

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 7 MARCH 2024

INTERNAL AUDIT ACTIVITY UPDATE

REPORT BY CATHIE WYLLIE – SERVICE LEADER - INTERNAL AUDIT

1. ABSTRACT

- 1.1 This report provides assurance through an update on Internal Audit matters including main findings from reports issued since the date of the last Scrutiny and Audit Committee, and progress with implementation of agreed Internal Audit and Counter Fraud actions.

2. ALIGNMENT TO THE COUNCIL PLAN AND COUNCIL POLICIES

- 2.1 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. RECOMMENDATIONS

- 3.1 It is recommended that the Scrutiny and Audit Committee:
- (i) Considers and notes the update on progress with the planned Internal Audit work (Appendix 1); and
 - (ii) Considers and notes management's progress in implementing internal audit and counter fraud recommendations (Appendix 1).

4. BACKGROUND

- 4.1 Annual Internal Audit plans are approved 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 agreed plan (agreed at the Scrutiny & Audit Committee in March 2023 ([Report 79/23](#)) and updated in Report 19/24 in January 2024) and items from the 2022/23 plan that were incomplete in June 2023.
- 4.2 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.
- 4.3 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.
- 4.4 Ad-hoc requests for advice are dealt with as they arise.

5. CURRENT POSITION

- 5.1 The latest results are included in the Update Report at **Appendix 1** and summarised in section 6 below.
- 5.2 A recruitment exercise to fill the two vacant auditor posts is in progress. The jobs have been advertised, with a closing date of 25 February 2024. Interviews will be held in week beginning 11 March 2024.
- 5.3 Revised Global Internal Audit Standards were published in January 2024. The Public Sector Internal Audit Standards (PSIAS), with which we are required to comply, will be updated during 2024. Further guidance on the Global Standards is also expected to be published during 2024.
- 5.4 The revised standards are more prescriptive than the current standards and some changes in operation and updates to procedures are likely to be required. These changes will be considered once the revised PSIAS is published.

6. SUMMARY OF ASSURANCES

- 6.1 The following table summarises the conclusions from audit work completed since the last Scrutiny and Audit Committee. Further information on each audit, and definitions of control assurances, are provided in Appendix 1.
- 6.2 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
PDR Appraisal System	Consultancy work	N/A	-	-	-	*
Organisational resilience	Consultancy work	N/A	-	-	-	*

* Information collected and actions are being taken forward through existing reviews.

7. FINANCIAL IMPLICATIONS

- 7.1 There are no direct financial implications arising from the recommendations of this report.'

8. RISK MANAGEMENT

- 8.1 The overall impact on risk management and recommendations made to mitigate risks identified during the audit are covered in each individual audit report.

9. ENVIRONMENTAL IMPLICATIONS

- 9.1 There are no direct environmental implications arising from the recommendations of this report.

10. EQUALITY IMPACT ASSESSMENT, HUMAN RIGHTS AND FAIRER SCOTLAND DUTY

10.1 A screening assessment has been undertaken and a full Equality Impact Assessment is not required for the following reason: - this report is providing reflective information for elected members.

11. CONSULTATION (IF APPLICABLE)

11.1 This report was circulated for consultation to all Directors of the Council.

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

7 March 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 January 2024 and provides an update on progress with:

- planned audit work, and
- implementing internal audit and counter fraud recommendations



AUDIT PLAN PROGRESS REPORT

The table below notes the stage of progress of all audits in the agreed 2024/25 plan and those carried forward at June 2023.

One audit from 2021/22 (Organisational Resilience) that was on hold is now complete.

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	March 2024 - to be undertaken by Azets	Planning			<i>June 2024</i>
Risk Management	March/April 2024 - to be undertaken by Azets	Planning			<i>June 2024</i>
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
Payroll (added November 2022 to 2022/23 plan)	Feb./Mar. 2023	Complete	Substantial		Oct. 2023
Programme of Random Cash Counts	Throughout year	In progress			<i>June 2024</i>

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Place Based Investment Programme	Removed from Plan			Alternative assurance provided - Report 288/23	P & R Committee Oct. 2023
Supplier Bank Details – process for changes	April 2024				<i>June 2024</i>
Tayside Contracts – Invoice & Payments Monitoring	April/May 2024				<i>Aug. 2024</i>
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	Feb 2024	Planning			<i>June 2024</i>
IT Business Continuity	Feb/March 2024	Planned			<i>June 2024</i>
Digitisation of Services	March/April 2024	Planned			<i>June 2024</i>
Data analysis – System access	April 2024	Planning			<i>June 2024</i>
Internal Controls					
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
AWI Follow-up	Mar. 2024				<i>June 2024</i>
Asset Management					

