ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 23 JANUARY 2024

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)

(iii)   Review and approve proposed changes to the 2023/24 Plan (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   We previously reported a vacancy in the Internal Audit Team due to a retiral. Since 18 December a second full-time Auditor post has been vacant, due to the postholder moving to a promoted post within another Council service. This is significantly impacting on delivery of 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 tender was advertised on PCS with a closing date of 30 October 2023 and after evaluation of tenders and a ten-day standstill period, the contract was awarded to Azets. A recruitment exercise to fill the vacant auditor posts is now in progress, following completion of a review of the career grade structure for Auditors.

3.7   The plan for 2023/24 has been reviewed and the impact is detailed in the activity report in Appendix 1. It is proposed to carry forward a number of audits to 2024/25, ask the support contractor to undertake some audits, and to add one new audit to the 2023/24 Plan.

3.8   The initial trial of the job-sharing arrangement with Dundee City Council for the Service Leader Internal Audit role ended on 30 September 2023. Following a review, the job-sharing is continuing as a permanent arrangement and formal documentation is being prepared.

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 - Payroll	Comprehensive	N/A	-	-	-	-
Continuous Auditing – Creditors Duplicate Payments	Substantial	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.

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List of Appendices:
Appendix 1	Internal audit update report

Angus Council Internal Audit

Update Report

Scrutiny & Audit Committee

23 January 2024

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 November 2023 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 November meeting.

One audit from 2021/22 (Organisational Resilience) that was on hold is now further progressed and fieldwork is complete; this work was undertaken by Azets.

The Plan has been reviewed in light of the current staffing position. It is proposed to carry forward a number of audits to 2024/25, ask the support contractor to undertake some audits, and to add one new audit to the 2023/24 Plan. Details of these proposed changes are outlined in the table below.

The revised Plan, taken together with other sources of information available to the Service Leader, will provide sufficient evidence to allow the annual opinion to be given in June 2024.

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

Progress with Internal Audit Plan 2023/24

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
Performance Management & Monitoring	May/June 2024				*Aug. 2024*
Risk Management	TBC – possibly Azets				TBC
Tay Cities Deal – review of one specific project	Carry forward to 2024/25				TBC
Financial Governance					
Payroll continuous auditing April to June 2023 July to Sept. 2023 Oct to Dec 2023	On-going	Complete Complete Complete	Comprehensive Substantial Comprehensive	N/a	Aug 2023 Nov. 2023 **Jan 2024**
Creditors continuous auditing Duplicate Payments April to June 2023 July to Sept. 2023 Oct to Nov 2023	On-going	Complete Complete Complete	Comprehensive Comprehensive Substantial	N/a	Aug. 2023 Nov. 2023 **Jan 2024**
Creditors continuous auditing Same person registration and authorisation	TBC				TBC
External Placements (Children)	Carry forward to 2024/25	Planning			TBC

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / *(target in italics)*
Payroll (added November 2022 to 2022/23 plan)	Feb./Mar. 2023	Complete	Substantial		Oct. 2023
Self-Directed Support (SDS)	Carry forward to 2024/25				TBC
Programme of Random Cash Counts	December 2023				March 2024
Place Based Investment Programme	Remove from Plan			Alternative assurance provided - Report 288/23	P & R Committee Oct. 2023
Purchase ledger invoice processing & authorisation	Carry forward to 2024/25 (planned June/July 2024)				Oct. 2024
Supplier Bank Details – process for changes	March 2024				*June 2024*
Tayside Contracts – Invoice & Payments Monitoring	April/May 2024				*Aug. 2024*
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
IT User Access Administration - Eclipse	TBC – to be delivered by Azets				TBC
IT Business Continuity	TBC – to be delivered by Azets				TBC

