

## ITEM No ...3.....

**REPORT TO: SCRUTINY COMMITTEE – 8 FEBRUARY 2023**

**REPORT ON: INTERNAL AUDIT PLAN UPDATE AND PROGRESS REPORT**

**REPORT BY: CHIEF INTERNAL AUDITOR**

**REPORT NO: 39-2023**

### **1.0 PURPOSE OF REPORT**

To submit to Members of the Scrutiny Committee a revision of the 2022/23 internal audit plan; an update on the progress towards delivering the remaining 2022/23 Internal Audit Plan and the audits brought forward from the 2021/22 Plan; and information about the number of outstanding internal audit recommendations.

### **2.0 RECOMMENDATIONS**

- i. Members of the Committee are asked to discuss and note the information contained within this report, and;
- ii. Approve the revised 2022/23 plan.

### **3.0 FINANCIAL IMPLICATIONS**

None.

### **4.0 MAIN TEXT**

4.1 Appendix one notes the current stage of progress with implementing the 2022/23 Internal Audit Plan and the items brought forward from the 2021/22 Plan.

4.2 Appendix two shows the outstanding internal audit recommendations by service, audit year and risk priority.

4.3 It is proposed that the following items are removed from the plan (lines shaded pale red in Appendix one):

- Workforce management
- Monitoring of Contractors
- Absence Management (although some aspects will be picked up under the staff wellbeing audit)
- Self-directed support
- Pentana
- Permanence
- Corporate debt recovery
- Follow-up review of asset management
- Attendance at stocktakes
- Preparation for the external review of compliance with PSIAS (see 4.4 below)

- 4.4 The items to be removed have been arrived at with consideration of risk and where other activity may provide some assurance on the area. Since the proposed reduction in activity is only for this current year the Chief Internal Auditor is content that the removal of these items will not impact negatively on their ability to provide the annual opinion in June 2023.

#### **Compliance with Public Sector Internal Audit Standards (PSIAS)**

- 4.5 PSIAS requires an external review of compliance with the standards every 5 years. Our last external review was completed and reported in Report no 208-2018 in June 2018. A review was planned to be undertaken during 2022/23 as part of the arrangements in place between Scottish Local Authorities to undertake peer reviews. Our reviewer has requested a delay for resource reasons. The review will now be carried out in the third quarter of 2023 which means we will be in breach of the PSIAS requirement to have the external review undertaken within 5 years of the previous external review. Due to Covid this is a common situation for a number of Local Authorities. The delay of a few months is not seen as a serious breach of compliance with PSIAS and a self-assessment will be performed and reported in the Annual Report in June 2023.

#### **5.0 POLICY IMPLICATIONS**

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.

#### **6.0 CONSULTATIONS**

The Council's Leadership Team have been consulted in the preparation of this report.

#### **7.0 BACKGROUND PAPERS**

None.

Appendix 1 – 2021/22 and 2022/23 Internal Audit Plan update

Appendix 2 – Internal Audit outstanding recommendations

**CATHIE WYLLIE**  
**CHIEF INTERNAL AUDITOR**

**18 JANUARY 2023**

## 2021/22 Internal Audit Plan – Progress Report (Audits completed after June 2022)

Not Yet Commenced	Planning	Fieldwork	Reviewing	Draft Report Issued	Planned Days Utilised / Scrutiny Committee Date
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2021/22 INTERNAL AUDIT PLAN	Proposed Coverage	Status	Assurance Level
<b><i>Governance Reviews</i></b>			
Dundee Integration Joint Board – Viability of External Providers	To support the Dundee Integration Joint Board (IJB) Chief Internal Auditor through the provision of internal audit reviews on the IJB Internal Audit Plan.	Draft report issued	
Tayside Contracts	High level review of the governance arrangements in place to manage and monitor the Council’s partnership with Tayside Contracts, including current billing arrangements.	Draft report issued	
Business Continuity Planning	Review of service-level business continuity plans to ensure they have been updated in the context of Covid-19 and reflect, where appropriate, lessons learned locally, nationally and internationally.	SC 07/12/22	Reduced Assurance
<b><i>ICT Reviews</i></b>			
Cyber Security	Further review of key elements of the Council’s cyber security arrangements, in place to ensure that cyber-crime and other associated security risks are appropriately mitigated.	Audit scope being drafted	
Schools IT Network	Review of information security and access controls on devices used on the school network. The scope of this audit did not consider the technical application controls within the Schools IT Network	SC 28/09/22	Reduced Assurance
<b><i>System Reviews</i></b>			
Fire Risk Assessments	Review of the processes, procedures and controls in place within the Council to manage and monitor delivery of fire risk assessments in line with relevant legislation.	Draft report issued	
Interment Fees	End to end review of the Council’s interment fees process, operated within Neighbourhood services and Corporate Services, including how it interfaces with Civica Financials.	SC 28/09/22	No Assurance

<b>Procurement / Contract Reviews</b>			
Government Procurement Cards	Review of the internal controls in place to manage and monitor the use of government procurement cards, including the authorisation of card transactions.	SC 08/02/23 –	Limited Assurance

