

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 23 JANUARY 2025

INTERNAL AUDIT ACTIVITY UPDATE

REPORT BY CATHIE WYLLIE – SERVICE LEADER - INTERNAL AUDIT

**1. ABSTRACT**

- 1.1 This report provides assurance through an update on Internal Audit matters including main findings from reports issued since the date of the last Scrutiny and Audit Committee; and progress with implementation of agreed Internal Audit and Counter Fraud actions.

**2. ALIGNMENT TO THE COUNCIL PLAN AND COUNCIL POLICIES**

- 2.1 The contents of this report contribute to the achievement of the corporate priorities set out in the Angus Community Plan and the Council Plan. This is achieved through this report providing the Scrutiny & Audit Committee with information and assurance about council internal control systems, governance and risk management.

**3. RECOMMENDATIONS**

- 3.1 It is recommended that the Scrutiny and Audit Committee:

- (i) Considers and notes the update on progress with the planned Internal Audit work (Appendix 1); and
- (ii) Considers and notes management's progress in implementing Internal Audit and Counter Fraud recommendations (Appendix 1).

**4. BACKGROUND**

- 4.1 Annual Internal Audit plans are approved by the Scrutiny and Audit Committee and a progress report is submitted to each meeting of the Committee. This report outlines progress in delivering the agreed 2024/25 plan (agreed at the Scrutiny & Audit Committee in April 2024 Report 123/24) and items from the 2023/24 plan that were incomplete in June 2024.
- 4.2 Internal Audit issues a formal report for each review undertaken as part of the annual audit plan. Each report contains an action plan which incorporates all the recommendations made. This action plan, prepared under SMART (Specific, Measurable, Achievable, Realistic, Timed) criteria, is agreed with management within the relevant services who nominate persons responsible for taking forward the actions and who set their own completion date for each action. This agreed action plan forms an integral part of the final audit report and audit recommendations are ranked to indicate materiality. SMART internal control actions are also agreed following Counter Fraud investigations.
- 4.3 As part of the on-going audit process, Internal Audit reviews the implementation of recommendations and reports the results to each meeting of the Scrutiny and Audit Committee.
- 4.4 Ad-hoc requests for advice are dealt with as they arise.





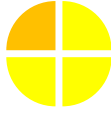
**5. CURRENT POSITION**

- 5.1 The latest results are included in the Update Report at **Appendix 1** and summarised in section 6 below.

## 6. SUMMARY OF ASSURANCES

6.1 The following table summarises the conclusions from audit work completed since the last Scrutiny and Audit Committee. Further information on each audit, and definitions of control assurances, are provided in Appendix 1.

6.2 Recommendations from consultancy work are not graded. The number of recommendations made are noted under the Grade 4 column. \* In the final column denotes that the service already has actions in place to address weaknesses identified in the audit or has action plans for other improvements in progress.

Audit	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
			1	2	3	4
Tayside Contracts – Invoice & Processing & Monitoring (2023/24) - Fleet Services	Substantial		-	2	-	2
Programme of Random Cash Counts – Children, Families & Justice	Comprehensive		-	-	2	1
Supplier Bank Details – Process for Changes	Substantial		1	-	1	-
Tayside Contracts – Invoice & Processing & Monitoring (2023/24) - Roads Maintenance & Winter Management	Comprehensive		-	1	-	-
IT User Access Administration – Integra (2023/24)	Substantial		-	6	4	-

## 7. FINANCIAL IMPLICATIONS

7.1 There are no direct financial implications arising from the recommendations of this report.

## 8. RISK MANAGEMENT

8.1 The overall impact on risk management and recommendations made to mitigate risks identified during the audit are covered in each individual audit report.

## 9. ENVIRONMENTAL IMPLICATIONS

9.1 There are no direct environmental implications arising from the recommendations of this report.

## **10. EQUALITY IMPACT ASSESSMENT, HUMAN RIGHTS AND FAIRER SCOTLAND DUTY**

10.1 A screening assessment has been undertaken, and a full Equality Impact Assessment is not required for the following reason: - this report is providing reflective information for elected members.

## **11. CHILDREN'S RIGHTS AND WELLBEING IMPACT ASSESSMENT**

11.1 A Children's Rights and Wellbeing Impact Assessment has been undertaken, and a full assessment is not required as the "General Principles" do not apply to this proposal.

## **12. CONSULTATION**

12.1 This report was circulated for consultation to all Directors of the Council.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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### **List of Appendices:**

Appendix 1            Internal audit update report

# Angus Council Internal Audit



## Update Report

### Scrutiny & Audit Committee

23 January 2025

Cathie Wyllie  
Service Leader – Internal Audit  
Chief Executive's

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## INTRODUCTION

This report presents the progress of Internal Audit activity within the Council from December 2024 and provides an update on progress with:




- planned audit work, and
- implementing internal audit and counter fraud recommendations








## AUDIT PLAN PROGRESS REPORT



The table below notes the stage of progress of all audits in the agreed 2024/25 plan and those carried forward from 2023/24 in June 2024. Timetabling of audits is being discussed with services and the dates planned for work and reporting to Scrutiny and Audit will be updated as this is finalised.

Definitions for control assurance assessments are shown at the end of this report.

### Progress with Internal Audit Plan 2024/25

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / <i>(target in italics)</i>
<b>Corporate Governance</b>					
Corporate Governance annual review – 2023/24	May/June	Complete	N/A	N/A	June 2024 Report 191/24
Performance Management & Monitoring (2023/24)	April/May 2024	Final report issued and with CLT	Limited		Aug 2024
<b>Financial Governance</b>					
Payroll continuous auditing April to June 2024 July to Sept. 2024	On-going	Complete Complete	Comprehensive Comprehensive		Aug 2024 Dec. 2024
Payroll audit of overtime payments added April 2024  September 2023 to June 2024	On-going	Draft report issued 22/11/2024			<i>March 2025</i>
Creditors continuous auditing Duplicate Payments April to June 2024 July to Sept. 2024	On-going	Complete Complete	Comprehensive Comprehensive		Aug 2024 Dec. 2024

