

AGENDA ITEM NO 7

REPORT NO 171/23

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 15 JUNE 2023

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) consider and note the update on progress with the planned Internal Audit work (Appendix 1)
- (ii) consider and 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 2022 (Report 78/22).
- 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 All of the audits from 2021/22 that were incomplete in June 2022 are now complete and reported, except one that has been carried forward – Organisational Resilience.

4. SUMMARY OF 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
Blank	Blank	Blank				
Continuous Auditing – Creditors Duplicate payments Jan. – Mar. 2023 Same person registration and authorisation April 2022 to March 2023	Substantial		-	-	-	-
Continuous Auditing – Payroll	Comprehensive		-	-	-	-
Continuous Auditing – System access	N/A	N/A	-	-	-	-
IT User Access Administration - SEEMIS	Substantial		-	5	5	-
Random Cash Counts & Cash Handling - Brambles Cottages	Comprehensive		-	-	-	-
Surplus Assets	N/A	N/A	-	-	-	-

5. FINANCIAL IMPLICATIONS

There are no direct financial implications from this report.

6. EQUALITY IMPACT ASSESSMENT

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

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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

15 June 2023

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

Contents Page

INTRODUCTION 1

AUDIT PLANS PROGRESS REPORT..... 1

SUMMARY OF FINDINGS OF INTERNAL AUDIT REVIEWS..... 7

**DEFINITION OF ASSURANCE LEVELS, CONTROL ASSESSMENTS &
RECOMMENDATION PRIORITIES 15**

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.



All except one of the 2021/22 audits brought forward to 2022/23 (Organisational Resilience) are now complete and reported.






A number of 2022/23 audits are in progress and planning is underway for all others. Three audits have been carried forward to 2023/24.






- External Placements (Children) has been carried forward to the 2023/24 plan following discussion with the service. This audit was included in the plan to test the operation of new procedures and it is too early to undertake the work at present.
- UK Shared Prosperity Fund (replaced LEADER) We have not been asked to undertake an audit this year and will do so if required in 2023/24.
- Firmstep – Post implementation Review of Project Development



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 / <i>(target in italics)</i>
Corporate Governance					
Corporate Governance annual review – 2021-22	June 2022	Complete	N/A	N/A	23 June 2022 (Report 157/22)
Review of GDPR compliance (Business Support) (2021/22 plan)	May 2022	Complete	Substantial		Oct. 2022
Project Management	Feb. 2023	Draft report issued			Aug. 2023
Review of GDPR compliance (Education & Lifelong Learning)	October 2022	Complete	Substantial		April 2023
Financial Governance					

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Payroll continuous auditing April- Sept. 2022 Oct. – Dec. 2022 Jan. – Mar. 2023	On-going	Complete Complete Complete	Comprehensive Comprehensive Comprehensive		Nov. 2022 Jan. 2023 June 2023
Creditors continuous auditing Duplicate Payments April – June 2022 July -Aug. 2022 Sept. 2022 Oct. – Dec. 2022 Jan. – Mar. 2023	On-going	Complete Complete Complete Complete Complete	Substantial Substantial Substantial Substantial Substantial		Aug. 2022 Oct 2022 Nov 2022 Jan. 2023 June 2023
Creditors continuous auditing Same person registration and authorisation	June 2023	Complete	Comprehensive		June 2023
External Placements (Children)	Carried forward to 2023/24 following discussion with service	N/A	N/A	N/A	<i>TBC</i>
Comfort Funds	Oct./Nov. 2022	Complete	Substantial		Mar. 2023
Random cash counts/cash handling - Brambles Cottages	Throughout the year	Complete	Comprehensive		June 2023
UK Shared Prosperity Fund (replaced LEADER) (if required)	N/A	Not required in 2022/23	N/A	N/A	N/A
Payroll (added November 2022)	Feb./Mar. 2023	Draft report under review			<i>Aug. 2023</i>

