ANGUS COUNCIL

SCRUTINY & AUDIT COMMITTEE – 23 APRIL 2024

ANNUAL INTERNAL AUDIT PLAN 2024-25

REPORT BY CATHIE WYLLIE - SERVICE LEADER - INTERNAL AUDIT

1. ABSTRACT

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

2. ALIGNMENT TO THE COUNCIL PLAN AND COUNCIL POLICIES

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

3. RECOMMENDATIONS

(i) Note that a risk-based approach methodology has been utilised to develop the proposed Internal Audit Plan for 2024/25; and

(ii) Consider and approve the proposed 2024/25 internal audit plan.

4. BACKGROUND

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

4.2 This report presents, at Appendix 1, the outcomes of the annual planning exercise and the Service Leader's proposed 2024/25 Internal Audit Plan, for approval.

5. CURRENT POSITION

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

6. PROPOSALS

6.1 The 2024/25 Internal Audit Plan sets out the proposed activity to be performed by the Council's Internal Audit team in order to allow the Service Leader - Internal Audit to provide an Annual Internal Audit Opinion in June 2025. The Scrutiny & Audit Committee members are asked to consider and approve the plan.

7. FINANCIAL IMPLICATIONS

7.1 There are no direct financial implications arising from the recommendations of this report. Delivery of the internal audit plan can be achieved from the audit resources which have been budgeted for in financial year 2024/25.

8.   RISK MANAGEMENT

8.1   In discharging the internal audit role, the Service Leader is required to set a risk-based audit plan sufficient to provide the required assurances to members and officers in relation to corporate governance, risk management and internal controls. These assurances will be provided throughout the year. We will present the results of individual audit reviews through Internal Audit Update reports to each Scrutiny & Audit Committee. The activity related to the Counter Fraud Team will be reported bi-annually. In June 2025 the Annual Internal Audit Report will present the internal audit opinion for 2024/25 based on an objective assessment of the framework of governance, risk management and control and the internal control environment as well as an opinion on the corporate governance of the Council.

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: - the plan does not impact people because it is about planned audits. Any impact on people resulting from audit recommendations would be dealt with at the point of the recommendations being implemented.

11.   CONSULTATION

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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Angus Council Internal Audit

Annual Internal Audit Plan 2024/25

April 2024

Cathie Wyllie
Service Leader Internal Audit
Chief Executive's Unit

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Introduction

Internal audit is defined in the Public Sector Internal Audit Standards (PSIAS) as:

> "An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

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

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

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

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

Our Internal Audit plan will be delivered in accordance with the Internal Audit Charter (the Charter) that was approved by the Scrutiny & Audit Committee in August 2021. This sets out the role, professional requirements, independence and overall responsibilities of Internal Audit. The next review of the charter will be undertaken during 2024, to take account of changes in PSIAS following publication of the revised Global Internal Audit Standards in January 2024.

The Council's internal audit service is delivered by an in-house team complemented by approximately 30 days additional IT audit input, as well as general audit support if required, from a contractor. For the year to 31 March 2025 this is Azets Chartered Accountants.

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

In discharging the internal audit role, the Service Leader is required to set a risk-based audit plan sufficient to provide the required assurances to members and officers in relation to corporate governance, risk management and internal controls. These assurances will be provided throughout the year. We will present the results of individual audit reviews through Internal Audit Update reports to each Scrutiny & Audit Committee. The activity related to the Counter Fraud Team will be reported bi-annually. In June 2025 the Annual Internal Audit Report will present my internal audit opinion for 2024/25 based on an objective assessment

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

The Planning Approach and Risk Assessment Model

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

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

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

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

Assurance Framework and Mapping

Cipfa's December 2023 publication "Developing an effective assurance framework in a local authority" defines an assurance framework as

"The means by which leaders, managers and decision makers can have confidence that the governance arrangements that they have approved are being implemented, operating as intended, and remain fit for purpose."

The following diagram is an extract from the December publication and reflects the areas in the Council's Local Code of Corporate Governance (the Local Code).

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

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

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

In developing the 2024/25 internal audit plan we used the Assurance Framework above to identify the key elements of the Council's assurance framework and map assurance sources to them. The Local Code includes a matrix identifying the evidence related to each section of the Framework.

We ensured that key framework elements and internal assurance routes were included in our audit universe and that areas with external assurance sources were excluded from the plan to avoid duplication. Some of these external assurances may be taken into account in formulating the annual opinion and time is set aside for reviewing reports and complying with PSIAS requirements about taking reliance from others.

