

REPORT TO: SCRUTINY COMMITTEE - 28 JUNE 2023

REPORT ON: 2022/23 INTERNAL AUDIT ANNUAL REPORT

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 182-2023

1. PURPOSE OF REPORT

- 1.1. To submit The Chief Internal Auditor's Annual Report for 2022/23 to Members of the Scrutiny Committee. This report provides an independent annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control framework and a summary of the key activities of the Council's Internal Audit Service during the period from which the opinion is derived. It also provides all the information that the Public Sector Internal Audit Standards (PSIAS) require to be reported to those charged with governance.

2. RECOMMENDATIONS

- 2.1. Members of the Committee are asked to consider and note the contents of this report.

3. FINANCIAL IMPLICATIONS

- 3.1. None.

4. BACKGROUND

- 4.1. The terms of reference of the Scrutiny Committee, as detailed in Report No 274-2014 (Policy and Resources Committee 10 November 2014, Article V), includes consideration of the strategy, plan and performance of the Council's Internal Audit Service. In addition, the Committee is also required to consider internal audit reports and seek assurance that appropriate action has been taken, monitor the implementation of internal audit recommendations agreed with management and receive the Annual Report of the Chief Internal Auditor.
- 4.2. The Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 (updated 1 April 2017), apply to all internal audit service providers within the public sector and set out the requirements in respect of professional standards for these services. Professional Standard 2450, Overall Opinions, states that "the chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement". In the context of Dundee City Council, the "chief audit executive" is the Chief Internal Auditor (previously the Acting Senior Manager – Internal Audit).
- 4.3. The PSIAS also states a range of other information that the annual report prepared by the chief audit executive must incorporate. These have been included in the report at Appendix 1 and the key issues have been summarised in Section 5 below.
- 4.4. The Local Authority Accounts (Scotland) Regulations 2014, which became effective in October 2014 state that "a local authority must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing". In this context, recognised standards and practices are deemed to be those set out in the PSIAS. The Regulations require that the local authority must from time to time assess the efficiency and effectiveness of its internal auditing service, in accordance with the standards, the findings from which must be considered as part of the review of the effectiveness of its system of internal control.

- 4.5. The Internal Audit Annual Report for the 2022/23 financial year, which is attached for consideration by Elected Members, has been prepared on the basis of the requirements outlined above.

5. OPINION AND CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

- 5.1. The opinion provided for 2022/23 is

“... .. that reasonable assurance can be placed upon the adequacy and effectiveness of the Council’s framework of governance, risk management and control for the year to 31 March 2023.”

- 5.2. The Council’s Internal Audit Service conforms with the PSIAS except for one minor non-conformance. The non-conformance relates to the timing of the external review that PSIAS requires to be undertaken at least every five years. The next external assessment was due to take place in 2022/23 within a compliant timeframe through the peer review process agreed by the Scottish Local Authority Chief Internal Auditors Group (SLACIAG). The reviewer has delayed the review to the autumn of 2023 which will make it later than five years since the last review.
- 5.3. In addition to the key conclusions noted above the report at Appendix 1 also includes detail on the following areas that PSIAS requires to be reported.
- 5.4. There were no limitations of scope placed on audit work by management during 2022/23.
- 5.5. The staff members involved in each 2022/23 internal audit review were independent of the area under review and their objectivity was not compromised in any way.
- 5.6. Performance indicators showed conformance with the PSIAS. A suitable Quality Assurance and Improvement Programme (QAIP) is in place with a related action plan to ensure continuous improvement is achieved.
- 5.7. The internal audit resources available in 2022/23 were sufficient to allow the discharge of the responsibilities of the Council’s Chief Audit Executive as described in the PSIAS and other relevant guidance. The resources available were reduced from the established capacity during the year for a number of reasons related to staff turnover. Going forward there are two things to be considered to maintain the position that resources are sufficient:
- The vacant auditor post is filled, and
 - Since October 2022 the Chief Audit Executive role has been filled two days per week through an arrangement with Angus Council. This arrangement is being kept under review and is in place until the end of September 2023. It will be assessed before deciding whether to continue with this or another arrangement thereafter. The composition of the internal audit team will also be reviewed to ensure it supports the permanent solution to providing a Chief Audit Executive to comply with PSIAS.

