ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 22 AUGUST 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.   RECOMMENDATION

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 2023 (Report 79/23) and items from the 2022/23 plan that were incomplete in June 2023.

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   Ten audits from 2022/23 were in progress, but incomplete in June 2023. Further progress has been made, however not all of these were completed in time to report to this meeting. Since June, work on audits for ANGUSalive has also been progressed.

3.7   One full-time auditor retired from the team on 30 June 2023. The loss of an experienced team member, and the subsequent vacancy created, will inevitably have an impact on the plan for 2023/24. We will seek to mitigate the impact of this by utilising general audit support from our outsourced support contractor. The new contract for audit support work which will go out for tender shortly includes provision of general audit support where required. A recruitment exercise to fill the vacant auditor post will commence following a review of the existing team structure and resources.

3.8   The plan for 2023/24 will be reviewed and a report on the impact will be brought to the October meeting of this Committee. For this reason, the activity report in Appendix 1 does not include the previously agreed 2023/24 plan in full; it only notes work that is in progress.

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
Continuous Auditing – Creditors Duplicate payments April - June 2023	Comprehensive		-	-	-	-
Continuous Auditing – Payroll April -June 2023	Comprehensive		-	-	-	-
Equality Impact Assessments (EIAs) & Fairer Scotland Duties	Substantial		-	2	1	1

Audit	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
			1	2	3	4
Project Management	Substantial		1	4	1	-
Participatory Budgeting	Position Statement	N/A	1	1	-	-
Digital Strategy & Governance	Consultancy	N/A	-	-	-	-
Cyber Security	Substantial	N/A	-	-	-	-
Mandatory E-Learning Courses	N/A	N/A	-	-	-	*

5.   **FINANCIAL IMPLICATIONS**

There are no direct financial implications from this report.
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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
Appendix 2   Cyber security audit – exempt paper - Report 225/23

Angus Council Internal Audit

Update Report

Scrutiny & Audit Committee

22 August 2023

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

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INTRODUCTION

This report presents the progress of Internal Audit activity within the Council from June 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 in planning, in progress, or completed since the June meeting. Where no audit plan date is noted, the audit is from the 2023/24 audit plan.

One audit from 2021/22 (Organisational Resilience) that was on hold is now being re-scoped with a view to undertaking this in the next couple of months.

A number of 2022/23 audits are being reported, in progress or planning is underway. Two 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.
- 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 / *(target in italics)*
Corporate Governance					
Corporate Governance annual review – 2022-23	June 2023	Complete	N/A	N/A	23 June 2023 (Report 173/23)
Project Management (2022/23 plan)	Feb. 2023	Complete	Substantial		**Aug. 2023**
Financial Governance					
Payroll continuous auditing April to June 2023	On-going	Complete	Comprehensive		**Aug 2023**
Creditors continuous auditing Duplicate Payments April to June 2023	On-going	Complete	Comprehensive		**Aug. 2023**
Creditors continuous auditing Same person registration and authorisation	TBC				TBC
External Placements (Children) (2022/23 plan)	Carried forward to 2023/24 following discussion with service	N/A	N/A	N/A	*TBC*
Payroll (added November 2022 to 2022/23 plan)	Feb./Mar. 2023			N/A	**Oct. 2023**
IT Governance					
Digital Strategy and Governance – Consultancy (2022/23 plan)	Feb./Mar. 2023	Complete	N/A	N/A	**Aug. 2023**
Cyber security (2022/23 plan)	April 2023	Complete	Substantial	N/A	**Aug. 2023 Exempt report 225/23**

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / *(target in italics)*
Internal Controls					
PDR Appraisal System (2022/23 plan)	April/May 2023	Planning			TBC
Mandatory E-Learning Courses (2022/23 plan)	May 2023	Removed from plan due to current activity	N/A	N/A	**Aug. 2023**
Asset Management					
IT Asset Hardware Inventory (2022/23 plan)	March/April 2023	Draft report issued			**Oct. 2023**
Housing Void Management	TBC	Planning			*TBC*
Legislative and other compliance					
Equalities Impact Assessments & Fairer Scotland Duties (2022/23 plan)	April/May 2023	Complete	Substantial		**Aug. 2023**
Participatory Budgeting (2022/23 plan)	March 2023	Complete	Position Statement	N/A	**Aug. 2023**
Consultancy and Advice					
Organisational resilience (2021/22 plan)	August / September 2023	Planning			*TBC*
Firmstep – Post Implementation Review of Project Development (2022/23 plan)	TBC	Carried forward to 2023/24			*TBC*

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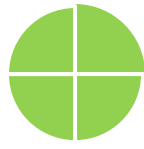
The ANGUSalive Annual Internal Audit Plan for 2022/23 was agreed at their Finance & Audit Sub-committee on 25 March 2022. Completed audit work has been reported to the Finance and Audit sub-committee and the remaining items in the plan are in progress.

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
Continuous Auditing – Creditors Duplicate payments April - June 2023	Comprehensive		-	-	-	-
Continuous Auditing – Payroll April -June 2023	Comprehensive		-	-	-	-
Equality Impact Assessments (EIAs) & Fairer Scotland Duties	Substantial		-	2	1	1
Project Management	Substantial		1	4	1	-

Audit	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
Participatory Budgeting	Position Statement	N/A	1	1	-	-
Digital Strategy & Governance	Consultancy	N/A	-	-	-	-
Cyber Security (Summarised in separate exempt appendix)	Substantial	N/A	-	-	-	-
Mandatory E-Learning Courses	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 duplicate payments for April to June 2023

Payroll - Comprehensive assurance

For April – June 2023 we checked
- the top 10 payments
- for duplicate NI number
- for No NI number
- Duplicate bank accounts

All instances that were identified for review were explained satisfactorily.

