

REPORT TO: SCRUTINY COMMITTEE - 23 JUNE 2021

REPORT ON: 2020/21 INTERNAL AUDIT ANNUAL REPORT

REPORT BY: SENIOR MANAGER - INTERNAL AUDIT

REPORT NO: 188-2021

1.0 PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee the 2020/21 Internal Audit Annual Report. 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.

2.0 RECOMMENDATIONS

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

3.0 FINANCIAL IMPLICATIONS

None

4.0 MAIN TEXT

- 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 Senior Manager – Internal Audit.
- 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 Senior Manager – Internal Audit.
- 4.3** The PSIAS also states that the annual report prepared by the chief audit executive must incorporate:
- the annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
 - a summary of the information that supports that opinion;
 - a disclosure of any impairments to scope and / or independence;
 - a statement of conformance with the PSIAS; and
 - the results of the quality assurance and improvement programme (External Quality Assessment) and progress against any improvement plans.
- 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 2020/21 financial year, which is attached for consideration by Elected Members, has been prepared on the basis of the requirements outlined above.

5.0 POLICY IMPLICATIONS

This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues.

6.0 CONSULTATIONS

The Chief Executive, Executive Director of Corporate Services, Head of Corporate Finance and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

Pamela Redpath, Senior Manager – Internal Audit

DATE: 08 June 2021

2020/21 INTERNAL AUDIT ANNUAL REPORT

1. PURPOSE OF REPORT

- To summarise the key activities undertaken by the Council's Internal Audit Service during the 2020/21 financial year and highlight any matters of significance that have arisen as a result of the audit process.
- To provide an independent annual internal audit opinion, derived from the above, on the overall adequacy and effectiveness of the organisation's governance, risk management and control framework.

2. GOVERNANCE, RISK MANAGEMENT AND CONTROL FRAMEWORK

- 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.
- 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. However, during 2020/21, Covid-19 introduced a further layer of risk and complexity, which has proved to be persistent, continuing to impact the organisation as it moves into 2021/22. It is, therefore, more important than ever that there are sound risk management arrangements in place to capture all risks, and manage and escalate these timeously and appropriately.
- Despite the pandemic, the Council's risk management arrangements have been enhanced again this year. A Covid-19 Recovery Risk Register was developed and the risks within it have been regularly reviewed and, where applicable, updated at the same time as considering the control measures in place to mitigate each risk. The Corporate Risk Management Working Group continued to meet virtually on a quarterly basis throughout the year, and risk management was reported to the Council Management Team, Policy and Resources Committee and Scrutiny Committee in line with the Risk Management Policy and Strategy. The most recent Risk Management Annual Report, containing the Corporate Risk Register mapped to service level risk registers and the Covid-19 Recovery Risk Register, was considered at the Policy and Resources Committee on 25 January 2021 (Article V, Report No 47-2021 refers) and Scrutiny Committee on 10 February 2021 (Article II, Report No 47-2021 refers). Comprehensive Risk Management Procedures, covering both risk management in general as well as the use of Pentana, were published in November 2020 and an e-learning package on Risk Management is in its final stages of development. Going forward, individual risks within the Covid-19 Recovery Risk Register will be considered from a business-as-usual perspective, with corresponding opportunities explored. More detailed operational-level risk registers are also due to be developed, as are enhancements to assurance mapping. Lastly, as planned, the Council's risk appetite and Risk Management Policy and Strategy will be reviewed during 2021/22.
- The system of control is a significant part of this framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise the risks that may impact on the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised along with the impact they may have if they come to fruition and to manage them economically, efficiently and effectively.

3. ROLE OF INTERNAL AUDIT

- Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It is a fundamental element of Dundee City Council's governance and assurance framework and assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the

effectiveness of its governance, risk management and control framework. This role includes the requirement to have a full understanding of the key risks to which the Council is exposed.

