

# Angus Council Internal Audit



## Internal Audit Annual Report 2023-2024

13 June 2024

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# Executive Summary - Overall Opinion and Assurances

## Background

1. This report fulfils my annual reporting requirements outlined in the Public Sector Internal Audit Standards (PSIAS). It summarises the conclusions and key findings from the internal audit work undertaken during the year ended 31 March 2024, and up to 5 June 2024 relating to the year ended 31 March 2024.
2. The PSIAS require me to provide the Scrutiny & Audit committee with assurance on the whole system of internal control. It should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the whole system of internal control. My report also provides:
  - Assurances to members of the Council and the Chief Executive in relation to my assessment of, and opinion on, the corporate governance arrangements during the year under review
  - Assurances to the Director of Finance in relation to internal financial controls to support and inform his duties as s95 officer
  - performance information in relation to internal audit and
  - The results of the Internal Audit Quality Assurance Programme
3. My opinions relate solely to the Council and do not include those bodies included in the group accounts.

## Annual Internal Audit Opinion

4. In my professional judgement as Service Leader Internal Audit, notwithstanding the reduction in audit resources during the reporting period and the impact to completing work due to delays in receiving information from services, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the basis and the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations as they existed at the time against the audit criteria. The evidence gathered meets professional audit standards and is sufficient to provide senior management with the proof of the conclusions derived from the internal audit.
5. **In my opinion the council has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, effective and efficient achievement of objectives and the management of key risks, and proper arrangements are in place to promote value for money.**
6. The majority of control objectives in internal audit work were assessed as having been achieved, with a number of areas of good practice noted. Where necessary actions were agreed to improve the control environment or tighten up the operation of the existing controls. The more material findings are highlighted later in this report.

7. I have concluded that the Local Code and Scheme of Governance are adequate and effective, and although some areas for improvement have been identified, the Code is complied with in all material respects.
8. There has been some further progress with Risk Management arrangements this year, but it remains slow and therefore there are still some key areas of risk management that need to be fully established and embedded in day-to-day practice. Responsibility for risk identification, assessment and management sits across the whole organisation. Services and risk owners need to pay more consistent attention to ensure progress is made at a faster pace.

## Basis of opinion

9. In assessing the level of assurance to be given, I have taken into account:
  - All reviews undertaken as part of the 2023-24 internal audit plan and the work of the Counter Fraud team, including some work in progress that has yet to be fully reported to committee.
  - Any scope limitations imposed by management. There were no limitations of scope to the audit work conducted in 2023-24.
  - Matters arising from previous reviews and the extent of follow-up action taken.
  - Expectations of senior management, the Council and other stakeholders.
  - The extent to which internal controls address the Council's risk management /control framework.
  - The effect of any significant changes in the Council's objectives or systems.
  - The internal audit coverage achieved to date.
  - Formal assurances received from the Director of Finance (Section 95 Officer) and the Acting Director of Legal, Governance & Change (Monitoring Officer).
  - Certification against minimum governance and internal financial control standards received from the Directors and from the Chief Executive.
  - My observations of the work of the Corporate Governance Officers Group (CGOG) in relation to their self-assessment of local code compliance.
  - The assessment of risk completed during the preparation of the audit plan.
  - Reports issued by the Council's External Auditors and other review agencies.
  - My knowledge of the Council's governance, risk management, financial and performance monitoring arrangements, and
  - Continued progress in implementing the action plan from Audit Scotland's 2022 Best Value Assurance Report for the Council. The report findings were largely positive and highlight that the Council had demonstrated a good pace of improvement since the last Best Value report in 2016. The report stated that the Council had appropriate governance arrangements in place and confirmed that the level of scrutiny and challenge was appropriate and supported sound decision-making. Notwithstanding the changes noted in the Governance section of this report, current arrangements are substantially the same or improved through implementation of the action plan and therefore assurance can still be taken from this 2022 report.