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / <i>(target in italics)</i>
IT Governance					
End User Computing (2021/22 plan)	Feb/March 2022	Complete	Substantial		Nov 2022
IT User Access Administration SEEMIS	Mar./April 2023	Complete	Substantial		June 2023
Digital Strategy and Governance - Consultancy	Feb./Mar. 2023	Draft report issued			<i>Aug. 2023</i>
Cyber security	April 2023	Draft report issued	Consultancy	N/A	<i>Aug. 2023</i>
Continuous auditing – System access	19 July				
Never logged on To 18 July 2022 To 23 Jan. 2023	Ongoing	Complete Complete	N/A N/A	N/A N/A	Oct. 2022 June 2023
Not logged on in last 21 days To 18 July 2022 To 23 Jan. 2023	Ongoing	Complete Complete	N/A N/A	N/A N/A	Oct. 2022 June 2023
Internal Controls					
Procurement – Exemptions from Tendering process (2021/22 plan)	August 2021	Complete	Limited		Aug. 2022
Fostering, adoption and kinship allowances (2021/22 plan)	May 2022	Complete	Comprehensive		Oct. 2022
Adults with incapacity follow-up (2021/22 plan)	Mar./April 2022	Complete	No Assurance		April 2023

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
PDR Appraisal System	April/May 2023	Planning			<i>Aug. 2023</i>
Mandatory E-Learning Courses	May 2023	Planning			<i>Aug. 2023</i>
Procurement	N/A	Removed October 2022	N/A	N/A	Oct 2022
Asset Management					
IT Asset Hardware Inventory	March/April 2023	Draft report under review			<i>Aug. 2023</i>
Surplus Assets	April 2023	Audit not currently required	N/A	N/A	June 2023
Legislative and other compliance					
Corporate parenting (2021/22 plan)	Mar. – May 2022	Complete	Comprehensive		Oct. 2022
Equalities Impact Assessments & Fairer Scotland Duties	April/May 2023	Draft report under review			<i>Aug. 2023</i>
Private Water Supplies Testing	Feb. 2023	Complete	Comprehensive		April 2023
Participatory Budgeting	March 2023	Draft report issued			<i>Aug. 2023</i>
Consultancy and Advice					
Organisational resilience (2021/22 plan)	Oct. 2021 Nov 2022	In progress	N/A	N/A	<i>TBC</i>
Business support review (2021/22 plan)	Dec 2021/Jan 2022	Complete	N/A	N/A	Oct. 2022
Ignite Consultant – Service Design	N/A	Removed October 2022	N/A	N/A	Oct 2022

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / <i>(target in italics)</i>
Firmstep – Post implementation Review of Project Development	TBC	Carried forward to 2023/24			<i>TBC</i>
Health & Safety - Consultancy	Jan./Feb. 2023	Complete	N/A	N/A	April 2023

Angus Alive and Angus Health & Social Care IJB

Angus Council's Internal Audit staff work on the audit plans for both ANGUSalive and Angus Health & Social Care IJB. 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.





The ANGUSalive Annual Internal Audit Plan for 2022/23 was agreed at their Finance & Audit Sub-committee on 25 March 2022. Completed audit work has been reported to the Finance and Audit sub-committee and the remaining items in the plan are in progress or planning.

The IJB Annual Internal Audit plan for 2022/23 was agreed by the IJB Audit Committee in June 2022. The Council's Internal Audit team input into this year's plan is complete.

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
Blank	Blank	Blank				
Continuous Auditing – Creditors Duplicate payments Jan. – Mar. 2023 Same person registration and authorisation April 2022 to March 2023	Substantial		-	-	-	-
Continuous Auditing – Payroll	Comprehensive		-	-	-	-
Continuous Auditing – System access	N/A	N/A	-	-	-	-
IT User Access Administration - SEEMIS	Substantial		-	5	5	-
Random Cash Counts/Cash Handling - Brambles Cottages	Comprehensive		-	-	-	-
Surplus Assets	N/A	N/A	-	-	-	-

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)
- System log-in access.

We are reporting on Payroll and Creditors for January – March 2023, and System Log-in Access to 23 January 2023.

Payroll - Comprehensive assurance

For January – March 2023 we checked

- the top 10 payments
- for duplicate NI number
- for No NI number
- Duplicate bank accounts

All instances that were identified were explained satisfactorily. There was one incorrect payment in the top 10 payments in March, however this had already been identified and was being rectified at the time of our audit work.

Creditors Duplicate Payments - Substantial assurance

There were no duplicate payments identified in January 2023. Two duplicate sundry payments were identified in February, both had been returned after the initial payment as the account number was incorrect, and payments were then made to the correct account number. In March there were a number of duplicate payments identified, all of which related to grants paid to suppliers on a monthly, quarterly or annual basis. An error had been made in preparing the grants spreadsheet for March, resulting in incorrect payments being made to suppliers. This had been identified by the service, and has been corrected, with all original payments returned and correct payments made. Additional checks have been added to the process to prevent such an error recurring.