<b>Audits</b>	<b>Planned</b>	<b>WIP status</b>	<b>Overall control assurance</b>	<b>Control assessment by objective</b>	<b>S&amp;A committee date / (target in italics)</b>
Creditors continuous auditing Same person registration and authorisation (2023/24) April 2023 – Mar. 2024	June/July 2024	Complete	Substantial		Aug. 2024
Creditors continuous auditing Same person registration and authorisation April 2024 – Mar 2025	April/May 2025				<i>June 2025</i>
Supplier Bank Details – process for changes (2023/24).	June/July 2024	Complete	Substantial		<b>Jan. 2025</b>
Tayside Contracts – Invoice Processing & Monitoring (2023/24) - Cleaning (facilities & Council offices)	July - Sept. 2024	Complete	Substantial		Dec. 2024
Tayside Contracts – Invoice Processing & Monitoring (2023/24) - Schools	July - Sept. 2024	Complete	Comprehensive		Dec. 2024
Tayside Contracts – Invoice Processing & Monitoring (2023/24) - Roads	Aug. – Nov. 2024	Complete	Comprehensive		<b>Jan. 2025</b>
Tayside Contracts – Invoice Processing & Monitoring (2023/24) - Fleet	Aug. – Nov. 2024	Complete	Substantial		<b>Jan. 2025</b>
Council Tax Refunds – review of process and controls	Sept. 2024	Complete	N/A	N/A	Dec. 2024
External Placements (Children)	Sept.– Dec. 2024	In Progress			<i>March 2025</i>
Self-Directed Support (SDS)	Mar. / Apr. 2025				<i>Apr. 2025</i>
Programme of random cash counts	Intermittent	Complete	Comprehensive		<b>Jan. 2025</b>

<b>Audits</b>	<b>Planned</b>	<b>WIP status</b>	<b>Overall control assurance</b>	<b>Control assessment by objective</b>	<b>S&amp;A committee date / (target in italics)</b>
Purchase ledger invoice processing & authorisation	Oct.- Jan. 2024	In Progress			<i>March 2025</i>
Travel Expense Claims	Nov. – Jan. 2024	In Progress			<i>March 2025</i>
<b>IT Governance</b>					
IT User Access Administration – Integra (2023/24)	Feb 2024 (Delayed)	Complete	Substantial		<b>Jan. 2025</b>
Digitisation of Services (2023/24)	March/April 2024	In Progress			<i>March 2025</i>
IT User Access Administration (Eclipse)	Feb. / Mar. 2025	Planned			<i>Apr. 2025</i>
Use of Cloud Computing	Jan. / Feb. 2025	Planned			<i>Apr. 2025</i>
Application Consolidation Strategy/Delivery	Mar. 2025	Planned			<i>June 2025</i>
Continuous Auditing – IT System Access	Feb. / Mar. 2025				<i>Apr. 2025</i>
<b>Internal Controls</b>					
AWI Follow-up (2023/24)	Feb./ Mar. 2024	Complete	Substantial		<i>Aug. 2024</i>
Contract Management Procedures	Feb./ Mar. 2025	Planning			<i>June 2025</i>
Procurement	Apr. / May 2025				<i>Aug. 2025</i>
<b>Asset Management</b>					
Management/ supervision of empty Council premises	Feb. 2025				<i>Apr. 2025</i>
Fleet Management	Mar./ Apr. 2025				<i>June 2025</i>
Housing Void Management	Feb./ Mar. 2025				<i>June 2025</i>



Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
<b>Legislative and other compliance</b>					
Health & Safety – Evolve System (for risk assessments on school trips, excursions, etc.)	Feb./Mar. 2025				<i>June 2025</i>

### Angus Alive and Angus Health & Social Care IJB





Angus Council's Internal Audit staff work on the audit plans for both ANGUSalive and Angus Health & Social Care IJB. Reports for both bodies are presented to their respective audit committees throughout the year. Where IJB audit reports are particularly relevant to the Council they will also be reported to the Scrutiny & Audit committee.


The ANGUSalive Annual Internal Audit Plan for 2024/25 was agreed at their Finance & Audit Sub-committee on 14 June 2024, and work on the plan is in progress.

### SUMMARY OF FINDINGS OF INTERNAL AUDIT REVIEWS

This section provides a summary of the material findings of internal audit reviews concluded since the last meeting. It also provides information on the number of recommendations made. Recommendations are ranked in order of importance, with Priority 1 being the most material. Execution of recommendations is followed up by Internal Audit and reported to this Committee.

Members are asked to consider the following summaries and provide any commentary thereon.

Audit	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
			1	2	3	4
Tayside Contracts – Invoice & Processing & Monitoring (2023/24) - Fleet Maintenance & Management	Substantial		-	2	-	2
Programme of Random Cash Counts – Children, Families & Justice	Comprehensive		-	-	2	1
Supplier Bank Details – Process for Changes	Substantial		1	-	1	-
Tayside Contracts – Invoice & Processing & Monitoring (2023/24) Roads Maintenance & Winter Management	Comprehensive		-	1	-	-

Audit	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
IT User Access Administration – Integra (2023/24)	Substantial		-	6	4	-

# Tayside Contracts Invoice Processing & Monitoring 2023/24 – Fleet Maintenance and Management

## Introduction & Background

As part of the 2023/24 annual plan, Internal Audit has completed a review of the Council's procedures for the monitoring and processing of invoices received from Tayside Contracts.

The audit was requested due to concerns raised during audit planning discussions regarding the transparency of what the Council is being charged for and why. There have been some ongoing issues with regard to lack of detail provided with invoices, as well as invoices being delayed, and charge rates not being updated timeously.

Tayside Contracts Joint Committee was set up in its present form in 1996 by 3 Councils, Angus, Dundee City and Perth & Kinross, to provide specialist services in areas such as construction, catering and facilities management. The Joint Committee is made up of 18 Elected members from the 3 Councils. Tayside Contracts operate as a business and carry out work for other public bodies, private firms and the wider public; all surpluses made are returned to the 3 constituent Councils, based on their agreed share of investment in Tayside Contracts for that year, for reinvestment in public services.

Tayside Contracts currently provides Angus Council with the following services:

- Catering, Cleaning, Janitorial Services, Crossing Patrollers (Schools)
- Cleaning (Facilities/Council offices)
- Fleet Management & Maintenance
- Roads Maintenance & Winter Maintenance

This report is for invoice processing and monitoring of Fleet Maintenance and Management; other services provided by Tayside Contracts will be reported separately.

