ANGUS COUNCIL

SCRUTINY & AUDIT COMMITTEE – 9 MARCH 2023

ANNUAL INTERNAL AUDIT PLAN 2023-24

REPORT BY CATHIE WYLLIE - SERVICE LEADER - INTERNAL AUDIT

ABSTRACT

This report submits the Service Leader's Annual Internal Audit Plan for 2023/24 for approval.

1. **RECOMMENDATIONS**

   It is recommended that the Scrutiny & Audit Committee:-

   (i)   Note that a risk-based approach methodology has been utilised to develop the proposed Internal Audit Plan for 2023/24.
   (ii) Consider and approve the proposed 2023/24 internal audit plan.

2. **ALIGNMENT TO THE ANGUS COMMUNITY PLAN / COUNCIL PLAN**

   The proposals set out in this report will contribute to the achievement of the corporate priorities set out in the Angus Community Plan and the Council Plan. This is achieved through delivery of this audit plan providing the Scrutiny & Audit Committee with information and assurance about council internal control systems, governance and risk management.

3. **BACKGROUND**

   3.1   The Public Sector Internal Audit Standards (PSIAS), require the Service Leader – Internal Audit to set a risk-based audit plan sufficient to provide the required assurances to members and officers in relation to corporate governance, risk management and internal controls.

   3.2   This report presents, at Appendix 1, the outcomes of the annual planning exercise and the Service Leader's proposed 2023/24 Internal Audit Plan, for approval.

   3.3   Best practice requires that the annual audit plan is developed using a risk-based approach in consultation with audit stakeholders. Appendix 1 explains the well-established process which is utilised within internal audit from consultation on the audit universe, calculation of available audit days, through identification of auditable areas to risk assessment and the final proposed plan.

4. **PROPOSALS**

   The 2023/24 Internal Audit Plan sets out the proposed activity to be performed by the Council's Internal Audit team in order to allow the Service Leader - Internal Audit to provide an Annual Internal Audit Opinion in June 2023. The Scrutiny & Audit Committee members are asked to consider and approve the plan.

5. **FINANCIAL IMPLICATIONS**

   There are no financial implications arising directly from this report. Delivery of the internal audit plan can be achieved from the audit resources which have been budgeted for in financial year 2023/24.

6.   EQUALITY IMPACT ASSESSMENT

An Equality Impact Assessment it not required, as the plan does not impact people. It does not impact on people because it is about planned audits. Any impact on people resulting from audit recommendations would be dealt with at the point of the recommendations being implemented.

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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Appendix 1 - 2023/24 Internal Audit Plan

Angus Council Internal Audit

Angus Council
Comhairle Aonghais

Annual Internal Audit Plan 2023/24

March 2023

Cathie Wyllie
Service Leader Internal Audit
Chief Executive's Unit

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Introduction

Internal audit is defined in the Public Sector Internal Audit Standards (PSIAS) 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".

Management are responsible for establishing the risk, governance and internal control processes and systems as well as their on-going monitoring. Management are also responsible for managing fraud risks and ensuring that internal control systems are designed to guard against fraud and misappropriation. Internal audit is not a substitute for these management responsibilities. Rather it is the review function which will challenge current practices and recommend best practice and improvements to lead to a strengthening of the control environment and therefore assist the council in achieving its objectives.

Professional practice in relation to the provision of internal audit service is defined by PSIAS issued by the relevant authorities (CIPFA for local government). These standards are exacting in relation to the organisation's governance of internal audit and internal audit's own arrangements and practices. The Standards were last updated in March 2017.

An External Quality Assessment (EQA) performed during 2020 confirmed that Internal Audit was generally compliant with the requirements of the PSIAS, including a number of areas of good practice.

The Internal Audit plan is considered to be flexible to allow a quick response to any significant new requirement or change to Council risks. Any amendments to the plan will be brought to the Scrutiny & Audit Committee for approval.

Our Internal Audit plan will be delivered in accordance with the Internal Audit Charter (the Charter) that was approved by the Scrutiny & Audit Committee in August 2021. This sets out the role, professional requirements, independence and overall responsibilities of Internal Audit. The next review of the charter will be undertaken in August 2023.

