REPORT TO: SCRUTINY COMMITTEE – 26 APRIL 2023

REPORT ON: 2023/24 INTERNAL AUDIT PLAN

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 125-2023

1.0   PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee the Internal Audit Plan for the 2023/24 financial year.

2.0   RECOMMENDATIONS

Members of the Committee are asked to review and approve the 2023/24 Internal Audit Plan as detailed at Appendix A.

3.0   FINANCIAL IMPLICATIONS

None

4.0   MAIN TEXT

Introduction

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

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

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

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

4.4   PSIAS require the Chief Internal Auditor to set a risk-based audit plan sufficient to provide the required assurances to Members and officers in relation to corporate governance, risk management and internal controls. Assurances are provided throughout the year as individual audits are completed. The annual opinion is included within the Internal Audit Annual Report submitted to Scrutiny Committee in June each year.

4.5   An External Quality Assessment (EQA) performed during 2018 provided a positive conclusion confirming that Internal Audit fully conformed to 11 of the 13 standards and generally conformed with the remaining 2 standards within the requirements of the PSIAS.

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

4.7 Our Internal Audit plan will be delivered in accordance with the Internal Audit Charter (the Charter) that was approved by the Scrutiny Committee in February 2018. This sets out the role, professional requirements, independence and overall responsibilities of Internal Audit. The authority, access rights and reporting arrangements for the Internal Audit function are also contained within the Internal Audit Charter. The next review of the charter will be undertaken during 2023/24.

Resources

4.8 The Council's Internal Audit service is delivered by an in-house team which has been complemented by additional audit input from a contractor for a number of years. The contract for the additional input ended in June 2022. Following the changes made to the composition of the team during 2022 the Chief Internal Auditor has reviewed the available resource and concluded that, with some additional input to help with IT audit, the resources are sufficient to provide a service compliant with PSIAS. Procurement is planned to appoint a contractor to provide IT audit support for four years, beginning with the 2023/24 plan. The procurement will also include the need for an independent review of risk management and insurance during the period of the contract since the responsibility for these sits with the Acting Senior Manager – Internal Audit.

4.9 The in house internal audit team structure has 4.2 FTE staff. The Chief Internal Auditor (CIA) (0.4 FTE), Acting Senior Manager – Internal Audit (0.8 FTE devoted to audit), Senior Auditor (1 FTE) and 2 auditors (2 FTE). One auditor post is vacant and actively being recruited to. The plan excludes this post and will be updated following successful recruitment. The CIA post is currently filled through an arrangement with Angus Council that is in place until October 2023. The plan assumes that this arrangement will continue, or an equivalent one will be put in place.

4.10 The Internal Audit team provides audit input to support the Chief Internal Auditor of the Dundee IJB, Tony Gaskin of FTF Audit and Management Services. In addition for 2023/24 it has been agreed that we will provide an internal audit service to Leisure and Culture Dundee. The Service Level Agreement is currently being drafted. Once it is in place a separate audit plan will be developed and the audits will be reported to the Leisure and Culture Dundee Board.

4.11 For the 2023/24 financial year, the total productive days available for audit work will be of the order of 650 days plus additional time once the vacant post is filled. The time available for audits takes into account the work for the IJB and Leisure and Culture Dundee noted above, the time needed for professional development of staff, internal administrative activities, annual leave and contingency for other staff absences, and involvement in corporate management groups.

4.12 Follow-up audit work will be undertaken with services as audit actions are closed in Pentana, with specific follow up reviews only considered for areas where the overall assurance level is limited or no assurance.

4.13 Where any team member has a perceived or actual conflict of interest in relation to an Internal Audit assignment or investigation, they will not be permitted to have any involvement in that piece of work. In addition, Internal Audit staff who are involved in consultancy work will not be permitted to be involved in any internal audit work that is directly related to that work

The 2023/24 Internal Audit Plan

4.14 A risk-based plan for the Council, outlining the planned programme of work to be undertaken by the Internal Audit Service, is developed annually in consultation with audit stakeholders. Appendix A presents the outcomes of the annual planning exercise and the Chief Internal Auditor's proposed 2023/24 Internal Audit Plan, for approval.