6. POLICY IMPLICATIONS

- 6.1. This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

7. CONSULTATIONS

- 7.1. The Council’s Leadership Team have been consulted in the preparation of this report.

8. BACKGROUND PAPERS

8.1. None.

Cathie Wyllie, Chief Internal Auditor

DATE: 16 June 2023

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2022/23 INTERNAL AUDIT ANNUAL REPORT AND OPINION

To the Members of Dundee City Council, Chief Executive and Executive Director of Corporate Services

As Chief Internal Auditor of Dundee City Council, I am pleased to present my annual report and opinion for the year ended 31 March 2023. The report does not include assurances on group activities.

1. PURPOSE OF REPORT

1.1. To provide

- An independent annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control framework.
- Information about the Council's Internal Audit Service's operations during the 2022/23 financial year as required by the Public Sector Internal Audit Standards (PSIAS), including to summarise the key activities and highlight any matters of significance that have arisen as a result of the audit process.

2. OPINION

2.1. It is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2023.

Basis of Opinion

2.2. My evaluation of the framework of governance, risk management and control has been informed by a number of sources, including the following:

- Audit work undertaken by the Internal Audit Service.
- The work of the Counter Fraud Team.
- Matters arising from previous reviews and the extent of follow-up action taken.
- The assessment of risk carried out during preparation of the 2022/23 and 2023/24 internal audit plans.
- Knowledge of the Council's culture, governance, risk management and performance monitoring arrangements, including significant changes to objectives and/or systems, gained from reading reports, attendance at meetings and formal and informal discussions with Council officers.
- The Self-assessment Checklists completed to date by Executive Directors/Heads of Service (including the DH&SCP Checklist) providing formal assurances in respect of the general control environment within individual services.
- Reports issued by the Council's External Auditor, together with relevant reports from other external review and inspection bodies.
- My review of work undertaken by my predecessor between June 2022 when they reported to you on the 2021/22 audit year, and October 2022 when I took on responsibility for the Chief Internal Auditor role.

2.3. There were no limitations of scope placed on audit work by management during 2022/23.

3. RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND INTERNAL AUDIT Scope and responsibilities – management

- 3.1. It is the Council's Chief Officers' responsibility to establish and maintain a sound internal control system. The internal control system comprises the whole network of systems and processes established to provide reasonable assurance that organisational objectives will be achieved, with particular reference to:
- risk management
 - the effectiveness of operations
 - the economic and efficient use of resources
 - compliance with applicable policies, procedures, laws and regulations
 - safeguards against losses, including those arising from fraud, irregularity or corruption
 - the integrity and reliability of information and data
- 3.2. The existence of an Internal Audit Service does not diminish the responsibility of management to ensure that resources are utilised appropriately, in a manner and on the activities intended, and governance, risk management and control arrangements are sufficient to address the risks that their services are exposed to.
- 3.3. A sound control environment reduces, but cannot eliminate, the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances. It therefore provides reasonable but not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the adequacy and effectiveness of its control environment.

Scope and responsibilities – Internal Audit

- 3.4. Internal Audit assists management by examining, evaluating and reporting on the controls in order to provide an independent assessment of the adequacy of the internal control system. To achieve this, Internal Audit should:
- analyse the internal control system and establish a review programme
 - identify and evaluate the controls which are established to achieve objectives in the most economic and efficient manner
 - report findings and conclusions and, where appropriate, make recommendations for improvement
 - provide an opinion on the reliability of the controls in the system under review
 - provide an assurance based on the evaluation of the internal control system within the organisation as a whole
- 3.5. The main areas of audit conducted in the year, with a summary of the more material findings, are outlined throughout the remainder of this report.

4. INTERNAL AUDIT ARRANGEMENTS

- 4.1. PSIAS defines Internal Audit 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.”