## Scope

The audit reviewed the procedures currently in place for monitoring, authorisation, and payment of invoices from Tayside Contracts against the following objectives:

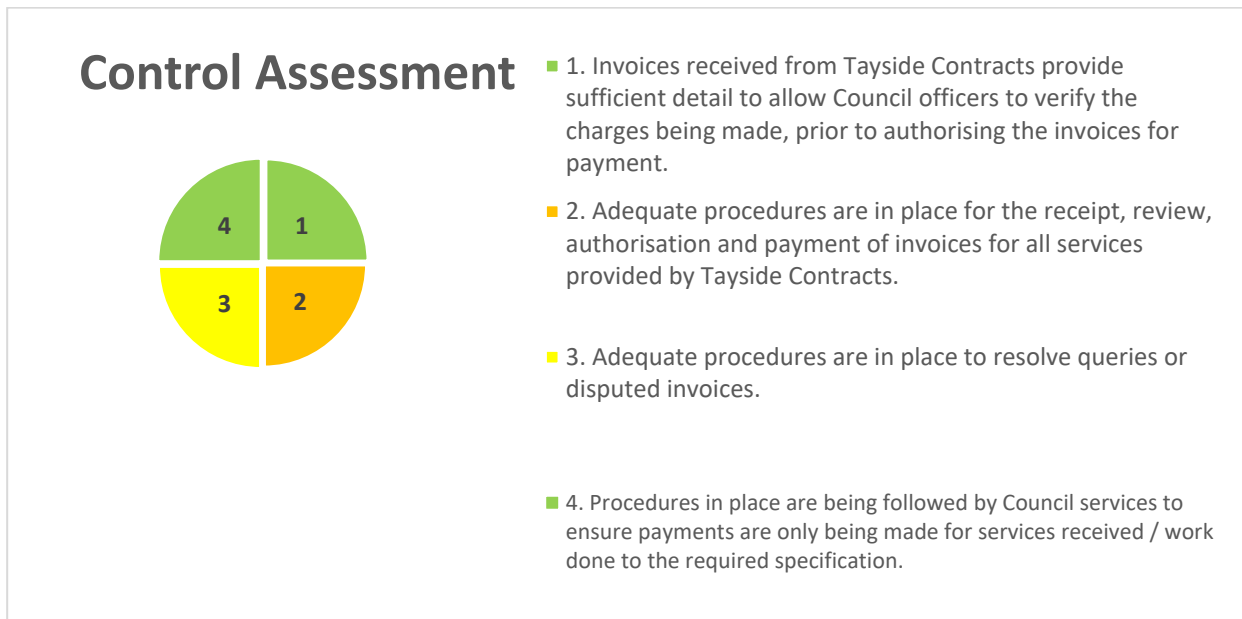
- Invoices received from Tayside Contracts provide sufficient detail to allow Council officers to verify the charges being made, prior to authorising the invoices for payment.
- Adequate procedures are in place for the receipt, review, authorisation, and payment of invoices for all services provided by Tayside Contracts.
- Adequate procedures are in place to resolve queries or disputed invoices.
- Procedures in place are being followed by Council services to ensure payments are only being made for services received / work done to the required specification.

## Conclusion

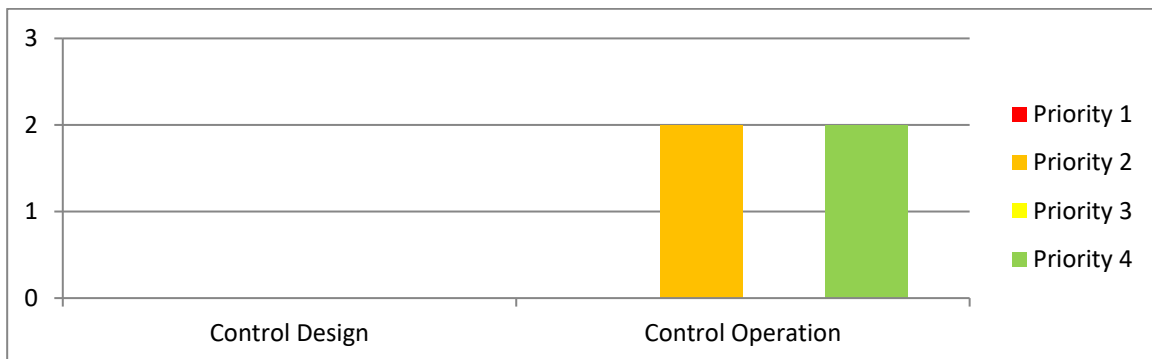
The overall level of assurance given for this report is '**Substantial Assurance**'.

## Overall assessment of Key Controls

The audit reviewed and assessed the controls in place to manage the following Key Control Objectives:



## Audit Recommendations summarised by Type & Priority



There are 4 operational control recommendations in this report, 2 priority 2, and 2 priority 4.

## Key Findings

### Areas Identified for Improvement:

We have made 4 recommendations to address high to low-risk exposure which are:

#### Level 2

- A consistent process for reviewing charges and supporting information detailing work done should be put in place across all services for all fleet services work. All staff who receive spreadsheets for reviewing of charges should respond to the sender to confirm that they have reviewed the document highlight any concerns they have. Requests for refunds should be monitored to ensure they are received.
- Environmental Services staff should be advised to document all concerns regarding charges and value for money and communicate these to the Acting

Service Leader, who should raise these at the fortnightly meetings with Tayside Contracts.

#### **Level 4**

- A log should be kept for any queries/disputes regarding invoices in case there are recurring issues. Individual emails do not need to be kept once the log is updated and the issue is resolved.
- The summary of actions discussed at the fortnightly progress meetings should be retained, with each item narrated with any recent action. One sheet should be kept for each financial year, so that a historic record of any ongoing/repeated issues is kept.

## **Impact on Risk Register**

The Corporate Risk Register held on Pentana includes the following risk which relates to this audit: -

CORRR0001 – Financial Sustainability

Risk Description: The Council does not plan and implement the necessary changes in its services to deliver its priorities within the resources available and/or local government funding for core services reaches levels which make it impossible to deliver all statutory duties. This results in a financially unsustainable Council unable to meet all its statutory duties including the requirement to set and maintain a balanced budget each year. Risk Scoring: Likelihood – 5, Impact – 5, Overall Current Risk Score 25, Target Score 9.

The key risks associated with this audit are that without proper procedures and controls in place invoices may be paid for services which have not been provided or have not been provided in line with required specifications, resulting in financial loss to the Council.

# Programme of Random Cash Counts – Children, Families & Justice

## Introduction & Background

As part of the 2024/25 annual plan, Internal Audit has completed a review of cash counts and cash handling in two Children, Families and Justice (CF&J) locations to provide assurance that the procedures for cash handling and petty cash are being followed.