# Internal Audit Arrangements

## Role of Internal Audit

10. The 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 Reporting

11. During the year to 31 March 2024 the in-house internal audit service moved from the Strategic Policy, Transformation and Public Sector Reform Directorate to sit below the Chief Executive. The team is supplemented for IT audit expertise through a contract with Azets. They were re-appointed following an open joint tendering exercise with Dundee City Council. The contract runs for the audit years of 2023/24 to 2026/27.
12. From April 2023 to December 2023 the Council provided two days per week of the Service Leader Internal Audit’s time to Dundee City Council. This was increased to 2.5 days from 1 January 2024. To ensure the Council continues to comply with PSIAS the Team Leader Internal Audit has been acting up one day per week into the Service Leader’s role, and a review to re-grade the Team Leader’s job description is currently in progress.
13. Throughout the year the audit leads had open access to all members and officers of the Council and operated in accordance with the internal audit charter. The results of all internal audit work are reported to the Scrutiny & audit committee. The committee remit is to provide independent assurance to the full Council of the adequacy of the risk management framework and the internal control environment. The committee provides independent review of Angus Council’s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
14. Internal Audit undertakes an annual programme of work based on a formal risk assessment process which is revised on an on-going basis to reflect emerging risks and changes within the Council.
15. 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 service directors, Depute Chief Executive, the Chief Executive, CLT and the Council’s Scrutiny & Audit committee.

## Internal Audit Resources

The FTE establishment of staff is shown in the table below.

Period	Council Staff Internal audit	Council Staff Counter fraud	Out-sourced IT support	Service leader	Total
Total establishment 2022/23 and 2023/24	3.6 FTE	3.3 FTE	0.13 FTE	1.0 FTE	8.03 FTE

16. During 2023/24 the actual time available was below the establishment level. This was reported to the Scrutiny and Audit committee in report 224/23 (August 2023) and report 19/24 (January 2024).
- As noted above the Service Leader has spent time working with Dundee City Council throughout 2023/24. The Team Leader Internal Audit has been acting up to the Service Leader's post one day per week. This is a reduction of 0.4 FTE, with four days instead of five in each post from April – December 2023, and a reduction of 0.425 FTE from January 2024.
  - One auditor post became vacant on 30 June 2023 and another on 18 December 2023. Both posts remained vacant on 31 March 2024. This resulted in a combined reduction in available resources of 1.0 FTE over the year. Some of this time was replaced by using the audit support contractor to undertake two audits. Following an update of the career grade structure for the internal auditor post, recruitment was undertaken. One new person started in May 2024 and the second is scheduled to start in June 2024. One post has been filled with a qualified auditor and the other with a trainee auditor.
  - One member of the Counter Fraud team was seconded for 0.2 FTE of their time and this time was replaced by another part-time member of the team working an additional 0.2 FTE. This arrangement was in place from April 2023 till August 2023.
17. I am content that the resources available in 2023/24 were sufficient to allow me to discharge my responsibilities as the Council's Chief Audit Executive as described in the PSIAS and other relevant guidance.

### Independence

18. I confirm that 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.

## Performance & Quality Assurance

19. Quality assurance arrangements within the Internal Audit section are contained within the Audit Manual and encompass a robust day to day quality system and file review process.
20. Internal Audit Performance indicators are:
- CIPFA Directors of Finance section efficiency indicator** shows the section discharged 76% of planned productive hours, compared with 95% in the previous year. The target is

to achieve at least 95%. The figure is primarily adversely affected by the vacancies within the team during the year.

- **Conformance with the public sector internal audit standards.** Annual self-assessment against the standards, and an external quality assessment (EQA) at least every five years are required. The most recent EQA identified a number of good practices and confirmed that the internal audit function conforms with the PSIAS. The annual self-assessment undertaken during May 2024 confirmed the internal audit service conforms with PSIAS (appendix A).
- **Compliance with Cipfa's statement on the role of the Head of Internal audit in public service organisations.** Self-assessment against this guidance in May 2024 confirms continuing compliance with requirements for both the Head of Internal Audit and the Council during 2023/24.
- **The counter fraud team compliance with Cipfa Code of Practice on Managing the Risk of Fraud and Corruption** in discharging their duties. A separate annual report (Report 190/24), including an assessment of activity against the guidance, is presented to the same Scrutiny & Audit committee as this annual report.

It is expected that Counter Fraud figures in the following indicators will fluctuate annually.

