll, IT and other relevant Council services prior to the new employee's start date.

- 7. The new system allows appropriate monitoring reports to be produced to allow adequate reporting & analysis of performance against established recruitment performance indicators.

Audit Recommendations summarised by Type & Priority

Improvement Actions by type and priority
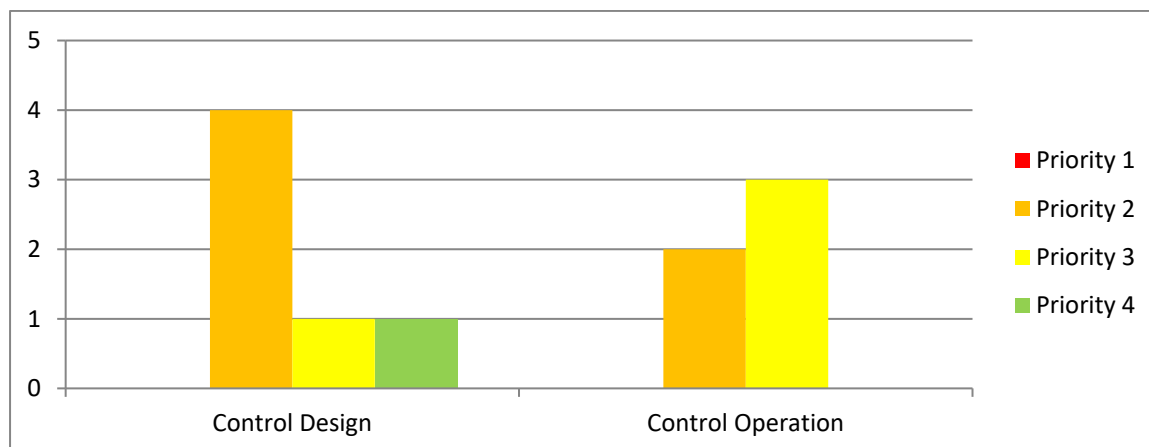
There are 6 design control recommendations in this report, 4 priority 2, 1 priority 3 and 1 priority 4. There are 5 operational control recommendations in this report, 2 priority 2, 3 priority 3. This includes two actions related to IT preparation for new starts (grade 2), and reporting (grade 3), which are out-with the scope of the report, and do not influence the assurance grading.

Due to timing in finalising this report a number of the agreed actions have been completed. As at 19 October 2021, there are 6 actions remaining to be completed.

Key Findings

Compliments:

- The Staffing Team and other HR officers were praised by staff contacted during the audit for being very helpful and patient with recruitment queries despite dealing with their own heavy workload.

Planned Improvements/Changes:

- Stages 1 to 4 of the vacancy approval process which are currently manual, are to become digital. Stages are Initial Approval to Recruit, Job Design/Review, Job Evaluation and Establishment Approval.

- It is planned to replace the Appointee Checklists with a spreadsheet.

Areas Identified for Improvement:

We have made 11 recommendations to address high, medium, and low risk exposure. Recommendations in **bold** are still outstanding as at 19 October 2021 and other actions are complete. The recommendations are:

Level 2

- **Formal training (in addition to updated eLearning) should be provided when the updated recruitment system is implemented.**
- Managers should be reminded of section 1.1.3 of the Recruitment and Selection Guidance for Managers, that it is their responsibility to ensure that

interview panel members have completed the e-learning modules for Equalities & Diversity Essentials, Managing Equalities & Diversity and Successful Recruitment training.

- **The Post Exemptions Request List should be reviewed to ensure it is still valid.**
- Monitoring arrangements should be put in place to confirm online cases have been closed off timeously.
- **Performance indicators should be created in line with best practice with a time frame for their completion.**

Level 3

- Managers should be notified, on the carousel and Yammer, of the guidance which is currently available for the online recruitment process.
- The process of approving the filling of vacancies should be reviewed and Staffing should ensure that confirmation of all necessary authorisations (including from the Vacancy Approval Sub-Group/CLT) have been received before the information is updated on TalentLink.
- Staffing should be reminded to complete the Appointee Checklist fully (or the spreadsheet planned to replace this.)

Level 4

- **A simplified flowchart for the steps involved in the online recruitment process should be provided to managers.**

The following actions are out with the scope of this audit, but require to be addressed as they relate to findings resulting from our audit fieldwork: -

Level 2
- **IT should undertake a review of their processes for fulfilling requests relating to new starts and ensure that such requests are prioritised appropriately.**

Level 3
- **The Workforce Data Report content and timing should be reviewed and reporting to the Scrutiny & Audit Committee re-established.**

Protection of Vulnerable Groups

Introduction

As part of the 2021/22 annual plan, Internal Audit has completed a review of the control framework in place governing operation of the Protection of Vulnerable Groups (PVG) scheme within the Council.

