

**ANGUS COUNCIL**

**SCRUTINY AND AUDIT COMMITTEE – 23 AUGUST 2022**

**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)

**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 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 Ad-hoc requests for advice are dealt with as they arise.



**Current position**

- 3.5 The latest results are included in the Update Report at **Appendix 1** and summarised in section 4 below.

- 3.6 Eight audits from 2021/22 were in progress, but incomplete at June 2022. Further progress has been made, however not all of these were completed in time to report to the August meeting. We are waiting for information to allow a number of reviews to be completed. The work of the team has also been impacted by sickness absence from April to July. Since June work on audits for the IJB and Angus Alive have also been progressed.
- 3.7 One full time member of the team has been seconded to the post of "Senior Practitioner – Ukraine" from August 2022. In order to ensure that sufficient Internal Audit work is undertaken to fulfil statutory and regulatory requirements the following arrangements have been made:
- One part time auditor has increased their hours temporarily;
  - We will seek to maximise input from the outsourced IT support contractor and a report to the Policy & Resources committee on 30 August asks for approval for a direct award to procure up to 30 additional days of general audit support.
- 3.8 The plan for 2022/23 will be reviewed and a report on the impact will be brought to the October Scrutiny & Audit meeting. For this reason, the activity report in Appendix 1 does not include the previously agreed 2022/23 plan in full; it only notes work that has been completed or is in progress.

#### 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
Procurement Tendering Exemptions	Limited		3	5	1	-
Creditors continuous auditing Duplicate Payments Complete April 2022 – June 2022	Substantial		-	-	-	-

#### 5. FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications from this report.

#### 6. EQUALITY IMPACT ASSESSMENT

- 6.1 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.

**REPORT AUTHOR:** Cathie Wyllie, Service Leader – Internal Audit

**EMAIL DETAILS:** ChiefExec@angus.gov.uk

**List of Appendices:**

Appendix 1 Internal audit update report

# Angus Council Internal Audit



Update Report

Scrutiny & Audit Committee

23 August 2022

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

## Contents Page

<b>INTRODUCTION .....</b>	<b>1</b>
<b>AUDIT PLANS PROGRESS REPORT.....</b>	<b>1</b>
<b>SUMMARY OF FINDINGS OF INTERNAL AUDIT REVIEWS.....</b>	<b>4</b>
<b>DEFINITION OF ASSURANCE LEVELS, CONTROL ASSESSMENTS &amp; RECOMMENDATION PRIORITIES .....</b>	<b>11</b>

## INTRODUCTION

This report presents the progress of Internal Audit activity within the Council from June 2022 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 2022. The fixed portion of the audit plan agreed in March 2022 is only included where work is already underway.

We have previously reported that the audit team has experienced significant issues during the 2021/22 audit year with lack of engagement from some services, requests for audits to be postponed and delays in receiving documentation and evidence for audit work. It is recognised that the Covid pandemic has had an ongoing impact during 2021/22, and 2022/23 with some staff deployed to other immediate priorities, and some services facing staffing shortages and recruitment issues.

As a result, eight audits from 2021/22 were in progress, but incomplete at June 2022. Further progress has been made, however not all of these were completed in time to report to the August meeting. We are waiting for information to allow a number of reviews to be completed.

The work of the team has also been impacted by sickness absence from April to July 2022. Since June work on audits for the IJB and Angus Alive have also been progressed.



One full time member of the team has been seconded from August 2022. In order to ensure that sufficient Internal Audit work is undertaken to fulfil statutory and regulatory requirements the following arrangements have been made:

- One part time auditor has increased their hours temporarily; and
- We will seek to maximise input from the outsourced IT support contractor and a report to the Policy & Resources committee on 30 August asks for approval for a direct award to procure up to 30 additional days of general audit support.

The plan for 2022/23 will be reviewed and a report on the impact will be brought to the October Scrutiny & Audit meeting. For this reason, the table below does not include the previously agreed 2022/23 plan in full; it only notes work that has been completed or is in progress.