Creditors Duplicate Payments - Comprehensive assurance

A number of potential duplicate payments were examined and found not to be duplicate payments. One outstanding query relating to a £46 sundry payment in April is not yet resolved. One duplicate payment of £126 for travel fees was identified in May sundry payments and has now been recovered in July 2023.

Equality Impact Assessments & Fairer Scotland Duties
Background & Scope

As part of the 2022/23 annual plan, Internal Audit has completed a review to assess whether Council services are following corporate guidance to ensure that legislative requirements regarding Equality Impact Assessments (EIAs) and Fairer Scotland Duties (FSD) are being met.

Under the Equality Act 2010, the Council is required to have a system in place for assessing the likely effects of policies, procedures and functions to make sure that they promote equality of opportunity and do not lead to unlawful discrimination.

Equality Impact Assessment (EIA) is a systematic way of finding out if a new or revised proposal (e.g. function, strategy, plan, policy, committee report, procedure, service review, etc.) has an impact – positive or negative - on one or more of the 9 protected characteristic groups: age; disability; gender reassignment; marital/civil partnership status; pregnancy/maternity; race; religion and belief; sex/gender; sexual orientation.

By undertaking EIAs, the Council aims to ensure that equalities implications are considered in everything we do (i.e., given due regard).

From 2018, we have also been required to undertake Fairer Scotland Duty (FSD) Assessments to assess for any socio-economic impacts, but this applies to strategies only (e.g., Local Development Plan, City Deals, budget preparation, preparation of LOIPs or Corporate Plans, Locality Planning, Procurement Strategies, Workforce Planning, CLD Strategic Plans, Community Justice Outcome Improvement Plans, etc.).

The council has adopted an integrated EIA/FSD Assessment Form and accompanying guidance:

- EIA / FSD form
- EIA / FSD guidance document
- Fairer Scotland Duty

Additionally, within committee reports there is a paragraph which must be completed indicating if an EIA is required, and if so, that it has been completed. An EIA must also be completed for all proposed annual budgeting decisions.

The overall objective of the audit assignment is to provide assurance that Council services are complying with the corporate guidance put in place to ensure the requirements of the Equalities Act are being met.

The specific Control Objectives of the audit are to ensure that:

- The corporate policies and procedures in place to ensure compliance with the Equalities Act 2010 are efficient and effective and include defined roles and responsibilities in terms of governance of equalities issues.

- Staff have been provided with adequate training and guidance to enable them to implement the Council's policies and procedures. The training and guidance include consideration of changes/decisions made by officers which do not require Committee approval.

- Consultation undertaken as part of the EIA/FSD process takes place at an appropriate stage, to allow the impact of proposed changes on affected groups to be adequately assessed and feed into the review process.

- EIAs are completed and published on the Council's website for all significant new or revised proposals (e.g., function, strategy, plan, policy, committee report, procedure, service review, etc.).

- FSD Assessments are completed and published for all new or revised strategies.

- Mitigating actions identified in EIAs and FSD assessments are actioned and monitored as necessary.

The audit covered both full and screening EIAs. A full EIA is not required when one or more of these apply:

(i)   The proposal has no impact on people
(ii) The proposal is a flat increase in fees which doesn't have a negative impact on people from different protected characteristic groups
(iii) It is for information for elected members
(iv) It is reflective, such as reporting on council spending which has already taken place.
(v) The subject matter is technical

When this is the case a screening EIA is completed. The completion of a screening EIA demonstrates that the proposal has been given due regards in terms of equalities implications and a full EIA has been found to be unnecessary.

We interviewed relevant staff and issued a short questionnaire to EIA Champions. We reviewed this information against an internally generated risk and control matrix based on the above control objectives, and the findings were documented.
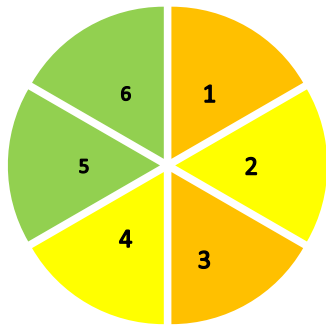
Conclusion

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:

Control assessment

1. The corporate policies and procedures in place to ensure compliance with the Equalities Act 2010 are efficient and effective and include defined roles and responsibilities in terms of governance of equalities issues.

2. Staff have been provided with adequate training & guidance to enable them to implement the Council's policies & procedures. The training & guidance includes consideration of changes/decisions made by officers which do not require Committee approval.

3. Consultation undertaken as part of the EIA/FSD process takes place at an appropriate stage, to allow the impact of proposed changes on affected groups to be adequately assessed and feed into the review process.

4. EIAs are completed and published on the Council's website for all significant new or revised proposals (e.g. function, strategy, plan, policy, committee report, procedure, service review, etc.)