The Council's internal audit service is delivered by an in-house team complemented by approximately 30 days additional IT audit input from a contractor. For the year to 31 March 2023 this is Azets Chartered Accountants. Procurement is underway to appoint a contractor for the period from 1 April 2023 to March 2027, which will cover work required for 2023/24.

The authority, access rights and reporting arrangements for the Internal Audit function are also contained within the Internal Audit Charter.

In discharging the internal audit role, the Service Leader is required to set a risk-based audit plan sufficient to provide the required assurances to members and officers in relation to corporate governance, risk management and internal controls. These assurances will be provided throughout the year. We will present the results of individual audit reviews through Internal Audit Update reports to each Scrutiny & Audit Committee. The activity related to the Counter Fraud Team will be reported bi-annually. In June 2024 the Annual Internal Audit Report will present my internal audit opinion for 2023/24 based on an objective assessment

of the framework of governance, risk management and control and the internal control environment as well as an opinion on the corporate governance of the Council.

The Planning Approach and Risk Assessment Model

The audit planning process for developing a risk-based audit plan is well established within the Council. The process has been assessed as compliant with PSIAS, although an action was agreed in January 2021 to further develop the assurance mapping used in assessing what to include in the plan. The action taken is noted below.

The planning process involves determining the potentially auditable areas of the Council and updating these each year. The auditable areas are identified from a number of sources including:

- Consultations with Scrutiny & Audit Committee members
- Consultations with the Council Leadership Team members and service leaders and managers in some support services
- Knowledge base within Internal Audit
- Council plans and policy documents
- Corporate risk register
- External inspection reports
- Internal service efficiency reviews etc.
- Liaison with external auditors
- Any matters arising from the work of the Scrutiny & Audit Committee

This then establishes the audit universe for the upcoming year from which the specific individual areas of audit will be chosen, based on the risk assessment methodology discussed below.

Assurance Mapping

An assurance map identifies the various ways in which management and those charged with Governance receive assurance about achievement of objectives and service delivery. It considers activity that provides assurance in four distinct areas: operational internal control: management oversight: external third-party oversight, and Internal Audit review.

In formulating the internal audit plan, review of the assurance map identifies:
- where sufficient alternative assurance to internal audit is in place, and therefore audit is not needed at this time, and
- the internal processes that should be included in the audit universe so that audit can assess if they are providing control and assurance as intended.

A fully populated assurance map can identify gaps in assurance and areas where more assurance is gathered than is required, thereby releasing resources for other activity.

In developing the 2023/24 internal audit plan we further updated the assurance map with information from services, however this work is still not fully complete. Updated Cipfa guidance on assurance mapping is due to be published and this will be considered for the planning for 2024/25. In the meantime the following sources of assurance are key elements of the information available to the Scrutiny and Audit Committee in addition to the work of Internal Audit:

- Annual performance reporting and self-evaluation by services,
- External audit. This includes the annual audit report and opinion, Best Value reporting and other Audit Scotland publications.
- Inspection agency reports.

The Risk Assessment Model

Once the auditable areas are identified they are separately risk assessed with reference to corporate importance and sensitivity of the area and the control and inherent risk. There are a number of 'core' areas which are reviewed every year, regardless of the risk classification.

Each of the risk assessed areas within the "universe" is then allocated to a "headline area" as follows:

- Corporate Governance
- Financial Governance
- Information Technology Governance
- Internal Controls
- Asset Management
- Legislative and other compliance

The headline areas are subject to a high-level risk assessment model which looks at the relative risk and relative risk maturity of the headline areas to ensure a reasonable allocation of the available audit days. This is not considered a rigid calculation but more a guide to the balance of the plan which can be amended to reflect specific needs and drivers.

The high-level risk assessment takes into consideration the local risks contained within the corporate risk register as well as known risks at a national level.

The Audit Plan

- The final step in the development of the annual plan is to identify the individual audits from the audit universe which will sit below each of the headline areas and form the plan for the year. This choice is determined by a number of factors including:

  - The assessed risk from the audit universe
  - The time lapse since last audit
  - Review of Corporate Risk Register
  - Known problems or issues arising in previous audits/inspections, etc.
  - Reviews being undertaken by other assurance providers (e.g. External Audit)
  - Special or specific management and member requests
  - The remaining pool of audits from the previous year's plan.