- **Counter Fraud Investigations in 2023/24 – 412** (22/23 480; 21/22 595)
- **Counter Fraud Recoveries in 2023/24 - £72,056** (22/23 £134,819; 21/22 £137,123)

21. During 2023/24 the main improvement made to the service related to continuing development of mapping available assurances to inform audit planning. Further work on this may be undertaken when Cipfa publishes more detailed guidance. Development of a questionnaire to gather information from auditees to inform and improve how we work with them was delayed due to the reduction of available staff time and this will now be taken forward for the 2024/25 audits.
22. New Global Internal Audit Standards published in January 2024 will result in an update to PSIAS which is expected to have an implementation date of 1 April 2025. There will be work during 2024/25 to ensure we remain compliant with PSIAS and update out processes and procedures as required.
23. The work of the internal audit function is reviewed by external audit as part of their annual audit. The purpose of this review is to ensure that the internal audit section performs to professional standards in the conduct of audit work in order that external audit can place reliance on it. In their 2023-24 planning document Audit Scotland, the Council's external auditor, reported that they will review internal audit reports and assess the impact of the findings on their financial statements and wider scope audit responsibilities. Neither the planning document for 2023/24, nor the annual audit report for 2022/23 made any recommendations for change.

# Summary of Internal Audit Activity 2023-24

## Scope and Responsibilities

### Management

24. It is the Council's chief officers' responsibility to establish 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

### Internal audit

25. 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

26. The main areas of audit conducted in the year, with a summary of the more material findings, supplemented by our review work on discharge of level 1 recommendations, are outlined in the Main Audit Findings section below.

## Planning Process

27. In order to be able to provide an annual assurance statement supporting the Governance Statement, I include all of the council's activities and systems within the scope of the internal audit reviews.
28. The annual internal audit plan is designed to provide the Scrutiny & Audit 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 plan is therefore informed by the Council's risk management system and linked to the corporate risk register.

29. We have planned our work so that we 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.
30. The annual internal audit plan was agreed in consultation with senior management and formally approved by the Scrutiny & Audit committee in March 2023. The plan can be subject to revision during the year to reflect changes in the Council's risk profile and changing circumstances. During the year audits were added to the plan and some were removed. The changes took account of alternative assurance that was available and also addressed the impact of resource issues within the internal audit team. The changes in the team are discussed above under the resources heading. The changes were:
  - Report 224/23 in August 2023 noted that the mandatory e-learning courses audit would not be taken forward due to work currently underway by the service to review and improve this.
  - Report 281/23 in October 2023 noted the addition of an audit of Serious Organised Crime
  - Report 19/24 in January 2024 proposed these changes to the plan, which were approved:
    - To carry forward audits to 2024/25: Tay Cities Deal; External Placements (Children); Self-Directed Support; Purchase Ledger Invoice Processing and Authorisation; Contract Management Procedures; Procurement; Housing Void Management; Collaboration & Partnership Work.
    - To remove the Place Based Investment Programme audit from the plan as alternative assurance is available; and
    - To note the addition of an audit on Housing Voids data recording to the plan.

## Cover achieved

31. The majority of the revised 2023/24 internal audit plan and all items carried forward from previous years have been completed. Delays in receiving documentation and evidence for audit work and agreement of draft briefs and reports sometimes occurs but has been slightly better than in 2022/23. These delays result in inefficiency and duplication in audit work and reduce the overall volume of work achieved. It is recognised that some services are facing staffing shortages and recruitment issues.
32. Although some planned audit work has not been completed, the remaining work in the 2023/24 audit plan is in progress or currently being planned, and, taking into account the conclusions from work done this year, including work in progress, alternative sources of assurance, and previous years' results, I have concluded that I can provide an annual opinion without any limitation of scope.

33. The following audits are unfinished at 5 June 2023. The findings to date have been taken into consideration in forming the opinion and although there are some issues to be addressed none is sufficient to alter my opinion.

