

REPORT TO: SCRUTINY COMMITTEE - 26 JUNE 2024

REPORT ON: 2023/24 INTERNAL AUDIT ANNUAL REPORT

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 172-2024

1. PURPOSE OF REPORT

- 1.1. To submit The Chief Internal Auditor's Annual Report for 2023/24 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.
- 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 2023/24 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 2023/24 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 2024.”

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 completion of the review meaning it is more 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 2023/24.

5.5. The staff members involved in each 2023/24 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 2023/24 were below establishment due to staff turnover. On a one-off basis they have been 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 supplemented by using the audit support contractor to undertake work. Vacant posts were also filled towards the end of the period.

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 Leadership Team have been consulted in the preparation of this report.

8. BACKGROUND PAPERS

8.1. None.

CATHIE WYLLIE, CHIEF INTERNAL AUDITOR

10 JUNE 2024

2023/24 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 2024. 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 2023/24 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 2024.

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 and Azets.
- 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 2023/24 and 2024/25 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 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.

2.3. There were no limitations of scope placed on audit work by management during 2023/24.

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 2023/24, 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 and Insurance sit within the Internal Audit Service. In order to maintain independence audits of these areas will be undertaken in future by an independent third party. For the period covering 2023/24 to 2026/27 this will be arranged through our audit support contract with Azets Holdings Limited (Azets). Line management responsibility for both these functions sat with the Acting Senior Manager - Internal Audit and not the Chief Internal Auditor during 2023/24 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 members during 2023/24.
 - The arrangement with Angus Council to provide the Chief Audit Executive role required by PSIAS has continued, with the time provided increase from 2 days to 2.5 days per week from January 2024.
 - The Principal Auditor was acting up into the Senior Manager - Internal Audit role at March 2023 to provide line management of Risk Management and Insurance functions and assist the Chief Internal Auditor in their role. The Principal Auditor remains in an acting up position.

- There have been vacant auditor posts during the year. Two vacant auditor posts were filled from 4 March 2024, bringing the team back to full strength.
- The co-sourcing contract with the external support provider, KPMG, ended in June 2022. In May 2023, the Policy & Resources Committee agreed to the procurement of a new external support contract primarily for IT support, but also for general support when required. The procurement was undertaken jointly with Angus Council. The contract was awarded to Azets in December 2023 and has been used to undertake some general audit work for 2023/24.

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 2023/24 caused by vacant posts reduced the audit outputs this year but are not significant enough to change that position or impact on my ability to provide an opinion for 2023/24.

Internal Audit	2023/24 FTE Establishment	March 2024 In post	2022/23 FTE Establishment	March 2023 In post
Auditor	2	2	2	1
Senior Auditor (from October 2022)	1	1	1	1
Principle Auditor	1	Acting up	1	Acting up
Senior Manager - Internal Audit (Principal Auditor acting up in both 2022/23 and 2023/24)	1	1	1	1
Chief Internal Auditor (from October 2022)	0.5	0.5	0.4	0.4
Total	5.5	4.5	5.4	3.4
External resource	Contract with Azets from December 2023	Contract with Azets	N/A	N/A Contract ended June 2022

5. SUMMARY OF INTERNAL AUDIT ACTIVITY 2023/24

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 2023/24 financial year was reviewed and approved by the Scrutiny Committee on 26 April 2023 (Article XII Report No 125-2023 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 during the year to take account of the impact on delivery of the resource position and ensure the focus of the work remained fully relevant. This was reported to the Scrutiny Committee as required. The following items were risk assessed as the most appropriate to be removed from the plan. One has been included in the 2024/25 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 (date removed)
Insurance	Workforce and succession planning (April 2024) Monitoring of contractors (June 2024) ICT reviews for 2023/24 (April 2024) Establishment changes (December 2023) Permit applications and billing (December 2023) Complaints processes in schools (December 2023)

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 follow-up work and progress reviews. The outcomes from these exercises are reported to the Risk and Assurance Board, relevant officers and the Scrutiny Committee as required, 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. Last year a new method for Internal Audit to track progress and confirm completion of implementation of actions was introduced using the Pentana system. Due to resource issues the service has not been able to undertake the reviews during the year proactively but a full review to bring this up to date is currently in progress.