- In addition, a portion of the plan has been reserved for contingency activity. Contingency resource will be available to fulfil reviews at the request of the Scrutiny & Audit Committee and management. This can relate to specific assignments where the objectives are set jointly by Internal Audit and by the Committee/Management or can be advisory or project assurance roles. We are increasingly finding that some contingency time is used to deal with audits taking longer than anticipated due to delays in engagement with services caused by pressure of other work.

The 2023/24 Internal Audit Plan

The 2023/24 Internal Audit Plan has been developed based on of the above model.

The Internal Audit team comprises three auditors, one Team Leader and the Service Leader (4.1 FTE). During 2022/23 the Service Leader Internal Audit's time was reduced to enable time to be provided to Dundee City Council. The arrangement will be reviewed in the autumn of 2023. The plan for 2023/24 currently assumes this arrangement will continue. It includes 30 days for specialist support for IT audit, which will be supplied by a contractor that has still to be procured.

The total number of productive days available from the Internal Audit team has taken into consideration the following:

- Maximum number of available days
- Professional development for staff
- Annual leave, plus contingency for other staff absences
- Internal administration activities

The Counter Fraud Team comprises the Service Leader, one Team Leader, one Senior Counter Fraud Officer, and two Counter Fraud officers (3.45 FTE). The Senior Counter Fraud Officer is currently seconded to Finance half a day per week. The team will continue to carry out data matching exercises to identify fraud and error; publicise, promote and enforce the Counter-Fraud and Corruption Strategy and framework; continue to develop joint working arrangements with colleagues across the Council; undertake investigations of allegations of fraud; and liaise with other local authorities to identify areas of best practice. The Team Leader Counter Fraud will be involved in day-to-day activities relating to our arrangements for dealing with Serious Organised Crime.

The Council's participation in the National Fraud Initiative (NFI) continues to be an integral part of the corporate approach to the prevention and detection of fraud and errors. This operates on a two-year cycle. The latest data match work will be largely undertaken during 2023. Data for the current cycle was uploaded to the NFI system in late 2022. Update reports are submitted to Scrutiny & Audit Committee, together with a summary of the local outcomes.

The Team Leader Counter Fraud will continue to offer advice around the systems and identified fraud attempts arising due to Covid-related grants the Council administers.

The Audit Plan continues to include time allocated to:

- Angus Alive. Internal Audit will agree with the Angus Alive Board a specific plan for Angus Alive. The output from these audits will be prepared for the Angus Alive Finance & Audit sub-committee.
- Angus Health and Social Care Partnership, on behalf of the IJB internal auditor. Reports are presented in the IJB auditor's name to the IJB.

The overall Internal Audit and Counter Fraud resource and allocation is included in the table below.

Areas	Audit Days	Counter Fraud Days
Productive days available from:		
Internal Audit team	744	642
Counter Fraud Team		
IT audit contractor	30	
Total available days	**774**	**642**
Allocated as follows		
Audit plan (see 2023/24 Detailed Outputs below)	407	
Counter Fraud Investigation		467
Angus Alive	50	
Angus Health and Social Care Partnership (note 1)	30	
General recurring audit/counter fraud & corporate work	190	86
Staff Training & Team Development	97	89
Total allocated days	**774**	**642**

Note 1 - members should note this time is only part of the internal audit time for the IJB. We provide assistance to the appointed IJB auditor, who is Tony Gaskin, from FTF Audit and Management Services. He agrees the audit plan with the IJB. The other Tayside council internal auditors have a similar arrangement, and we work together to look at issues across Tayside when appropriate.

The current resource availability is sufficient to allow production of the Annual Internal Audit Opinion and provide the required assurances to Scrutiny & Audit Committee Members as well as the Director of Finance in his role as Section 95 Officer.