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
IT Asset Hardware Inventory (2022/23 plan)	March/Apr. 2023	Complete	Substantial		Oct. 2023
IT Asset Hardware Inventory - Schools	Nov./Dec. 2023	Draft report issued			<i>April 2024</i>
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
Serious Organised Crime (SOC)	Oct./Nov. 2023	Complete			<i>April 2024</i>
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					
PDR Appraisal System	Nov./Dec. 2023	Complete	Consultancy	N/A	March 2024
Organisational resilience (2021/22 plan)	Oct./Nov. 2023	Complete	Consultancy	N/A	March 2024
Housing Voids data recording. Item added to plan November 2023	April 2024	Planning			<i>June 2024</i>
Items carried forward to 2024/25 plan (agreed January 2024)					
Tay Cities Deal – review of one specific project					

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
External Placements (Children)					
Self-Directed Support (SDS)					
Purchase ledger invoice processing & authorisation	June/July 2024				<i>Oct. 2024</i>
Contract Management Procedures					
Procurement	Late 2024				
Housing Void Management	After current review by Service is implemented to ensure compliance				
Collaboration & Partnership Work					

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 and work is currently in progress.

The IJB Annual Internal Audit plan for 2023/24 has been agreed, and the draft report on the work undertaken by our team is currently under review.

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
PDR Appraisal System	Consultancy work	N/A	-	-	-	-*
Organisational resilience	Consultancy work	N/A	-	-	-	-*

* Information collected and actions are being taken forward through existing reviews.

PDR (Annual Appraisal) Consultancy Review

The 2023/24 Internal Audit annual plan included a review of the Council's PDR (Performance and Development Review) appraisal system to ensure services are following corporate guidance for all staff.

Responsibility for the Council's policy and procedures on PDRs/annual appraisals lies with Organisational Development. Responsibility for ensuring that PDRs/annual appraisals are carried out rests with line managers of all staff. However current guidance encourages staff to proactively ask for a PDR if they haven't had one for over a year.

The main objectives of PDRs, as defined by Organisational Development, are:

- to maintain relationships and connection between line managers and staff
- to provide an opportunity for staff to step back and have conversations with managers around how they are doing – both in terms of performance and wellbeing, how they are living the Council's values, their development needs and aspirations, and the way forward in their roles.

Initial discussions with officers in Organisation Development established that a traditional audit was unlikely to be of benefit to the service, as they were already aware that levels of compliance with the existing PDR process on Pentana are poor; in 2022 a total of 689 PDRs were started by managers, with only 401 of these completed and signed off by both manager and employee. This represents only around 9% of all Council staff. In 2023, 623 PDRs were started by managers, with 473 completed and signed off by both manager and employee, a slight improvement from the previous year.

It was therefore agreed that we would instead carry out a piece of consultancy work, which would try to establish the reasons for poor compliance levels, what managers and staff think might work better, and suggest options for achieving the above objectives in future which might result in better levels of participation and real benefits for staff.

The review asked staff to reply to an anonymous questionnaire to establish:

- whether staff have had an annual PDR/appraisal, and if so, did they feel it was beneficial.
- how connected staff feel to their line manager.
- how often they have 1:1 conversations with their manager about (a) their wellbeing, (b) performance, (c) career direction.
- to what extent these conversations meet the same objectives as PDRs (outlined above in paragraph 5).
- whether staff would like to have more regular 1:1 conversations with their line manager, and what support is required to do this.
- the views of staff on the need for formalised, recorded, annual conversations such as those in the current PDRs/appraisals.

We issued a questionnaire requesting feedback on the PDR process and communication between staff and their line managers using Forms. A link to the questionnaire with a brief description about the review was posted on Angus Matters front page, You Matters Issue 613 and Yammer. Due to the disappointing response to the initial request for feedback the date for completion was extended to the 30 November 2023. A reminder of the questionnaire was issued via You Matters Issue 617.

The table below details the number of replies we received split between Directorates. Although it was a poor response overall, a cross section of staff from all services did reply.

Questionnaire responses per directorate

Directorate	No. of replies
AHSCP	4
Chief Executive	8
Children, Families and Justice	4
Education & Lifelong Learning	8
Finance	10
HR, OD, Digital Enablement, IT & Business Support.	32
Infrastructure & Environment	23
Legal, Governance and Change	11
Vibrant Communities and Sustainable Growth	17
Total	117

Impact on Risk Register

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

- CORRR0003 Performance Management – The Council does not manage or report its performance in all the areas that are important to internal and external stakeholders and therefore does not monitor performance against priorities and outcomes. Impact 3 Significant, Likelihood 2 Low, Overall Score 6 Significant – Low.