6. PLAN ACHIEVEMENT

- 6.1. For 2023/24 financial year, there was a total of 415 (2022/23 527) productive audit days used for direct audit activities, a decrease of approximately 21% (2022/23 decrease of 18%) on the previous year. A further 132 (2022/23 157) productive days were used on non-direct audit work including areas such as audit planning, project boards, induction, training and development, external quality assessment peer review, attendance and contribution to national groups and management of the Internal Audit function.
- 6.2. The 2023/24 Internal Audit Plan included internal audit assignments at a corporate and service level across the organisation. It also included an allocation of audit days for action 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 and involvement in the External Quality Assessment of PSIAS compliance. 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 2023/24 identified that many of the expected controls are in place and operating satisfactorily, however, there is scope for improvement. A range of recommendations 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 11 (2022/23 - 15) Dundee City Council internal audit reports have been finalised since the last Annual Report was issued. A total of 59 (2022/23 - 44) recommendations were made in the reports issued on behalf of Dundee City Council. Of these 3 (2022/23 3) were categorised as critical, 21 High (2022/23 20 significant) 18 as medium (no 2022/23 equivalent) and the remaining 17 as low (2022/23 21 as routine).

- 6.4. Analysis of the overall audit opinion in each of the reports issued on behalf of Dundee City Council highlighted that 9% (2022/23 - 33%) of the areas reported upon were considered to be well controlled (Comprehensive/full assurance), 64% (2022/23 - 47%) were adequately controlled (substantial/reduced assurance), 27% (2022/23 - 7%) required improvement (limited assurance) and 0% (2022/23 - 13%) required significant improvement (no assurance).
- 6.5. Three areas were assessed as providing Limited Assurance this year. There were none providing no assurance.
- General Ledger. At June 2024 three recommendations had reached their due dates, with two complete and one in progress. One medium priority action is estimated to be 25% complete. Four other actions (two high and two low priority) have not reached their due dates yet.
 - Adaptations for People with Disabilities. This was agreed in June 2024 and has seven High priority actions and two Low priority actions addressing client safety, reputational and compliance risks.
 - Financial Sustainability LACD, This was agreed in June 2024 and has three critical, four high and one medium priority recommendations addressing completion of a review of the Service Agreement between the Council and LACD, and development thereafter of plans to deliver this and monitor results. There are recommendations for both the Council and LACD within this report.
- 6.6. Last year three audits fell into these categories. Only one still has open actions at May 2024. School Funds income collection and reconciliations (no assurance). At May 2024, there were two low priority recommendations still in progress, both estimated by management to be 80% complete.
- 6.7. At 29 May 2024 no critical actions from previous years remained outstanding (May 2023 - one).
- 6.8. At 26 June 2024 all projects carried forward from 2021/22 are complete. Those carried forward from the 2022/23 plan are significantly progressed. Although all planned audit work has not been completed, the majority of the remaining work in the 2022/23 and 2023/24 audit plans is well advanced, with fieldwork complete or draft reports issued to management for 68.5% of them. There are no draft reports issued with no assurance conclusions at June 2024 and 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.
- 6.9. The main reason for the delays in completing work are related to reduced resources within the service: This not only impacts on the overall resource available to undertake the work, but also on the efficiency of the overall audit process in some cases. Reasons for reduced resources, and other issues impacting on delivery of work include:
- As noted above, due to staff turnover there have been two vacant posts for a significant part of the period. Recruitment was delayed to allow a career grade revision to ensure that the right people for the Council's future needs were recruited. Both posts were filled in March 2024, one with a trainee auditor and one with a qualified auditor.
 - The Principal Auditor continues to act up into the Senior Managers post to support the Chief Internal Auditor's role and provide line management for Insurance and Risk Management services. Reduced resources in both of these areas in 2023/24 has impacted the Principal Auditor's available time for audit work.
 - The appointment of the audit support provider was made in December 2023 and required an amount of one-off on-boarding activity before work could begin.
 - Impact on audit time from delays in responses from services remains an issue but is not consistent across the Council. Delays can occur at any stages of the audit, with finalising draft reports a particular area that often takes up more time than budgeted and agreeing briefs an area where there can be significant time delay in services responding. 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.
 - Additional assignments added to the plan.