### 2022/23 Internal Audit Plan – Progress Report

Not Yet Commenced	Planning	Fieldwork	Reviewing	Draft Report Issued	Planned Days Utilised / Scrutiny Committee Date
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2022/23 INTERNAL AUDIT PLAN	Proposed Coverage	Status / Update	Assurance Level
<b>Governance Reviews</b>			
Dundee Integration Joint Board	To support the Dundee Integration Joint Board (IJB) Chief Internal Auditor through the provision of internal audit reviews on the IJB Internal Audit Plan.	Planning meeting held with FTF	
Tay Cities Deal	High level review of progress with Tay Cities Deal projects and compliance with grant offer guidance.	Draft report issued	
Staff Wellbeing*	Review of the governance arrangements in place throughout the Council to promote and support staff wellbeing. The scope of this audit will pick up some elements of the absence management audit removed from the plan.		
Workforce Management *	Review of the arrangements in place for workforce management throughout the pandemic, including the development and implementation of remobilisation plans	Due to time elapsed it is considered that this audit will no longer add value to arrangements and therefore it is proposed to remove it from the plan.	
Financial Sustainability	Review of the arrangements for the continued financial sustainability of Leisure and Culture Dundee following the COVID-19 pandemic.		

2022/23 INTERNAL AUDIT PLAN	Proposed Coverage	Status / Update	Assurance Level
Monitoring of Contractors	High level review of the monitoring of contractors and contract management in relation to construction and maintenance work.	Carry forward to 2023/24 pending outcome off work with Scotland Excel	
Absence Management	Review the arrangements in place within the Council to mitigate long term and future absence arising from sickness absences.	Request from HR to defer until 2023/24. Some elements will be picked up in the Staff Wellbeing audit	
Planning (Scotland) Act 2019	Review of the arrangements to implement and comply with the new duties arising from the Planning (Scotland) Act 2019 in relation to the Planning System.		
<b>ICT Reviews</b>			
Microsoft Office 365	Review of access permissions and licensing arrangements for Office 365 including linking to management of network access.		
Civica CX	Review of the arrangements for the implementation of Phase 1 of Civica CX incorporating Housing Rent collection and recording of Housing Benefit / Universal Credit housing costs.		
User Access Controls	High level review of the appropriateness of user access levels and associated permissions for a number of the Council's key IT systems including any arrangements put in place during working from home.		
<b>Systems Reviews</b>			
Self-Directed Support*	Review of the Council's approach to fulfil its statutory obligation to offer, those who are eligible, greater choice and control over the support required to meet their needs.	This will be considered for inclusion in the 2023/24 plan	
Discretionary Housing Payments	Review of the arrangements for the assessment and award of Discretionary Housing Payments within the Council.	<b>SC 07/12/22</b>	<b>Reduced Assurance</b>
Health and Safety – Incident Reports	Review of the Council's arrangements for the recording and reporting of Incident Reports.		

2022/23 INTERNAL AUDIT PLAN	Proposed Coverage	Status / Update	Assurance Level
Pentana	Review of the Council’s Performance and Risk Management system in terms of management reporting and efficiencies.	Service requested delay due to changes underway. This will be included in 2023/24 plan	
Permanence*	High level review of the arrangements in place to support the decision-making process surrounding children being placed in permanent care and ensure compliance with relevant legislation.	An external review of this area is planned/in progress. Dates TBC	
Adaptations for People with Disabilities	Review of the arrangements in place within Dundee Health and Social Care Partnership and Neighbourhood Services for the assessment and provision of equipment and adaptations for people with disabilities.		
Financial Assessments	Review of the processes for verifying financial assessments within Dundee Health and Social Care Partnership for care services and managing associated debt arrangements.		
General Ledger	Review of the arrangements in place for the use of General Ledger in developing the budget process, financial monitoring and outturn information and the identification of potential opportunities to make improvements.		
Additional Waste Bin Service	Review of the processes for applying for and allocating additional general waste bins permits	SC 07/12/22	Reduced Assurance
<b>Procurement / Contract Reviews</b>			
Social Work Contracts and Payments*	Review of contract management and commissioning arrangements, including payments, within Dundee Health and Social Care Partnership to assess their adequacy and effectiveness.		
Procurement	Compliance with Tendering Arrangements including review of the arrangements for Contract Waivers		
<b>Financial Reviews</b>			
School Collections and Reconciliations	Review of arrangements of collection, recording, banking and reconciliation of income in secondary schools.	Draft report Issued	