4.15 The planning process involves determining the potentially auditable areas of the Council and updating these each year. This year the high level Audit Universe used previously, and noted in Appendix B, was expanded to record a more detailed audit universe. The auditable areas are identified from a number of sources including:

- Knowledge base within Internal Audit
- Council plans and policy documents
- Corporate risk register
- Service risk register
- External inspection reports
- Audit Scotland and Accounts Commission reports
- Liaison with external auditors
- Any matters arising from the work of the Scrutiny Committee
- Consultations with Scrutiny Committee members
- Consultations with the members of the Council Leadership Team and service managers

4.16 Each area in the audit universe is then risk assessed by:
- Mapping the risk registers, and the residual risk score to the audit universe,
- An independent assessment of risk by the Chief Internal Auditor, and
- Consideration of issues identified by audit stakeholders.

4.17 The final step in the development of the annual plan is to identify the individual audits from the audit universe. The selection is performed by categorising the audit universe according to the degree of assurance required in respect of those processes and process areas. Audits carried forward from the previous year are also included.

Factors which contribute to a process or process area requiring a higher degree of assurance include where the process is assessed as:
- Being identified as high risk by stakeholders and/or Internal Audit's own assessment of risk,
- Being included as a mitigating action against high scoring risks in the Council's Risk Registers,
- Identified as essential or significant to the delivery of a Council objective,
- Not having been subject to previous review, or not reviewed in some time,
- An area of limited assurance in previous audits and inspections, or where counter fraud activity suggests control issues,
- Specifically requested by management and members.

4.18 The proposed portfolio of work to be included within the 2023/24 Internal Audit Plan is summarised at Appendix A. The layout of the plan as presented to Committee, in general, follows that used in previous years, with proposed reviews grouped into key themes that are integral to the assurance gathering process across the organisation's activities. For each of the reviews included within the plan there is a brief summary of the proposed coverage, currently informed by the Council's Corporate Risk Register, and service-level risk registers where appropriate. The proposed coverage has, in the main, been compiled on the basis of discussions and review of relevant background information gathered as part of the audit planning process. A more detailed audit brief containing background information, scope of the work, overall / specific objectives and reference sources will be compiled for each review and agreed with the client prior to commencement of the audit fieldwork.

Assurance Mapping

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

4.20 A fully populated assurance map can identify gaps in assurance and areas where more assurance is gathered than is required, thereby releasing resources for other activity. Assurance mapping is under development in the Council and this is being considered by the Risk and Assurance Board.

4.21 In developing the 2023/24 internal audit plan, although we do not have a detailed assurance map, we considered what we know about assurance arrangements and what they tell us. In particular we considered:

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

4.22 Updated Cipfa guidance on assurance mapping is due to be published soon and this will be considered for the planning for 2024/25. In the meantime the following sources of assurance are key elements of the information available to the Council and / or the Scrutiny Committee in addition to the work of Internal Audit:

- External audit. This includes the annual audit report and opinion, Best Value reporting and other Audit Scotland publications.
- Inspection agency reports such as Care Inspectorate and Education Scotland
- Health and Safety Executive reports
- Scottish Fire and Rescue reports
- Police Scotland reports
- Annual and Bi-Annual Complaints reports including Ombudsman's report
- Local Government Benchmarking Framework reports
- Ad hoc reports when required

Conclusion

4.23 The Chief Internal Auditor is content that the proposed plan in Appendix A has been prepared in accordance with PSIAS, and will provide sufficient assurance to comply with the PSIAS requirements, including to inform the Chief Internal Auditor's annual opinion on governance, risk management and internal controls.

4.24 Whilst the 2023/24 Internal Audit Plan has been prepared using the best information currently available, it is possible that it will require to be amended during the financial year to reflect changing risks, priorities and resources. As required under the PSIAS, any significant changes to the planned programme of work will be reported to the Scrutiny Committee. The Chief Executive, Executive Director of Corporate Services and the Head of Corporate Finance will also be kept informed of Internal Audit developments by the Chief Internal Auditor through regular meetings.

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

Cathie Wyllie, Chief Internal Auditor   DATE: 5 April 2023

2023/24 INTERNAL AUDIT PLAN	Proposed Coverage	Risk Code
Governance Reviews		
Absence Management*	Review the arrangements in place within the Council to mitigate long term and future absence arising from sickness absences.	DCC008
Corporate Governance	Review of elements of the Annual Corporate Governance checklist with service areas to demonstrate evidence of compliance.	DCC005
Monitoring of Contractors*	High level review of the monitoring of contractors and contract management in relation to construction and maintenance work.	DCC013
Service Design and Business Improvement	To review the processes for the development and implementation of the sixth phase of the Council's transformation plan, as a component of the Council Plan 2022-27, including consideration of lessons identified from previous phases of the programme.	DCC001 DCC010 DCC011
Workforce and Succession Planning	Assess the extent to which individual services and the Council as a whole have prepared strategic workforce plans which compare current staffing establishment with that required to deliver services, including the assessment of key person risk and its mitigation through effective succession planning.	DCC008 DCC011
ICT Reviews		
ICT reviews	To be agreed with input from external provider once procurement of support is complete. Likely to be 2 or 3 reviews depending on time required for subject matter.	
Financial Reviews		
Corporate Debt Recovery Arrangements	Corporate wide review of the Council's debt management and debt recovery arrangements	DCC001 DCC013
Financial Forecasting	High level review of the control framework in place to support the development of financial forecasting corporately and within service areas.	DCC001
Insurance	Review of the Council's Insurance arrangements including the approach to risk, self-assurance arrangements and review of the controls in place around claim handling processes.	DCC003