The initial allocation of the available days in delivering the audit plan is shown below:

Headline Area	Audit days 2023/24	Audit days 2022/23
Governance, Risk, Planning & Performance	99	62
Financial Governance	129	92
IT Governance	33	36
Internal controls	68	60
Asset Management	30	35
Legislative & Other Compliance	10	62
Angus Alive and IJB work	80	80
Consultancy	55	100
Staff and Team Development	97	97
General recurring audit & corporate work. Incl. contingency (Note 1)	173	219
Total	774	843

Note 1 – Includes PSIAS, follow-up work on audit actions, involvement in corporate and national groups, planning, Committee work, review of Audit Scotland publications and contingency.

The overall reduction in days is due mainly to the fact that the Service Leader Internal Audit now works 2 days per week for Dundee City Council.

The diagram below illustrates the percentage allocation of audit days (excluding the Counter Fraud Team) for 2023/24:
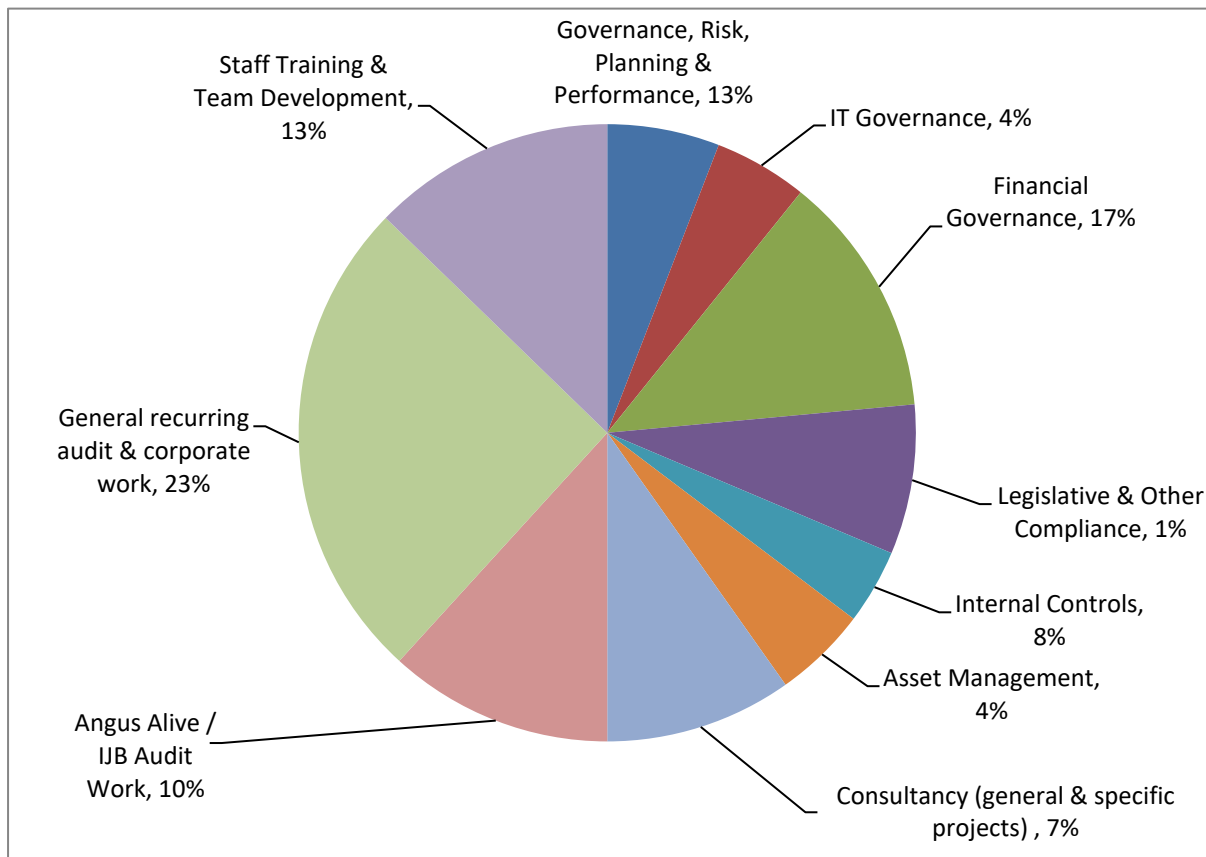
We believe that this allocation is appropriately aligned to risk profile and will address the assurance needs of the Council in 2023/24. In recent years, cyclical systems work that would normally be performed has been delayed to accommodate work in higher risk areas arising from change and consultancy work designed to support delivery of change. In 2020/21 we began to re-introduce the cyclical work. Although we have included some cyclical reviews in 2023/24, other areas due for cyclical review were excluded on a risk assessed basis due to the available resources.