Creditors Same person registering and authorising an invoice – Comprehensive assurance

Testing of the period from March 2022 to April 2023 identified 20 instances of same person registration and authorisation of invoices or credit notes by 14 people, totalling £12,231.26. All were investigated and explained satisfactorily, with explanations being related to correction of errors.

System Log-in Access

We have checked a report of all staff who had not logged on to their PC and therefore any other programme thereafter for over 21 days up to 23 January 2023. This is based on the first log-in using the passphrase.

Since we began this work, IT now receive a Leavers report from Resourcelink so that those who have not logged on can be removed from the system, which has reduced the numbers in the report we receive to carry out our data analysis.

We investigated 138 cases and identified 33 staff had left the Council and 15 who now work in Education and should have separate school email addresses. Our findings were passed to IT to enable these users to be removed from the system. There are a very small number of other instances being investigated further, with most of the remainder being long-term sick, maternity leave, or a role that means they do not need to log in frequently. A review of the report for people who have never logged on identified that the roles they hold are in jobs that would not require regular computer access, e.g., working in parks, waste and care settings.

IT User Access Administration – SEEMIS

Background & Scope

The Council, like all other Councils in Scotland, uses the SEEMiS application as its education management tool. The application is managed and developed by the organisation of the same name. It contains a range of modules to support Pupil and Staff record management including Nursery Application Management System (NAMS), Attendance, Pastoral Notes, Progress & Achievement and Reporting.

Our review examined the user account and access management controls in place within the Council that ensure the confidentiality, integrity and availability of the SEEMiS system data. The review also considered the adequacy of user access controls to ensure effective segregation of duties.

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

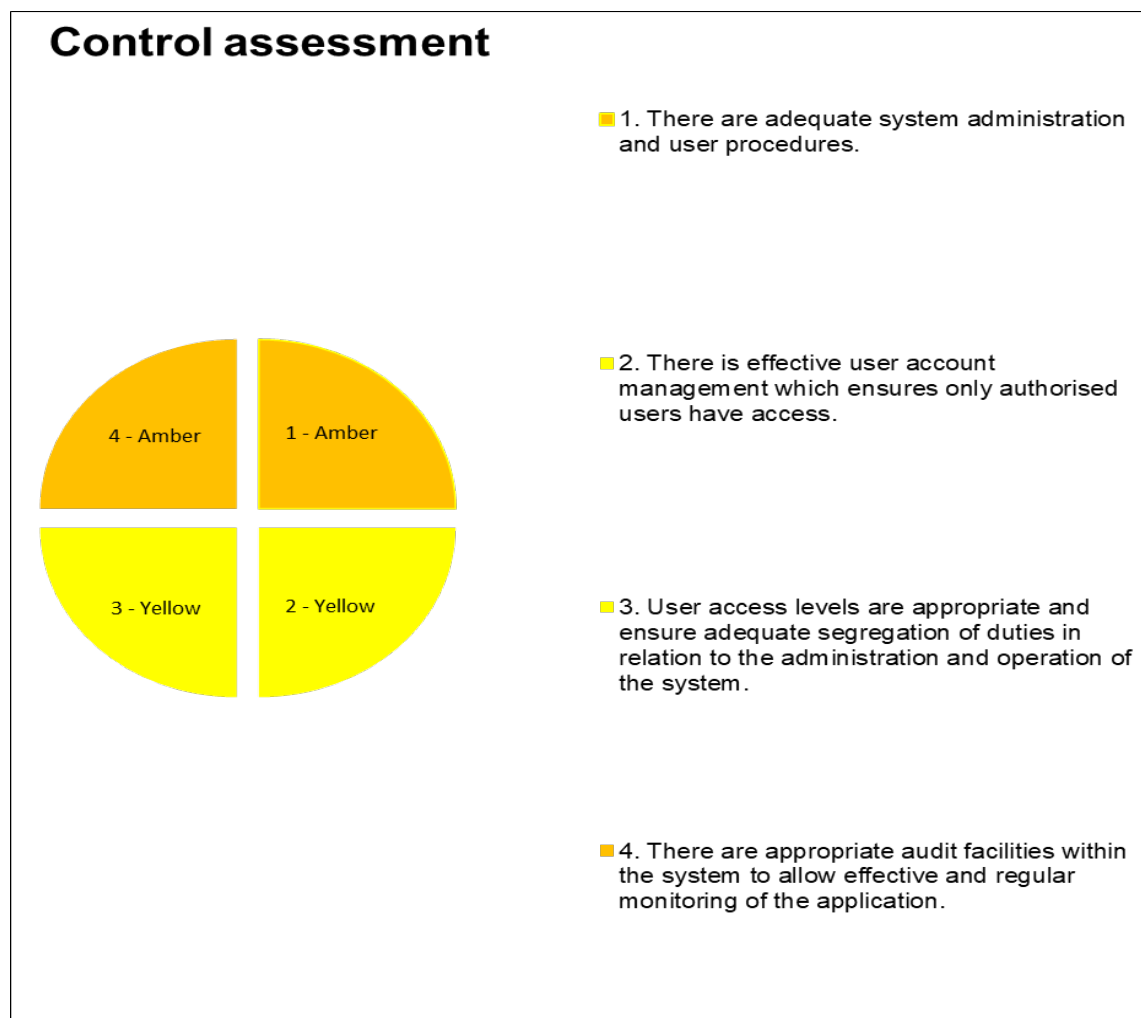
- There are adequate system administration and user procedures
- There is effective user account management which ensures only authorised users have access
- User access levels are appropriate and ensure adequate segregation of duties in relation to the administration and operation of the system.
- There are appropriate audit facilities within the system to allow effective and regular monitoring of the application.