Background & Scope

The PVG scheme was introduced as a result of the Protection of Vulnerable Groups (Scotland) Act 2007 and has been operational since 28 February 2011. The scheme is administered by Disclosure Scotland and replaced the previous system of checking through disclosure certificates. It helps ensure that people whose behaviour makes them unsuitable to work with children and protected adults cannot do "regulated work" with these vulnerable groups.

Anyone who wishes to take up 'regulated work' (work with children or protected adults) is required to become a member of the PVG scheme. The scheme consists of two lists, for work with children and work with protected adults. Individuals are prohibited from seeking membership in respect of both groups on a 'just in case' basis. Once an individual is a scheme member, their record will be checked and updated continuously. If new information is found which means someone might have become unsuitable to work with children or protected adults, the employer is informed. Membership is for life unless members request removal from the scheme or become barred from regulated work.

It is an offence for an organisation to employ anyone who is barred from 'regulated work' to work with children or vulnerable adults.

Scheme membership does not entitle individuals to work with children / vulnerable adults. (Potential) employers need to seek and assess information about an individual to decide whether they are suitable for a particular job. Three types of check are available:

- A Scheme Record - costs £59, and is for people who want to join the PVG Scheme to do regulated work for an organisation

- A Short Scheme Record - costs £18 and is for PVG Scheme members who are joining a new organisation for the same type of regulated work and have had a scheme record issued for that type of work before. This will indicate whether any new vetting information has been added to the record since the person joined the scheme. If new information has been added, a full scheme record will be required.

- A Scheme Membership Statement – costs £18 for existing PVG members and £59 for new applicants. This is for people who want to do regulated work in the future, people who are self-employed and doing regulated work, or private individuals (personal employers) employing someone to do regulated work for them.

Strategic Policy Committee agreed in March 2011 that the Council would meet the costs of the checks required by the Protection of Vulnerable Groups scheme. (R224/11 refers).

PVG applications and the associated records are dealt with by the Council's centralised Staffing Team within Human Resources.

Paragraph 93 of the Disclosure Scotland Code of Practice 2011 states 'Undertake at the request of Disclosure Scotland an audit of their handling, retention and destruction of disclosure information' and paragraph 94 'this may take the form of a self-assessment audit or compliance checks including visits'.

A compliance audit was carried out by Disclosure Scotland in April 2009, a memo on the outcome of the audit and action on retention was distributed by the Personnel Manager in May 2009. Internal Audit completed a review of the PVG scheme, 13-28 in October 2014 and a follow up of the audit was completed February 2015, ref 14-25. No further Disclosure Scotland audit or Internal Audit has been completed until this current review.

The purpose of this audit is to provide assurance that adequate procedures and controls are in place for the operation of the PVG scheme. During discussions with Chief Officers on the 2021/22 Internal Audit Plan, concerns were raised regarding significant delays in receiving PVG certificates for new staff from Disclosure Scotland, which has implications for service delivery. This could potentially result in staff starting work without the necessary PVG membership, leaving the Council exposed to a high level of reputational and legal risk. HR have since indicated that this was a specific issue during the pandemic, and under normal circumstance Disclosure Scotland meet their deadlines.

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

- The Council has adequate procedures and guidance in place to ensure that all employees working with children and vulnerable adults have the necessary PVG scheme membership before starting work; those procedures also cover staff employed by third parties, including partner organisations (e.g. Tayside Contracts)

- Adequate procedures are in place to ensure that action is taken when notification of a change in PVG status takes place

- Adequate procedures are in place to manage the PVG requirements for temporary and supply staff

- Procedures are in place to mitigate any service delivery issues caused by delays in receipt of PVG certificates; for any instances where an employee is required to start work before receiving their PVG certificate, robust controls are in place (e.g. employment authorised an appropriate level, new employee's duties restricted/strictly supervised by an employee with PVG membership, very frequent contact with Disclosure Scotland to obtain the required information)

- The Council's Policy on the Secure Handling, Use, Storage and Retention of Disclosure Information is regularly reviewed and updated to ensure it

reflects all current legislation and is in line with the Disclosure Scotland Code of Practice.

The majority of posts requiring PVG membership are within Children, Families & Justice, Education & Lifelong Learning and Adult Services i.e. Angus Health & Social Care Partnership, therefore the audit will focus on those services.