5. FSD Assessments are completed and published for all new or revised strategies.

6. Mitigating actions identified in EIAs and FSD assessments are actioned and monitored as necessary

Audit Recommendations summarised by Type & Priority

Priority 1
Priority 2
Priority 3
Priority 4
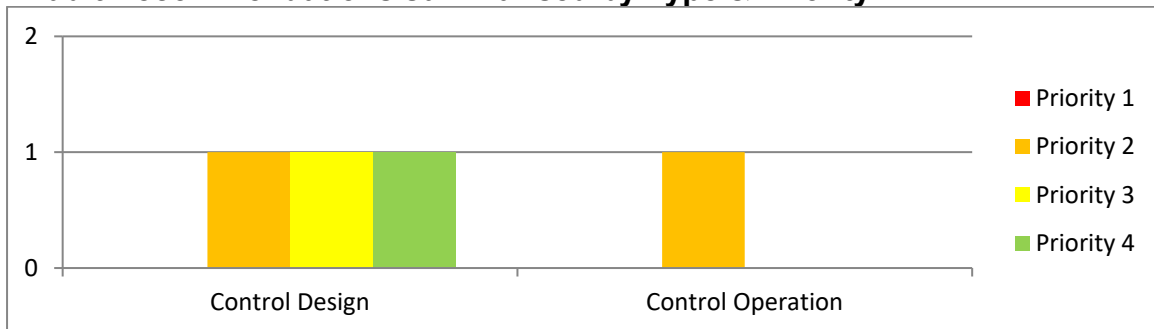
There are four recommendations in this report. There is one Priority 2, one Priority 3 and one Priority 4 Control Design recommendations and one Priority 2 Control Operation recommendation in this report.

Key Findings

Good Practice:

We have identified the following areas of good practice:

- The Equalities Officer is extremely knowledgeable and is available to help on all areas of EIA/FSDs.

Planned Improvements/Changes:

- There is currently an IT project looking at the digitalisation of the EIA/FSD process, with the process being fully mapped to review the workflow and then a review of options to digitise.

Areas Identified for Improvement:

We have made 4 recommendations to address high, moderate and limited risk exposure which are:

Level 2

- Consideration should be given to how to ensure that Equality is considered at the start of every project/report/policy revision. EIAs and associated training could be publicised more, for example regular reminders on the carousel and discussion at leadership forums, as well as ensuring that completed EIAs, including results of the Equalities consultation, are in the draft report at pre-agenda stage

- Management should ensure that a committee report cannot be uploaded without a completed EIA/FSD form attached, where a full assessment has been required.

Level 3
- Consideration should be given to only uploading the EIA/FSD forms when a full assessment is required. Where the initial screening identifies that a full review is not required, then standard wording to say that screening has been undertaken and a full review is not required should be developed and used in the report.

Level 4
- The updated EIA process guidance should recommend that when completing an EIA, the Service Champion should invite a less experienced Champion from another Service to be involved, to help increase their knowledge.

Impact on Risk Register

The Corporate Risk Register held on Pentana includes the following risk specifically relating to this audit:

> CORRR Legislation - The Council is unable to fully implement new legislative requirements on time and within budget to achieve the required outcomes. Impact 3 Significant, Likelihood 3 Low to High, Score 9 Significant – Low to High. Target Score 6 Significant – Low.

Direct risks of failure to meet the Council's duties under the Equality Act include the following:

- Relevant legislation is not complied with
- Equality issues are not consistently and vigorously considered across the organisation as part of decision making
- Variation in the quality of EIAs across the Council
- Consultation doesn't take place at an appropriate stage in the decision-making process, therefore relevant information/views may not be taken into account in assessing impacts
- Assessments are not available for the general public to review and respond to
- Ineffective actions put in place to reduce negative/increase positive equality impacts, and ineffective monitoring of actions

Having one Equalities Officer for the whole Council represents a single point of failure. Consideration should therefore be given to how this is recognised in the Service Risk Register.

Project Management

Background & Scope

As part of the 2022/23 annual plan, Internal Audit has completed a review of the arrangements in place for Project Management within Angus Council.

Our review has identified a number of areas for improvement with regards to both the design and operation of controls, which, if addressed, would further strengthen the Council's control environment.

The Scottish Government defines project management and project governance as follows:

"**Project Management** is the discipline of planning, organising, securing, managing, leading, and controlling resources to achieve specific goals.

Governance ensure(s) there are effective reporting arrangements from the programme or project into the higher-level corporate environment."

Guidance on the Council's corporate approach to project management and governance can be found on the Intranet. Significant investment in project management training took place between 2015 – 2019, including Managing Successful Programme (MSP) and LEAN training. A further programme of project management training was put in place in 2019 and, up to November 2022, 150 Council employees have now undertaken this training, with a further 29 trained in PRINCE2, an internationally recognised project management methodology.

During our audit plan development for the current year, it was considered timely that corporate procedures for project management and governance were reviewed to ensure they are followed consistently for all projects.

The audit will seek to provide assurance that the Council's Project Management guidance has been followed where this is relevant and appropriate, with each stage properly documented and progress reported to the Change Board on a regular basis throughout the project as applicable.

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

Start-up & Initiation

- An appropriate Senior Accountable Officer and Project Lead have been identified.

- A high-level Project Brief has been prepared and approved.

- A Business Case and Benefit Delivery Plan, covering the reason for the project, options appraisal, expected benefits, costs, risks, success criteria and expected outcomes, have been prepared and approved prior to commencement of the project.

- A Project Initiation Document (PID), project plan, risk register and communication plan have been completed and approved, including roles and responsibilities, and required resources identified.