- During 2020/21, 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. Whilst there have been no specific audit assignments relating to the organisation's corporate fraud or risk management arrangements delivered during the year, the Senior Manager – Internal Audit continues to be operationally responsible for both the Corporate Fraud Team and the Risk Management Function.
- The Internal Audit Service, with strict accountability for confidentiality and the safeguarding of records and information, is authorised full, free, and unrestricted access to all of the organisation's records, physical properties and personnel relevant to carrying out any engagement and effectively discharging its remit.
- The primary purpose of internal audit is to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control framework. The Internal Audit Plan, therefore, requires to include a programme of work that is sufficient and diverse enough to enable the annual opinion to be informed. The types of review undertaken are grouped into key themes, which are integral to the assurance gathering process across the organisation's activities, specifically governance, ICT, systems, procurement / contract and financial. In addition, the Internal Audit Service may also provide advice and guidance on governance, risk management and control matters, including during specific investigations.
- 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.
- The Internal Audit Charter, updated in 2018 (Article VI of the minute of meeting of this Committee of 14 February 2018 refers) sets out in more detail, within the context of Dundee City Council, the purpose, authority and responsibility of the Internal Audit Service.

4. AUDIT PLANNING

- A key component in the effective management of internal audit is planning audit work to ensure that objectives are met, priorities are established, resources are targeted and used effectively, Best Value is achieved and cognisance is taken of the risk(s) associated within each area.
- To ensure planning is operationally effective, Internal Audit is required to have a clear understanding of the Council's functions / activities, associated risks and range and breadth of potential areas for inclusion within the plan. The Internal Audit Plan is compiled on an annual basis and provides a summary of the areas where it is planned that work will be carried out during the forthcoming year. The Internal Audit Plan for the 2020/21 financial year was reviewed and approved by Elected Members utilising the Essential Council Business arrangements at the beginning of June 2020 (Report No. 150-2020) and then noted by the Scrutiny Committee at its meeting in September 2020 (Article II of the minute of meeting of this Committee of 23 September 2020 refers). In line with recognised good practice, the Internal Audit Plan was prepared on the best information available at that time.
- The internal audit arrangements are assessed on an annual basis by the Council's External Auditor. In 2020/21 the External Auditor was Audit Scotland. 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.

5. AUDIT REPORTS

- Each audit assignment results in an internal audit report, which includes an executive summary as well as audit findings, recommendations and management responses, where appropriate. The audit report provides management with an action plan, which assigns responsibility and details the timetable for implementation of audit recommendations.
- Within all audit reports a judgement is given on the importance of each audit finding i.e. critical, significant or routine. These judgements are utilised to determine the overall level of assurance / opinion to be assigned to the area that has been subject to review. There are generally four

overall levels of assurance i.e. full, reduced, limited and no assurance, with corresponding standard overall opinions. The overall opinion is detailed in the executive summary of each report.

- The findings and recommendations arising from the audit assignments reported upon since the last Annual Report have been discussed and agreed with appropriate officers of the Council and action plans have been put in place to address the areas identified for improvement. The executive summary from each report has been submitted to the Scrutiny Committee for consideration.
- 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 Pentana.