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

## Progress with Internal Audit Work post June 2022

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
<b>Corporate Governance</b>					
Corporate Governance annual review – 2020-21	June 2022	Complete	N/A	N/A	23 June 2022 (Report 157/22)
Review of GDPR compliance (Business Support) (2021/22 plan)	May 2022	In progress, awaiting information			Oct. 2022
<b>Financial Governance</b>					
Payroll continuous auditing April 2022 and outstanding queries from October 2021 to March 2022	On-going	In Progress, awaiting information	N/A	N/A	Oct. 2022
Creditors continuous auditing April – June 2022 Duplicate payments	On-going	Complete	Substantial		Aug. 2022
Same person registration and authorisation		Awaiting information			
<b>IT Governance</b>					
End User Computing (2021/22 plan)	Feb/March 2022	Draft report issued			Oct. 2022
Continuous auditing – System access					
Never logged on March 2022 to June 2022	Ongoing	In Progress	N/A	N/A	Oct. 2022
Not logged on in last 21 days March 2022 to June 2022	Ongoing	In Progress	N/A	N/A	Oct. 2022
<b>Internal Controls</b>					
Procurement – Exemptions from Tendering process (2021/22 plan)	August 2021	Complete	Limited		Aug. 2022
Fostering, adoption and kinship allowances (2021/22 plan)	May 2022	Draft report under review			Oct. 2022

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Adults with incapacity follow-up (2021/22 plan)	Mar./April 2022	In progress			<i>Nov 2022</i>
<b>Legislative and other compliance</b>					
Corporate parenting (2021/22 plan)	Mar. - May 2022	Draft report issued			<i>Oct. 2022</i>
<b>Consultancy and Advice</b>					
Organisational resilience (2021/22 plan)	Oct. 2021	In progress	N/A	N/A	<i>Nov. 2022</i>
Business support review (2021/22 plan)	Dec 2021/Jan 2022	Draft report issued	N/A	N/A	<i>Oct. 2022</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.

Plans for 2021/22 were agreed at their Finance & Audit Sub-committee on 9 April 2021. Two pieces of work for 2021/22 have been completed and reported, the draft report for the other remaining audit has been issued for agreement and will be reported to ANGUSalive's Finance & Audit Sub-Committee in September.

The IJB audit plan for 2021/22 was approved by the IJB Audit Committee in June 2021 and was presented to the January 2022 Scrutiny and Audit Committee as Appendix 2 to the main Internal Audit Activity Update report (Report 13/22). The Angus Council internal audit team is responsible for carrying out the Commissioned Services review. The draft report for this work is currently being finalised. Other audit work is undertaken by the appointed IJB internal auditor, Tony Gaskin from FTF Audit Services.



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 Priority 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
Procurement exemptions	Limited		3	5	1	-
Creditors continuous auditing Duplicate Payments April 2022 – June 2022	Substantial		-	-	-	-

## Procurement Exemptions

### Introduction

As part of the 2021/22 annual plan, Internal Audit has completed a review of the processes and arrangements in place for the authorisation of contract exemptions to comply with the Council's Financial Regulations and in terms of legal compliance.

### Background & Scope

Angus Council operate a devolved model of procurement whereby it is the responsibility of individual Services to undertake their own procurement activities in accordance with the Council's Financial Regulations and Procurement Guidance available on the Councils' intranet or from the Procurement & Commissioning Team direct.

Angus Council Financial Regulations section 16 detail Angus Council's Procurement arrangements; section 16.24 covers exemption provisions. Section 16.24.1 states: "Exemptions from the application of the foregoing Financial Regulations in Section 16 should be exceptional and never routine. The approval of an exemption is not a substitute for poor procurement planning and may be refused if that is the cause of the application for exemption. No approval of any exemption shall be deemed to create a precedent and each exemption request will be considered on its own individual merits."

The Manager (Procurement & Commissioning) has responsibility for the role of Exemption Co-ordinator and will act as a single point of contact for all exemption decisions, except those taken under Chief Officer Delegated Authority. Exemption criteria for Chief Officers Delegated Authority are detailed in section 16.24.8 of the Financial Regulations. The role of Exemption Co-ordinator includes consultation with the Chief Executive, Director of Finance, Director of Legal & Democratic and other Chief Officers, as necessary.