Due to previous incidences of cash going missing from various Council premises, whether fraudulently or due to proper procedures not being followed, as part of an ongoing programme we have completed random cash counts and a review of the procedures for cash handling and petty cash at Horizon, 28 Millgate Loan, Arbroath and Strathmore Centre, Strathmore Crescent, Forfar. The visits were unannounced.

The only cash held and administered by business support staff at CF&J establishments is referred to as petty cash (PC). At Horizon the cash is used to assist young people who leave care after school age under Section 29 of The Children (Scotland) Act 1995. At Strathmore Centre children and young people with complex and profound disabilities visit the centre for respite care and the cash is used for outreach/day care support.

We were informed by the Business Support Assistant at Horizon that she will be part of the debit card trial and is waiting for guidance from Finance to start using the card. Debit cards will allow staff to use cash machines for accessing cash as opposed to cashing cheques, but how they use/record/administer/monitor their petty cash should follow the same controls that are currently in place.

## Scope

The audit reviewed the arrangements in place against the following objectives:

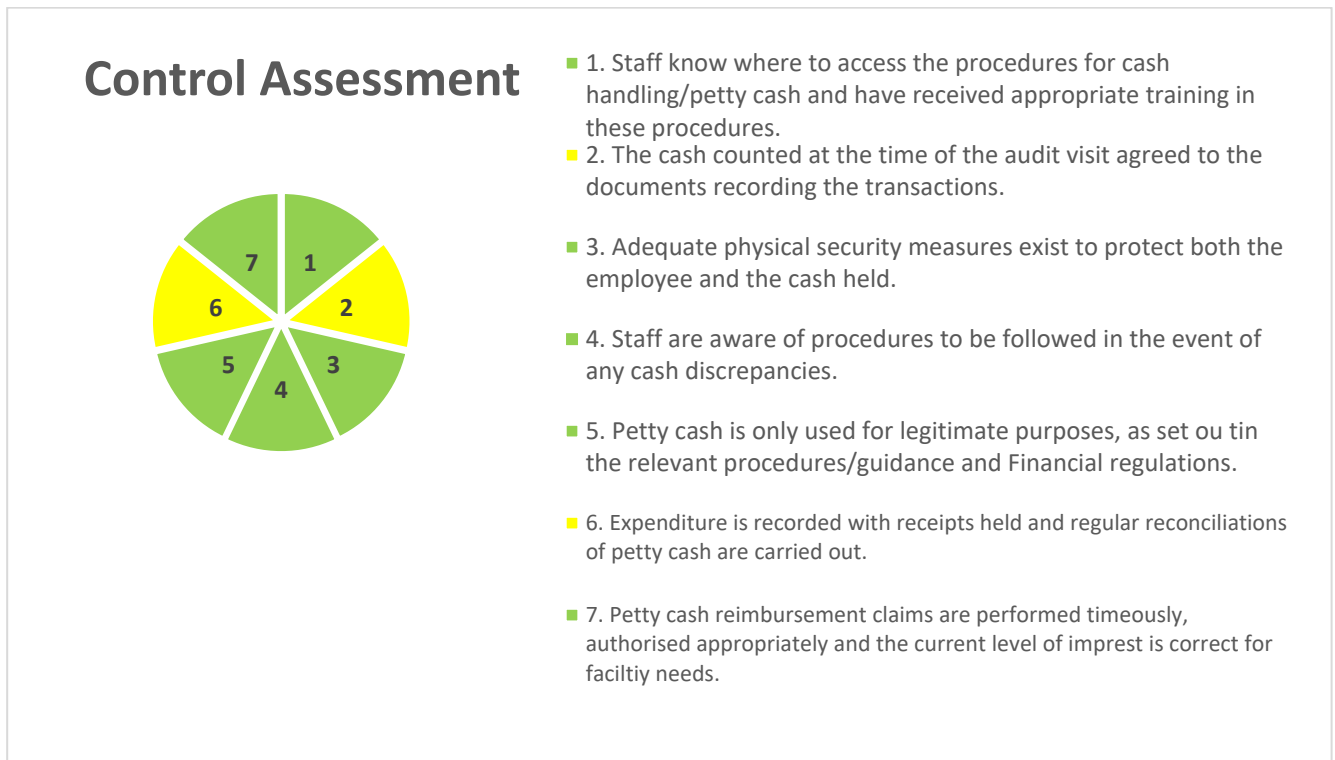
- Staff know where to access the procedures for cash handling/petty cash and have received appropriate training in these procedures.
- The cash counted at the time of the audit visit agreed to the documents recording the transactions.
- Adequate physical security measures exist to protect both the employee, and the cash held.
- Staff are aware of procedures to be followed in the event of any cash discrepancies.
- Petty cash is only used for legitimate purposes, as set out in the relevant procedures/guidance and Financial Regulations.
- Expenditure is recorded with receipts held and regular reconciliations of petty cash are carried out.
- Petty cash reimbursement claims are performed timeously, authorised appropriately and the current level of imprest is correct for facility needs.

## Conclusion

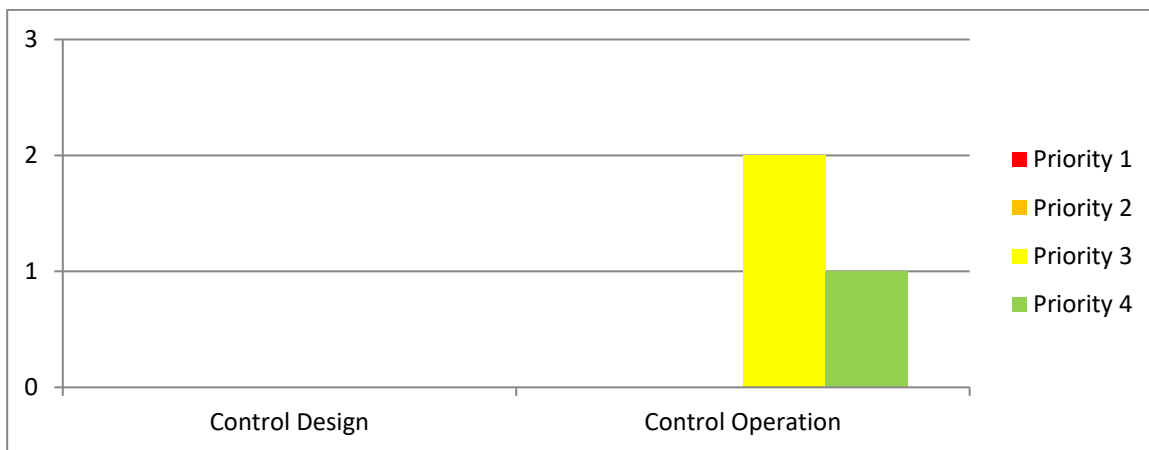
The overall level of assurance given for this report is '**Comprehensive Assurance**'.