Structure and resources

- 4.2. During 2022/23, the Internal Audit Service was independent of all of the activities it audited. Independence is essential and helps ensure the Service provides unbiased judgements and impartial advice to management.
- 4.3. Risk Management sits within the Internal Audit Service and during 2022/23 responsibility for Insurance was also transferred to Internal Audit. In order to maintain independence audits of these areas will be undertaken in future by an independent third party, under the contract to be procured for Internal Audit Support. In May 2023 the Policy & Resources Committee approved procurement for IT and general audit support for the period covering 2023/24 to 2026/27 (Report No 126-2023 refers). Line management responsibility for both these functions sat with the Acting Senior Manager – Internal Audit and not the Chief Internal Auditor during 2022/23 which has allowed an independent high-level review of risk management to be undertaken for the opinion in this report.
- 4.4. The Internal Audit Service sits within Corporate Finance, within the Corporate Services Directorate. There have been changes in the Internal Audit team structure and significant turnover in staff during 2022/23.
- The Principal Auditor was acting up into the Senior Manager – Internal Audit role at March 2022 to provide the Chief Audit Executive role required by PSIAS, and was essentially covering the responsibilities of both posts. In October 2022 an arrangement with Angus Council provided two days per week of their Service Leader to provide the Chief Audit Executive role required by PSIAS until October 2023. The Principal Auditor remained in an acting up position to provide line management of Risk Management and Insurance functions and assist the Chief Internal Auditor in their role. The arrangement will be reviewed later in 2023.
 - During the year a post of Senior Auditor was created with a view to bringing more of the work of the team back in-house. The post was filled in October 2022.
 - The co-sourcing contract with the external support provider, KPMG, ended in June 2022. No support contract has been in place for 2023 while the requirements were assessed. In May 2023 the Policy & Resources Committee agreed to the procurement of a new support contract as noted above.
 - There have been gaps during the year in the auditor posts due to staff leaving. Recruitment is underway at June 2023 to fill the auditor post that has been vacant since February 2023.
- 4.5. The internal audit resource provided from the structure shown below is adequate to allow the organisation to provide an Internal Audit service that conforms with PSIAS when it is fully staffed. The gaps in the structure during 2022/23 caused by staff leaving are not significant enough to change that position or impact on my ability to provide an opinion for 2022/23. Resource implications will be considered further as part of the review of the shared arrangement for Chief Internal Auditor with Angus Council to ensure arrangements after October 2023 remain sufficient to conform with PSIAS.

Internal Audit	2022/23 FTE Establishment	March 2023 In post	2021/22 FTE Establishment	March 2022 In post
Auditor	2	1	2	1
Senior Auditor (from October 2022)	1	1	N/A	N/A
Principal Auditor	1	Acting up	1	Acting up
Senior Manager – Internal Audit (Principal Auditor acting up in both 2021/22 and 2022/23)	1	1	1	1
Chief Internal Auditor (from October 2022)	0.4	0.4	N/A	N/A
Total	5.4	3.4	4	2
External resource	N/A	N/A	175 days	Yes, Contract ended June 2022

5. SUMMARY OF INTERNAL AUDIT ACTIVITY 2022/23

Audit Planning

- 5.1. The annual internal audit plan is designed to provide the Scrutiny Committee and management with assurance that the Council's internal control system is effective in managing the key risks and value for money is being achieved. The planning process includes all of the Council's activities and systems for consideration and the items included in the plan are informed by a risk assessment, that is linked to the Council's Corporate and Service Risk Registers.
- 5.2. The work is planned to have a reasonable expectation of detecting significant control weaknesses. However, internal audit can never guarantee to detect all fraud or other irregularities and cannot be held responsible for internal control failures.
- 5.3. The plan for the 2022/23 financial year was reviewed and approved by the Scrutiny Committee on 27 April 2022 (Article VII Report No 109-2022 refers). In line with recognised good practice, the Internal Audit Plan was prepared on the best information available at that time.
- 5.4. The plan was revised to take account of the impact on delivery of the resource position during 2021/22 and 2022/23. This was reported to the Scrutiny Committee on 8 February 2023 (Article III Report No 39-2023 refers). The following items were risk assessed as the most appropriate to be removed from the plan. Most of these have been included in the 2023/24 plan. Others are subject to alternative management overview that will provide assurance on their operation, or have been reprioritised as lower risk than other areas and have not been re-instated.