6. KEY EVENTS AND DEVELOPMENTS

- The Council has been operating within a significantly challenging and changing environment for some time and, as a result of continuing resource constraints, it is expected that the level and pace of change will require to increase progressively for the foreseeable future. The cumulative savings required between 2021/22 and 2023/24 to achieve a balanced budget, assuming flat cash settlements in line with the Council's long-term financial projections, are £15.4m. Covid-19 initially exacerbated the Council's financial circumstances and necessitated the provision of new / changed services, resulting in increased costs in some areas and a reduction of income in others. The most recent Financial Implications of the Council's Response to the Covid-19 Emergency and Financial Recovery Plan report highlights that the "latest projections show gross additional costs of £41.569m for financial year 2020/21, in respect of the Council's response to the Covid-19 emergency, including £4.574m for Leisure and Culture Dundee". After taking into account confirmed additional government funding streams, a funding surplus for 2020/21 of £9.050m was projected. The Financial Recovery Plan for the Council totals £4.200m, resulting in an aggregate projected surplus of £13.250m for 2020/21. That said, the longer-term financial implications of the Council's Covid-19 response are likely to be significant, with officers identifying in late 2020 Covid-related costs of around £24m over the next three years (2021 - 2024). The final outturn position for 2020/21 will be reported to Scrutiny Committee in due course.
- Key events and developments during 2020/21, aside from Covid-19, that have impacted on the organisation have included, or are related to the Dundee Waterfront project; signing of the Tay Cities Deal; Data Centre move; roll out of Office 365; preparations for the Scottish Parliamentary Election; further development at the Michelin Scotland Innovation Parc; Revised Dundee Alcohol and Drug Partnership: Action Plan; the Tayside Mental Health and Wellbeing Strategy; tackling the climate emergency through partnership action and establishment of a Dundee Climate Change Leadership Group. The turnover of senior management, including the Chief Executive, Executive Director of Corporate Services (Section 95 Officer) and Head of Human Resources and Business Support, as well as the approval of a number of new / updated corporate policies and strategies, e.g. Treasury Management Strategy, Anti-Money Laundering Policy, Council Health and Safety Policy and Management Framework, development of an Information Governance Policy, bringing changes to working practices and procedures have also had an impact.
- Covid-19 specifically, has had a profound effect on a global scale, impacting communities, organisations and individuals at a national and local level. Dundee's local response has been positive, providing wide ranging support and assistance as necessary, including support for the mass vaccination centre. As part of the initial response, a number of governance and operational arrangements within the Council were subject to change and some staff were re-deployed or furloughed. These measures were necessary to reflect the Covid-19 restrictions in place and allow key services to continue to be delivered, albeit, in some cases, in a different manner. During the year, Internal Audit carried out a formal review as planned to ensure that key business operations and their associated governance and control frameworks had been appropriately and timeously established / re-established. The principal conclusion drawn from the review, which can be found in Internal Audit Report No. 2020/14 – Covid-19 Recovery, is that there is a sound system of control designed to achieve the system objectives and that the controls are being

consistently applied. The work carried out as part of the audit demonstrates that the Council's approach to dealing with the Covid-19 pandemic has been well structured and, from the outset, brought together officers and Senior Managers from all Council services, as well as representatives from its partners, including the voluntary sector and business community. The key measures taken to date, which are detailed in Internal Audit Report No. 2020/14, as well as the partnership approach described above, internal and external communications throughout and extensive health and wellbeing suite of resources, all help demonstrate the Council's proportionate and inclusive response. The Council continues to respond positively to the Covid-19 pandemic.

- Some of the events noted above, including the Covid-19 pandemic and delays in being able to progress / implement some projects / systems as planned, have, like last year, directly impacted on the Internal Audit Service during 2020/21. As a result of this constantly changing and complex environment, it is essential that the framework of governance, risk management and control described in Section 2 above continually evolves to support it.
- Going forward, changes to the way the Council delivers its services will be driven by a number of internal and external factors, including future Local Government finance settlements and supplementary funding to assist with Covid-19 related obligations / impacts; the Scottish Government's Coronavirus (Covid-19): Strategic Framework, and Coronavirus (Covid-19): Scotland's Route Map; the vaccination programme; Coronavirus Job Retention Scheme; Net Zero agenda; changes made by the Scottish Public Services Ombudsman to the model Complaints Handling procedure; locally developed recovery / mobilisation plans; Brexit; the Changing for the Future C2022 programme; Tay Cities Deal; the Dundee Waterfront Project; the Review of Children's Services in Scotland (The Promise) and the Education: 2021 National Improvement Framework and Improvement Plan. In addition, governance arrangements surrounding the DH&SCP and its IJB are likely to change following publication of the Independent Review of Adult Social Care in Scotland (The Feeley Report) in February 2021, which recommends the creation of a National Care Service and is referred to within the Scottish Government's First Steps document.
- The ongoing impact of reduced funding and corresponding changes to the way Council services are delivered, including home / hybrid working will continue to result in a challenging environment in which internal audit services require to be planned and delivered. Steps will continue to be taken to ensure that any related potential difficulties are identified and managed timeously.