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / *(target in italics)*
Digitisation of Services	TBC – to be delivered by Azets				TBC
Data analysis – System access	March 2024				June 2024
Internal Controls					
PDR Appraisal System	Nov./Dec. 2023	Draft report under review			*Mar. 2024*
Mandatory E-Learning Courses/Corporate Training (2022/23 plan)	May 2023	Removed from plan due to current activity by service	N/A	N/A	N/A
Contract Management Procedures	Carry forward to 2024/25				TBC
Procurement	Carry forward to 2024/25				TBC
AWI Follow-up	Feb. 2024				April 2024
Asset Management					
IT Asset Hardware Inventory (2022/23 plan)	March/Apr. 2023	Complete	Substantial		Oct. 2023
Housing Void Management	Carry forward to 2024/25				TBC
IT Asset Hardware Inventory - Schools	Nov./Dec. 2023	In progress			*March 2024*
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

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / *(target in italics)*
Serious Organised Crime (SOC)	Oct./Nov. 2023	Draft report under review			*March 2024*
GDPR Compliance in Children, Families & Justice	Sept. 2023	Complete	Substantial		**Nov. 2023**
UK Shared Prosperity Fund	Oct. 2023	Complete	Substantial		**Nov. 2023**
Consultancy and Advice					
Organisational resilience (2021/22 plan)	Oct./Nov. 2023	Draft report under review			*March 2024*
Housing Voids data recording. Item added to plan November 2023	TBC				TBC
Collaboration & Partnership Work	Carry forward to 2024/25				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 2023/24 was agreed at their Finance & Audit Sub-committee on 9 June 2022. On piece of work has been completed and reported, and work is in progress on the next audit in the plan.

The IJB Annual Internal Audit plan for 2023/24 has now been agreed, and the work to be undertaken by our team has been planned and is due to commence in January.

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 – Payroll	Comprehensive	N/a	-	-	-	-
Continuous Auditing – Creditors Duplicate Payments	Substantial	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 covering:

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

We are reporting on Payroll and Creditors duplicate payments.

Payroll - Comprehensive assurance October to December

• the top 10 payments	• for duplicate NI number
• for No NI number	• duplicate bank accounts

No errors were identified from testing for October to December 2023. The results from outstanding queries regarding two national insurance numbers for both November and December will be reported to a future meeting of the committee.

Creditors Duplicate Payments – Substantial assurance October to November

Two duplicate payments were identified in October 2023 totalling £23,162.03, and two in November 2023 totalling £977.11. One further potential duplicate payment for £32 is still under investigation. Recovery action is in progress.

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 34 (39 on 20 November 2023) Internal Audit actions outstanding on 15 January 2024 (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 are currently overdue
- Table 2 shows the number pf actions which would have been overdue but have had the **original completion date extended**.

Internal Audit Actions - Overdue – 15 January 2024

Directorate	Audit Year	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
HR, OD, DE, IT & Business Support	2019/20	-	1	-	-	-	1
	2020/21	-	2	-	-	-	2
	2021/22	-	-	-	-	-	-
	2022/23	1	3	5	-	-	9
Finance	2020/21	-	-	-	-	-	-
	2021/22	-	-	-	-	-	-
	2022/23	-	1	-	-	-	1
Grand Total		**1**	**7**	**5**	**-**	**-**	**13**

Internal Audit Actions - In Progress – 15 January 2024
(due date extended)

Directorate	Audit Year	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Children, Families & Justice	2020/21	-	-	-	-	-	-
	2021/22	-	-	-	-	-	-
	2022/23	-	-	-	-	-	-
	2023/24	-	1	1	-	-	2
Infrastructure & Environment	2020/21	-	1	-	-	-	1
	2021/22	-	-	-	-	-	-
	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
Vibrant Communities & Sustainable Growth	2020/21	-	-	-	-	-	-
	2021/22	-	-	1	-	-	1
	2022/23	1	1	-	-	-	2
	2023/24	-	-	2	-	-	2
Legal, Governance & Change	2020/21	-	-	-	-	-	-
	2021/22	-	-	1	-	-	1
	2022/23	1	1	-	-	-	2
	2023/24	-	-	-	-	-	-
HR, OD, DE, IT & Business Support	2020/21	-	-	-	-	-	-
	2021/22	-	-	-	-	-	-
	2022/23	2	5	1	2	-	10
	2023/24	-	-	-	-	-	-
Grand Total		**4**	**9**	**6**	**2**	**-**	**21**

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.**