Conclusion

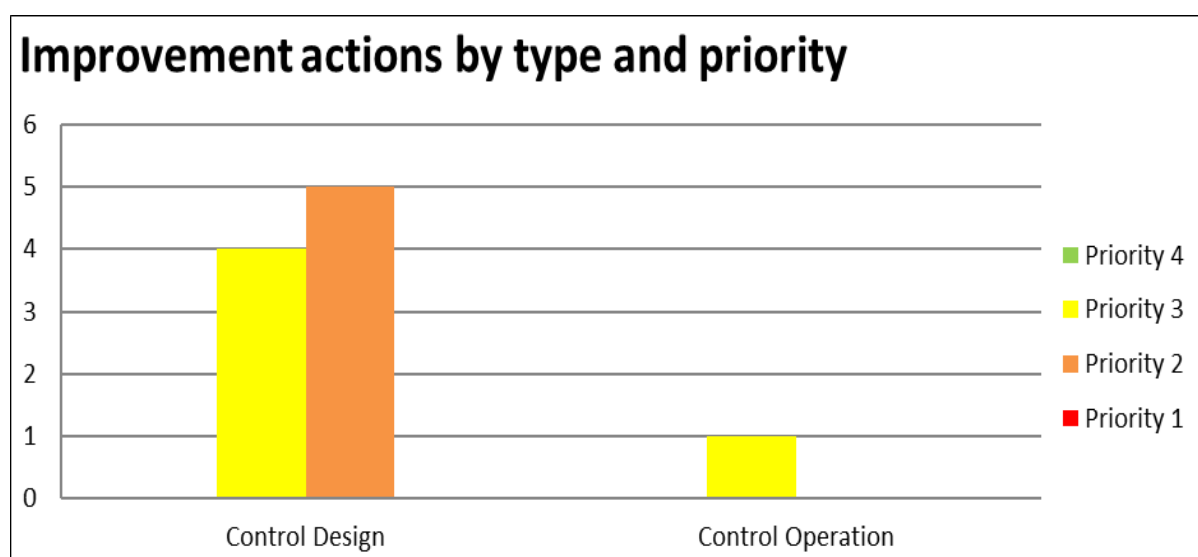
The overall level of assurance given for this report is 'Substantial' Assurance.

Overall assessment of Key Controls

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



Audit Recommendations summarised by Type & Priority



There are ten recommendations in this report; one of which relates to the operation of controls and nine which relate to design control recommendations (five priority 2, and four priority 3).

Key Findings

Areas Identified for Improvement:

During the audit we identified a number of areas for improvement and have made the following recommendations.

We have made ten recommendations to address high and moderate risk exposures, covering: four Priority 2 and five Priority 3 recommendations.

Priority 2

- Management should establish a process for periodically reviewing contracts with SEEMiS Group, particularly during major version releases of SEEMiS software. The associated policies, processes, and standards referenced within the service agreement should also be reviewed and updated as needed.
- The use of shared user accounts should be ceased for the use of SEEMiS within the Council, due to the lack of accountability over system access.
- Logging, monitoring and alerting on user access and behaviour should be implemented for SEEMiS.
- Retention periods for SEEMiS user audit logs should be agreed, considering factors such as business needs, security considerations, and legal requirements.