7. PSIAS CONFORMANCE

- The Internal Audit Service operated in conformance with the PSIAS throughout 2020/21. A requirement of the PSIAS is that the Chief Audit Executive develops and maintains a Quality Assurance and Improvement Programme (QA&IP) covering all aspects of the Internal Audit Service, including both periodic internal self-assessments and five-yearly external assessments. Since the PSIAS came into effect in April 2013, periodic self-assessments, and one external assessment, have been undertaken as required to assess conformance against the PSIAS and identify opportunities for improvement. The last self-assessment was carried out during 2020/21 and the next external assessment is planned for 2022/23. A copy of the QA&IP Action Plan with progress updates against the actions that were partially implemented at the last update can be found at Appendix C. It should be noted that the partially implemented actions do not represent significant deviations from the PSIAS.

8. PLAN ACHIEVEMENT

- For the 2020/21 financial year, there was a total of 760 productive days used for direct audit activities, an increase of approximately 8% on the previous year, however, for some of the reasons noted below, 5% under the 800 budgeted productive audit days. In terms of the total number of productive days (audit and non-audit), approximately 77% was spent on direct audit activities in line with last year, and 23% on support activities such as strategic management of the Internal Audit Service, audit planning, attendance at / contribution to national groups (including the Scottish Local Authorities Chief Internal Auditors Group and its Management Committee) and staff training and development.
- The 2020/21 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. Whilst work on the majority of the planned areas for corporate and service reviews included within the plan commenced in 2020/21, there were (due to a number of factors) changes to the plan, which resulted in some re-scheduling of work into 2021/22 and one deferral. These were reported to, and approved by, the Scrutiny Committee at its meeting in April 2021 (Article III of the minute of meeting of this Committee of 28 April 2021 refers). Specific reasons behind these changes varied but generally related to some audit assignments requiring more days than originally envisaged when the Internal Audit Plan was compiled, establishment accessibility restrictions as a result of Covid-19, and the timing of some planned reviews being unsuitable. A conscious decision was also made in March 2020 to hold off progressing some assignments at the end of 2019/20 and start of 2020/21, providing management with the time and space necessary to concentrate on the Council's immediate Covid-19 response, and instead focus audit resources on supporting the organisation where required, as well as carrying out audit planning and other strategic management activities. In addition, one member of staff from the Internal Audit Service was re-deployed for 3 months to assist with Scottish Welfare Fund Crisis Grant applications.

- 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 2020/21, 7 completed client feedback questionnaires were received. Responses were very positive across the Audit Approach, Communication and Conduct and Audit Report statements with 100% rated as strongly agree / agree. The positive rating in the Timing section was lower at 86%, with 2 of the returned questionnaires disagreeing with the statement that the timing of the audit was appropriate and 1 disagreeing with the statement that minimum disruption occurred to daily activities. All of the returned questionnaires indicated that the review was beneficial to the client's area of responsibility.

9. OVERALL ASSESSMENT OF GOVERNANCE, RISK MANAGEMENT AND CONTROL

- Internal Audit activity covered a diverse range of areas including Universal Credit; Street Lighting and Roads Maintenance; Respite Services; Firmstep; Leadership, Training and Development; Employability Pathway; Capital Plan; Materials Purchasing; Alphatec; Covid-19 Recovery (including Recruitment & Selection); Waterfront Project; L&CD Governance Arrangements; Homelessness; Asset Management; Project Management; Cyber Security; Tay Cities Deal; Incident Management; Attendance Management; as well as formal Follow-up Reviews on Health and Safety; Business Continuity; Transformational Change; Out of Hours Service; Housing Capital Plan; GDPR; and Sub-contractors. In addition, First Level Controller responsibilities were carried out as planned during 2020/21 on the Create Converge Project, EU INTERREG North Sea Region Programme, grant claims. The range of areas covered within the organisation continues to reflect the changing landscape and nature of internal audit work and focusses on evaluating, and contributing towards the improvement of the organisation's governance, risk management and control framework.
- The 2020/21 corporate and service-level reviews identified that many of the expected controls are in place and operating satisfactorily in the areas examined. However, audit work also identified a number of areas requiring improvement and, consequently, Internal Audit reports included a range of recommendations and action plans (developed in consultation with management), which, once implemented, will improve the organisation's governance, risk management and control framework.
- In addition, whilst not necessarily directly informed through the planned programme of work, the Internal Audit Service has assisted the Council, through the provision of advice and guidance, to make a number of improvements during 2020/21 to its governance, risk management and control framework. More specifically, improvements around the organisation's fraud governance arrangements (e.g. the Officers' Register of Interests and Gifts, Gratuities and Hospitality processes as well as the Whistleblowing Policy, which are about to be re-launched, as well as the compilation of regular Fraud and Scams bulletins published on the Council's intranet), stocktaking arrangements, and resilience in general via the Integrity Group and Corporate Risk Management Working Group. Assistance was also provided, through ongoing representation on the Corporate Compliance Group, during the development phase of good practice guides and control self-assessment forms, which were launched during 2020/21 as part of the Council's risk-based compliance framework.