Audits	WIP status
Supplier Bank Details – process for changes	Planning in progress, expected to report in August/Sept.
Tayside Contracts – Invoice & Payments Monitoring	Planning in progress, expected to report in August/Sept.
Adults With Incapacity (AWI) follow-up	Sufficient evidence provided to allow actions from previous audit to be closed off. Detailed audit planned and expected to report in August.
IT User Access Administration – Integra	Planned – delay in start due to swapping System from Eclipse to accommodate operational timetables. Expect to report in August.
Creditors continuous auditing Same person registration and authorisation	In progress – expect to report in August.
Performance Management and Monitoring	Draft report received. Report to S&A in August
Digitisation of services	Audit started but delayed due to staff availability
Counter Fraud team investigation into application of internal controls regarding overtime and additional hours overpayments	Findings with service to consider action plan. Expect to report in August

## Main Audit Findings

34. The majority of control objectives were assessed as having been achieved, with a number of areas of good practice noted. Where necessary, actions were agreed to improve the control environment or tighten up the operation of the existing controls.
35. A variety of audit reports in both financial and non-financial areas have been issued during 2023/24, including for some work that was in progress or planning in June 2023. All were considered by the Scrutiny and Audit committee. In the following table the \* under level 4 actions denotes that the service has its own action plan in place covering the areas reviewed in the audit or our consultancy work resulted in an action plan being prepared or action being taken by the service as part of other on-going work. Definitions of overall control assurance are provided in appendix B.

Audits	Overall control assurance	No. of Audit Actions by Priority			
		1	2	3	4
<b>Corporate Governance</b>					
Corporate Governance annual review – 2023-24	N/A	-	-	-	*
Project Management (2022/23 plan)	Substantial	1	4	1	-
Risk Management	Limited	-	7	4	-
<b>Financial Governance</b>					
Payroll continuous auditing April 2023 to March 2024	Substantial	-	-	-	-
Creditors continuous auditing Duplicate Payments April 2023 to March 2024	Substantial	-	-	-	-
Payroll (added November 2022 to 2022/23 plan)	Substantial	-	2	1	-
Programme of Random Cash Counts - Schools	Limited	2	1	-	-
<b>IT Governance</b>					
Cyber security (2022/23 plan)	Substantial	-	2	5	-
IT Business Continuity	Limited	-	2	1	1
Data analysis – System access	Substantial				*
<b>Asset Management</b>					
IT Asset Hardware Inventory (2022/23 plan)	Substantial	2	2	-	2
IT Asset Hardware Inventory - Schools	Limited	-	7	1	-
<b>Legislative and other compliance</b>					
Equalities Impact Assessments & Fairer Scotland Duties (2022/23 plan)	Substantial	-	-	1	1
Participatory Budgeting (2022/23 plan)	Position Statement	-	-	-	-
Serious Organised Crime (SOC)	Substantial	-	3	1	-
GDPR Compliance in Children, Families & Justice	Substantial	-	1	1	-

Audits	Overall control assurance	No. of Audit Actions by Priority			
		1	2	3	4
UK Shared Prosperity Fund	Substantial	-	-	2	-*
<b>Consultancy and Advice</b>					
Organisational resilience (2021/22 plan)	N/A	-	-	-	*
Digital Strategy and Governance (2022/23 plan)	N/A	-	-	-	*
PDR Appraisal System	N/A	-	-	-	*
Housing Voids data recording. Item added to plan November 2023	N/A	-	-	-	*

36. This year there were four audits that provided limited assurance.

- Risk Management has been identified previously as requiring improvement and had been included in external audit action plans and the Governance Action plan. The audit, whilst recording limited assurance, was focussed to help enable progress with further improvement. This is discussed further in the final section of this report, titled Risk Management.
- Two were in schools: Random Cash Counts and Cash Handling, and IT Asset Hardware Inventory in schools. In both audits the actions centred around making sure there were up to date, consistent, accessible procedures and that all staff involved were aware of the procedures.
- IT Business Continuity. The main areas for improvement are to undertake Business Impact Assessments and use the outcomes from these to renew the Business Continuity plans. Once this is in place testing of the plans should take place regularly.