- Two activities that do not happen every year and which take up senior staff time fell into 2023/24 and impacted on time available for file review and completion of draft reports; finalising the IT and general audit support tender (every four years); and preparation for our External Quality Assessment of conformance with PSIAS (every five years).

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. The numbers of open actions in Pentana at 29 May 2024 are set out below:

Audit Year	Critical	High	Medium	Low	Total
	No.	No.	No.	No.	No.
2016/17	0	1	0	0	1
2017/18	0	1	0	0	1
2018/19	0	1	0	1	2
2019/20	0	1	0	0	1
2020/21	0	3	0	0	3
2021/22	0	8	0	8	16
2022/23	0	4	5	8	17
2023/24	0	0	3	0	3
Total	0	19	8	17	44

- 7.2. For audits finalised during the 2023/24 audit year, a revised scoring system was introduced to better align with reporting of levels of risk. The revised scoring system uses the four point priority scale set out in the above table as opposed to the previous three point scale of Critical, Significant, or Routine. For reporting purposes outstanding actions graded as “significant” have been included as “high priority” actions, and “routine” as “low priority.”
- 7.3. Actions are agreed as signed off in Pentana on an on-going basis, rather than through a large-scale annual progress review or specific follow-up audits as has been the case historically. Areas assessed as Limited or No Assurance are considered for a full-scale follow-up or re-audit earlier than would otherwise have been the case on an individually assessed risk basis.
- 7.4. The number of open actions has increased slightly from 41 at the same point last year, to 44. However, relative to the same point in time, the age of the oldest actions has decreased - previously dating back to 2014/15, all Critical actions have been closed, and the number of Significant/High Priority actions has decreased from 24 to 19.
- 7.5. 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 reported to each Scrutiny Committee.

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 activity around the Olympia and in April 2024 the City Governance Committee agreed to “an independent investigation into the closure(s) of the Olympia following the £6.1 million of capital investment with a view to identifying the key issues and providing clear actions” This addressed issues that whilst having on-going impact, originated in previous periods and, whilst no audit work has been undertaken in 2023/24 to examine current practice in these areas, the action taken last year 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. A review of the Risk Management Policy and Strategy is required once per Administration term. The review was submitted to and approved by the City Governance Committee in August 2023 and Scrutiny Committee in September 2023. (Article VIII of the minute of meeting of City Governance Committee 21 August 2023, Report No 227-2023 and Article XI of the 27 September 2023 Scrutiny meeting refers). Report 227-2023 also provided a Corporate Risk Register update to Committee in addition to the usual annual report. Oversight of risk by officers is well developed, although corporate risks are only required to be reported to Elected Members once per year.
- 9.3. The Council has a Corporate Risk Register and risk registers for all services. Pentana, the Council's corporate performance management system, is used to record, review, monitor, and report on risks on an on-going basis.
- 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 still some scope for a more consistent approach to be taken by all services to the recording of risk mitigation and control in Pentana and 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 prior to that being undertaken in June 2024.

10. PERFORMANCE INDICATORS

PSIAS Conformance and Quality Assurance and Improvement Programme (QAIP)

- 10.1. The self-assessment of the Internal Audit Service undertaken in November 2023 for the EQA, and reviewed in April 2024, for the EQA 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 EQA was initially scheduled 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 delayed the review making it later than five years since the last review. Our self-assessment was provided in November 2023. The review has progressed since then but is not complete at June 2024 due to other commitments of the reviewer.