- A Project Team is established (if applicable and in line with the scale of the project) with representatives from all key stakeholder groups, meets regularly to review progress, agrees a plan with key actions to keep the project on track, and reports regularly to the Senior Accountable Officer and the Change Board.

- Key members of each Project Team, in particular the Project Lead, have been trained in the Council's corporate Project Management procedures.

- The Council's standard Project Management templates have been used throughout the project; where standard templates have not been used, adequate alternatives have been completed.

Delivery
- The Project Team meets regularly to review progress, agree plan and actions to keep the project on track, and reports regularly to the Senior Accountable Officer and the Change Board.

- Regular monitoring and evaluation of project budget and milestones are carried out throughout the project and properly documented, with highlight reports, exception reports, issues log, change requests, and benefit delivery plan updated regularly, reviewed by the Senior Accountable Officer, and the Change Board as required.

- The risk register is reviewed regularly, updated and mitigating actions are taken as necessary.

- Sufficient testing of the right things at the right time by the right people (including end users) is undertaken, with appropriate evaluation & remedial action taken if necessary (where this is relevant to the project).

- Appropriate training of the right people is undertaken before the new system goes live (where this is relevant to the project).
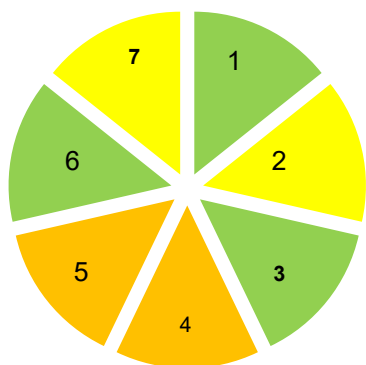
Closure
- An End Project Report, Lessons Identified Report and Post Project Benefit Management Plan have been completed.

- Lessons identified are shared across the Council where relevant to inform future projects.

Conclusion

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

Start-up & Initiation - Control assessment

■ 1. An appropriate Senior Accountable Officer and Project Lead have been identified

■ 2. A high-level Project Brief has been prepared and approved

■ 3. A Business Case and Benefit Delivery Plan, covering the reason for the project, options appraisal, expected benefits, costs, risks, success criteria and expected outcomes, have been prepared and approved prior to commencement of the project

■ 4. A Project Initiation Document (PID), project plan, risk register and communication plan have been completed and approved, including roles and responsibilities and required resources identified

■ 5. A Project Team is established (if applicable and in line with the scale of the project) with representatives from all key stakeholder groups, meets regularly to review progress, agrees a plan with key actions to keep the project on track, and reports re

■ 6. Key members of each Project Team, in particular the Project Lead, have been trained in the Council's corporate Project Management procedures

■ 7. The Council's standard Project Management templates have been used throughout the project; where standard templates have not been used, adequate alternatives have been completed

Delivery & Closure Control assessment
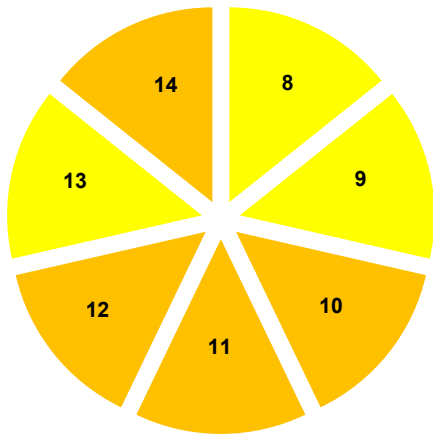
- 8. The Project Team meets regularly to review progress, agree plan and actions to keep the project on track, and reports regularly to the Senior Accountable Officer and the Change Board

- 9. Regular monitoring and evaluation of project budget and milestones are carried out throughout the project and properly documented, with highlight reports, exception reports, issues log, change requests, and benefit delivery plan updated regularly, revie

- 10. The risk register is reviewed regularly, updated and mitigating actions are taken as necessary

- 11. Sufficient testing of the right things at the right time by the right people (including end users) is undertaken, with appropriate evaluation & remedial action taken if necessary (where this is relevant to the project)

- 12. Appropriate training of the right people is undertaken before the new system goes live (where this is relevant to the project)

- 13. An End Project Report, Lessons Identified Report and Post Project Benefit Management Plan have been completed

- 14. Lessons identified are shared across the Council where relevant to inform future projects