Key assurance framework elements are:
- The Council Plan and the Angus Community Plan
- The Council's vision and values
- Service plans
- Over-arching thematic plans, e.g. workforce plan; long- term financial framework and medium-term plans
- Codes of conduct for employees and members
- Statutory officers in place
- Strategies, policies and procedures
- Committee arrangements, including Terms of Reference
- Risk management arrangements
- Arrangements to comply with legislation, e.g. GDPR, Fairer Scotland and Equality Impact Assessment
- Partnership working

The main reported assurance sources are:

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

The Risk Assessment Model

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

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

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

The headline areas are subject to a high-level risk assessment model which looks at the relative risk and relative risk maturity of the headline areas to ensure a reasonable allocation

of the available audit days. This is not considered a rigid calculation but more a guide to the balance of the plan which can be amended to reflect specific needs and drivers.

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

The Audit Plan

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

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

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

The 2024/25 Internal Audit Plan

The 2024/25 Internal Audit Plan has been developed based on of the above model.

The Internal Audit team comprises three auditors (2.6 FTE), one Team Leader (1 FTE) and the Service Leader (0.4 FTE), being 4.0 FTE time available for a normal year. Two vacant posts at auditor level are expected to be filled in May 2024 and this slight reduction in available time, and additional training time for training has been taken into account in formulating the plan. Thirty days for specialist support for IT audit, which will be provided by Azets is also included.

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

- Maximum number of available days

- Professional development for staff

- Annual leave, plus contingency for other staff absences

- Internal administration activities

The Counter Fraud Team comprises the Service Leader (0.1 FTE), one Team Leader (1 FTE), one Senior Counter Fraud Officer (0.6 FTE), and two Counter Fraud officers (1.7 FTE), being 3.4 FTE in total. The team will continue to carry out data matching exercises to identify fraud and error; publicise, promote and enforce the Counter-Fraud and Corruption Strategy and framework; continue to develop joint working arrangements with colleagues across the Council; undertake investigations of allegations of fraud; and liaise with other local authorities to identify areas of best practice. The Team Leader Counter Fraud will be involved in day-to-day activities relating to our arrangements for dealing with Serious Organised Crime.

The Council's participation in the National Fraud Initiative (NFI) continues to be an integral part of the corporate approach to the prevention and detection of fraud and errors. This operates on a two-year cycle. The latest data match work is largely complete. Data for the next will be uploaded to the NFI system in late 2024. Update reports are submitted to Scrutiny & Audit Committee, together with a summary of the local outcomes.

The Audit Plan continues to include time allocated to:

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

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

Areas	Audit Days	Counter Fraud Days
Productive days available from:		
Internal Audit team	672	641
Counter Fraud Team		
IT audit contractor	30	
Total available days	**702**	**641**
Allocated as follows		
Audit plan (see 2024/25 Detailed Outputs below)	297	
Counter Fraud Investigation		466
Angus Alive	50	
Angus Health and Social Care Partnership (note 1)	30	
General recurring audit/counter fraud & corporate work	163	86
Staff Training & Team Development	162	89
Total allocated days	**702**	**641**

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

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

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

Headline Area	Audit days 2024/25	Audit days 2023/24
Governance, Risk, Planning & Performance	12	99
Financial Governance	111	129
IT Governance	35	33
Internal controls	40	68
Asset Management	35	30
Legislative & Other Compliance	15	10
Angus Alive and IJB work	80	80
Consultancy	35	55
Staff Training and Team Development (Note 1)	162	97
General recurring audit & corporate work. Incl. contingency (Note 2)	177	173
Total	702	774

Note 1 – the number of days allocated for staff training and team development has been increased significantly for 2024/25, due the to the appointment of two new members of staff to fill vacant posts.

Note 2 – Includes PSIAS, follow-up work on audit actions, involvement in corporate and national groups, planning, Committee work, review of Audit Scotland publications and contingency. Additional days have been allocated in 2024/25 to review the revised Global Internal Audit Standards and implement any subsequent changes required to the Council's Internal Audit service.

The overall reduction in days is due mainly to the fact that the Service Leader Internal Audit now works 2.5 days per week for Dundee City Council, rather than 2 days in 2023/24.

