

**REPORT TO: SCRUTINY COMMITTEE 7 FEBRUARY 2024**

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

**REPORT BY: CHIEF INTERNAL AUDITOR**

**REPORT NO: 35-2024**

## **1.0 PURPOSE OF REPORT**

To submit to Members of the Scrutiny Committee an update on the progress towards delivering the 2023/24 Internal Audit Plan; the audits from previous years' plans that were not complete in June 2023; and information about the number of open internal audit recommendations. The report also provides an update about the revision of Global Internal Audit Standards and Public Sector Internal Audit Standards (PSIAS).

## **2.0 RECOMMENDATIONS**

It is recommended that the Committee:

- i. note the progress with the Internal Audit Plan;
- ii. note the position regarding the publication of revised Global Internal Audit Standards;
- iii. note the position regarding the external quality assessment of the internal audit service; and
- iv. note progress with the implementation of agreed internal audit recommendations.

## **3.0 FINANCIAL IMPLICATIONS**

None.

## **4.0 AUDIT PROGRESS**

- 4.1 Appendix one notes the current stage of progress with implementing the 2023/24 Internal Audit Plan and the outstanding items brought forward from the 2021/22 and 2022/23 Plans. All 2021/22 and 2022/23 work is substantially progressed.
- 4.2 The impact of staffing availability on the pace of delivery of the plan has been reported previously. Interviews have been held to fill two internal auditor vacancies in the service and finalisation of the recruitment process is in progress. This, together with the planned use of our general audit support contractor are planned to address the slippage in delivery and bring the service back to full establishment.
- 4.3 Appendix two shows the open internal audit recommendations by service, audit year and risk priority. Progress has continued to implement actions, with two actions closed since this was last reported in December. The majority of actions now require a revised completion date.

## **5.0 REVISED INTERNAL AUDIT STANDARDS**

- 5.1 Revised Global Internal Audit Standards were published in January 2024. PSIAS, with which the Council must comply, is based on these standards, and will be updated during summer 2024. Further guidance about implementing the new Standards is also planned.
- 5.2 The changes in both the Global Standards and PSIAS will become effective one year after the Global Standards are published although early adoption is also possible.
- 5.3 The revised Global Standards are more prescriptive than the previous standards and include documentation and procedures that the Council and the Internal Audit Service do not have in place currently. They include mandatory and strongly recommended best practice for audit services, the Chief Audit Executive (The Chief Internal Auditor) and the Audit Committee (Scrutiny Committee) covering five areas: Purpose; Ethics and Professionalism; Governing; Managing; and Performing.
- 5.4 A further report will be brought to the Scrutiny Committee regarding required changes in our procedures and documentation, and a plan to implement them, once the revised PSIAS is published.

## **6.0 EXTERNAL QUALITY ASSESSMENT (EQA)**

- 6.1 The EQA is being carried out through the Scottish Local Authorities Chief Internal Auditor Group (SLACIAG) peer review process by the Internal Audit team from Falkirk Council. The self-assessment and evidence pack were shared with them in November and December 2024. Stakeholder questionnaires have been received back from officers and Members. A meeting to progress the review has been arranged for early February.
- 6.2 The review is later than originally planned due to resourcing issues in both Councils. As previously reported the Council is not compliant with the requirements of PSIAS because it is now more than five years since the last EQA was reported. The self-assessment provided for the EQA assesses that the service is compliant with PSIAS in all other matters.

## **7.0 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.

## **8.0 CONSULTATIONS**

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

## **9.0 BACKGROUND PAPERS**

None.

Appendix 1 – 2021/22, 2022/23 and 2023/24 Internal Audit Plan update

Appendix 2 – Outstanding Internal Audit Agreed Actions

**CATHIE WYLLIE, CHIEF INTERNAL AUDITOR**

**DATE: 16 JANUARY 2023**

2021/22 Internal Audit Plan – Progress Report (Audits completed after June 2023)

Completed items

FTF Reasonable Assurance definition equates to our “Substantial Assurance” level

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.	SC 6/12/23	FTF Reasonable 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.	Draft report issued	

2022/23 Internal Audit Plan – Progress Report (Audits completed after June 2023)

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.	SC 7/2/24	FTF Reasonable
Tay Cities Deal	High level review of progress with Tay Cities Deal projects and compliance with grant offer guidance.	SC 27/9/23	Substantial
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.	Planning	
Financial Sustainability	Review of the arrangements for the continued financial sustainability of Leisure and Culture Dundee following the COVID-19 pandemic.	Draft reports issued	
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.	Draft report issued	
<b>ICT Reviews</b>			
Microsoft Office 365	Review of access permissions and licensing arrangements for Office 365 including linking to management of network access.	To be undertaken by Contractor	
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.	Planned	
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.	To be undertaken by Contractor	
<b>Systems Reviews</b>			

2022/23 INTERNAL AUDIT PLAN	Proposed Coverage	Status / Update	Assurance Level
Health and Safety – Incident Reports	Review of the Council’s arrangements for the recording and reporting of Incident Reports.	In Progress	
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.	Draft report issued	
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.	SC 27/9/23	Limited
Compliance with Telematics Policy	Review of implementation of and compliance with Telematics Policy in Construction Services. (Added to plan March 2023)	SC 27/9/23	Substantial
<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.	In Progress	
Procurement	Compliance with Tendering Arrangements including review of the arrangements for Contract Waivers.	In Progress	