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 Objective

Control Assessment

■ 1. The Council has adequate procedures and guidance in place to ensure that all employees working with children and vulnerable adults have the necessary PVG scheme membership before starting work; those procedures also cover staff employed by third parties

■ 2. Adequate procedures are in place to ensure that action is taken when notification of a change in PVG status takes place.

■ 3. Adequate procedures are in place to mnage the PVG requirements for temporary and supply staff.

■ 4. Procedures are in place to mitigate any service delivery issues caused by delays in receipt of PVG certificates; for any instances where an employee is required to start work before receiving their PVG certificate, robust controls are in place.

■ 5. The Council's Policy on the Secure Handling, Use, Storage and Retention of Disclosure Information is regularly reviewed and updated to ensure it reflects all current legislation and is in line with the Disclosure Scotland Code of Practice.

Audit Recommendations summarised by Type & Priority

Improvement Actions by type and priority
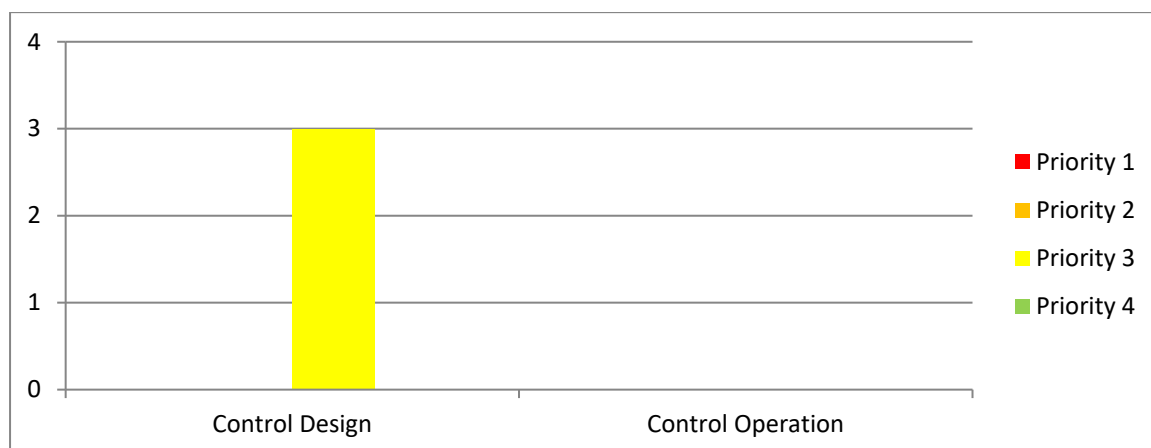
There are three priority 3 design control recommendations in this report.

Key Findings

Good Practice:

Staffing section monitor PVG staff memberships using an excel spreadsheet. They record each stage of the process and there is a calculation which records if the certificate is not received timeously and staff follow this up with an email to Disclosure Scotland.

Planned Improvements/Changes:

The transport team are planning an exercise in the October 2021 holidays for school transport operators to confirm whether their driver/escorts continue to be deployed on school transport duties and this will be matched to the information they hold on PVG membership.

Planned changes in the updated recruitment system will require all checks to be undertaken in order to progress to the next stage of the process; a start date will not be produced, nor will a payroll record be created, without the PVG certificate number having been entered. Significant delays in receiving PVG certificates for new staff from Disclosure Scotland was a specific issue during the pandemic. Under normal circumstances Disclosure Scotland meet their deadlines. Some delays may be down to recruiting managers not putting packs back, delays in Staffing processing these, or delays in potential new recruits completing and sending off their Scheme application to Disclosure Scotland.

Areas Identified for Improvement:

We have made 3 recommendations to address medium risk exposure which are:

Level 3

- The Policy on the Secure Handling, Use, Storage and Retention of Disclosure Information, Appendix 18b should be reviewed in light of the latest Disclosure Scotland (DS) - Code of Practice, in collaboration with the Team Leader – Information Governance, to ensure all policies are consistent and compliant with GDPR, corporate and DS guidance. All policies should be dated, and the author noted.

- The policy should be reviewed regularly to ensure future updates of Disclosure Scotland guidance and other Council policies are reflected in service policies.

- A review of the Staffing process to record PVG information should be completed with the consideration of utilising Resourcelink to record the PVG membership number in order for all employee details to be recorded in one place.

Housing Improvements – Capital Projects

Introduction

As part of the 2021/2022 annual plan, Internal Audit has completed a review of the processes and controls in place for the planning, monitoring and reporting of the projects in the Council's approved Housing Capital Plan.

Background

In February 2017, elected members approved the HRA 30-year Business Plan (Report 71/17). The Business Plan set out to significantly expand the Council's new build development programme and investment in existing stock. This was based on additional borrowing, supported in part by a rent increase assumption of CPI+1% (subject to tenant consultation).