Included in 2023/24 audit plan	Not taken forward
Workforce management Monitoring of contracts Absence management Pentana Permanence Corporate debt recovery arrangements	Self-directed support Financial assessments Follow-up review of report 2020/20 Asset management

Audit Reporting

- 5.5. All internal audit reports are subject to consultation with management for consideration of factual accuracy and recommendations made. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken to implement the agreed action plans. I am required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters (including non-compliance with audit recommendations if applicable) arising from internal audit work are reported to relevant Executive Directors, the Chief Executive, the Council Leadership Team (CLT) and the Council's Scrutiny Committee.
- 5.6. To confirm that management is discharging its responsibility in terms of implementing audit recommendations within the agreed timescales, Internal Audit undertakes formal follow-up work and progress reviews. The outcomes from these exercises are also formally reported to relevant officers and the Scrutiny Committee, along with revised implementation dates where appropriate. In line with previous years, the implementation of internal audit recommendations is monitored via the Council's performance management system, Pentana.
- 5.7. During 2022/23 the Risk and Assurance Board agreed a new method for Internal Audit to use for tracking progress and confirming completion of implementation of actions. Information in the Pentana system will be used to monitor all actions and agree their closure with reference to evidence that will be identified at the point of the action being agreed. The service is in the process of implementing this now. The advantages of this are that there is added clarity to the intended outcome when agreeing audit recommendations and closure will be agreed by audit at the point services identify the action is closed. The real-time continuous nature of this process is a more efficient use of auditors' time.

6. PLAN ACHIEVEMENT

- 6.1. For the 2022/23 financial year, there was a total of 527 productive audit days used for direct audit activities, a decrease of approximately 18% on the previous year. A further 157 productive days were used on non-direct audit work including areas such as audit planning, project boards, induction, training and development, attendance and contribution to national groups and management of the Internal Audit function. During the year Internal Audit also undertook the peer review of West Lothian Council's PSIAS assessment.
- 6.2. The 2022/23 Internal Audit Plan included a portfolio of internal audit assignments, both at a corporate and service level across the organisation. It also included an allocation of audit days for follow-up reviews, progress reviews, finalisation of audit assignments that commenced in the previous financial year, the provision of advice and guidance to services, specific investigations and PSIAS Self-assessment. The range of areas covered within the plan continues to reflect the changing landscape and nature of internal audit work and focuses on evaluating, and contributing towards the improvement of the organisation's governance, risk management and control framework.
- 6.3. The audit work reported during 2022/23 has identified that many of the expected controls are in place and operating satisfactorily, however, there is scope for improvement. The Internal Audit Service has made a range of recommendations in the areas examined and action plans have been developed in consultation with management which, once successfully implemented, will improve the Council's governance, risk management and control framework. The finalised reports are noted in Appendix A along with the overall conclusion and the number of recommendations made. This shows a total of 15 (2021/22 -20) Dundee City Council internal audit reports have been finalised since the last Annual Report was issued. A total of 44 (2021/22 - 59) recommendations were made in the reports issued on behalf of Dundee City Council. Of

these, 3 (2021/22 6) were categorised as critical, 20 (2021/22 29) as significant and the remaining 21 (2021/22 24) as routine.

- 6.4. Analysis of the overall audit opinion in each of the reports issued on behalf of Dundee City Council highlighted that 33% (2021/22 -10%) of the areas reported upon were considered to be well controlled (full assurance), 47% (2021/22 - 65%) were adequately controlled (reduced assurance), 7% (2021/22 - 25% required improvement (limited assurance) and 13% (2021/22 0%) required significant improvement (no assurance).
- 6.5. Areas requiring improvement or significant improvement this year were as follows:
- Government procurement cards (limited assurance). At June 2023 there was only one agreed action that management reported was not fully complete and that was assessed as 75% complete;
 - School Funds income collection and reconciliations (no assurance). At June 2023 there were two routine recommendations still in progress, both estimated by management to be 80% complete; and
 - Interment fees (no assurance). At June 2023 management assessed that all agreed actions had been completed.
- 6.6. At 31 May 2023 only one critical action from previous years remained outstanding. The action from 2020/21 relates to sub-contractors. It is estimated as 90% complete and scheduled to be complete following Scotland Excel's Framework for property Maintenance and Refurbishment going live and new DCC procedures for procuring spend under £10k being implemented. Both are expected to go live in June 2023.
- 6.7. At 28 June 2023 all Council projects carried forward from 2021/22 and a significant number from the revised 2022/23 plan have been delivered. Two IJB assignments, one from each year, are not finalised. Although all planned audit work has not been completed, the majority of the remaining work in the 2022/23 audit plan is in progress, some at an advanced stage, with fieldwork complete or draft reports issued to management for just over half of them. None of the information I have from un-reported work would alter my opinion. Taking that into account alongside the conclusions from work done this year, including alternative sources of assurance, and previous years' results, I have concluded that I can provide an annual opinion without any limitation of scope. The assignments carried forward this year are noted in Appendix B.
- 6.8. The main reasons for the delays in completing work are:
- Gaps in previously planned resources within the service due to staff turnover, acting up position continuing and not back filled, and the end of audit support from an external provider in June 2022. This has impacted on the overall resource available to undertake the work, but also on the efficiency of the overall audit process in some cases.
 - Impact on audit time from delays in responses from services. Delays can occur at any stages of the audit, with finalising draft reports a particular area that often takes up more time than budgeted. All these delays impact not just the current audit, where additional time is spent re-familiarising with work to date, but also impact on the ability to move on to the next planned project;
 - Time was taken out from planned work to ensure that Quality Assurance and Improvement Programme (QAIP) action plan items were addressed. Although this has impacted on time available for the planned projects the changes that have been made should help make the audit process more efficient and effective in future;
 - An additional assignment added in March 2023 at management's request,