Direct risks include the following:

- staff may feel disconnected from their line manager and the organisation.
- staff development needs are not identified or fulfilled.
- wellbeing issues are not identified, and necessary support is not offered/provided.
- performance is not discussed, which may mean positive feedback is not shared, or poor performance is not addressed.

Planned Improvements

OD have recently launched a new method of gathering feedback from the workforce – “Fit For The Future”. One of the objectives of this initiative is to identify staff wellbeing issues at service and team level and ensure that the conversation around wellbeing becomes more of the norm, whether in general or in 1:1 conversations. Feedback from “Fit For The Future” surveys and Employee Voice sessions will be added to the findings of this report to give a bigger picture of the way forward.

Conclusion

PDRs are not being completed annually by all staff and their line managers in accordance with corporate guidelines. Staff who responded to the questionnaire have experienced varying degrees of benefit from these PDRs and provided a number of comments on how these can be improved. Although the survey response rate is very low the comments are relevant and useful in reviewing the process and have been passed to the OD team for consideration in their review of the process.

Organisational Resilience

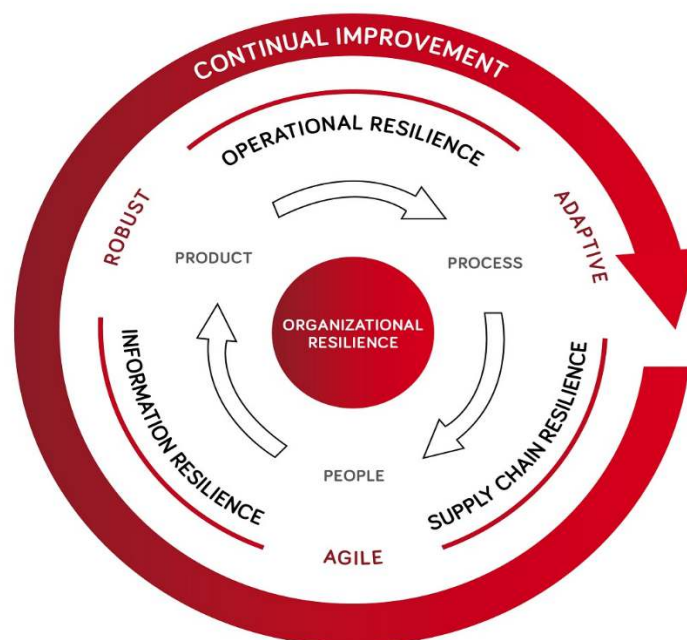
Background

The importance of organisational resilience was underscored during the Covid-19 pandemic. Organisations who had invested in organisational resilience measures were typically less impacted by the imposition of public health restrictions.

The current funding landscape for local authorities means that challenges in the continuation of the delivery of existing services will become more acute. Therefore, changes will require to be made to deliver services in a different way. Through the service review and redesign process, it is likely that there will be changes in our workforce profile and to the processes we use to deliver essential services. Whilst this approach may help address funding and service provision issues, it presents an increased risk through over-reliance on key personnel, which is unsustainable and presents capacity issues.

The Council recognises the importance of aligning to organisational resilience good practices. In recognition of the continuation of change within the organisation, the Chief Executive requested that Internal Audit perform a review of current approaches and processes, specifically, in consideration of the service review and redesign process. This was to allow the Corporate Leadership Team, (CLT) to determine what actions were necessary in creating a positive culture towards organisational resilience which, in turn, would make it a key consideration in service review and redesign activity.

The BSI (British Standards Institute) Group defines organisational resilience as “the ability of an organisation to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions in order to survive and prosper.” The diagram below highlights the three core components of organisational resilience – operational, information, and supply chain.



Source: BSI Group

Organisational resilience is related to, but distinct, from emergency planning and business continuity planning. It focuses on a more strategic and proactive approach which allows an organisation to get ahead of a potentially disruptive event (s).

Scope

In determining the scope of this review, we considered the outcomes of the Council's Best Value report that was published in July 2022. We also considered the control requirements of organisational resilience frameworks as set out in BS 65000 and ISO 22316. In conducting our work and in producing our report, we also considered the Best Value thematic report on Leadership and Strategic priorities that was released in October 2023.