## Overall assessment of Key Controls

The audit reviewed and assessed the controls in place to manage the following Key Control Objectives:



## Audit Recommendations summarised by Type & Priority



There are three operational control recommendations in this report, two priority 3 and one priority 4.

## Key Findings

### Areas Identified for Improvement:

We have made 3 recommendations to address low to moderate risk exposure which are:

#### Level 3

- Staff should be reminded discrepancies identified during the reconciliation process should be recorded in the reimbursement form whether it is an over or short. At Strathmore the over should be noted in the next reimbursement claim.
- The petty cash records should be annotated with the date and initials of the person who has completed a reconciliation of records to cash held. A column should be added to the spreadsheets for this to be recorded. The reconciliation process should include a manual check of calculations and running totals for the period. This would highlight where the columns of the records are not completed correctly, or the formula requires to be checked.

#### Level 4

- Strathmore Centre's own procedures should be reflective of the current imprest level and the amount transferred weekly to the short breaks tin; these procedures should be dated and reviewed for any other changes to the process.

## Impact on Risk Register

The Strategic Risk Register held on Pentana does not include any risk directly relating to cash handling.

The direct risk is that without proper petty cash procedures being followed, cash may be used inappropriately, may not be held securely and may be at a risk of being misappropriated.



# Supplier Bank Details – Process for Changes

## Introduction & Background

As part of the 2023/24 annual plan, Internal Audit has completed a review of the Council's procedures for making changes to suppliers' bank details.

Proper verification of any request to change supplier details is essential due to the rise in potential fraudulent payment transactions through external interference in payment processes. This type of fraud, known as bank mandate fraud/payment diversion fraud/business email compromise, involves changing account details for supplier accounts in order to benefit from unauthorised payments, and can affect all types of organisations in all sectors. Criminals have been actively targeting local Councils for a number of years in regard to this type of crime.

Bank mandate fraud is effectively an impersonation fraud in which the criminal impersonates a genuine Council supplier and convinces an employee to change the bank details on a payment system. After the bank details are changed all future payments made to the genuine supplier are made to a bank account controlled by the criminals. Usually, the first time anyone is alerted to the fraud is when the genuine supplier complains they have not received the payments they were due.

Requests to change supplier details may be received by telephone, letter or email. Perpetrators of such frauds are becoming increasingly adept at producing fake documentation/emails which looks almost identical to those produced by genuine suppliers and rely on details not being properly checked by the payer. Changing bank accounts is an unusual occurrence and therefore any request to update supplier records should be treated with suspicion and proper verification procedures must be carried out.

The consequences of bank mandate/payment diversion fraud involve the loss of public funds as the genuine supplier still must be paid. Significant examples can result in reputational damage to the organisation. A further important consequence is the impact that the fraud has on an innocent employee of the organisation who administered the recording of false bank detail changes, believing them to be genuine.

## Scope

The audit reviewed the arrangements for requesting and processing changes to supplier details on Integra, the Council's financial system, and sought to provide assurance on the following objectives:

- Adequate procedures are in place for verifying, requesting, and authorising changes to supplier details.
- Procedures have been communicated to relevant staff within all services and are accessible on the Council's Intranet for staff to refer to.
- Procedures are being followed by Council services and Financial Processing staff.

## Conclusion

The overall level of assurance given for this report is '**Substantial Assurance**'.

## Overall assessment of Key Controls

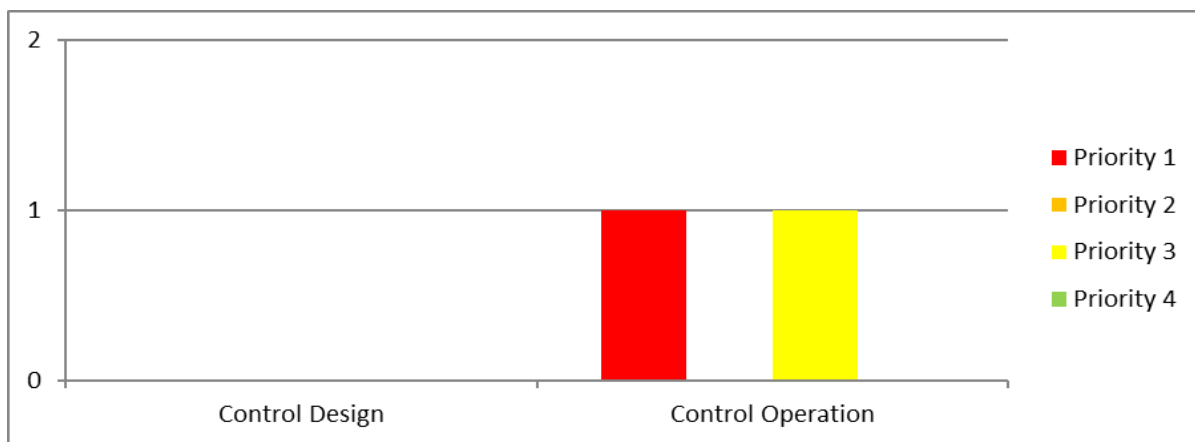
The audit reviewed and assessed the controls in place to manage the following Key Control Objectives:

## Control Assessment



- 1. Adequate procedures are in place for verifying, requesting and authorising changes to supplier details.
- 2. Procedures have been communicated to relevant staff within all services, and are accessible on the Council's Intranet for staff to refer to
- 3. Procedures are being followed by Council services and Financial Processing staff.

## Audit Recommendations summarised by Type & Priority



There are two operational control recommendations in this report, one priority 1, and one priority 3.

## Key Findings

### 1. Areas Identified for Improvement:

We have made 2 recommendations to address low to high-risk exposure which are:

#### Level 1

- Procedures should be amended to include attaching evidence of the additional checks completed to confirm requested changes have been verified as genuine. This could be a note on the file or an email attachment.

#### Level 3

- Guidance documents should be dated and narrated with the author's name when they are finalised to ensure staff are referring to the most current guidance and where applicable "review by" dates should be included.