Audit Recommendations summarised by Type & Priority

Improvement actions by type and priority
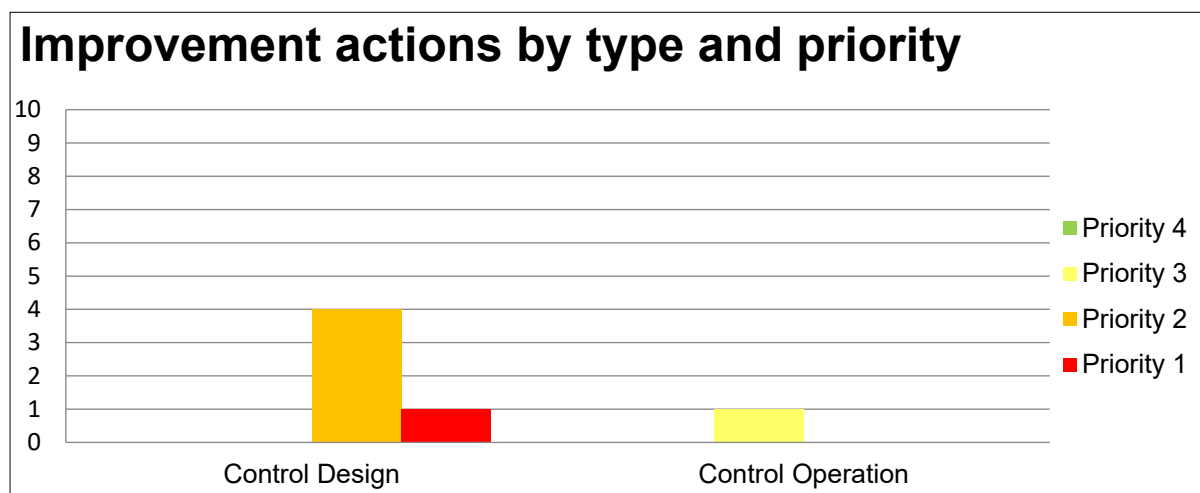
There are six recommendations in this report; five design control recommendations (one priority 1 and four priority 2); and one priority 3 operational control recommendation.

Key Findings

Good Practice:

We have identified the following areas of good practice:

- Council project management document templates are available and can be adapted for all sizes of project.

- There is a tailored Angus Council project management course available to all involved in project management.

- Online training is also available on Always Learning for benefit identification and tracking.

- Options appraisal e-learning is also available which includes a survey asking what other training OD should provide in relation to project management.

Planned Improvements/Changes:

- The Council is currently considering its options regarding the future strategy of the Change Programme and the governance and reporting arrangements.

Issues identified from Service Design work within the Council during 2022/23, related to available resources to manage and deliver projects, were also identified as part of this audit. Work is needed to free up staff time from day-to-day management and delivery to allow sufficient capacity to undertake and implement projects/reviews within a reasonable timeframe.

Areas Identified for Improvement:

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

Priority 1

- During the current re-evaluation of the Change Programme governance, consideration should be given to who should be appointed as a project Senior Accountable Officer (SAO), to ensure their independence from the Change Board to improve accountability. Where Directors continue to be appointed as SAOs, they should not be involved in the active review or decision making about their projects at the Change Board.

Priority 2

- As the project plan is one of the key documents that must be submitted for approval during the Angus Council Project Lifecycle, it is recommended that the project plan guidance is enhanced including examples of plans available.

- Corporate project management guidance should be updated to state that if project teams wish to deviate from the Council's standard procedures, approval must be sought from the Change Board.

- Update guidance to include testing and training, giving a high-level explanation as to why these are required and what these should achieve, to ensure project teams do not proceed to further stages before they are ready.

- Lessons identified should be shared across the Council e.g., by creating a lessons identified folder in SharePoint which all project teams can access. This should be actively promoted on the Intranet to raise awareness.

Priority 3

- The Change Board should hold SAOs accountable for providing monthly updates to the Change Team on a timely basis, to allow the Board to receive the information necessary to perform their duties. This should include Pentana updates, monitoring of budgets and milestones, and updates to risk registers.

Impact on Risk Register

The following risk(s) has/have been identified in Pentana as being relevant to this audit:

- CORRR0001 – Financial Sustainability - The Council does not plan and implement the necessary changes in its services to deliver its priorities within the resources available and/or local government funding for core services reaches levels which make it impossible to deliver all statutory duties. This results in a financially unsustainable Council unable to meet all its statutory duties including the requirement to set a balanced budget each year. Impact 4 Major, Likelihood 5 Very High, Overall Score 20 Major to Very High, Target Score 9 Significant - Low to High.

- CORRR0002 – Transforming for the Future - The Council fails to transform its service delivery sufficiently to meet future demands and priorities while working within its budget constraints and rising costs. Impact 5 Critical, Likelihood 3 Low to High, Overall Score 15 Critical – Low to High, Target Score 6 Significant - Low.

The direct risk is that without proper procedures and controls in place, projects may be poorly managed and intended outcomes and benefits will not be realised.

Participatory Budgeting

Introduction

As part of the 2022/23 annual plan, Internal Audit has completed a review of Participatory Budgeting (PB) within Angus Council to provide assurance that there are appropriate controls in place to ensure effective development and management of PB.

Background & Scope

PB allows communities to decide how part of the Council's budget and external funding will be spent within their area.

The Scottish Government made funding available for communities through Community Choices Funding starting in 2014. This was rolled out to the communities of Angus through a grant scheme approach. In 2017 the Scottish Government agreed a framework with Local Authorities whereby at least 1% of local government budgets would be subject to PB by the end of 2021. Due to Covid-19 a revised Framework Agreement was published in 2021. This recognised that the timeframe for achievement of the 1% needed to be flexible and 'should be empowering of local communities, inclusive of diverse groups, focused upon dialogue and deliberation as part of decision making and result in meaningful outcomes for local communities and people.'

There is a PB Charter for Scotland designed to help local authorities and communities to understand what a good PB process should look like. The Charter is not mandatory but is seen as good practice and is being used by the Council. It covers guiding statements under seven key features:
- Fair and inclusive
- Participatory
- Deliberative
- Empowering
- Creative and flexible
- Transparent, and
- Part of our democracy

History of Participatory Budgeting in Angus Council

There have been a number of reports to Council since the Framework was first agreed outlining PB activity and plans. In the past different approaches were taken in different areas to explore how best to implement PB. Members of the Scrutiny & Audit Committee have previously noted that progress with implementation was slower than they would have liked to see, and a number of members have expressed dis-satisfaction with the process prior to 2022/23 at various Council meetings.