37. Good progress has been made in addressing the action plans agreed to deal with areas assessed as having limited or no assurance in previous years with eight related actions (three Priority 1 and five Priority 2) closed during 2023/24. A follow-up audit of the area assessed as no assurance (Adults With Incapacity) was included in the 2023/24 plan. This audit is currently in progress. The following Priority 3 action is still outstanding:

- Procurement (21/06) – Exemptions From Tendering was assessed as providing “limited assurance”. The action to review all procurement training and support materials, is outstanding at March 2024.

38. Internal audit also contributed to the 2023/24 internal audit work for the Angus Integration Joint Board (IJB) and ANGUSalive as part of the agreements of shared or support services. The IJB audit service is led by the Chief Internal Auditor of NHS Tayside.

## Discharge of Audit Recommendations

39. As part of the annual audit work, the discharge of recommendations from Internal Audit and Counter Fraud work is reviewed. Good progress is being made in implementing agreed actions.
40. Services monitor their recommendations through Pentana. During the year we reviewed the progress of implementation of recommendations in some detail, reporting to the Council management team and the Scrutiny & Audit committee.
41. The number of outstanding actions fluctuates. The proportion of outstanding internal audit actions with overdue or extended due dates is lower than last year at 46% (30 May 2024) compared to 59% in June 2023. Annual figures have fluctuated but the 2023/24 figure compares favourably to the average for the four years to June 2023 of 63%. There is currently one outstanding counter fraud action.
42. All services have continued to take steps to address their outstanding recommendations,
43. In June 2024 there are three priority 1 actions outstanding which all relate to recent audits. All four priority 1 actions outstanding at June 2023, three of which were from 2021/22, were closed during 2023/24.
44. Internal Audit will continue to review implementation of recommendations as part of our 2024-25 follow up work.

## Corporate Governance

45. The Council has a Local Code of Corporate Governance which is kept under review and is updated to reflect recognised best practice in corporate governance.
46. Compliance with the Code is assessed on behalf of the Chief Executive on an annual basis by an officer working group on corporate governance. The outcome is reported to the Chief Executive and Scrutiny & Audit committee in June each year.
47. Revised council standing orders were approved by council in May 2023. The remaining elements of the review of governance arrangements was finalised and approved at Council on 14 December 2023 covering procurement standing orders; revised committee terms of reference; revised scheme of delegation; and a new Member-Officer relations protocol. These documents form the governance framework of the Council (“the scheme of governance”) and came into effect on 1 January 2024. Work is now underway to standardise the approach to operational schemes of delegation.
48. I have concluded that the Local Code and Scheme of Governance are adequate and effective, and although some areas for improvement have been identified, the Code is complied with in all material respects. Although the pace of some change has been slower than originally expected, positive continuous improvement in arrangements has taken place during 2023/24 to address the items in the corporate governance action plan.
49. Internal audit and counter fraud work identified a small number of areas of non-compliance with the core internal controls within individual directorates and action plans were agreed in each case to address the weaknesses. In addition, my overview of activity within the Council, and

involvement with the Corporate Governance Officer's Group identified the following which contribute to my overall conclusion on corporate governance:

- Oversight of and engagement with ANGUSalive, the IJB, and Tayside Contracts continued to be in place during 2023/24.
- The Council Plan is aligned with the budget, which incorporates the Change Programme. Significant work has taken place during the year to address budget pressures and update the Medium-term Financial Strategy and introduce a Long-term Financial Framework.
- Improvements to performance management arrangements have continued to be rolled out during 2023/24 through the PLED (performance led) work and increasing use of Pentana to manage actions and other performance data. Performance reporting was an area external audit previously identified as requiring improvement and work has continued during 2023/24 to address this. An audit of performance management and monitoring was undertaken to help identify detailed areas for action. This will be reported in August 2024.
- The Council and committees held meetings using a mix of on-line and in person arrangements during the year, with meetings being live streamed to the public. Good governance over the proceedings at these meetings is in place.
- During 2023/24 there have been changes to the Corporate Leadership Team and directorate structures. Appropriate changes were made to the scheme of delegation to accommodate the interim arrangements described below.
  - It was decided not to replace the Director of Strategic Policy, Transformation & Public Sector Reform in September 2023 following their retirement, and to re-distribute the roles and functions of the Directorate to other Directorates.
  - Following the retirement of the Chief Executive, and a subsequent recruitment exercise, the previous Director of Children, Families and Justice, who was also the Chief Social Work Officer, was appointed as Chief Executive from 1 January 2024. The new Chief Executive is currently reviewing governance arrangements for Directorates and the business conducted by CLT.
  - The Service Leader - Justice was appointed to the position of Interim Director of Children, Families and Justice, with Chief Social Work Officer responsibilities.
- The Accounts Commission undertakes reviews relating to Best Value through Audit Scotland and the external auditor. The results from the Council's Best Value Review, reported in June 2022, and the 2022/23 thematic review reported in October were largely positive, with areas for improvement being those the Council had already identified for action. Implementation, including completion and closure, of actions agreed from these reports last year have continued this year, with progress being reported to the Scrutiny and Audit committee.