- Four activities that do not happen every year and which take up senior staff time fell into 2022/23 and impacted on time available for file review and completion of draft reports; undertaking the External Quality Assessment (EQA) of conformance with PSIAS for West Lothian Council was brought forward to 2022/23 (every five years), preparation for the IT and general audit support tender (every four years), review of revised Cipfa guidance for Audit Committees (last changed in 2018); and response to SLACIAG regarding consultation on new Global Internal Audit Standards, that will inform changes to PSIAS in due course (PSIAS last updated in 2017).
- The impact in the increase of non-audit responsibilities (insurance) during 2022/23.

7. DISCHARGE OF AUDIT RECOMMENDATIONS

7.1. Services agree actions in response to internal audit recommendations. The Pentana system is used to record and manage the actions. Last year the external auditor commented that “Target dates for implementing some improvement actions from internal audit reports are not being met. Management should ensure that outstanding improvement actions agreed from internal audit reports are completed as a matter of priority or revised dates are reported to elected members” (Article II (b) Report 286-2022 Scrutiny Committee 26 October 2022 refers). The Risk and Assurance Board monitored implementation of actions from June 2022 onwards and the numbers of outstanding actions are now reported to each meeting of the Scrutiny Committee. There has been progress during 2022/23 to implement old outstanding actions, but further work is needed to clear older actions as soon as possible. The numbers of open actions in Pentana at 31 May 2023 are noted below.

Audit Year	Critical No	Significant No	Routine No	Total No
2014/15	-	1	-	1
2015/16	-	-	-	-
2016/17	-	1	1	2
2017/18	-	1	-	1
2018/19	-	6	2	8
2019/20	-	1	-	1
2020/21	1	5	1	7
2021/22	-	9	10	19
2022/23	-	-	2	2
Total	1	24	16	41

- 7.2. An update was reported to the September 2022 Scrutiny Committee on progress made towards implementing 147 critical and significant recommendations from 71 internal audit reports that were outstanding at 31 August 2022. 70 of those recommendations were also part of the previous progress review. (Article VII, report 234-2022 refers).
- 7.3. Four formal follow-up reviews were reported to committee during the year, all with Full Assurance, and the three critical actions agreed in response to the “no assurance” reports this year were all completed by 31 May 2023.
- 7.4. Information about outstanding actions is downloaded from Pentana and sent to action owners monthly, presented to each Risk and Assurance Board meeting for discussion, and from December 2022, reported to each Scrutiny Committee.
- 7.5. Going forward actions will be agreed as signed off in Pentana on an on-going basis rather than through a large-scale annual progress review / follow-up audit. Areas assessed as Limited or No Assurance will continue to be considered for a full-scale follow-up or re-audit earlier than would otherwise have been the case on an individually assessed risk basis.