Priority 3

- Management should implement improved processes for leavers. This should include the completion of a leaver's checklist to provide an audit trail showing that all necessary steps have been taken to deactivate user access. In addition, a movers' process should be documented that removes existing privileges from previous roles and updates with new role permissions.
- Information Security User Guidelines and Information Technology (IT) Security Policy covering user access should be reviewed and updated, in line with their review requirements.
- Management should document and implement processes that ensure all access is appropriately authorised before being submitted to IT for action.
- Management should liaise with SEEMiS Group to request that password functionality be updated to comply with the Angus Council Password Policy. This will allow a move from complex password requirements to more secure passphrases.
- Management should regularly review user accounts and access privileges to confirm that only valid users have access and that access provided is appropriate.

Random Cash Counts and Cash Handling Brambles Cottages – Comprehensive Assurance

A programme of random cash counts and review of cash handling procedures was added to the annual audit plan for 2022/23. Throughout the year several random visits were carried out at both Council and ANGUSalive facilities which hold cash.

An unannounced visit to the residential establishments at Brambles (Logan and Rowan Cottages) was carried out in January 2023, as a follow-up to a Counter Fraud investigation into petty cash errors completed in May 2021. Our review confirmed that all recommendation/actions from that investigation have been fully addressed, and robust controls are in place to safeguard and record cash held on behalf of residents as well as a high standard of recording and balancing of petty cash.

Surplus Assets

The audit was planned to review the implementation of new guidance on the process for declaring assets surplus to requirements. The guidance was reviewed in response to audit findings in the 2018/19 review of Lochside Leisure Centre. There have been no relevant assets declared surplus since the guidance was revised and therefore no testing can be carried out at present. We will keep the audit area in our audit universe and assess it for inclusion in future plans.

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 32 (37 on 29 March 2023) Internal Audit actions outstanding on 1 June 2023 (excludes actions for Angus Alive and IJB). CLT receive and review regular detailed reports on the outstanding audit actions.

- Table 1 identifies the number of 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 – 1 June 2023 (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	-	-	-	4
	2020/21	-	2	-	1	-	3
	2021/22	3	2	2	-	-	7
	2022/23	-	-	-	-	-	-
Legal & Democratic	2019/20	-	-	-	-	-	-
	2020/21	-	-	-	-	-	-
	2021/22	-	-	1	-	-	1
	2022/23	-	-	-	-	-	-
Finance	2019/20	-	-	-	-	-	-
	2020/21	-	-	-	-	-	-
	2021/22	-	-	-	-	-	-
	2022/23	-	1	-	-	-	1
Infrastructure & Environment	2019/20	-	-	-	-	-	-
	2020/21	-	1	-	-	-	1
	2021/22	-	-	-	-	-	-
	2022/23	-	-	-	-	-	-
AHSCP	2019/20	-	-	-	-	-	-
	2020/21	-	-	-	-	-	-
	2021/22	-	-	-	-	-	-
	2022/23	-	-	1	1	-	2
Grand Total		3	10	4	2	-	19

Internal Audit Actions - In Progress – 1 June 2023
(Not yet reached due date)

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Children, Families & Justice	2020/21	-	-	-	-	-	-
	2021/22	-	-	1	-	-	1
	2022/23	-	-	-	-	-	-
Education & Lifelong Learning	2020/21	-	-	-	-	-	-
	2021/22	-	-	-	-	-	-
	2022/23	-	5	1	-	-	6
HR, DE, IT & Business Support	2020/21	-	1	-	-	-	1
	2021/22	-	-	-	-	-	-
	2022/23	-	-	-	-	-	-
Vibrant Communities & Sustainable Growth	2020/21	-	-	-	-	-	-
	2021/22	-	-	2	-	-	2
	2022/23	-	-	-	-	-	-
Legal & Democratic	2020/21	-	-	-	-	-	-
	2021/22	-	1	-	-	-	1
	2022/23	-	-	-	-	-	-
AHSCP	2020/21	-	-	-	-	-	-
	2021/22	1	-	-	1	-	2
	2022/23	-	-	-	-	-	-
Grand Total		1	7	4	1	-	13

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. There are currently no Counter Fraud actions outstanding.

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.