- Similar to the end of 2019/20 financial year, the Internal Audit Service has been working with services that have had to change and / or develop new systems / processes relatively quickly to respond to the evolving Covid-19 environment, providing them with advice and guidance around designing robust systems / processes as well as some real time assurances that controls had been adequately considered, mitigating corresponding risks to the Council. Those systems / processes include PPE and Food Hub stocks; Transitional Support Fund for Childcare providers; Self-Isolation Support Grants; Strategic Framework Business Fund grants; Discretionary Fund; Temporary Restriction Fund; Taxi Driver and Private Hire Driver Fund and Low Income Pandemic Payments.
- A number of areas have been identified as requiring further improvement / development during 2021/22, including assurance mapping, fraud governance arrangements, workforce planning, business continuity planning, information governance, procurement, asset management and the roll out of further risk-based compliance checks. In addition, as the Council recovers from the pandemic, steps will require to be taken to ensure that key business operations and their associated governance and control frameworks are appropriately and timeously established / re-established. Senior officers in the Council are aware of these areas and steps are being taken to address them. Some of these areas will feature, alongside other areas identified as requiring improvement, in the Continuous Improvement Agenda of the Council's Annual Governance Statement, which will be formally reviewed, monitored and reported on during the 2021/22 financial year.
- A total of 26 Dundee City Council internal audit reports have been finalised since the last Annual Report was issued, covering 28 areas. A summary of these reports is attached at Appendix A. In general, these reports have been well received by clients, with management agreeing to implement 100% of the recommendations made. A total of 79 recommendations were made in the reports issued on behalf of Dundee City Council. Of these, 8 were categorised as critical, 38 as significant and the remaining 33 as routine. In comparison, 93 recommendations were made in the previous year.
- Analysis of the overall audit opinion in each of the reports issued on behalf of Dundee City Council highlighted that 12% of the areas reported upon were considered to be well controlled (full assurance), 69% were adequately controlled (reduced assurance) and 15% required improvement (limited assurance). One of the areas reviewed, Materials Purchasing (which equates to the remaining 4%), was assessed as having no assurance. A watching brief will continue to be kept on the profile of the overall audit opinions.
- A summary of the outcome of the Progress Review Exercise carried out during 2020/21 can also be found at Appendix A.
- In addition, in relation to the Dundee IJB, 3 internal audit reports were submitted to the Performance and Audit Committee (PAC) during 2020/21 and a summary of those reports is also attached at Appendix A for information.
- The PSIAS requires the Senior Manager – Internal Audit to provide an internal audit annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, which should be used to inform the Council's Annual Governance Statement. This principle is also affirmed in the Local Authority Accounts (Scotland) Regulations 2014. Attached at Appendix B is the Senior Manager – Internal Audit's annual opinion, which is supported by the audit work carried out by the Internal Audit Service and other relevant information. On the basis of the areas used to inform this process for the year to 31 March 2021, the overall audit opinion reached is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control.