8. GOVERNANCE

- 8.1. The governance framework comprises the systems, processes, culture and values by which the activities of the Council are directed and controlled and through which they are accountable to, engage with, and where appropriate, lead the community. It enables the Council to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate cost-effective services.
- 8.2. The Council has a Local Code of Corporate Governance which is reviewed each year and aligns with good practice. Compliance with the Code is assessed and confirmed by Executive Directors through signed self-assessment checklists and statements regarding implementation of the code in their areas during the year. Any areas for improvement are identified and noted in the Annual Governance Statement and an action plan is agreed to address the areas. A review of the statements showed that whilst there are areas for improvement none of these is a fundamental issue that makes the overall governance arrangements inadequate.
- 8.3. In addition to reviewing the statements I and the Acting Senior Manager Internal Audit have attended a variety of officer groups during the year which review and monitor compliance with key elements of the governance structure, and no significant areas have been identified through these groups other than those already noted in the Governance Statement. These groups generally have attendees and remits that cover relevant key areas and would allow any issues to be raised and discussed if necessary.
- 8.4. During the year there was further reporting to the Scrutiny committee about past issues that had significant impact. These related to the Olympia (Article II April 2022 Report 150-2022) and roof tile fixings (Article II Report 329-2022 in December 2022). In addition, a report about past allegations relating to Gifts, Hospitality and Theft (Report 121-2023) was reported to the April 2023 Scrutiny committee. All of these addressed issues occurred in previous periods and, whilst no audit work has been undertaken in 2022/23 to examine current practice in these areas, the action taken and further proposed actions demonstrate that these issues have been dealt with in ways designed to achieve good governance and control going forward.

9. RISK MANAGEMENT

- 9.1. Risk management is a fundamental element of good governance and decision making in any organisation. The Council's risk management arrangements are intended to support the identification, documentation, scrutiny and management of both current and emerging risks. The range and extent of long-established services provided by the Council routinely result in a varied and complex risk profile.
- 9.2. Risk management arrangements within the Council are reasonable. Oversight of risk by officers is well developed, but corporate risks are only reported to Elected Members once per year. The current review of the Risk Management Policy and Strategy has been slightly delayed, but is well advanced and on track for reporting to committee in August 2023.
- 9.3. The Council has a Corporate Risk Register and risk registers for all services are in place. Pentana, the Council's corporate performance management system, is used to record, review, monitor, and report on risks on an on-going basis. A mandatory Risk Management e-learning package is in place for all users of the risk module of Pentana.
- 9.4. Risks are regularly monitored and updated by officers at both a service and corporate level, including by individual services, the Executive Director of Corporate Services in his capacity as the Council's senior risk officer, the Risk and Assurance Board (RaAB), which meets every two months, and through regular reporting to CLT. There is some scope for a more consistent approach to be taken by all services to the recording of risk mitigation and control in Pentana however this will be addressed by the RaAB going forward.

- 9.5. Corporate risks are reported to Policy and Resources Committee, and then to Scrutiny Committee, once per year, meaning that Elected Members have limited oversight of changes in the Council's risk profile throughout the year between reports. Individual risks will be highlighted in other reports to Council and committees where necessary. Policy and Resources Committee on 6 March 2023 (Article V, Report No 32-2023 refers) and the Scrutiny Committee on 26 April 2023 (Report No 32- 2023) refers for the latest reporting.
- 9.6. The Council's Risk Management Policy and Strategy requires to be reviewed at least once per administrative term. This was scheduled to be undertaken during 2022/23 and the review is at an advanced stage. The document includes the remit of the RaAB.

10. PERFORMANCE INDICATORS

PSIAS Conformance and Quality Assurance and Improvement Programme (QAIP)

- 10.1. The self-assessment of the Internal Audit Service undertaken in May 2023 confirmed that it operated in conformance with the PSIAS throughout 2022/23 with one minor non-conformance that is out with our control. The non-conformance relates to the timing of the external review that PSIAS requires to be undertaken at least every five years. The next external assessment was due to take place in 2022/23 within a compliant timeframe through the peer review process agreed by the Scottish Local Authority Chief Internal Auditors Group (SLACIAG). The reviewer has delayed the review to the autumn of 2023 which will make it later than five years since the last review.
- 10.2. The last EQA performed for Dundee City Council was also undertaken using the SLACIAG peer review process. The report made in May 2018 concluded that "the Internal Audit activity within Dundee City Council fully conforms with 11 standards and generally conforms with the remaining 2 standards."
- 10.3. PSIAS requires the Chief Audit Executive to develop and maintains a QAIP covering all aspects of the Internal Audit Service. During 2022/23 the key elements of the QAIP have been the arrangements described above regarding planning and reporting and the operational procedures for planning, undertaking and reviewing individual assignments contained in the audit manual. During the year a high-level review of the arrangements identified several improvements that could be made in reporting and review of implementation of internal audit actions and these have been introduced in 2022/23 with further changes to be implemented in 2023/24.
- 10.4. A copy of the QAIP Action Plan, including progress updates against the actions that were partially implemented at the last update in June 2022 can be found at Appendix C. It should be noted that the actions do not represent significant deviations from the PSIAS and are related to continuous improvements to keep up to date with good practice and make best use of available technology.