The approach in 2021/22 changed, but was still grant-based, with community groups bidding for funding. In 2021/22 £260,000 (£65,000 in each ward) was awarded to 30 projects following a public vote. 26 of these were fully funded. A further 38 projects were approved for voting, one of which was withdrawn, but were not funded.

Evaluation of this approach against the seven Charter features, including through a short life working group that reported to Council in November 2021, summarised a number of lessons to address issues with the process to date. This was captured in a document titled "Choice for Angus. Your Voice. Your Future" in January 2022.

Following the evaluation of the process up to March 2022, a change in approach was made for 2022/23 onwards to address concerns raised. This moved away from PB grants, to identifying areas of mainstream budget that can have greater community influence in how they are spent.

On 21 June 2021 the Council approved a report (R210/21) which set out changes to the directorate portfolios and the introduction of a new service. Amongst other things the changes aimed to;

- Improve Angus Council's community engagement and empowerment by building this approach into our organisational culture. This was intended to include delivery of PB, and
- Reinvigorate and focus our work on demand management and the progression of Community Wealth Building.

Approval was granted to employ a new temporary Service Leader for Vibrant Communities. Part of the remit of this service was to improve the engagement and consultation with the citizens of Angus and to embed the Participatory Budgeting process throughout the council.

Scope

The overall objective of the original audit was to provide assurance that there are appropriate controls in place to ensure effective development and management of PB.

It was decided at a meeting held in March 2023 between the Director of Vibrant Communities and Sustainable Growth, the Service Leader Vibrant Communities and Service Leader – Internal Audit that the control objectives agreed in the audit brief in December 2022 would be replaced by a review of PB work completed, what is happening currently and future plans to embed PB in working practice. The delay in completing the review is due to staff holidays and other work commitments by Vibrant Communities staff including the work to conclude the in-depth Service Review of the service which commenced in 2022 and forms part of the Change Programme and the required significant restructuring and identification of £350,000 of savings. In view of the change in focus the work has not been treated as a scored assurance audit.

Interviews were held with relevant staff and a timeframe of PB activity documented the work performed. The output will be a report to the Director of Finance and the Director of Vibrant Communities and Sustainable Growth and a summary of the outcomes to the Scrutiny and Audit Committee.

Conclusion

There had been reasonable preparatory progress up to May 2023 and since then the Council's approach has been finalised and the process is ready to roll out to services. Officers now need to take this forward as planned to ensure that we obtain an acceptable level of spend that can be attributed to participatory budgeting.

Officers have confirmed that the emphasis to date has been to ensure the approach is developed ready to be embedded through service decisions and Participatory Budgeting is used to ensure citizens of Angus are involved in budget decisions. All of the activity in 2022/23, and up to July 2023, takes the Council closer to implementing the Framework and is in line with the seven key features of the Charter. In particular the new Granicus engagement portal will provide useful tools to enable PB engagement. Progress with development has been slower than originally planned and actual spend in 2022/23 remains well below the 1% target.

Discussions are now underway with the Director of Finance and officers are confident that an allocation of spend will be identified and the 1% target will be met for 2023/24. We have made a Priority 1 recommendation about future monitoring and reporting, including clarifying how PB projects will be identified to keep track of PB spend on an on-going basis.

We have relied on officer representations for some of the information in this report because there is no formal record of discussions and decision making specifically related to PB and we have a Priority 2 recommendation that minutes or meeting notes should be kept to record key discussions, decision making and agreed actions.

Audit Recommendations summarised by Type & Priority
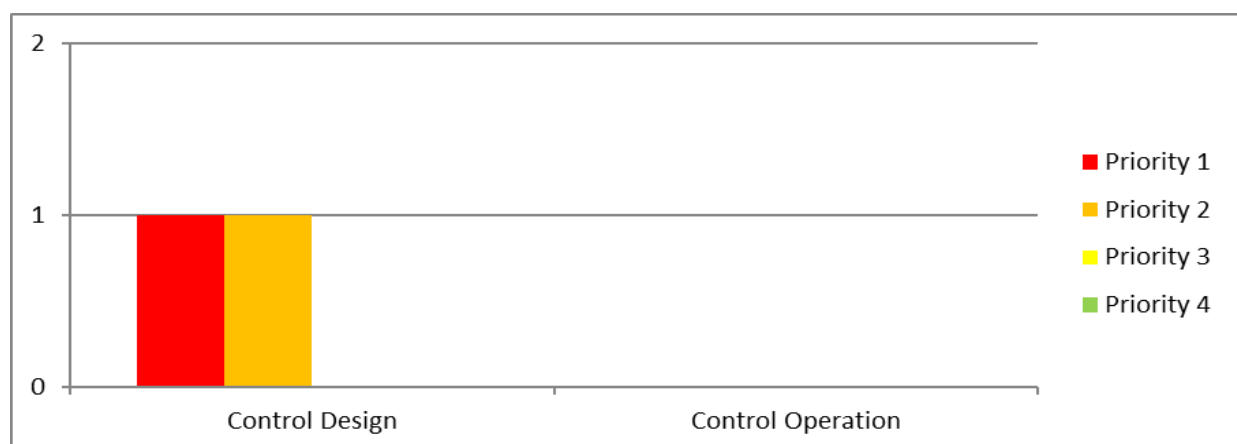
There are two design control recommendations in this report, one Priority 1 and the other Priority 2.