Summary of Internal Audit Reports and 2020/21 Progress Review Exercise

Key - Overall Level of Assurance			
F = Full	R = Reduced	L = Limited	N = No
The principal conclusion drawn from this review is that there is a sound system of control designed to achieve the system objectives and that the controls are being consistently applied.	The principal conclusion drawn from this review is that whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made.	The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.	The principal conclusion drawn from this review is that there are significant weaknesses in the system which must be addressed.

i) Summary Internal Audit Reports

Report No.	Area Reviewed	Level of Assurance	Recommendations			
			Total No.	Importance		
				Critical	Significant	Routine
2019/11	Corporate Services - Universal Credit	R	6	-	2	4
2019/15	Leisure and Culture Dundee - Follow-up Review of Health and Safety [^]	R	3	1 (1-PI)	1 (1-PI)	1 (1-PI)
2019/20	City Development - Street Lighting and Roads Maintenance	R	4	-	1	3
2020/03	Children and Families - Respite Services	R	4	-	2	2
2020/04	Corporate Services - Firmstep	R	4	-	2	2
2020/05	Corporate - Leadership, Training and Development	R	2	-	-	2
2020/06	City Development - Employability Pathway	R	2	-	-	2
2020/07	Corporate - Follow-up Review of Business Continuity (2 nd follow-up) [^]	R	2	-	2 (1-PI, 1 new)	-
2020/08	Corporate - Capital Plan	R	1	-	-	1
2020/10	Construction Services - Materials Purchasing	N	4	2	2	-
2020/11	Corporate - Follow-up Review of Transformational Change [^]	R	4	-	4 (2-PI, 2-NI)	-
2020/12	Children and Families Service - Follow-up Review of Out of Hours Service [^]	F	0	-	-	-
2020/13	Corporate Services - Alphatec	R	2	-	2	-
2020/14	Corporate - Covid-19 Recovery (including Recruitment & Selection)*	F	0	-	-	-
2020/15	City Development - Waterfront Project*	R	3	-	1	2
2020/16	Corporate - Follow-up Review of Housing Capital Plan [^]	F	0	-	-	-
2020/17	Leisure and Culture Dundee - Governance Arrangements*	R	7	-	3	4
2020/18	Neighbourhood Services - Homelessness	R	3	-	1	2
2020/19	Corporate - Follow-up Review of General Data Protection Regulations (GDPR) [^]	L	8	2 (2-PI)	6 (2-FI, 4-PI)	-
2020/20	Corporate - Asset Management*	L	3	-	2	1
2020/22	Corporate - Project Management*	L	3	1	2	-
2020/23	Construction Services - Follow-up Review of Sub-contractors (2 nd Follow-up) [^]	R	2	2 (2-PI)	-	-
2020/25	Corporate Services - Cyber Security*	R	4	-	1	3

Report No.	Area Reviewed	Level of Assurance	Recommendations			
			Total No.	Importance		
				Critical	Significant	Routine
2020/26	Corporate - Tay Cities Deal*	R	3	-	-	3
2020/29	Children and Families Service - Incident Management*	L	3	-	3	-
2020/30	Corporate - Attendance Management*	R	2	-	1	1
TOTALS			79	8	38	33

* Submitted to June 2021 Scrutiny Committee (Report 186-2021)

^ For follow-up reviews, the recommendation importance is from the original audit report. The information in brackets, details the number of original recommendations formally assessed as being fully implemented (FI), partly implemented (PI) or not implemented (NI).

'New' is where a new recommendation was made during the follow-up review process.

ii) Summary of IJB Internal Audit Reports

Report No.	Area Reviewed	Category of Assurance	Recommendations				
			Total No.	Importance			
				Priority 1	Priority 2	Priority 3	Priority 4
D04/19 (DCC Report No. 2018/28)	Information Governance & Technology as Enablers (Review undertaken by Dundee City Council Internal Audit Service)	D	6	-	5	1	-

IJB Categories of Assurance: A - Good, B - Broadly Satisfactory, C - Adequate, D - Inadequate, E - Unsatisfactory, F - Unacceptable

Report No.	Area Reviewed	Level of Assurance	Recommendations				
			Total No.	Assessment of Risk			
				Fundamental	Significant	Moderate	Merits Attention
D05/19 (DCC Report No. 2019/22)	Finance (Review undertaken by Dundee City Council Internal Audit Service)		3	-	1	2	-

IJB Levels of Assurance: Green – Substantial Assurance, Yellow – Reasonable Assurance, Amber – Limited Assurance, Red – No Assurance

Report No.	Area Reviewed	Level of Assurance	Recommendations			
			Total No.	Assessment of Risk		
				Fundamental	Significant	Merits Attention
D06/19	Governance Mapping (Review undertaken by Fife, Tayside and Forth Valley Audit and Management Services (FTF) / NHS Tayside)		3	-	3	-