## Impact on Risk Register

The Strategic Risk Register held on Pentana includes the following risk which relates to this audit: -

- CORRR0001 – Financial Sustainability

Risk Description: The Council does not plan and implement the necessary changes in its services to deliver its priorities within the resources available and/or local government funding

for core services reaches levels which make it impossible to deliver all statutory duties. This results in a financially unsustainable Council unable to meet all its statutory duties including the requirement to set and maintain a balanced budget each year.

Risk Scoring: Likelihood – 5, Impact – 5, Overall Current Risk Score 25, Target Score 9.

The key risks associated with this audit are that without proper procedures and controls in place fraudulent payment transactions may be processed resulting in financial loss to the Council.

# Tayside Contracts Invoice Processing & Monitoring 2023/24 – Roads Maintenance & Winter Management

## Background

As part of the 2023/24 annual plan, Internal Audit has completed a review of the Council's procedures for the monitoring and processing of invoices received from Tayside Contracts

The audit was requested due to concerns raised during audit planning discussions regarding the transparency of what the Council is being charged for by Tayside Contracts and why. There have been some ongoing issues with regard to lack of detail provided with invoices, as well as invoices being delayed, and charge rates not being updated timeously.

Tayside Contracts Joint Committee was set up in its present form in 1996 by 3 Councils, Angus, Dundee City and Perth & Kinross, to provide specialist services in areas such as construction, catering and facilities management. The Joint Committee is made up of 18 Elected members from the 3 Councils. Tayside Contracts operate as a business and carry out work for other public bodies, private firms and the wider public; all surpluses made are returned to the 3 constituent Councils, based on their agreed share of investment in Tayside Contracts for that year, for reinvestment in public services.

Tayside Contracts currently provides Angus Council with the following services:

- Roads Maintenance & Winter Maintenance
- Fleet Management & Maintenance
- Cleaning (Schools and Facilities/Council offices)
- Janitorial Services (Schools)
- Catering (Schools)
- School Crossing Patrollers

This report is for invoice processing and monitoring of Roads Maintenance and Winter Management; other services provided by Tayside Contracts are reported separately.

## Scope

The audit reviewed the procedures currently in place for monitoring, authorisation, and payment of invoices from Tayside Contracts against the following objectives:

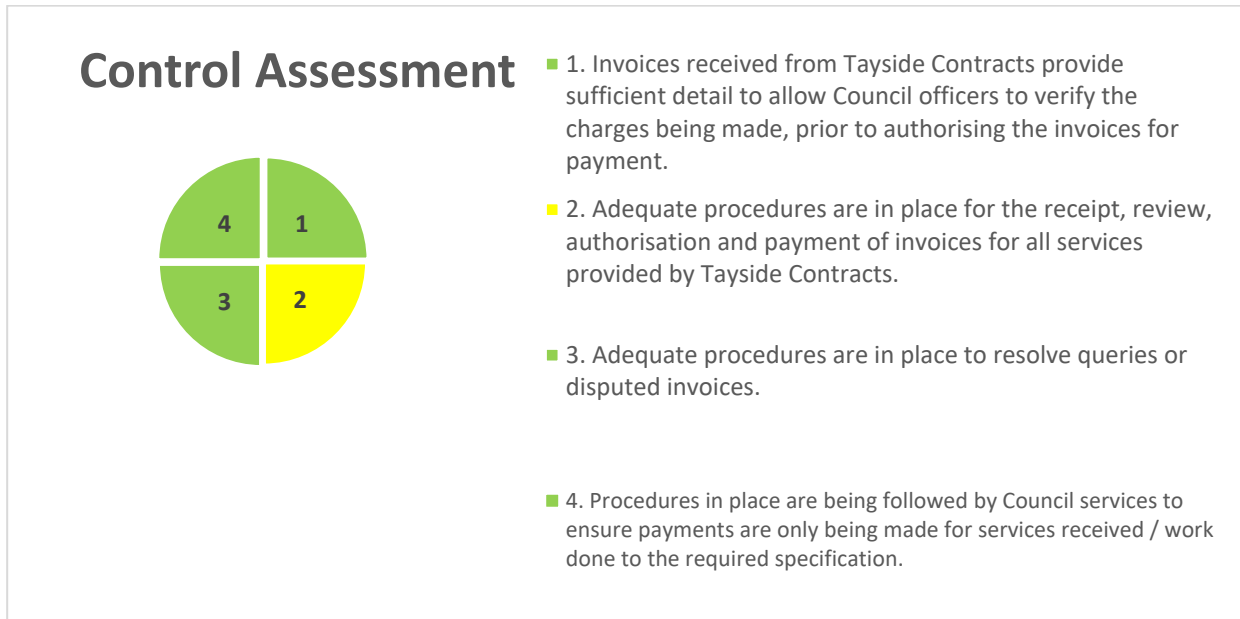
- Invoices received from Tayside Contracts provide sufficient detail to allow Council officers to verify the charges being made, prior to authorising the invoices for payment.
- Adequate procedures are in place for the receipt, review, authorisation, and payment of invoices for all services provided by Tayside Contracts.
- Adequate procedures are in place to resolve queries or disputed invoices.
- Procedures in place are being followed by Council services to ensure payments are only being made for services received / work done to the required specification.

## Conclusion

The overall level of assurance given for this report is '**Comprehensive Assurance**'.

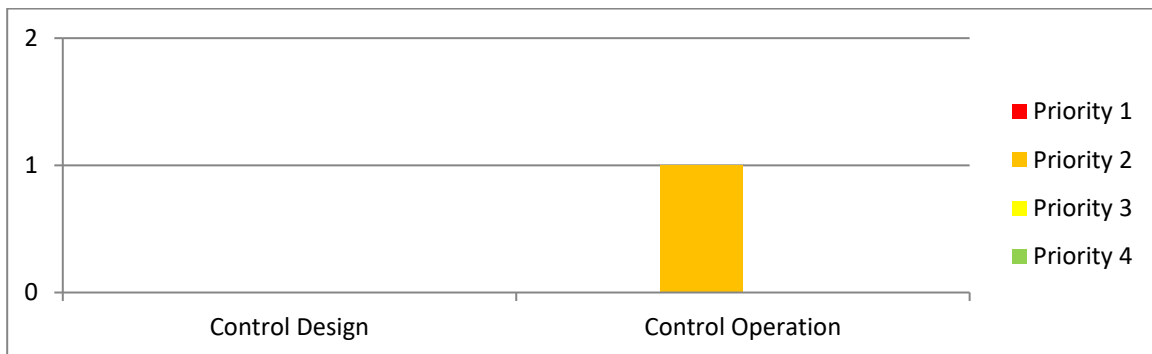
## Overall assessment of Key Controls

The audit reviewed and assessed the controls in place to manage the following Key Control Objectives:



## Audit Recommendations summarised by Type & Priority

Table 4 Improvement Actions by type and priority



There is 1 operational control recommendation in this report, priority 2.