Our review has been advisory in nature and seeks to assess the extent to which the council has embedded organisational resilience approaches in key risk areas. Our review has considered the extent to which the council and individual services:

- have identified critical business activities.
- understand and have documented internal and external dependencies, particularly digital service provision.
- formally consider organisational resilience risks when assessing and approving service redesign and change.

Areas of good practice

We have identified a number of areas within the council which will be key elements of supporting effective organisational resilience arrangements:

- The work being done to develop directorate risk registers which feed into corporate risk governance processes provides a structure to identify and manage organisational resilience risks at a directorate level, with corporate oversight.
- Workforce planning contributes to Angus Council's organisational resilience, as it aims to ensure the availability of the right talent and resources to adapt and respond effectively to changes to ways of working, business priorities and shifts in organisational objectives whilst maintaining essential services. The council has recently published its workforce plan and this, when implemented, should help contribute to better awareness of organisational resilience risks and mitigation strategies.
- Close links and collaborative relationships are in place between the Risk, Resilience & Safety service within the Council and the Resilience lead within the Health and Social Care Partnership. This allows for information sharing, resource sharing, and unified response planning helping to enhance the organisation's ability to effectively manage risks and maintain essential services during disruptions.

Conclusion

Angus Council's organisational resilience reveals both good practices and areas that require attention. Angus Council has some foundations for organisational resilience through the establishment of directorate risk registers. These can be used as a basis for identifying organisational resilience risks. Workforce planning processes can also be used to ensure the availability of mix-skilled resources that will allow the council to respond to changing priorities.

We identified areas where Angus Council can enhance its organisational resilience. This includes taking action to identify critical business activities at a service, directorate and whole council level. This should follow a risk-based approach. After identifying and reaching a consensus on critical business activities, it will be important to identify internal and external dependencies, and to risk assess these dependencies to mitigate any threats to service resilience. Work is also required to ensure that organisational resilience is considered as part of change initiatives. This will require management to define what is considered change from an organisational resilience perspective and then to ensure that appropriate process and governance is in place to allow risks to be considered as part of the change.

By addressing these areas, the council can enhance its ability to effectively manage risks, maintain essential services, and strengthen its overall organisational resilience.

A traditional action plan was not proposed for this work due to the wide-reaching influence and cross-cutting nature of the areas for improvement. Instead, advice on potential actions to address these areas for improvement, and their intended impacts, was included in the main report.

CLT has considered the report in the wider context of delivery of the Council Plan objectives and recognition of the transformation activity needed to take the Council forward. Actions have been identified that will be incorporated within other workstreams within the Council, e.g., workforce planning, business continuity, service design and risk management arrangements, rather than having a specific Organisational Resilience action plan.

Implementation of actions resulting from Internal Audit recommendations

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 30 (33 on 28 January 2024) Internal Audit actions outstanding on 28 February 2024 (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 would have been overdue but have had the **original completion date extended**.
- Table 2 shows the number of actions which have not yet reached their due date.

Internal Audit Actions - In Progress – 28 February 2024 (due date extended)

Directorate	Audit Year	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Infrastructure & Environment	2019/20	-	-	-	-	-	-
	2020/21	-	1	-	-	-	1
	2021/22	-	-	-	-	-	-
	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
Finance	2019/20	-	-	-	-	-	-
	2020/21	-	-	-	-	-	-
	2021/22	-	-	-	-	-	-
	2022/23	-	1	-	-	-	1
	2023/24	-	-	-	-	-	-
Legal, Governance & Change	2019/20	-	-	-	-	-	-
	2020/21	-	-	-	-	-	-
	2021/22	-	-	1	-	-	1
	2022/23	-	1	-	-	-	1
	2023/24	-	-	-	-	-	-
HR, OD, DE, IT & Business Support	2019/20	-	1	-	-	-	1
	2020/21	-	2	-	-	-	2
	2021/22	-	-	-	-	-	-
	2022/23	3	7	6	2	-	18
	2023/24	-	-	-	-	-	-
Grand Total		3	13	7	2	-	25

Internal Audit Actions - In Progress – 28 February 2024 (not yet reached due date)

Directorate	Audit Year	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Children, Families & Justice	2019/20	-	-	-	-	-	-
	2020/21	-	-	-	-	-	-
	2021/22	-	-	-	-	-	-
	2022/23	-	-	-	-	-	-
	2023/24	-	1	1	-	-	2
Vibrant Communities & Sustainable Growth	2019/20	-	-	-	-	-	-
	2020/21	-	-	-	-	-	-
	2021/22	-	-	1	-	-	1
	2022/23	1	1	-	-	-	2
	2023/24	-	-	-	-	-	-
Grand Total		1	2	2	-	-	5

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.