## Risk Management

50. Risk Management has been included in the Governance Statement and the related action plan as an area for improvement for some time. My previous annual reports have noted progress each year, and that further work was required in this area. There has been some further progress this year, but it remains slow and therefore there are still some key areas of risk management that need to be fully established and embedded in day-to-day practice.










Responsibility for risk identification, assessment and management sits across the whole organisation. Services and risk owners need to pay more consistent attention to ensure progress is made at a faster pace.

51. A Risk Management audit was undertaken in spring 2024 by Azets. The results are reported to the June 2024 Scrutiny and Audit committee. The audit concluded there was limited assurance in this area - "Some satisfactory elements are evident within the control framework. However, some significant weaknesses have been identified which are likely to undermine the achievement of objectives, and/or the level of non-compliance with controls puts the system objectives at risk."
52. The Corporate Risk Register has been in place and updated at various points throughout the year. Reporting to Scrutiny and Audit Committee has continued with bi-annual reports on the full risk register and detailed discussions of specific risks at each meeting. CLT also receive regular reports on risk management. A risk workshop in April 2024 undertook a full review of the Corporate Risk Register, which will be called the Strategic Risk Register in future.
53. The Risk Monitoring Group has met occasionally throughout the period to help move forward action to improve risk and to develop its terms of reference. Terms of Reference have been agreed and the first full meeting with new members has taken place in April 2024. A new chair and vice-chair have been appointed from CLT. This now needs to meet more regularly, and with the new members identified to ensure a full cross-section of the Council is represented.
54. Several services developed their operational risk registers during the year but not all are complete or recorded in Pentana..
55. The key areas where further improvement is needed are:
  - Development of risk appetite
  - Risks linked to council objectives
  - Identifying the assurance framework
  - Finalise the review of the Risk Strategy
  - Finalisation of service risk registers and the process for monitoring operational risk.













# Appendix A Summary of Internal – Quality Assurance Assessment

Public Sector Internal Audit Standards require disclosure of the outcome of our regular internal and external quality assessments. The tables below summarise the outcome of the internal quality assessment undertaken during 2023/24, and an update on the action plan arising from the External Quality Assessment (EQA) undertaken in 2020 and reported to S&A in January 2021. Progress has been made with agreed actions and only one area remains generally compliant pending full completion of the action plan for risk management.

## SUMMARY OF CONFORMANCE WITH THE PSIAS – Appendix A

Reference	Assessment Area	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
Section A	Definition of Internal Auditing				
Section B	Code of Ethics				
Section C	Attribute Standards				
1000	Purpose, Authority and Responsibility				
1100	Independence and Objectivity				
1200	Proficiency and Due Professional Care				



Reference	Assessment Area	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
1300	Quality Assurance and Improvement Programme				
<b>Section D</b>	<b>Performance Standards</b>				
2000	Managing the Internal Audit Activity				
2100	Nature of Work				
2200	Engagement Planning				
2300	Performing the Engagement				
2400	Communicating Results				
2500	Monitoring Progress				
2600	Communicating the Acceptance of Risks				