## Key Findings

### Future Development

- The agreement between the Council and Tayside Contracts for Roads Maintenance and Winter Management is currently under review by the Council's Procurement & Commissioning Team.

### Areas Identified for Improvement:

We have made 1 recommendation to address moderate to high risk exposure which is:

#### Level 2

- Management should assess the risk of having the same officer reviewing and authorising invoices and evaluate the requirement for segregation of duties within that process. Where possible, invoices should be pdf stamped as reviewed (e.g.

by the engineer) and authorised by a different officer (e.g. the Team Leader or Manager).

## Impact on Risk Register

The Strategic Risk Register held on Pentana includes the following risk which relates to this audit: -

CORRR0001 – Financial Sustainability

Risk Description: The Council does not plan and implement the necessary changes in its services to deliver its priorities within the resources available and/or local government funding for core services reaches levels which make it impossible to deliver all statutory duties. This results in a financially unsustainable Council unable to meet all its statutory duties including the requirement to set and maintain a balanced budget each year.

Risk Scoring: Likelihood – 5, Impact – 5, Overall Current Risk Score 25, Target Score 9.

The key risks associated with this audit are that without proper procedures and controls in place invoices may be paid for services which have not been provided or have not been provided in line with required specifications, resulting in financial loss to the Council.

# IT User Access Management – Integra

## Background & Scope

As part of the 2023/24 audit plan, Internal Audit has completed a review of User Access Management of the Integra finance system.

The Council has operated the Integra financial management system for many years. The system is used as the primary source of financial records and reporting. In recent years, administration of Integra has transferred from the Finance service to Digital & IT. This mirrors a wider trend within the council.

Our review examined the user account and access management controls in place within the Council that ensure the confidentiality, integrity and availability of Integra system data. The review also considered the adequacy of user access controls to ensure effective segregation of duties.

The audit reviewed the arrangements in place against the following control objectives:

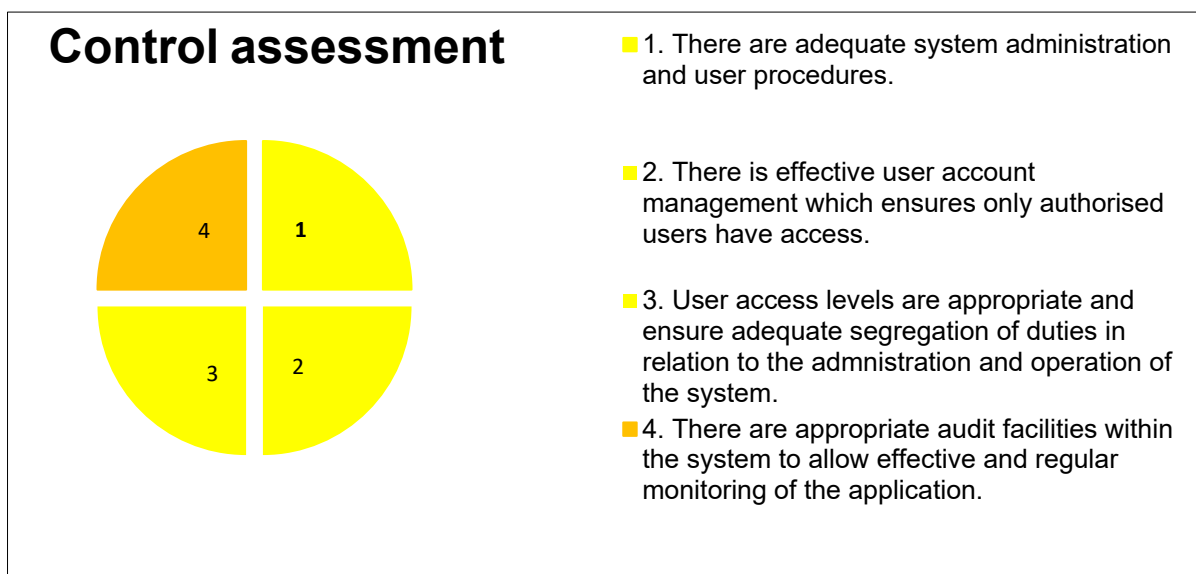
- There are adequate system administration and user procedures.
- There is effective user account management which ensures only authorised users have access.
- User access levels are appropriate and ensure adequate segregation of duties in relation to the administration and operation of the system.
- There are appropriate audit facilities within the system to allow effective and regular monitoring of the application.

## Conclusion

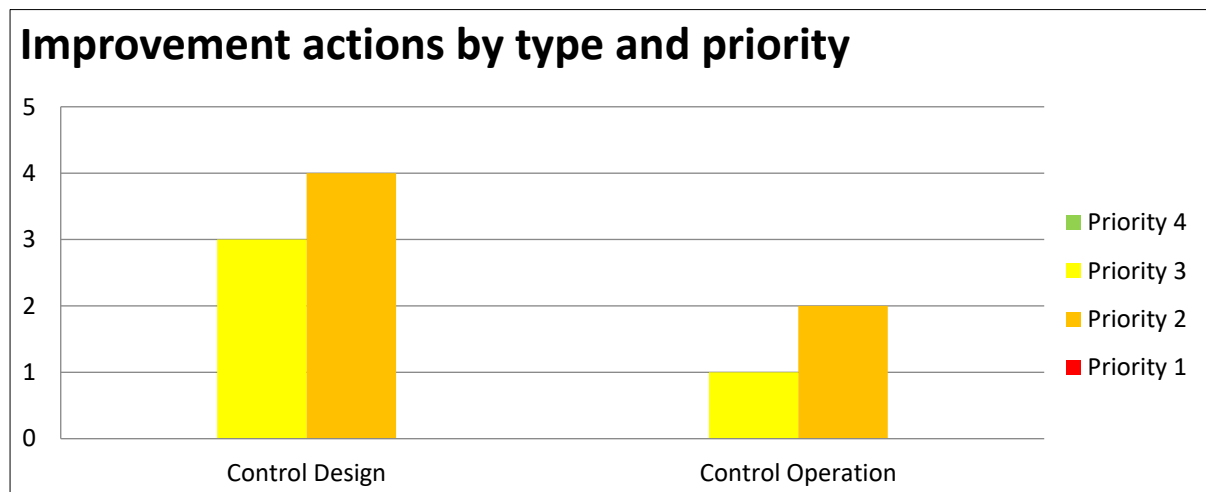
The overall level of assurance given for this report is ‘**Substantial**’ Assurance.