Key Findings

Areas Identified for Improvement:

We have made 2 recommendations to address very high and high risk exposure which are:

Level 1

- Monitoring and reporting arrangements regarding PB should be developed, including a timeline for key milestones to fully embed the process within services and clarification of how and when in the process PB spend will be identified and recorded as such.   A means of raising awareness within services to ensure they comply fully with their PB responsibilities should be part of the development.

Level 2

- Minutes or meeting notes should be kept to record key discussions, decision making and agreed actions relating to Participatory Budgeting.

Impact on Risk Register

The Corporate Risk Register does not include any risks specifically relating to Participatory Budgeting. The direct risks are reputational if the Council does not fully address the requirements for the Participatory Budgeting Framework Agreement and Charter and the arrangements do not engage effectively with communities.

Digital Strategy & Governance

Background

The Council has a Digital Strategy which was approved in March 2018. This sets out high level principles for digital initiatives and, when approved, the Strategy was supported by separate Technology and Digital work plans covering the period 2018-20.

There has been significant increase in digital initiatives across the public sector in recent years, this being accelerated by the response to the Covid-19 pandemic.

The advancements in technology and need for efficiency in operations means that organisations need to constantly evaluate opportunities for transforming service delivery, with digital strategy being a key component in achieving this.

Scope

This review was advisory in nature and has examined the adequacy of the current digital strategy and governance arrangements. The review assessed whether the current strategy, and supporting technology and digital roadmaps/work plans, are fit for purpose given the significant levels of digital adoption since 2020.

We also assessed whether the current digital strategy governance framework provides for effective demand management, prioritisation and oversight of the digital strategy projects/ initiatives.

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

- There are effective mechanisms for gaining stakeholder input to digital strategy development and planning.
- Digital and technology strategy roadmaps are aligned to corporate strategy.
- There are clearly defined digital strategy governance arrangements.
- Digital strategy governance arrangements provide effective demand management, prioritisation and oversight of the delivery of digital strategy projects/initiatives.

Background and context

At the time of our review, Digital & IT management were planning to revisit the digital strategy and governance arrangements. This was to reflect the fact that the previous strategy was approaching "end of life" and that a new Council Plan had been released. In addition, the Service Leader - Digital Enablement & IT, who joined the Council in late 2022, had had the opportunity to review internal governance arrangements by this point.

The current digital strategy was approved in 2018. It is based on principles which provide the foundation for assessing whether a proposed digital project has merit. In the past, annual delivery plans have been produced which set out a programme of digital project activity. Good progress has been made in delivering the digital strategy and delivery plans since 2018.

The Digital Strategy Board has membership of 10-12 Officers and meets monthly. The Board is chaired by the Director of HR, Digital Enablement, IT and Business Support.

Areas of good practice

We have identified a number of areas within the council which represent good practice in relation to digital strategy and governance:

- The current digital strategy is based around core digital principles rather than outputs and/or outcomes. A benefit of this approach is that it commits the Council to an agreed set of principles and reduces the risk of delivering digital services and technology that have been superseded by advances in technology and/or changes in the business environment. The good progress in the current structure and approach should be carried forward into the next iteration of the strategy.
- The review and approval of digital developments is subject to a separate governance process. This allows agile approaches to small business improvement activities to progress at pace.
- The Digital Strategy Board is the main governance group for the current digital strategy and provides oversight of digital projects. The Board, which meets monthly, has senior leadership with it being chaired by the Director of HR, Digital Enablement, IT & Business Support.
- The Service Leader – Digital Enablement & IT has invested time in building relationships with senior stakeholders and their respective teams. This has been with the aim to create better awareness of what the team can deliver for them.

Areas for further development

Overall, there were no significant weaknesses identified from our review.

A number of the development points identified were already recognised by management and due to be addressed as part of the planned update of the digital strategy. The points set out below are aimed at enhancing the current digital strategy and governance control framework. These points were developed and agreed as part of discussions with key stakeholders during the planning and fieldwork stages of the review.

We have categorised the development points by three thematic areas: Digital Strategy Update; Digital Strategy Board; and Managing and Prioritising Demand.

Digital Strategy Update

- Progress the renewal of the digital strategy as planned to reflect changes to organisation priorities, as set out in the Council Plan 2023-26, as well as supporting Finance, Change and Workforce Plans. In updating the strategy, management should also consider aligning to wider Scottish Government and partner digital strategies, including the Digital Health & Social Care Strategy.
- Allied to this, management stated they planned to develop a digital strategy delivery plan. This is good practice.

This should set out a multi-year plan of digital initiatives/outcomes and be driven by Directorate and/or Service planning activities to ensure alignment with Council, Finance, Change and Workforce Plans. In developing this plan, management should also assess the workforce and skills requirements to support delivery of an ambitious digital delivery plan. This should include reviewing headcount for strategic digital projects as well as digital developments using Granicus.

Digital Strategy Board

- Management recognised that the update of the digital strategy presents an opportunity to revisit the role, operation and remit of the Digital Strategy Board.

The Digital Strategy Board has continued to meet regularly and has a key role in providing oversight of digital projects. Management recognised a need for the Digital Strategy Board to have a formal terms of reference, and for its focus to evolve more towards strategic digital projects.