Internal feedback and indicators

- 10.5. As part of the continuous improvement process within the Internal Audit Service, client feedback questionnaires are issued at the conclusion of each planned audit review. Feedback from this process is used, where appropriate, to improve the quality of the Internal Audit Service going forward. During 2022/23, 9 completed client feedback questionnaires were received. Responses were very positive across the Audit Approach, Communication and Conduct, Timing and Audit Report statements with 100% rated as strongly agree/agree. Additional comments on the audit process were also received confirming that the audits were carried out efficiently and effectively. All of the returned questionnaires indicated that the review was beneficial to the client's area of responsibility.
- 10.6. Management agreed to implement 100% of the recommendations made (2021/22 100%).

Other external assessment

10.7. The internal audit arrangements are assessed on an annual basis by the Council's External Auditor. In 2022/23 the External Auditor was a new Audit Scotland team. As part of this assessment, the External Auditor considers the activities of internal audit, principally to obtain an understanding of the work carried out and determine the extent to which assurance can be placed on its work. This approach helps to minimise duplication of effort and unnecessary disruption to Council services. The External Audit plan for 2022/23 (Scrutiny Committee April 2023 Report 120-2023 refers) concluded "While we are not planning to place formal reliance on the work of internal audit in 2022/23, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities."

Catherine Wyllie CA

DATE: 16 June 2023

Chief Internal Auditor
Dundee City Council

Summary of Findings from Internal Audit Reports issued since June 2022

Key - Overall Level of Assurance Audits			
The principal conclusion drawn from this review is that			
F = Full there is a sound system of control designed to achieve the system objectives and that the controls are being consistently applied.	R = Reduced whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made.	L = Limited there are weaknesses in the system which should be addressed.	N = No there are significant weaknesses in the system which must be addressed.
Key - Overall Level of Assurance Follow-up Audits			
The principal conclusion drawn from the follow-up work undertaken is that			
the actions taken by management have addressed the control weaknesses highlighted in the original review	whilst some action has been taken to strengthen the control weaknesses highlighted in the original review there are still some recommendations which require to be implemented by management.	the recommendations agreed with management require to be implemented to overcome the control weakness highlighted in the original review.	As for limited assurance

Report No.	Area Reviewed	Level of Assurance	Recommendations			
			Total No.	Importance		
				Critical	Significant	Routine
2021/13	Interment Fees	N	6	2	4	-
2021/19	Schools IT Network	R	2	-	-	2
2021/20	Tayside Contracts -in clearance 25/5/23*	R	5	-	3	2
2021/22	Fire Risk Assessments*	R	4	-	2	2
2021/23	Business Continuity Planning	R	2	-	2	-
2021/25	Government Procurement Cards	L	4	-	3	1
2022/01	Discretionary Housing Payments	R	3	-	-	3
2022/02	Follow-up – Brexit	F	-	-	-	-
2022/03	Additional Waste Bin Service	R	3	-	-	3
2022/05	Follow-up Project Management*	F	-	-	-	-
2022/07	School Income Collections and Reconciliations – School Funds	N	11	1	6	4
2022/07	School Income Collections and Reconciliations – Council Funds	R	3	-	-	3
2022/14	Follow-up – Commercial Lets	F	1	-	-	1
2022/16	Follow-up – Integrated Impact Assessments	F	-	-	-	-

Report No.	Area Reviewed	Level of Assurance	Recommendations			
			Total No.	Importance		
				Critical	Significant	Routine
Scrutiny 124-2023	Stocks and Inventories	F	-	-	-	-
	Total actions		44	3	20	21

* Submitted to June 2023 Scrutiny Committee (*Report 181-2023*)