## Overall assessment of Key Controls

The audit reviewed and assessed the controls in place to manage the following Key Control Objectives:



## Audit Recommendations summarised by Type & Priority



There are ten recommendations in this report; some of which relate to the operation of the control, and some of which relate to the design itself (four design priority 2, three design priority 3, two operation priority 2 and one operation priority 3).

### Key Findings

#### Areas Identified for Improvement:

During the audit we identified a number of areas for improvement and have made the following recommendations.

We have made eleven recommendations to address high, moderate, limited risk exposures, covering: eight Priority 2 and three Priority 3 recommendations.

#### Priority 2

- The Leavers Report User Deactivation report should be updated to remove the user ID and password for the user database of Integra.
- Formal documentation should be completed for all movers who require changes to their access privileges in Integra.
- A logging and monitoring policy should be introduced for the Integra system. This should be approached as a corporate exercise and should cover all applications and servers.
- Audit logs from Integra should be automatically exported in a secure location to protect their confidentiality, integrity and availability.
- A monitoring solution should be introduced to monitor audit logs in real time for suspicious activity. This should be approached as a corporate exercise and should cover all applications and servers.
- An incident response procedure should be introduced. This should detail the steps for reviewing and investigating Integra audit logs.

#### Priority 3

- User and system administration procedures should be updated to include version control. This will support their maintenance.



- Current procedures documentation should be updated to include detail on the steps that should be followed for granting additional permissions, either on a temporary or permanent basis, and removal of user permissions.
- Agreed leavers procedures should be followed for the review of leavers reports and the quarterly access review process. Management should consider introducing quality checks around these processes.
- Action should be planned to revise the user access model for Integra to role-based access. At present, access is provided on an individual basis which increases the risk of inconsistency in access and users being provided with access that exceeds their role and responsibilities.

### **Wider learning points**

- The recommendations in this report relating to procedures and user access management should be considered by Digital Enablement & IT for all of the applications they provide system administration support to. A key objective should be consistency of approach to user management and system administration.
- Although this report has assessed logging and monitoring activity for the Integra system, the recommendations should be considered on a corporate basis. There would be limited merit in developing logging and monitoring solutions and processes for Integra. Management should assess the merits of developing a logging and monitoring policy and implementing a security incident and event monitoring solution that is capable of monitoring network device, identity management solutions and business applications.

# Implementation of actions resulting from Internal Audit recommendations

## Background

The summary report is presented below in accordance with the agreed reporting schedule.

## Summary of Progress – Internal Audit

The figures presented in the tables below have been obtained after analysis of the audit actions recorded and monitored on the Pentana Performance system. The information presented below reflects the 53 (60 on 25 November 2024) Internal Audit actions outstanding on 14 January 2025 (excludes actions for Angus Alive and IJB). CLT receive and review regular detailed reports on the outstanding audit actions.

- Table 1 shows the number of actions which are overdue on 14 January 2025
- Table 2 shows the number of actions which would have been overdue but have had the **original completion date extended**.
- Table 3 shows the number of actions in progress which have not yet reached their due date.

## Internal Audit Actions - Overdue – 14 January 2025

Directorate	Audit Year	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
HR, OD, DE, IT & Business Support	2019/20	-	1	-	-	-	1
	2020/21	-	-	-	-	-	-
	2021/22	-	-	-	-	-	-
<b>Grand Total</b>		-	<b>1</b>	-	-	-	<b>1</b>

## Internal Audit Actions - In Progress – 14 January 2025 (due date extended)

Directorate	Audit Year	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Children, Families & Justice	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
	2024/25	-	2	-	-	-	2
Vibrant Communities & Sustainable Growth	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
	2024/25	-	2	-	-	-	2
Legal, Governance & Change	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
	2024/25	-	5	-	-	-	5
Infrastructure & Environment	2020/21	-	1	-	-	-	1
	2021/22	-	-	-	-	-	-
	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
	2024/25	-	2	1	-	-	3
Finance	2022/23	-	1	-	-	-	1
	2023/24	-	-	-	-	-	-
	2024/25	-	9	3	-	-	12
HR, OD, DE, IT & Business Support	2022/23	-	2	-	-	-	2
	2023/24	-	-	-	-	-	-
	2024/25	-	5	1	-	-	6
Chief Executive	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
	2024/25	-	2	1	-	-	3
<b>Grand Total</b>		-	<b>31</b>	<b>6</b>	-	-	<b>37</b>

### Internal Audit Actions - In Progress – 14 January 2025 (not yet reached due date)

Directorate	Audit Year	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Education & Lifelong Learning	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
	2024/25	-	1	-	-	-	1
Infrastructure & Environment	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
	2024/25	1	2	-	2	-	5
Finance	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
	2024/25	-	-	1	-	-	1
Legal, Governance & Change	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
	2024/25	-	2	1	-	-	3
HR, OD, DE, IT & Business Support	2022/23	-	1	-	-	-	1
	2023/24	-	-	-	-	-	-
	2024/25	1	-	2	1	-	4
<b>Grand Total</b>		<b>2</b>	<b>6</b>	<b>4</b>	<b>3</b>	<b>-</b>	<b>15</b>

### Summary of Progress – Counter Fraud

Internal control actions resulting from counter fraud reviews are included in Pentana to allow them to be monitored more effectively. Counter Fraud recommendations are not assigned a priority. The information in the tables below represents the 4 Counter Fraud actions outstanding on 14 January 2025 (6 outstanding on 25 November 2024).

### Counter Fraud Actions – Overdue – 14 January 2025

Directorate	Year Investigation Concluded	Total
Infrastructure & Environment	2024/25	1
<b>Grand Total</b>		<b>1</b>

### Counter Fraud Actions - In Progress – 14 January 2025 (due date extended)

Directorate	Year Investigation Concluded	Total
Education & Lifelong Learning	2024/25	2
Infrastructure & Environment	2024/25	1
<b>Grand Total</b>		<b>3</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>