At this stage, the days per headline area are an estimate and will be firmed up once more detailed scoping work has been carried out. The outputs detailed in the '2023/24 Audit Plan – Detailed Outputs' section below include all the outputs which will be provided.

Except for the time provided by the IT audit contractor, all audit work will be conducted by the Internal Audit team under the guidance and direction of the Service Leader and Team Leader. Where any team member has a perceived or actual conflict of interest in relation to an Internal Audit assignment or investigation, they will not be permitted to have any involvement in that piece of work. In addition, Internal Audit staff who are involved in consultancy work will not be permitted to be involved in any internal audit work that is directly related to that work.

2023/24 Audit Plan – Detailed Outputs

The tables below include a list of audits that we intend to complete for 2023/24 and the output that will be generated from each piece of work.

We have included, where relevant, a link to those risks contained within the Corporate Risk Register (CRR ref.) as at January 2023 (see Annex 1). This allows Members and management to identify where Internal Audit can provide assurance on the effectiveness of the controls implemented to mitigate risks.

Audits	Output	Commentary	CRR ref.
Corporate Governance			
Corporate Governance annual review – 2022/23	Annual Report	Oversight of corporate governance arrangements & progress with implementation of action plan.	N/A
Performance Management & Monitoring	Report	Review will include progress on PLED, use of Pentana as a performance management tool, and calculation of key performance indicators.	
Risk Management	Report	Review of Risk Management processes at corporate & service level.	
Tay Cities Deal	Report	Review management, oversight & governance of one specific project	
Review of GDPR compliance	Report	Annual cyclical review in services. Service TBC	7

Audits	Output	Commentary	CRR ref.
Financial Governance			
Data Analysis - Payroll & Accounts Payable	Reporting in activity report	Data analytics tools will be used to analyse payroll and accounts payable data to identify data trends, anomalous or missing data, etc. Consideration of where we can increase this type of audit to be undertaken.	1
Self-Directed Support (SDS)	Report	Review process for monitoring and approval of spend on individual SDS budgets	1
Programme of random cash counts	Memo-style report following each visit	Random cash counts to ensure correct procedures are being followed. This will include school funds.	-
Place-based Investment programme	Report	Review of governance to ensure consistency across all services involved.	1
Purchase ledger invoice processing & authorisation	Report	Review will include authorisation process before transactions reach the Purchase Ledger	1
Supplier Bank Details – process for changes	Report	Review process for validation of changes requested to supplier bank details	1
Tayside Contracts	Report	Review how we monitor service delivery arrangements and invoicing/payments.	1

Audits	Output	Commentary	CRR ref.
IT Governance			
IT User Access Administration	Report	A core financial system for is selected for annual review. 2019/20 Northgate Housing 2020/21 No specific work pending actions being implemented from previous audits 2021/22 IDOX 2022/23 SEEMIS 2023/24 Eclipse	8
IT Business Continuity	Report	To be agreed with IT audit contractor	8
Digitisation of Services	Report	To be agreed with IT audit contractor	2, 8
Data analysis - System access	Reporting in activity report	Continuous auditing - review of system access data to identify logins that are no longer required	8
Internal Controls			
Corporate Training Budget	Report	Post-Implementation Review (PIR) / review of process to ensure equity of access to training	1
Contract Management Procedures	Report	Review procedures for management of large contracts (incl. IT systems)	1, 3, 7
Procurement	Report	Scope to be agreed following completion of service review.	1, 2 & 7
AWI Follow-up	Report	Follow-up review of action plan from 2021/22 audit	6 and 7
Asset Management			
IT Asset Hardware Inventory in Schools	Report	Review of controls over inventory of IT hardware in schools.	1
Housing Void Management	Report	Review procedures for management of voids in Council Housing	3, 9