2022/23 audits carried forward at June 2023

Assignment	Progress at June 2023	Comment
Dundee Integration Board – viability of External Providers from 2021/22	The draft report has been issued.	A meeting with the IJB auditor took place on 12 June and this will now be finalised. It will be reported to the IJB before coming to the Scrutiny Committee
Dundee Integration Board – 2022/23	Being reviewed	This will be reported to Scrutiny Committee after it has been reported to the IJB
Tay Cities Deal (2022/08)	Draft report issued	
LACD financial sustainability (2022/09 a and b)	Draft reports issued to the Council and LACD.	LACD report will be taken to their Board. Revision of DCC scope in progress
Adaptations for People with Disabilities (2022/04)	Draft report issued	
General ledger (2022/17)	Draft report issued	
Telematics (2022/25)	Draft report issued	
Procurement (2022/21)	In review	
Planning (Scotland) Act 2019 (2022/13)	In review	
Cyber security (2022/20)	In Progress	This audit started late in the cycle. Requested information now received and audit in progress. Delayed due to Telematics audit added to the plan in March
Civica CX (2022/19)	Fieldwork in progress	
Health & safety incident reports (2022/23)	Fieldwork in Progress	
Staff wellbeing	Planning	Having spoken to HR about timing for this work it will be carried forward
Microsoft Office 365	Planning	
User Access Controls	Planning	
Social Work Contracts and Payments (2022/22)	Planning	

Quality Assurance and Improvement Programme – Updated Action Plan

The following table provides an update on items carried forward from last year and new items added during the year.

Standard / Area	Action	Initial /Revised (R) Implementation Date	Progress Update	New Revised Implementation Date
1300 / Performance Monitoring	Develop performance management / monitoring framework for the Service to feed into the Corporate Finance Service Scorecard.	30 September 2021 (R) 30 December 2022 (R)	Partially Implemented. No further work completed in terms of Internal Audit Service PI's or performance management / monitoring framework. It was planned to review this as part of preparation for PSIAS assessment due in 2022/23 but the delay in that has resulted in a delay in this.	30 September 2023
2000 / Assurance Mapping	Develop the use of assurance mapping.	31 December 2021 (R) 31 December 2022 (R)	Partially Implemented This has progressed during 2022/23 and an assurance mapping template linked to the risk register is being piloted with a service, overseen by the Risk and Assurance Board. Assurance mapping for audit planning was also further progressed during the 2023/24 planning process. Cipfa is due to publish updated guidance on this, which will be reviewed when it is received.	31 March 2024

Standard / Area	Action	Initial /Revised (R) Implementation Date	Progress Update	New Revised Implementation Date
2400 / Audit Opinions	Refresh standard recommendation / overall conclusions levels and associated terminology following conclusion of benchmarking exercise and stakeholder consultation.	30 September 2021 (R) 30 September 2022 (R)	Partially Implemented It was planned to review this as part of preparation for PSIAS assessment due in 2022/23. The delay of the external assessment also delayed this. The review will be undertaken to implement in all 2023/24 audit conclusions.	31 August 2023
	Review reports template/style	June 2023	Complete May 2023 A new report style has been developed and piloted with a service. Management has agreed the style and it will be implemented during June 2023 for any outstanding 2022/23 audits and for all 2023/24 audits	N/A
	Review reporting to Scrutiny Committee	December 2022	Complete June 2023 Progress reporting against the agreed plan now going to every Scrutiny Committee and including information regarding progress with implementation of agreed actions. Report summarising information going to other committees also introduced – first one in June 2023	June 2023
	Review planning process and create Audit Universe	April 2023	Complete April 2023 This was completed as part of the 2023/24 planning and will be updated each year going forward	N/A

Standard / Area	Action	Initial /Revised (R) Implementation Date	Progress Update	New Revised Implementation Date
	Review arrangements for monitoring implementation of audit actions	December 2023	<p>In progress</p> <p>The Risk and Assurance Board agreed a new method for reviewing implementation of internal audit actions. This is currently being implemented. The new method will provide 100% checking of completion as services log them as complete.</p>	N/A
	Review the new Cipfa Guidance for Audit Committees and update remit and practices as appropriate.	Initial review complete by August 2023, with actions from this implemented by June 2024	<p>In progress</p> <p>Guidance reviewed and actions being considered and implemented. Review of terms of reference for the Scrutiny Committee in progress</p>	N/A
	Review process for agreeing draft reports, including use of SharePoint, to reduce time taken to finalise.	December 2023	<p>In progress</p> <p>Preliminary consideration of use of SharePoint has been undertaken</p>	N/A