The five-year HRA Capital Plan 2020/21-2024/25 includes an ongoing commitment to building new homes and regeneration of our existing stock. The HRA Capital Plan will enable significant investment in the homes and communities of Angus.

From 2022/23 onwards, the profile of the Capital Plan will begin a shift towards a zero-carbon focus. The emphasis will be on delivering the twin track priorities of improvements to existing stock and increasing the supply of new affordable housing.

The Housing capital budget estimate for 2021/22 is £20.138 million. The budget includes both new build (£7.047m), shared equity (£3.096m) and planned improvement. The major improvement works included in the capital budget are:

- Towards Zero Carbon £5.753 million
- Kitchen & Bathroom Replacements £2.000 million

- LD2 Alarm installations £0.750 million

This is mainly funded through mainstream borrowing (£10.327m) and Capital Financed from Current Revenue (CFCR) (£7.714m), with the balance met from capital receipts(£0.188m), Affordable Housing Reserve (General) (£0.300m) and a transfer from HRA Reserves (£1.609m).

Housing capital work is let under contract, and is procured, tendered and managed by the Infrastructure – Assets Team.

Elected members have shown significant interest in Housing capital expenditure in recent years, particularly given the levels of slippage which have occurred. The table below details the actual expenditure against budget for the past 5 years.

Year	Gross Expenditure £m	Budget £m	Under/(Over) Spend £m	Under/(Over) Spend %
2016/17	10.600	13.054	2.454	18.8
2017/18	12.763	13.784	1.021	7.4
2018/19	10.770	14.815	4.043	27.3
2019/20	14.162	20.654	6.492	31.4
2020/21	10.895	13.943	3.048	21.9
2021/22	22,681	20,145	(2,536)	(12.6)

Source: 201617-2019/20 Annual Accounts, 2020/21 Report 212-21 Financial Outturn 2020/21, Draft Accounts Update & Grand Summary Monitoring Statement as at November 2021

Scope

The overall objective of the audit assignment is to provide assurance that sound arrangements are in place for the planning, monitoring and reporting of the projects contained in the Council's approved Housing Capital Plan.

The specific Control Objectives of the audit are to ensure that:
- Programmes of housing capital improvement works are developed in line with both the Scottish Housing Quality Standard (SHQS) and Energy Efficiency in Scottish Social Housing (EESSH)
- Appropriate arrangements are in place for managing housing capital projects, in line with the Council's Project Management Guidance
- Regular, accurate and timely monitoring and reporting of planned housing capital expenditure against the approved, profiled budget is carried out

- Remedial action is taken promptly to identify and address the causes of any significant slippage/overspend on specific housing capital projects.

Conclusion

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

Overall assessment of Key Controls

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

Table 2 - Overall Assessment of Key Controls

Control assessment

- 1. Programmes of housing capital improvement works are developed in line with both the Scottish Housing Quality Standard (SHQS) and Energy Efficiency in Scottish Social Housing (EESSH)

- 2. Appropriate arrangements are in place for managing housing capital projects, in line with the Council's Project Management Guidance

- 3. Regular, accurate and timely monitoring and reporting of planned housing capital expenditure against the approved, profiled budget is carried out