In line with the above it is the responsibility of the individual procuring officer, not the Procurement Team itself, to comply with the prevailing Financial Regulations and seek an exemption via the appropriate route. The Procurement Team have a duty to provide accurate guidance and support when requested and process appropriately any exemption requests received.

Chief Officers may authorise an exemption, which meets the criteria in section 16.24.8, up to the value of £50,000. The Exemptions Co-ordinator can also authorise exemptions between the following limits:

Goods & General Services - £50,000 to £100,000  
Social Care/Health Services - £50,000 to £200,000  
Construction Works - £50,000 to £300,000

The Exemptions Co-ordinator can also authorise exemptions below £50,000 if required. Any exemptions above these levels require Committee approval, following consultation with the Exemptions Co-ordinator.

Chief Officers and the Exemption Co-ordinator must maintain a register of all exemptions granted by them under their respective delegated powers. Chief Officers must ensure that exemptions actioned by them under delegated powers are reported to the appropriate committee at least annually.

Scrutiny of exemptions provides assurance that procuring officers are undertaking appropriate actions in pursuit of the best value solution, given prevailing circumstances, and are not putting the Council at risk from accusations of anti-competitiveness.

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

- Exemption criteria defined in the Financial Regulations are being adhered to
- Exemptions registers are being properly maintained by Chief Officers and the Exemptions Co-ordinator
- Corporate Contracts Register is updated with new contract details for all exemptions granted
- All exemptions granted, including those under delegated powers, are being reported to Committee to enable monitoring and review.

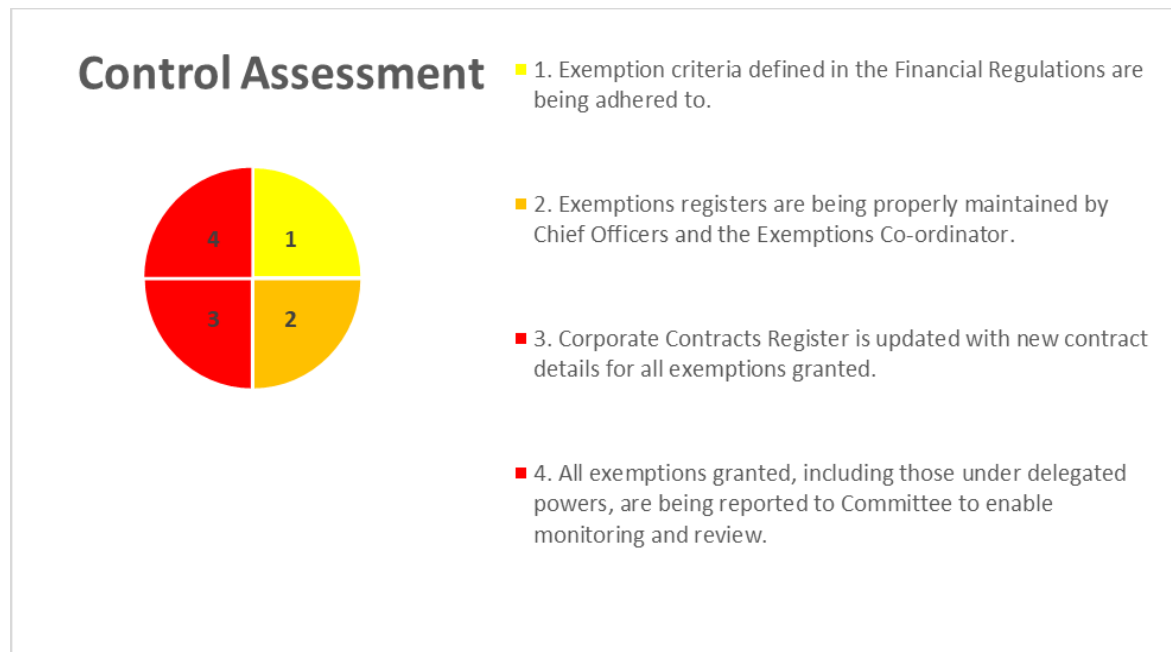
The audit work has been hampered as the Exemption Co-ordinator left Angus Council in September 2021 and although we had an initial meeting with him, information and access to the corporate register was not received until March 2022 when his substantive post was filled. The pandemic and staff shortages and vacancies have contributed to the delay in progressing this audit, which was originally due to start in late 2019.