- 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 2023/24 the key elements of the QAIP have been the further development of the planning and assurance mapping procedures for developing the annual audit plan, and the introduction of the use of Sharepoint to help streamline completion of draft reports. Work to understand the developments arising from revised Global Internal Audit Standards has also taken place.
- 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 2023 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 2023/24, five completed client feedback questionnaires were received. Responses were very positive across four feedback categories. All respondents agreed or strongly agreed with statements that the Audit Approach, Communication & Conduct, Timing, and Audit Report were satisfactory. Additional comments on the audit process were also received confirming that the audits were carried out efficiently, effectively, and professionally. 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 (2022/23 100%).

Other External Assessment

- 10.7. The internal audit arrangements are assessed on an annual basis by the Council's External Auditor, which is a team from 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. External Audit has not identified any specific work they will place reliance on. No actions for Internal Audit have been identified in their reporting during 2023/24.

CATHIE WYLLIE, CHIEF INTERNAL AUDITOR

10 JUNE 2024

Summary of Findings from Internal Audit Reports issued since June 2023

Definitions of Assurance Levels

Comprehensive Assurance	The system of controls is essentially sound and supports the achievement of objectives and management of risk. Controls are consistently applied. Some improvement in relatively minor areas may be identified.
Substantial Assurance	Systems of control are generally sound, however there are instances in which controls can be strengthened, or where controls have not been effectively applied giving rise to increased risk.
Limited Assurance	Some satisfactory elements of control are present; however, weaknesses exist in the system of control, and / or their application, which give rise to significant risk.
No Assurance	Minimal or no satisfactory elements of control are present. Major weaknesses or gaps exist in the system of control, and/or the implementation of established controls, resulting in areas of unmanaged risk.

Definitions of Action Priorities

Critical	Very High risk exposure to potentially major negative impact on resources, security, records, compliance, or reputation from absence of or failure of a fundamental control. Immediate attention is required.
High	High risk exposure to potentially significant negative impact on resources, security, records, compliance, or reputation from absence of or non-compliance with a key control. Prompt attention is required.
Medium	Moderate risk exposure to potentially medium negative impact on resources, security, records, compliance or reputation from absence or non-compliance with an important supporting control, or isolated non-compliance with a key control. Attention is required within a reasonable timescale.
Low	Low risk exposure to potentially minor negative impact on resources, security, records, compliance, or reputation from absence of or non-compliance with a lower-level control, or areas without risk exposure but which are inefficient, or inconsistent with best practice. Attention is required within a reasonable timescale.

Report No	Area Reviewed and Assurance Level	Recommendations				
		Total No	Importance			
			C	H	M	L
2022/04*	Adaptations for people with disabilities	9	-	7	-	2
2022/08	Tay Cities Deal	4	-	2	-	2
2022/09*	LACD Financial Sustainability	8	3	4	1	-
2022/13	Planning (Scotland) Act 2019	-	-	-	-	-
2022/17	General Ledger	7	-	2	2	3
2022/20	Cyber security (Reported to City Governance Committee)	7	-	1	4	2
2022/21*	Procurement	6	-	1	3	2
2022/25	Compliance with Telematics Policy	5	-	2	-	3
2023/01*	Service Design and Business Improvements	4	-	2	1	1
2023/04	Fleet Minimum service provision	3	-	-	3	-
2023/12*	Community Justice Liaison with COPFS and Courts	6			4	2
	Totals	59	3	21	18	17

* Submitted to June 2024 Scrutiny Committee (*Report 171-2024*)