2022/23 INTERNAL AUDIT PLAN	Proposed Coverage	Status / Update	Assurance Level
Corporate Recovery      Debt	Corporate wide review of the Council's debt management and debt recovery arrangements	This will be considered for inclusion in the 2023/24 plan	
Stocks and Inventories	<p>Review of year end stock-taking instructions to ensure they are comprehensive and likely to result in reliable stocktaking if followed.</p> <p>2021/22 Unaudited Accounts value £906k AS Performance Materiality £4.526M</p>	The value of stock is not material to the accounts. Scope reduced to remove stock-take attendance	
<b>Contingency</b>			
Advice and Guidance	Provision of ad-hoc support to assist services in respect of specific queries and contribute to the delivery of improvements in the Council's framework of governance, risk management and control. This will include the ongoing provision of advice and guidance surrounding the development of new or changed systems and processes established, including any further grant payments arising from post Covid-19 activity and other support payments such as fuel	Ongoing	
Follow-up Reviews	Specific reviews undertaken by internal audit staff to provide formal assurances to management and Elected Members that recommendations previously agreed have been implemented.		
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 2018/18 – Integrated Impact Assessments*</li> </ul>		
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 2019/04 – Commercial Lets</li> </ul>		
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 2020/20 – Asset Management</li> </ul>	There is a corporate review of this area underway, with an external consultant The Risk & Assurance Board is also monitoring implementation of recommendations	
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 2020/22 – Project Management</li> </ul>		
<ul style="list-style-type: none"> <li>Internal Audit Report No. 2020/31 – Brexit</li> </ul>	SC 28/09/22	Full Assurance	

2022/23 INTERNAL AUDIT PLAN	Proposed Coverage	Status / Update	Assurance Level
Progress Reviews	Completion of the annual exercise whereby formal assurances are obtained from management that internal audit recommendations have been implemented.	SC 28/09/22	N/A
Prior Year Work	Finalisation of projects that are currently ongoing / nearing completion.	Ongoing – see 2021/22 update	
External Quality Assessment Process	As part of the peer review process developed to ensure conformance with the PSIAS, prepare for and validate the External Quality Assessment of another Internal Audit Service during 2022/23.	EQA for West Lothian Council reported January 2023	
External Quality Assessment Process	Undertake our own self-assessment of conformance with PSIAS and engage with external reviewer	The reviewer has requested a delay in the review, which will now be undertaken during 2023/24	
Self-assessment against PSIAS	Self-assessment against PSIAS standards will be required due to delay in external assessment		
Specific Investigations	To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.	On-going as required	
Internal Audit Tender Exercise	Specification of need for 2023/24 onwards and tender evaluation, including presentations if required, and award.	Requirements being assessed and joint tender with Angus Council under consideration	

\* Reviews carried forward that will commence during 2022/23.



Definitions of assurance level

Level of Assurance	Audit Review Opinion	Follow-Up Audit Opinion
<b>Full Assurance</b>	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 the follow-up work undertaken is that the actions taken by management have addressed the control weaknesses highlighted in the original review.
<b>Reduced Assurance</b>	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 the follow-up work undertaken is that 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.
<b>Limited Assurance</b>	The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.	The principal conclusion drawn from the follow-up work undertaken is that the recommendations agreed with management require to be implemented to overcome the control weakness highlighted in the original review.
<b>No Assurance</b>	The principal conclusion drawn from this review is that there are significant weaknesses in the system which must be addressed.	As for limited assurance

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## Appendix 2 Outstanding Internal Audit Recommendations

Agreed Internal Audit recommendations are recorded in Pentana and implementation is monitored by Services and the Risk and Assurance Board. Implementation of the agreed action is the responsibility of the service area and the risk exposure identified in the audit remains in place until the action has been completed. The numbers of outstanding actions in Pentana for each Service, by audit year, at 14 January 2023, updated for closures to 23 January 2023 were as follows:

**Due date extended** (red items overdue and new extension required)

Service	Audit Year	Critical No.	Significant No.	Routine No.	Total No.
<b>Children and Families</b>	2020/21	-	3	1	4
	2021/22	-	-	1	1
<b>City Development</b>	2016/17	-	1	-	1
	2018/19	-	1	1	2
	2019/20	-	1	-	1
	2020/21	-	-	1	1
	2021/22	-	2	2	4
<b>Corporate Services</b>	2016/17	-	-	1	1
	2018/19	-	1	1*	2
	2020/21	-	2	-	2
	2021/22	-	2	2	4
<b>Neighbourhood Services</b>	2016/17	-	1	-	1
	2017/18	-	1	-	1
	2018/19	-	1	1	2
	2020/21	-	2	-	2
<b>Total</b>		-	<b>18</b>	<b>11</b>	<b>29</b>

\*priority not recorded in Pentana

## Definitions of Action Priorities

<b>Critical</b>	A key control is absent or inadequate. The existence of the weakness identified, taken independently, or with other findings, significantly impairs the overall system of control. Recommendations in this category are likely to require urgent management attention.
<b>Significant</b>	An element of control is missing or only partial in nature. The existence of the weakness identified, taken with other findings, has an impact on a system's adequacy and effectiveness but does not significantly impair the overall system of internal control. Recommendations in this category are seen as important in contributing towards improvement in internal controls and whilst management action is required these issues are less likely to require immediate management attention..
<b>Routine</b>	A weakness has been identified. However the existence of this weakness when taken independently or with other findings does not impair the overall system of internal control. Recommendations require management attention in order to make improvements to the system.