- 4. Remedial action is taken promptly to identify and address the causes of any significant slippage/overspend on specific housing capital projects.
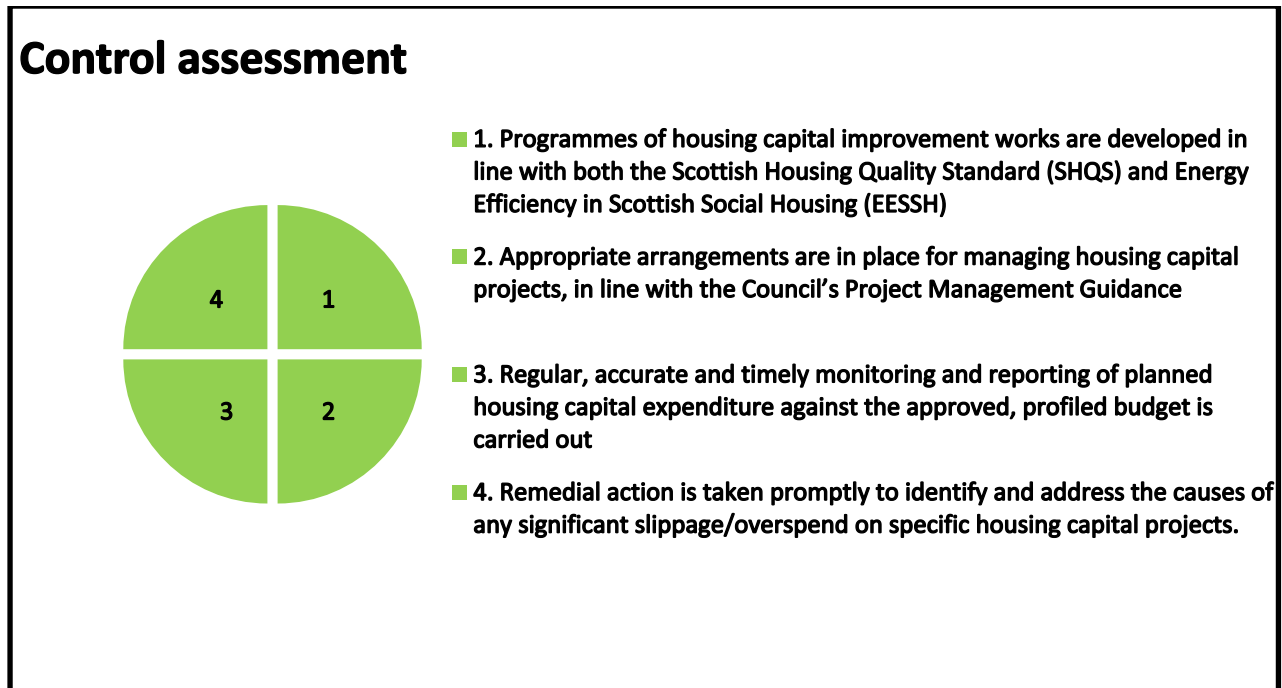
Audit Recommendations summarised by Type & Priority

There are no audit recommendations contained in this report.

Key Findings

Good Practice:

We have identified the following areas of good practice:

- There are Project Monitoring and Traffic Light Reports produced from the Timemaster system to provide a summary of capital project performance showing actual times and spend against target.

- Programmes are colour coded to each section of the RIBA Plan of Work.

- A Gantt chart is kept with tabs for General, New Build, Conversions, Zero Carbon and Capital Planned with each project broken down into weeks showing the overall workflow.

- Each individual project has a key programming dates spreadsheet to enable the monitoring of time.

Procurement Reform (Scotland) Act 2014 (B/F from 2018/19 plan)

The work done by the Procurement and Commissioning Team has been severely disrupted by COVID and in particular administering the Key Suppliers Scheme.

The Team has also more recently moved from the Finance Directorate to the Legal and Democratic Directorate and is currently undergoing a review in terms of looking at ways to improve service delivery and procurement outcomes.

The draft report findings were issued to the service in November 2020, although a significant amount of the fieldwork was carried out earlier in 2020. The findings will be considered as part of the current review.   The draft report acknowledged work ongoing within an existing service action plan at the time of the audit and made only one Grade 3 recommendation.

In light of the current changes, and time since the original audit review was undertaken, it is recommended not to finalise and issue the report but to re-do the audit in the 2022/23 cycle with a refreshed remit, including a review of the improvement work that is to be carried out.

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

Payroll has previously been reported up to July 2021. For August and September 2021, a small number of items regarding duplicate or missing NI numbers, duplicate bank account numbers or high value payments were investigated and found to have satisfactory explanations. Duplicate NI numbers found related to employees with more than one part-time job, or people moving between jobs. High value payments all related to people with additional payments related to the end of their employment.

Creditors/Accounts Payable
The cumulative level of assurance given for the period to the end of September 2021 as a result of testing payments registered and authorised by the same person is yellow (Substantial) and checking for duplicate payments is green (Comprehensive) giving an overall level of **Substantial Assurance.**

Payments to suppliers were previously reported to the end of August. There were four instances of an invoice being both registered and authorised by the same employee in September 2021. These instances have been investigated and satisfactory explanations obtained.

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 31 actions outstanding as at 22 November 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 22 November 2021
(due date extended)**

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Vibrant Communities & Sustainable Growth	2018/19 2019/20	- -	1 -	- -	- -	- -	1 -
HR, DE, IT & Business Support	2018/19 2019/20	- 1	- 6	- 2	- -	- -	- 9
Legal & Democratic	2018/19 2019/20	- -	- 1	- -	- -	- -	- 1
Grand Total		**1**	**8**	**2**	**-**	**-**	**11**

The 2018/19 priority 2 outstanding action is:
- 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 22 November 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	12	4	1	-	19
Grand Total		**2**	**13**	**4**	**1**	**-**	**20**

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 22 November 2021

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

Counter Fraud Actions - Overdue as at 22 November 2021

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

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.**