Audits	Output	Commentary	CRR ref.
Legislative and Other Compliance			
UK Govt. Shared Prosperity Fund	Report	This fund replaces EU funding (e.g. LEADER). Audit requirement to be confirmed.	7
Other			
Follow-up of previous recommendations	Update reports to each Scrutiny & Audit Committee and CLT	Continuing work to identify progress in implementing agreed audit actions.	All
Staff Training and Team Development	Nil	Ensuring staff have knowledge and expertise to perform reviews in new areas and that Internal Audit meets relevant standards and achieves best practice.	2
Angus Alive - Annual Plan	Reports to AA Finance & Audit sub-committee	Provision of Internal Audit Services to Angus Alive.	N/A
Angus Health and Social Care Partnership (IJB)	Reports to IJB Chief Audit Officer	Provision of Internal Audit Services to AHSCP (IJB).	N/A
PSIAS (Public Sector Internal Audit Standards) Self-Assessment Review	Part of Annual Report	Self-assessment of compliance with PSIAS.	N/A
Involvement in corporate and national groups	Annual report if applicable		N/A
Review of Audit Scotland's publication on Fraud and Irregularity 2022/23	Include in Activity report or separate report if needed	Review issues highlighted in Audit Scotland report and assess arrangements in place to reduce risk of similar issues arising in the Council, where relevant.	N/A
Contingency, including ad hoc requests for advice	As required	As determined by requests	N/A
Consultancy – Advice/Specific			
Consultancy support for specific Member and/or management projects/Change Programme.	Advisory	As determined by requests	N/A
Collaboration & Partnership Work	Report	Review of existing Council practice against best practice; advise on standards to be followed across the Council. Ensure proper legal & operational processes are in place.	4

	Output	Commentary	CRR ref.
Counter Fraud Team			
Fraud Prevention and Detection	Bi-annual Report by Team Leader – Counter Fraud	The team will • Carry out various reviews to proactively detect and prevent fraudulent activity. This work will include the use of data analytics to extend the overall scope of the reviews where possible. • Lead on investigation of NFI match reports. • Investigate allegations of fraud or misappropriation, and • Contribute to controls identification and other fraud prevention initiatives, including provision of advice regarding fraud mitigation during set up of new grants administered by the Council. • Be involved in our response to Serious Organised Crime	1, 7

2023/24 Outputs to Scrutiny & Audit Committee

The table below lists the outputs expected to be presented to the Angus Council Scrutiny & Audit Committee until June 2024.

Committee Meeting	Output
June 2023	Internal Audit Annual Report 2022-23 Internal Audit Update Report Counter Fraud Report Reports to Council and committees relevant to Scrutiny & Audit remit
August 2023	Internal Audit Update Report Review of Audit Charter
October 2023	Internal Audit Update Report NFI update (dependent on timing of national NFI reporting) Reports to Council and committees relevant to Scrutiny & Audit remit
November 2023	Internal Audit Update Report Counter Fraud Report
January 2024	Internal Audit Update Report Reports to Council and committees relevant to Scrutiny & Audit remit
March 2024	Internal Audit Update Report Internal Audit Annual Plan 2024-25
April 2024	Internal Audit Update Report Reports to Council and committees relevant to Scrutiny & Audit remit
June 2024	Internal Audit Annual Report 2023-24 Internal Audit Update Report Counter Fraud Report

Conclusion

This report has outlined the audit planning and risk assessment process within the council to develop the annual internal audit plan and presents the proposed audit plan for 2023/24. Members are asked to consider and approve this plan, the discharge of which will be reported to the Scrutiny & Audit Committee at each Committee cycle.

Annex 1 – Summary of Corporate Risk Register (as at January 2023)

Risk No.	Description	Current Risk Score	Risk Target	Jan 2022 Score
1	Financial Sustainability	25	9	20
2	Transforming for the future	15	6	9
3	Performance Management	6	4	6
4	Partnerships	9	9	12
5	Information Governance	8	8	8
6	Public Protection (Children & Criminal Justice)	8	8	8
7	Legislation	9	6	9
8	IT Resilience & Cyber Attack (Business Continuity)	16	8	16
9	Health & Safety Compliance	9	6	12
10	Climate Change	16	6	9
11	Pandemic – Covid-19	16	15	20
12	Data Migration (new risk 2022/23, now removed from CRR)	N/A	5	20