IJB Levels of Assurance: Green – Comprehensive Assurance, Yellow – Moderate Assurance, Amber – Limited Assurance, Red – No Assurance

iii) Summary of 2020/21 Progress Review Exercise

As part of the 2020/21 Audit Plan, a total of 157 recommendations from 70 internal audit reports were subject to a progress review. 60 of these recommendations were also part of the 2019 Progress Review Exercise. Some outstanding recommendations from the previous year's exercise were not included, however, because planned audit work within the same area was undertaken and reported to Scrutiny Committee. Implementation of the recommendations within the new audit reports will be monitored in line with standard working practices.

The IJB internal audit reports were not included in this exercise, however, progress towards implementation of the recommendations contained within them can be found in the Governance Action Plan Progress Report submitted to each Performance and Audit Committee.

In line with the previous year, an update on recommendations with implementation deadlines up to an agreed cut-off date were included. Historically, progress towards implementation of recommendations was not formally reported until the implementation deadlines had passed for all recommendations in an audit report. The annual progress review exercise is routinely carried out in late summer to enable formal reporting to Committee in September. However, in 2020, as a result of the pandemic, commencement of this exercise was intentionally delayed to give officers time to adapt operationally and get back on track implementing the outstanding recommendations. The cut-off date utilised for reporting was 30 September 2020.

Whilst this exercise does not normally include a review of evidence to support management assurances, Internal Audit did review a sample of evidence surrounding implementation of the recommendations contained within Internal Audit Report No. 2018/19 – Internal Financial Controls, which confirmed that the updates provided by management were accurate. In addition, sample evidence was reviewed that confirmed the progress percentages of 100% for the three Internal Financial Controls recommendations that were part of the previous year's progress review exercise were accurate.

A summary of the outcome of the progress review exercise is detailed in the table below. A report providing more detail on the progress made towards implementing internal audit recommendations previously reported to and agreed by management was presented to the Scrutiny Committee in December 2020 (Article III of the minute of meeting of this Committee of 9 December 2020 refers).

No. of Recommendations	Fully Implemented	Partly Implemented	Not Implemented
157	59	96	2

For the recommendations that were partly or not implemented, assurances were provided to Internal Audit by management that the outstanding areas would be addressed and, where feasible, revised timelines were provided for completion. In terms of management responses to the progress reviews that were undertaken as part of the 2020/21 Plan, it was evident as in previous years that there had been slippage in the anticipated timeframes provided by management for the implementation of the recommendations in full. Whilst the specific reasons for this were varied, there were recurring themes, as in previous years, surrounding delays in the replacement or implementation of IT systems and further progress being dependent on the outcome of decisions in terms of service provision. In addition, Covid-19 had impacted on progress in some areas.

An update on progress made towards full implementation of the outstanding recommendations will be sought, via Pentana, during the 2021/22 Progress Review Exercise and reported to Scrutiny Committee in 2021.

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

As Senior Manager – Internal Audit of Dundee City Council, I am pleased to present my annual opinion for the year ended 31 March 2021. It should be noted that the statement does not include assurances on group activities.

Respective Responsibilities of Management and Internal Audit in Relation to the Governance, Risk Management and Control Environment

It is the responsibility of the Council's officers to determine, establish and maintain sound systems of governance, risk management and control to ensure that the organisation's resources are utilised in the proper manner and on the activities intended and that these arrangements are sufficient to address the risks facing their services. This includes responsibility for the prevention and detection of fraud. Management is also charged with monitoring the continuing effectiveness of these arrangements and taking action as appropriate. It is the responsibility of the Senior Manager – Internal Audit to provide an annual assessment of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

Control Environment

This comprises the governance, risk management and control processes in the context of the Council's defined goals and objectives. The key elements include the following:

- Consistency of operations with established goals and objectives.
- Efficiency and effectiveness of operations and deployment of resources.
- Compliance with significant policies, plans, procedures, laws, and regulations.
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify and report such information.
- Safeguarding of assets.

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.