2023/24 INTERNAL AUDIT PLAN	Proposed Coverage	Status / Update	Assurance Level
<b>Governance Reviews</b>			
Absence management	Review the arrangements in place within the Council to mitigate long term and future absence arising from sickness absences.	Planning	
Corporate Governance	Review of elements of the Annual Corporate Governance checklist with service areas to demonstrate evidence of compliance.	Planned	
Monitoring of Contractors	High level review of the monitoring of Contractors and contract management in relation to construction and maintenance work.	Planning	
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	In Progress	
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.	Proposed to be undertaken by the Contractor	
<b>ICT Reviews</b>			
TBC	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.	To be undertaken by Contractor	
<b>Financial Reviews</b>			
Corporate Debt Recovery Arrangements	Corporate wide review of the Council's debt management and debt recovery arrangements.	Planning	
Financial Forecasting	High level review of the control framework in place to support the development of financial forecasting corporately and within service areas.	Proposed to be undertaken by the Contractor	
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.	To be undertaken by Contractor	
<b>Procurement / Contract Reviews</b>			

2023/24 INTERNAL AUDIT PLAN	Proposed Coverage	Status / Update	Assurance Level
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.	Planning	
<b>System Reviews</b>			
Health and Safety Risk Assessments and Incident	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.	In Progress	
Section 75 Planning Obligations	Review of the arrangements in place for the recording, receipt, and monitoring of Section 75 payments/planning obligations from Developers.	Proposed to be undertaken by the Contractor	
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.	Draft report issued	
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.	Planning	
Pentana	Review of the Council’s Performance and Risk Management system in terms of management reporting and efficiencies.	In Progress	
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.	Not yet Commenced	
Establishment Changes	Review of the processes to ensure that information relating to new starts, leavers, and changes in role are adequately communicated to stakeholders.	Removed from plan 6/12/23	N/A
Recruitment	Review of the Council’s Recruitment and Selection approach, including reporting and analysis of effectiveness, and identification of actions where required.	Proposed to be undertaken by the Contractor	
Permit Applications and Billing	Review of the arrangements for handling applications and invoicing for chargeable permits, such as waste, scaffolding, and placement of skips.	Removed from plan 6/12/23	N/A

2023/24 INTERNAL AUDIT PLAN	Proposed Coverage	Status / Update	Assurance Level
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.	Removed from plan 6/12/23	N/A
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.	Not yet Commenced	
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.	Planning	
<b>Other Work</b>			
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.	On-Going Update to each SC meeting	
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.	Partially complete, with some areas in progress or awaiting revised Internal Audit Standards	N/A

2023/24 INTERNAL AUDIT PLAN	Proposed Coverage	Status / Update	Assurance Level
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 costs/energy mitigations, etc.	Ongoing	N/A
External Quality Assessment Process	As part of the peer review process developed to ensure conformance with the PSIAS, prepare for and undergo External Quality Assessment (EQA) of the Council's Internal Audit Service. This work is planned for the external input in October and November 2023.	Delayed but now in progress. Initial requirements shared with reviewer December 2023. Meeting arranged early February with reviewer, and further work by reviewer thereafter	
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	N/A
Internal Audit Tender Exercise	Specification of need for 2023/24 onwards and tender evaluation, including presentations if required, and award.	Tender complete. Appointment made	N/A

**Definitions of assurance level**

**Definitions of Levels of Assurance**

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.

## Appendix 2 Outstanding Internal Audit Agreed Actions

Agreed actions from 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. New dates should be agreed for actions that were not complete by their original due date.

The numbers of outstanding actions in Pentana for each Service, by audit year, on 16 January 2024 are summarised in the following tables.

- Table 1 – shows actions that have not yet reached their original agreed due date.
- Table 2 – shows actions that have had their due dates extended,
- Table 3 – shows actions overdue from their agreed due date, and which require a new date to be agreed.

At 16 January 2024 there were 48 open actions, compared to 50 at 14 November 2023. None are critical. This represents the closure of 2 actions. New dates for completion are required for the actions in Table 3. There is still work to be done to close off older actions, the majority of which have a high level of completion but require a little more work to complete fully.

**Table 1 Actions not yet reached original agreed due date**

<b>Service</b>	<b>Audit Year</b>	<b>Critical No.</b>	<b>High No.</b>	<b>Medium No.</b>	<b>Low No.</b>	<b>Total No.</b>
City Development	2022/23	-	1	-	1	2
Corporate Services	2021/22	-	1	-	-	1
	2022/23	-	2	-	2	4
Neighbourhood Services	2021/22	-	1			1
	2022/23	-	-	-	2	2
<b>Totals</b>		-	<b>5</b>		<b>5</b>	<b>10</b>

**Table 2 Actions with due date extended from original due date**

<b>Service</b>	<b>Audit Year</b>	<b>Critical No.</b>	<b>High No.</b>	<b>Medium No.</b>	<b>Low No.</b>	<b>Total No.</b>
City Development	2018/19	-	1	-	1	2
Corporate Services	2021/22	-	1	-	1	2
<b>Totals</b>		<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>4</b>

**Table 3  
Actions overdue from agreed due date**

<b>Service</b>	<b>Audit Year</b>	<b>Critical No</b>	<b>High No</b>	<b>Medium No.</b>	<b>Low No</b>	<b>Total No</b>
Children and Families	2020/21	-	2	-	-	2
	2021/22	-	2	-	-	2
	2022/23	-	-	-	2	2
City Development	2019/20	-	1	-	-	1
	2021/22	-	3	-	1	4
	2022/23	-	-	-	1	1
Corporate Services	2018/19	-	3	-	-	3
	2020/21	-	1		-	1
	2021/22	-	3	-	6	9
	2022/23	-	1	1	1	3
Neighbourhood Services	2016/17	-	1	-	-	1
	2017/18	-	1	-	-	1
	2020/21	-	2	-	-	2
	2021/22	-	2	-	-	2
<b>Totals</b>		<b>-</b>	<b>22</b>	<b>1</b>	<b>11</b>	<b>34</b>

## Definitions of Action Priority

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

*This page is intentionally left blank*