## EQA ACTION PLAN

Ref. No.	Recommendation	Priority	Update June 2024	Manager Responsible	Date to be Completed
1	The work started to show sources of assurance relating to each of the Council's objectives and each item featuring on the Corporate Risk Register should be completed.	2	Assurance mapping has been progressed further during planning for 2024/25, taking into account the Cipfa publication on Assurance Frameworks from December 2023. The audit planning and audit universe is now more closely mapped to assurance information within the Code of Corporate Governance.	Service Leader- Internal Audit	January 2022 Revised January 2024 <b>Complete</b> March 2024
2	The work identified as needed to improve organisational management of risk should be completed.	2	Organisational risk management arrangements have improved further during the year but there is still work to be done. Work is in progress on an update to the Strategic Risk Register, review of risk appetite and completion of service risk registers. An action plan for the audit reported to Scrutiny & Audit Committee in June 2024 is in place. There is also an action related to risk management in the Corporate Governance Action plan	N/A – this will be addressed by the action plans noted in the update	December 2021 Revised to June 2023 Refer to action plan agreed in audit

## SELF-ASSESSMENT ACTION PLAN

Ref. No.	Action	Priority	Position/Update June 2024	Manager Responsible	Date to be Completed
1	We will develop a questionnaire to gather information from auditees to inform and improve how we work with them. This will be implemented for the 2023/24 annual audit plan.	3	This has been carried forward from last year. It was not introduced due to reduction in team numbers. This will now be implemented for the 2024/25 audit plan.	Service Leader Internal Audit	September 2022 Revised to September 2023 Revised to September 2024
2	Review new PSIAS when it is published, and update procedures and processes as required.	1	We currently comply with PSIAS, but the Global Standards on which PSIAS is based were updated in January 2024, with an implementation date of January 2025. The latest information from Cipfa is that PSIAS will be reviewed and consulted on during 2024 and compliance with the new PSIAS is likely to be expected from 1 April 2025.  On-going training and seminar events about this are being attended and acted on as appropriate.	Service Leader Internal Audit	Immediately following publication
3	Review Cipfa guidance on Assurance Mapping when it is published.	3	Awaiting guidance	Service Leader Internal Audit	Within 3 months of publication

### Key to Grading of Recommendations

Priority: **1 – Critical**, **2 – Requires addressing**, **3 – Good Practice**, **4 – Value for Money**

## Appendix B – Definition of Assurance Levels, Control Assessments & Recommendation Priorities

### Level of Assurance definitions

Level of Assurance	Definition
Comprehensive Assurance	There is a sound control framework in place designed to achieve the system objectives, which should be effective in mitigating risks. Some improvements in a few, relatively minor, areas may be required, and any residual risk is either being accepted or addressed by management.
Substantial Assurance	The control framework in place is largely satisfactory, however there are a few areas where improvements could be made to current arrangements to reduce levels of risk, and/or there is some evidence that non-compliance with some controls may put some of the system objectives at risk.
Limited Assurance	Some satisfactory elements are evident within the control framework. However, some significant weaknesses have been identified which are likely to undermine the achievement of objectives, and/or the level of non-compliance with controls puts the system objectives at risk.
No Assurance	The control framework is ineffectively designed and operated. The issues identified require immediate attention to address the risks to the Council which are currently unacceptable. Significant improvements are required.

### Control assessment definitions

Control Assessment	Definition
Red	Fundamental absence or failure of key control
Amber	Control objective not achieved – control is inadequate or ineffective
Yellow	Control objective achieved – no major weakness but scope for improvement
Green	Control objective achieved – control is adequate, effective & efficient

### Recommendation Priority definitions

Priority	Definition
1	Recommendation concerning the absence/failure of fundamental control which is critical to the success of the system. Major weakness which significantly impairs the overall control framework. Immediate management action required. <b>Very high risk exposure.</b>
2	Recommendation concerning absence or non-compliance with key control which creates significant risks within the organisation. Substantial weakness identified. Prompt management action required. <b>High risk exposure.</b>
3	Recommendation concerning absence or non-compliance with lower level control, or an isolated instance of non-compliance with a key control. The weakness identified is not necessarily great, but controls would be strengthened and the risks reduced if it were rectified. To be addressed by management within a reasonable timescale. <b>Moderate risk exposure.</b>
4	Recommendation concerning minor issue which is not critical, but implementation would improve the system and/or strengthen controls. To be addressed by management within a reasonable timescale. <b>Limited risk exposure.</b>