2023/24 INTERNAL AUDIT PLAN	Proposed Coverage	Risk Code
Procurement / Contract Reviews		
SLAs with External Bodies	Assess the extent to which the Council has adequate service level agreements in place where Council responsibilities are delivered by external bodies. To include an assessment of arrangements to ensure satisfactory service delivery and value for money.	DCC002 DCC004c DCC012
Systems Reviews		
Health and Safety Risk Assessments and Incident Management in Schools	Review of the arrangements in place within schools to ensure completion of health and safety risk assessments for activities including determination of roles and responsibilities.	DCC006
Section 75 Planning Obligations	Review of the arrangements in place for the recording, receipt and monitoring of Section 75 payments / planning obligations from developers.	CDHL004
Fleet Minimum Service Levels / Provision	Review of the arrangements in place within Fleet Services to provide vehicles to other service areas including contingency arrangements in the event of planned maintenance and breakdown.	CDHL008 NSHL011
Security Alarm Response Centre	To assess the arrangements for the operation of the Security Alarm Response Centre (SARC) in line with the Council's Resilience and Community Safety plans.	DCC003
Pentana	Review of the Council's Performance and Risk Management system in terms of management reporting and efficiencies.	DCC005 DCC011
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.	DCC004a DCC009 CFCJ006
Establishment Changes	Review of the processes to ensure that information relating to new starts, leavers, and changes in role are adequately communicated to stakeholders.	DCC008
Recruitment	Review of the Council's Recruitment and Selection approach, including reporting and analysis of effectiveness, and identification of actions where required.	DCC008