2023/24 Audits carried forward at June 2024

Assignment	Progress at June 2024	Comment
Civica CX 2023/17	Planning	
Health & Safety Incident Reports 2022/23	Draft Report Issued	
Social Work Contracts and Payments 2023/13	Planning	
Corporate Debt Recovery arrangements 2023/21	Work in progress	
SLAs with external bodies 2023/02	Planning	
Health & Safety Risk Assessments and Incident Management in Schools 2023/24	Planning	
Security alarm response centre 2024/25	Work in progress	
Pentana 2023/03	Work in progress	
Permanence 2023/10	Planning	
Corporate Governance 2023/20	Work in progress	
Young People in Residential Care - Missing Persons Process 2023/11	Planning	
Monitoring of Contractors 2023/18	Proposed to remove from plan	Duplicates other assurance
Financial Forecasting 2023/22	Audit review stage	Undertaken by Azets
Microsoft Office 365 2023/28	Draft report received for review	Undertaken by Azets
User Access Controls 2023/29	Draft report issued	Undertaken by Azets
Recruitment 2023/08	Audit review stage	Undertaken by Azets
Staff Wellbeing / Absence Management 2023/09	Draft report issued	Undertaken by Azets, Service checking items raised by audit
Section 75 Planning Obligations 2023/14	Work in progress	Undertaken by Azets

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) 30 September 2023 (R)	Complete April 2024 Performance information regarding internal audit plan progress and implementation of internal audit actions is reported to each Scrutiny Committee and discussed at Risk & Assurance Board. Other performance measures are noted in the Annual Report. Following discussion with the Head of Finance it has been agreed no further KPIs are required. Note that KPIs will be reviewed as part of the new action below about the revised PSIAS	N/A
2000 / Assurance Mapping	Develop the use of assurance mapping in audit planning.	31 December 2021 (R) 31 December 2022 (R) 31 March 2024 (R)	Complete April 2024 Assurance mapping in relation to the Assurance Framework for audit planning was further progressed during the 2024/25 planning process. Cipfa is due to publish updated guidance on Assurance Mapping, which will be reviewed when it is received and a new action included if needed.	N/A

Standard / Area	Action	Initial/Revised (R) Implementation Date	Progress Update	New Revised Implementation Date
			<p>New process for mapping other assurance and its impact on the audit universe on an ongoing basis during 2024/25 was agreed by the Internal Audit Team in April 2024.</p> <p>Assurance Mapping related to the Risk Register, which is separate from the internal audit need, is being overseen by the Risk & Assurance Board.</p>	
2000 / Assurance Mapping	Review Cipfa Assurance mapping guidance once issued	Within 3 months of publication	<p>Awaiting new guidance</p> <p>Cipfa has said further guidance on Assurance Mapping will be published in due course and this will be monitored for publication and then reviewed and action taken as required.</p>	
2400 / Audit Opinions	Refresh standard recommendation / overall conclusions levels and associated terminology following conclusion of benchmarking exercise and stakeholder consultation.	<p>30 September 2021 (R)</p> <p>30 September 2022 (R)</p> <p>31 August 2023 (R)</p>	<p>Complete June 2023</p> <p>Revised definitions introduced for all reports issued after June 2023 Scrutiny Committee</p>	N/A
	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. A review of all actions and checking of evidence of those completed in 2023/24 is in progress at June 2024.</p>	December 2024
	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>Partially complete</p> <p>Review of terms of reference for the Scrutiny Committee in progress.</p> <p>Self-assessment and Annual report from Scrutiny Committee agreed to be undertaken in April 2024</p>	December 2024

Standard / Area	Action	Initial/Revised (R) Implementation Date	Progress Update	New Revised Implementation Date
	Review process for agreeing draft reports, including use of SharePoint, to reduce time taken to finalise.	December 2023	Complete March 2024 Sharepoint now being used to share draft reports and obtain updates from all consultees on a report in one place.	N/A
Over-arching	Review revised PSIAS due in 2024 following publication of revised Global Internal Audit Standards in January 2024, and update procedures and processes, as necessary.	March 2025	Initial review of new Global Standards suggests significant update to documentation and some procedures will be required. It is unclear if all requirements will feed through to PSIAS therefore changes on hold until it is published, or clearer guidance is available. Information currently available suggest implementation will be required by 1 April 2025.	N/A