ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 23 April 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) Consider and note the update on progress with the planned Internal Audit work (Appendix 1); and

(ii) Consider and note 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. Preferred candidates have been identified and pre-employment checks are in progress.

6. SUMMARY OF ASSURANCES

4.1 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.

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 January 2024 and resolution of queries outstanding from November and December 2023	Comprehensive					
Serious Organised Crime (SOC) Exempt Appendix 2	Substantial					

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

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.

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   Exempt report re Serious Organised Crime (SOC) audit

Angus Council Internal Audit

Update Report

Scrutiny & Audit Committee

23 April 2024

Cathie Wyllie
Service Leader – Internal Audit
Chief Executive's

Contents Page

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 in June 2023.

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	In Progress			*Aug 2024*
Risk Management	April/May 2024	In Progress			*June 2024*
Financial Governance					
Payroll continuous auditing April to June 2023 July to Sept. 2023 Oct to Dec 2023 January 2024	On-going	Complete Complete Complete Complete	Comprehensive Substantial Comprehensive Comprehensive	N/a	Aug 2023 Nov. 2023 Jan 2024 **April 2024**
Creditors continuous auditing Duplicate Payments April to June 2023 July to Sept. 2023 Oct to Nov 2023 Dec 23 to Feb 2024	On-going	Complete Complete Complete In progress	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				*June 2024*

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / *(target in italics)*
Place Based Investment Programme	Remove from Plan			Alternative assurance provided - Report 288/23	P & R Committee Oct. 2023
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 – Integra (Eclipse moved to 2024/25)	Feb 2024	Planned			*June 2024*
IT Business Continuity	Feb/March 2024	In review			*June 2024*
Digitisation of Services	March/April 2024	In Progress			*June 2024*
Data analysis – System access	April 2024	Planning			*June 2024*
Internal Controls					
PDR Appraisal System	Nov./Dec. 2023	Complete	Consultancy	N/A	March 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
AWI Follow-up	Feb./Mar. 2024				*June 2024*

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / *(target in italics)*
Asset Management					
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			*June 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
Serious Organised Crime (SOC)	Oct./Nov. 2023	Complete	Substantial		**April 2024** **Exempt Appendix 2 Report 124/24**
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	Complete	Consultancy	N/A	March 2024
Housing Voids data recording. Item added to plan November 2023	April 2024				*June 2024*

Items agreed in January 2024 to be carried forward to 2024/25 plan	
Tay Cities Deal – review of one specific project	Not included in the 2024/25 plan due to work by Internal Auditor of Accountable Body
External Placements (Children)	Timing to be agreed
Self-Directed Support (SDS)	Timing to be agreed
Purchase ledger invoice processing & authorisation	Work planned June/July 2024 with reporting in October 2024
Contract Management Procedures	Timing to be agreed
Procurement	Timing in late 2024
Housing Void Management	To be undertaken after current review by Service is implemented to ensure compliance
Collaboration & Partnership Work	Not included in the 2024/25 plan due to recent review of this area by External Audit

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 2023 and work is currently in progress.

The IJB Annual Internal Audit plan for 2023/24 has now been agreed, and the work to be undertaken by our team has been reported to the IJB auditor.

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 January 2024 and resolution of queries from November and December 2023.	Comprehensive	N/A	-	-	-	-
Serious Organised Crime (SOC) See Appendix 2	Substantial					

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

Payroll - Comprehensive assurance January 2024

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

No errors were identified from testing for January 2024 apart from two further instances of missing NI numbers and the two missing NI numbers that were being looked at from November and December 2023 testing.

The reason for these has now been identified as an issue in the digital recruitment process and has been resolved so that this should not happen again. Since the issue has been resolved no action was raised in Pentana.

Serious Organised Crime (SOC)

This is reported in Appendix 2 as an exempt report.

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 13 (33 on 26 January 2024) Internal Audit actions outstanding on 15 April 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 overdue on 15 April 2024
- Table 2 shows the number of actions which would have been overdue but have had the **original completion date extended**.
- Table 3 shows the number of actions in progress which have not yet reached their due date.

Internal Audit Actions - Overdue – 15 April 2024

Directorate	Audit Year	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Vibrant Communities & Sustainable Growth	2022/23	-	1	-	-	-	1
Legal, Governance & Change	2022/23	-	-	1	-	-	1
Grand Total		**-**	**1**	**1**	**-**	**-**	**2**

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

Directorate	Audit Year	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Infrastructure & Environment	2020/21	-	1	-	-	-	1
	2021/22	-	-	-	-	-	-
	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
Finance	2020/21	-	-	-	-	-	-
	2021/22	-	-	-	-	-	-
	2022/23	-	1	-	-	-	1
	2023/24	-	-	-	-	-	-
Legal, Governance & Change	2020/21	-	-	-	-	-	-
	2021/22	-	-	1	-	-	1
	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
HR, OD, DE, IT & Business Support	2019/20	-	1	-	-	-	1
	2020/21	-	-	-	-	-	-
	2021/22	-	-	-	-	-	-
	2022/23	-	4	1	-	-	5
	2023/24	-	-	-	-	-	-
Grand Total		**-**	**7**	**2**	**-**		**9**

Internal Audit Actions - In Progress – 15 April 2024 (not yet reached due date)

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
HR, OD, DE, IT & Business Support	2020/21	-	-	-	-	-	-
	2021/22	-	-	-	-	-	-
	2022/23	-	1	-	-	-	1
	2023/24	-	-	-	-	-	-
Grand Total		**-**	**2**	**-**	**-**	**-**	**2**

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.**