The Focus of Internal Audit Work

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Through its work, internal audit assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of its governance, risk management and control framework. The Council's Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Local Authority Accounts (Scotland) Regulations 2014. The requirements under the PSIAS represent best practice and these, along with the Regulations, are mandatory.

The Senior Manager – Internal Audit prepares an annual internal audit plan which outlines the work to be undertaken. The internal audit plan is developed utilising a risk-based methodology based on the audit universe and takes into account the requirement placed upon the Senior Manager – Internal Audit to provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In compiling the plan, input from Elected Members, senior management and any other relevant parties is sought and cognisance is taken of emerging issues. The plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation. The plan, any material changes to the plan during the course of the financial year, and any significant matters that may impact upon the delivery of the plan are reported to the Scrutiny Committee as appropriate.

The Internal Audit Service formally reports upon the areas subject to review. Such reports, which identify system weaknesses and / or non-compliance with expected controls, are issued for the attention of service

managers and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that due consideration is given to internal audit reports. This includes management taking remedial action where appropriate or accepting that there may be a level of risk exposure if the weaknesses identified are not addressed for operational reasons. The Senior Manager – Internal Audit must establish a follow-up process to monitor and ensure that audit recommendations have been effectively implemented or, as noted above, that senior management has accepted the risk of not taking action. Matters arising from internal audit work are also reported to the Council's Scrutiny Committee, the Chief Executive, the Council Management Team and Audit Scotland, the Council's External Auditor.

Summary of Internal Audit Activity

A total of 26 Dundee City Council internal audit reports have been finalised since the last Annual Report was issued, covering 28 diverse areas, including Universal Credit; Street Lighting and Roads Maintenance; Respite Services; Firmstep; Leadership, Training and Development; Employability Pathway; Capital Plan; Materials Purchasing; Alphatec; Covid-19 Recovery (including Recruitment & Selection); Waterfront Project; L&CD Governance Arrangements; Homelessness; Asset Management; Project Management; Cyber Security; Tay Cities Deal, Incident Management, Attendance Management and 7 formal Follow-up Reviews. In addition, First Level Controller responsibilities were carried out as planned during 2020/21 on the Create Converge Project, EU INTERREG North Sea Region Programme, grant claims.

The Internal Audit Service also undertook a comprehensive progress review exercise during the year and provided advice and guidance as required surrounding the Council's governance, risk management and control framework. In addition, the Internal Audit Service has continued to work with services that have had to change and / or develop new systems / processes relatively quickly to respond to the evolving Covid-19 environment, providing them with advice and guidance around designing robust systems / processes as well as some real time assurances around controls, mitigating corresponding risks to the Council.

The audit work during 2020/21 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.

Limitation of Scope or Independence

There was no limitation of scope or independence placed upon the work undertaken by the Internal Audit Service during 2020/21.

Basis of Opinion

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 assessment of risk carried out during preparation of the 2020/21 and 2021/22 internal audit plans.
- Knowledge of the Council's culture, governance, risk management and performance monitoring arrangements.
- The Self-assessment Checklists completed to date by relevant 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, including the Best Value Assurance Report published in 2020/21, together with relevant reports from other external review and inspection bodies.

Opinion

It is my opinion, based on the above, 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 2021.

Pamela Redpath FCCA

DATE: 08 June 2021

**Senior Manager – Internal Audit
Dundee City Council**

Quality Assurance and Improvement Programme – Action Plan

Standard / Area	Action	Revised Implementation Date (June 2020)	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 2020	Partially Implemented – high level KPIs for Corporate Services Service Plan now agreed. Internal Audit Service level framework in the process of being further developed.	30 September 2021
2000 / Assurance Mapping	Develop the use of assurance mapping.	31 December 2020	Partially Implemented – an assurance mapping template has been developed and a number of meetings have taken place during 2020/21 with the Corporate Risk Management Co-ordinator. A briefing paper is being compiled with implementation proposals for discussion and agreement with management.	31 December 2021
2400 / Audit Opinions	Refresh standard recommendation / overall conclusions levels and associated terminology following conclusion of benchmarking exercise and stakeholder consultation.	30 September 2020	Partially Implemented - benchmarking exercise carried out, however, further work is required, including stakeholder consultation.	30 September 2021