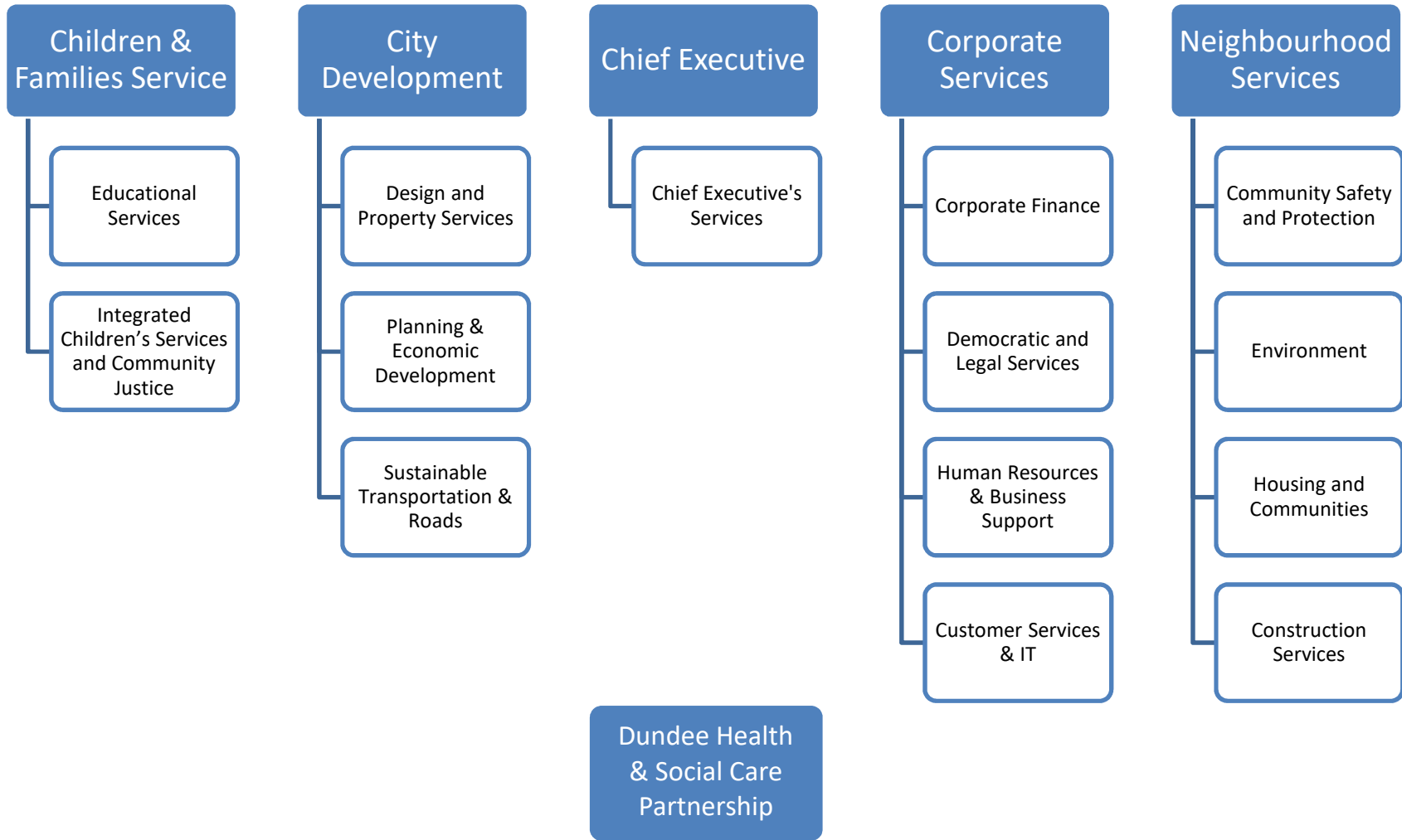| 2023/24 INTERNAL AUDIT PLAN	Proposed Coverage	Risk Code
Permit Applications and Billing	Review of the arrangements for handling applications and invoicing for chargeable permits, such as waste, scaffolding, and placement of skips.	DCC016
Complaints Processes in Schools	Review of the consistency and effectiveness of Complaints processes within schools, including consideration of how these processes interact with the Council's arrangements for handling Corporate Complaints.	DCC005
Young People in Residential Care – Missing Persons Processes	Review of the arrangements for risk assessment, planning for, and prevention of young people going missing from Residential Care. To include review of processes for identifying, recording, and responding to such instances.	CFHL008 CFHL010 CFHL011
Community Justice liaison with COPFS and Courts	Review of the processes by which Community Justice Services liaise with the Crown Office Procurator Fiscal Service and the Courts Service where supervision of individuals is required, including Statutory Orders, Community Payback Orders, and supervision following release from custody.	CFHL007 CFHL008
Other Work		
Follow Up	Review of progress with the implementation of prior internal audit actions agreed by the Council, for the purpose of providing assurance to Elected Members that identified issues are addressed on a timely basis, and that management attention is appropriately directed towards issues which expose the Council to higher degrees of risk.	All
Prior Year Work	Finalisation of projects that are currently ongoing or nearing completion.	N/a
Technical Development	Planning and Scoping work for review and update of the Council's Internal Audit Methodology, including the introduction of Continuous Auditing and Data Analytics in future plans.	N/a
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 newly implemented systems and processes, or the revision and update of those processes.	N/a

2023/24 INTERNAL AUDIT PLAN	Proposed Coverage	Risk Code
External Quality Assessment Process	As part of the peer review process developed to ensure conformance with the PSIAS, support the External Quality Assessment of the Council's Internal Audit Service. This work has been postponed from 2022/23.	CSCF008
Specific Investigations	To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.	DCC013

* Reviews carried forward that will commence during 2023/24.

Key:

Risk Code	Risk Register
DCC	Council Corporate
CDPE	City Development, Planning and Economic Development
CFCJ	Children & Families, Community Justice & Integrated Children's Services
CFED	Children & Families, Education
CSCF	Corporate Services, Corporate Finance
CSCS	Corporate Services, Customer Services and Council Advice Services
CSIT	Corporate Services, ICT Risk Register
NSEN	Neighbourhood Services, Environment

Dundee City Council – High Level Audit Universe

Children & Families Service
- Educational Services
- Integrated Children's Services and Community Justice

City Development
- Design and Property Services
- Planning & Economic Development
- Sustainable Transportation & Roads

Chief Executive
- Chief Executive's Services

Corporate Services
- Corporate Finance
- Democratic and Legal Services
- Human Resources & Business Support
- Customer Services & IT

Neighbourhood Services
- Community Safety and Protection
- Environment
- Housing and Communities
- Construction Services

Dundee Health & Social Care Partnership