## Conclusion

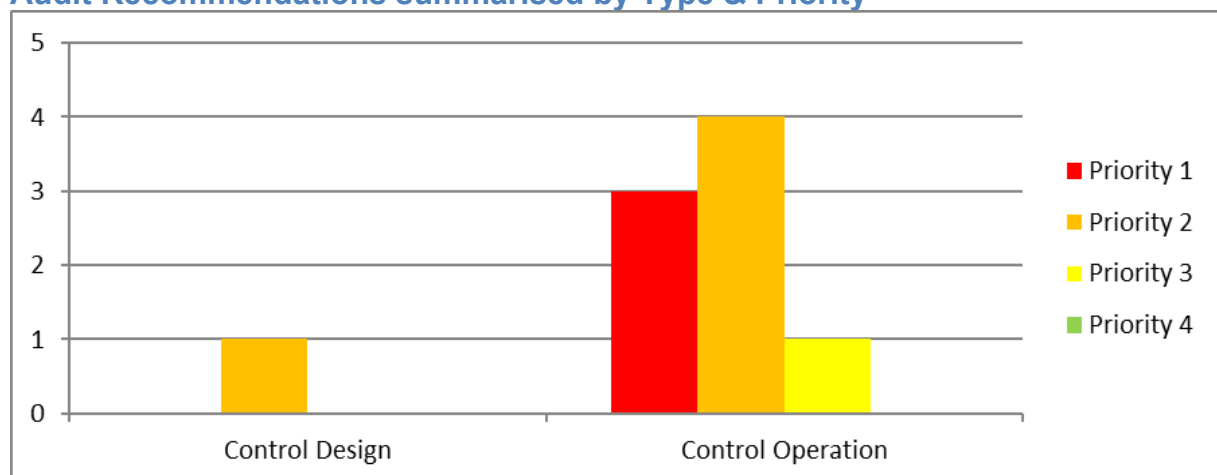
The overall level of assurance given for this report is **'Limited'**. The level of assurance will be reviewed and redefined once the new Exemptions Co-ordinator puts in place her plans to improve the exemptions process, to provide support to Services and monitor the contracts authorised through exemptions.

## Overall assessment of Key Controls

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



## Audit Recommendations summarised by Type & Priority



There are eight operational control recommendations, three priority 1, four priority 2, and one priority 3, in this report and one design control recommendation level 2.

## Key Findings

### Planned Improvements/Changes:

#### To be implemented in the short term:

- The format of the Exemptions Request Form will be changed to make it easier and quicker to complete.
- Services will have quarterly review meetings with procurement staff where their procurement needs will be discussed, and their exemption registers reviewed.

#### Improvements in the long term:

- Upon the agreement of the Directors, it will become a requirement that at the start of each Financial Year, each Service is to provide the Procurement Team with a schedule of all planned procurements over an agreed threshold (suggest £10k). Procurement will not approve the budget or project but rather the suggested procurement route. The purpose of this being to provide the Procurement Team with oversight of the Council's third-party expenditure plans to enable opportunities for collaboration etc to be identified, as well as providing the opportunity for sharing of market knowledge re frameworks, collaboration opportunities with other Authorities etc. Any procurement not on this annual list will require to be approved via a standalone Procurement Request Form.