The diagram below illustrates the percentage allocation of audit days (excluding the Counter Fraud Team) for 2024/25:
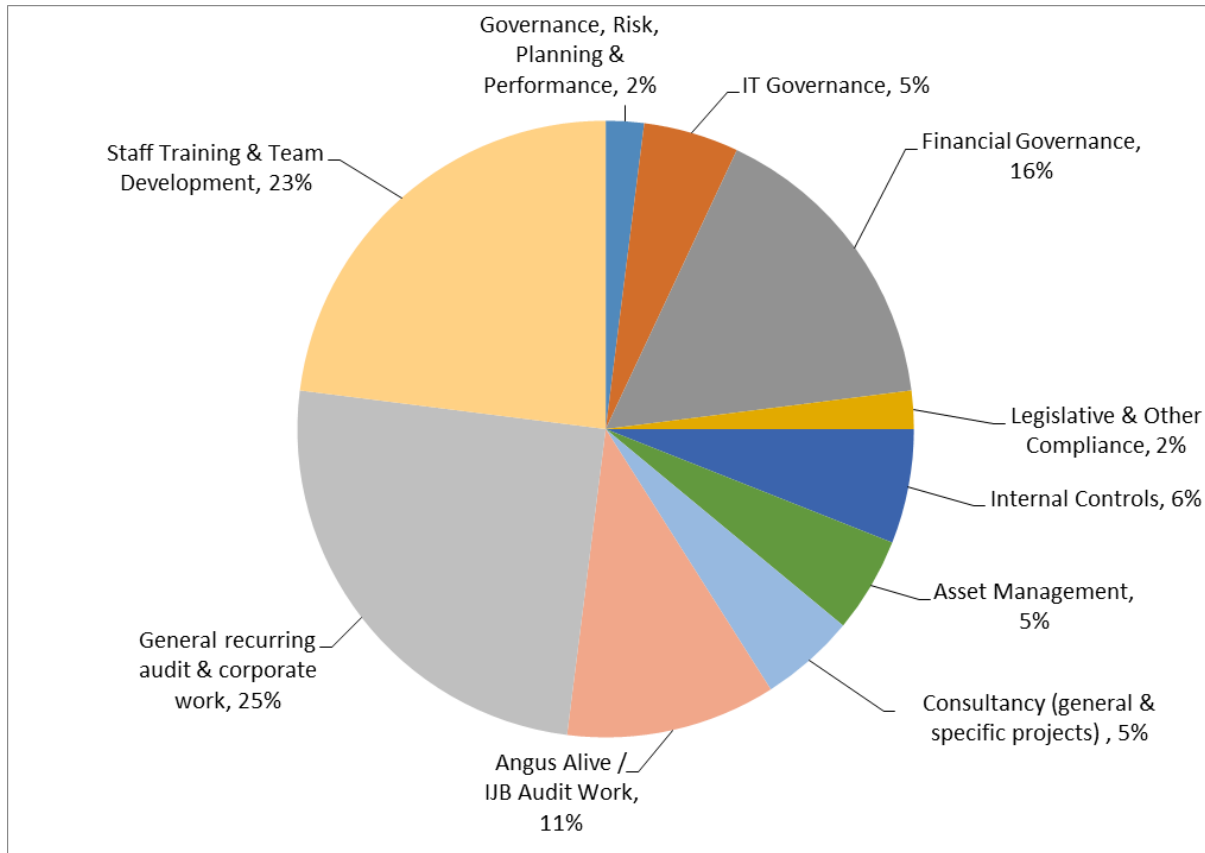
We believe that this allocation is appropriately aligned to risk profile and will address the assurance needs of the Council in 2024/25. In recent years, cyclical systems work that would normally be performed has been delayed to accommodate work in higher risk areas arising from change and consultancy work designed to support delivery of change. In 2020/21 we began to re-introduce the cyclical work. Although we have included some cyclical reviews in 2024/25, other areas due for cyclical review were excluded on a risk assessed basis due to the available resources.

At this stage, the days per headline area are an estimate and will be firmed up once more detailed scoping work has been carried out. The outputs detailed in the '2024/25 Audit Plan – Detailed Outputs' section below include all the outputs which will be provided.

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

2024/25 Audit Plan – Detailed Outputs

The tables below include a list of audits that we intend to complete for 2024/25 and the output that will be generated from each piece of work.

We have included, where relevant, a link to those risks contained within the Corporate Risk Register (CRR ref.) on 11 March 2024 (see Annex 1). This allows Members and management to identify where Internal Audit can provide assurance on the effectiveness of the controls implemented to mitigate risks.