Through discussion we identified that, if the Board does adopt a more strategic role, it should also assume responsibility for demand management and prioritisation. Similarly, there was agreement that it would be beneficial for improved clarity around approval and oversight of digital projects and how the Board's role relates to other council governance groups (e.g., Change Board and Performance Led Board) who may approve digital initiatives.

Potential ways to enhance the role and operation of the Digital Strategy Board include:

- o Creation of a formal terms of reference for the Digital Strategy Board which clearly sets out its roles and responsibilities, including decision making authority. This should also set out the strategic role of the Board as well as how it relates to the other governance groups, particularly the Change Board and Performance Led Board. This will provide clarity over demand planning, prioritisation, approval, and oversight of strategic digital projects.
- o If the Board does take responsibility for demand management and prioritisation, criteria for managing and prioritising demand associated with proposed digital projects should be established and applied. This could include criteria such as: project complexity, risk, strategic alignment etc. The Digital Strategy Board should regularly review and update digital project priorities to ensure that resources are matched to those projects which maximise benefit to the Council.
- o Provide oversight over the digital delivery plan. This should be to confirm that projects are progressing in line with strategic objectives.

- Management has identified benefit in reviewing the membership of the Digital Strategy Board to have greater representation from Directorates and Services. Management has identified that, at present, it is largely Digital

Enablement and IT staff who attend with limited representation from across Directorates and Services. Ideally, attendees from Directorates and Services would have an interest in digital initiatives and be able to represent their area as well as promote cross-Directorate/ Service digital opportunities. Having wider business representation will also provide a better framework for the Digital Strategy Board's role in digital project oversight as well as demand management and prioritisation.

Managing and Prioritising Digital Demand

- Work has been underway to improve processes for identifying and managing digital demand. As stated above, Digital and IT plans to produce a digital delivery plan. To support this, management has identified that there is merit in restoring business relationship management processes to identify demand. Whilst there are regular discussions with Directorate and Service leadership, these processes have not yet been formalised to the extent they were prior to Covid-19. To identify demand, management should:

  o Progress a proposal highlighted during our review. This was for Business Development Managers to request Directorates and Services to create their own, local digital strategy.
  o Ensure that all demand is collated and subject to formal assessment and prioritisation by the Digital Strategy Board.
  o Investigate options for how projects of different scale and priority can be progressed, especially those which are specific to a Directorate or Service and can provide qualitative and quantitative benefits to service provision and/ or the cost of operating a service. This could include the Digital Strategy Board allocating, for example, 85% of resources to high priority Council-wide projects, 10% to high value Directorate level projects and 5% to high value Service level projects.

Conclusion

Overall, the Council has a reasonable base from which it can develop digital strategy and governance arrangements. The current approach of having a principles-based strategy should be continued with the creation of a multi-year digital delivery plan being a priority action.

There are several areas relating to demand planning and governance that could be enhanced. The implementation of the above development points will help ensure that management adopts a strategic approach to the assessment, approval and oversight of digital initiatives within the Council.

Mandatory E-Learning Courses
This audit was planned to assess compliance with mandatory e-learning courses and processes in place to achieve maximum uptake.

We already know that sometimes mandatory training is not completed. HR is currently reviewing how this is approached, recognising that we need a list of mandatory training, we need to know who is responsible for reviewing content, and we need to know about completion of training and evaluation of it. More importantly we need to know that people are talking about and applying their learning. That should happen through PDRs or other conversations, and this will be explored through workforce planning development discussions planned with services to begin in August 2023. In view of this we will not be taking this audit forward at this time and have included this aspect in the planning discussions that have taken place for the PDR audit.

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 37 (32 on 1 June 2023) Internal Audit actions outstanding on 10 August 2023 (excludes actions for Angus Alive and IJB). CLT receive and review regular detailed reports on the outstanding audit actions.

- Table 1 shows the number of actions which are overdue
- Table 2 identifies the number of actions which would have been overdue but have had the **original completion date extended**.
- Table 3 details all other actions which are **currently in progress** (not yet reached due date).

Internal Audit Actions - Overdue – 10 August 2023

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Legal & Democratic	2019/20	-	-	-	-	-	-
	2020/21	-	-	-	-	-	-
	2021/22	-	1	-	-	-	1
Children, Families & Justice	2019/20	-	-	-	-	-	-
	2020/21	-	-	-	-	-	-
	2021/22	-	-	1	-	-	1
Grand Total		**-**	**1**	**1**	**-**	**-**	**2**

Internal Audit Actions - In Progress – 10 August 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	-	1	-	-	-	1
	2020/21	-	3	-	-	-	3
	2021/22	-	-	1	-	-	1
	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	-	-	-	-	-	-
Grand Total		**-**	**6**	**2**	**-**	**-**	**8**

Internal Audit Actions - In Progress – 10 August 2023
(Not yet reached due date)

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
HR, DE, IT & Business Support	2021/22	-	-	-	-	-	-
	2022/23	1	7	8	1	-	17
Vibrant Communities & Sustainable Growth	2021/22	-	-	2	-	-	2
	2022/23	-	-	-	-	-	-
SPT&PSR	2021/22	-	-	-	-	-	-
	2022/23	1	4	1	-	-	6
AHSCP	2021/22	1	-	-	1	-	2
	2022/23	-	-	-	-	-	-
Grand Total		**3**	**11**	**11**	**2**	**-**	**27**

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.**