### Areas Identified for Improvement:

We have made eight recommendations to address high and medium risk exposure which are:

#### Level 1 –

- Prior to the annual report on Exemptions being prepared for Committee, the Directorate and Corporate Exemption Registers should be collated and combined to ensure all Exemptions are reported.
- A process should be put in place to ensure all exemptions have a written contract per Fin. Reg. 16.24.11 and appropriate award notices are published on the Public Contracts Scotland portal.
- The annual reporting of exemptions to the Policy and Resources Committee should be reinstated immediately, in line with Financial Regulation 16.24.13. The next report will be presented on 25 October 2022.

#### Level 2 –

- The Standing Exemptions List should be reviewed as a matter of urgency, and then reviewed annually going forward.
- The exemption forms held by Procurement staff should be reviewed to ensure they have all the appropriate authorisation and date boxes completed to provide a complete trail of the authorisation process.
- Once the exemptions form template has been updated and is available on the Procurement guidance page, all Directorates should be informed of the change and reminded to use the new format.
- Directorates should be reminded to follow the guidance per the Financial Regulations and maintain a record of all authorised exemptions, utilising a corporate format, with checks performed to ensure these are kept up to date.

- As part of the ongoing review of procurement across the Council, management should consider moving individual Service Exemption Registers to one central register held and managed by the Procurement team. It should be noted that this would require changes to the Financial Regulations as well as procurement guidance.

### Level 3 –

- The Procurement Guidance Notes should be reviewed and updated to ensure links within these notes can be opened and the narrative is still relevant.

## Data Analysis/Continuous Auditing

Continuous auditing analysing data extracted from Council systems is undertaken using the data analysis software, CaseWare IDEA (Interactive Data Extraction Analysis). The Continuous Auditing programme covers:

- Payroll
- Creditors (Accounts Payable), and
- System log-in access.

We are only reporting on Creditors work at August 2022.

## Creditors

Continuous auditing on Creditors (Accounts Payable) covers two objectives:

- registration and authorisation of payments by the same person, and
- duplicate payments.

Information is awaited to allow testing on instances of the same person registering and authorising an invoice to be undertaken.

The level of assurance given as a result of checking for duplicate payments in the period April to June 2022 is **Substantial Assurance**.

Three duplicate payments totalling £16,746.70 were identified, one of which (£8,415.16) had already been identified by the Payments Team. The Payments Team has been informed of the other two and refunds are being processed.

## 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 36 (32 at 23 June 2022) Internal Audit actions outstanding as at 15 August 2022 (excludes actions for Angus Alive and IJB). CLT receive and review regular detailed reports on the outstanding audit actions.

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

### Internal Audit Actions - In Progress as at 15 August 2022 (Due date extended)

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
HR, DE, IT & Business Support	2019/20	-	4	2	-	-	6
	2020/21	-	3	-	1	-	4
	2021/22	2	-	2	-	-	4
Legal & Democratic	2019/20	-	1	-	-	-	1
	2020/21	-	-	-	-	-	-
	2021/22	3	4	-	-	-	7
Infrastructure	2019/20	-	-	-	-	-	-
	2020/21	-	1	-	-	-	1
	2021/22	-	-	-	-	-	-
<b>Grand Total</b>		<b>5</b>	<b>13</b>	<b>4</b>	<b>1</b>	<b>-</b>	<b>23</b>

**Internal Audit Actions - In Progress as at 15 August 2022  
(Not yet reached due date)**

<b>Directorate</b>	<b>Year Audit Carried Out</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>	<b>Not Graded</b>	<b>Grand Total</b>
HR, DE, IT & Business Support	2020/21	-	1	-	-	-	1
	2021/22	1	3	3	-	-	7
Vibrant Communities & Sustainable Growth	2020/21	-	-	-	-	-	-
	2021/22	-	1	2	-	-	3
Legal & Democratic	2020/21	-	-	-	-	-	-
	2021/22	-	1	1	-	-	2
<b>Grand Total</b>		<b>1</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>13</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 15 August 2022**

<b>Directorate</b>	<b>Year review Carried Out</b>	<b>Total</b>
HR, Digital Enablement, IT & Business Support	2019/20	1
Vibrant Communities & Sustainable Growth	2021/22	2
<b>Grand Total</b>		<b>3</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>