Audits	Output	Commentary	CRR ref.
Corporate Governance			
Corporate Governance annual review – 2023/24	Annual Report	Oversight of corporate governance arrangements & progress with implementation of action plan.	N/A
Financial Governance			
Data Analysis - Payroll & Accounts Payable	Reporting in activity report	Data analytics tools will be used to analyse payroll and accounts payable data to identify data trends, anomalous or missing data, etc. Consideration of where we can increase this type of audit to be undertaken.	1
External Placements (Children)	Report	Review of new procedures particularly relating to budget management & monitoring	1
Self-Directed Support (SDS)	Report	Review process for monitoring and approval of spend on individual SDS budgets	1
Programme of random cash counts	Memo-style report following each visit	Random cash counts to ensure correct procedures are being followed. This will include school funds.	1
Purchase ledger invoice processing & authorisation	Report	Review will include authorisation process before transactions reach the Purchase Ledger, feeder systems & reliance on spreadsheets.	1
Travel Expense Claims	Report	Review compliance with new agile working policy & procedures in relation to travel claims	1

Audits	Output	Commentary	CRR ref.
IT Governance			
IT User Access Administration	Report	A core financial system for is selected for annual review. 2019/20 Northgate Housing 2020/21 No specific work pending actions being implemented from previous audits 2021/22 IDOX 2022/23 SEEMIS 2023/24 Integra 2024/25 Eclipse	8
Use of Cloud Computing	Report	TBC	8
Application Consolidation Strategy/Delivery	Report	TBC	8
Data analysis - System access	Reporting in activity report	Continuous auditing - review of system access data to identify logins that are no longer required	8
Internal Controls			
Contract Management Procedures	Report	Review procedures for management of large contracts (incl. IT systems)	1, 3, 7
Procurement	Report	Scope to be agreed following completion of service review	1, 2 & 7
Asset Management			
Management/ supervision of empty Council premises	Report	Small piece of work to review controls/procedures re inspecting vacant premises	9
Fleet Management	Report	Review of Fleet Management processes to ensure we meet compliance rules, and that we take account of fleet requirements in service plans and budget projections.	1, 9
Housing Void Management	Report	Review procedures for management of voids in Council Housing	3, 9

Audits	Output	Commentary	CRR ref.
Legislative and Other Compliance			
Health & Safety – Evolve System (for risk assessments on school trips, excursions, etc.)	Report	Review use of Evolve in Education and Lifelong Learning, and other council services.	7, 9
Other			
Follow-up of previous recommendations	Update reports to each Scrutiny & Audit Committee and CLT	Continuing work to identify progress in implementing agreed audit actions.	All
Staff Training and Team Development	Nil	Ensuring staff have knowledge and expertise to perform audits and that Internal Audit meets relevant standards and achieves best practice.	2
Angus Alive - Annual Plan	Reports to AA Finance & Audit sub-committee	Provision of Internal Audit Services to Angus Alive.	N/A
Angus Health and Social Care Partnership (IJB)	Reports to IJB Chief Audit Officer	Provision of Internal Audit Services to AHSCP (IJB).	N/A
Review of revised PSIAS (Public Sector Internal Audit Standards) expected during 2024 following publication of revised Global internal Audit Standards in January 2024	Action Plan and Report	Actions required to maintain compliance with the revised PSIAS will be identified and changes implemented as required	7
PSIAS Self-Assessment Review.	Part of Annual Report	Self-assessment of compliance with PSIAS.	7
Involvement in corporate and national groups	Annual report if applicable		N/A
Review of Audit Scotland's publication on Fraud and Irregularity 2023/24	Include in Activity report or separate report if needed	Review issues highlighted in Audit Scotland report and assess arrangements in place to reduce risk of similar issues arising in the Council, where relevant.	N/A
Contingency, incl. ad-hoc requests for advice	As required	As determined by requests	N/A
Consultancy – Advice/Specific			

Audits	Output	Commentary	CRR ref.
Consultancy support for specific Member and/or management projects/Change Programme.	Advisory	As determined by requests	N/A

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

2024/25 Outputs to Scrutiny & Audit Committee

The table below lists the outputs expected to be presented to the Angus Council Scrutiny & Audit Committee until June 2025.

Committee Meeting	Output
June 2024	Internal Audit Annual Report 2023-24 Internal Audit Update Report Counter Fraud Report
August 2024	Internal Audit Update Report Review of Audit Charter Reports to Council and committees relevant to Scrutiny & Audit remit
October 2024	Internal Audit Update Report
November 2024	Internal Audit Update Report Counter Fraud Report
January 2025	Internal Audit Update Report Reports to Council and committees relevant to Scrutiny & Audit remit
March 2025	Internal Audit Update Report Internal Audit Annual Plan 2025-26
April 2025	Internal Audit Update Report Reports to Council and committees relevant to Scrutiny & Audit remit
June 2025	Internal Audit Annual Report 2024-25 Internal Audit Update Report Counter Fraud Report

Conclusion

This report has outlined the audit planning and risk assessment process within the council to develop the annual internal audit plan and presents the proposed audit plan for 2024/25. Members are asked to consider and approve this plan, the discharge of which will be reported to the Scrutiny & Audit Committee at each Committee cycle.

Annex 1 – Summary of Corporate Risk Register (as at March 2024)

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