

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 4 MARCH 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, within Appendix 1 of the Report, and
- (ii) Considers and notes management's progress in implementing Internal Audit and Counter Fraud recommendations, within Appendix 1 of the Report.

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
Payroll Continuous Auditing Oct. – Dec. 2024	Comprehensive		-	-	-	-
Creditors Continuous Auditing Oct. – Dec. 2024	Substantial		-	-	-	-
Purchase ledger invoice processing & authorisation - Early Years	Comprehensive		-	-	-	-

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

4 March 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 January 2025 and provides an update on progress with:



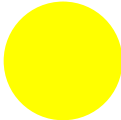
- planned audit work, and
- implementing internal audit and counter fraud recommendations


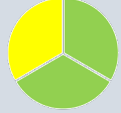




AUDIT PLAN PROGRESS REPORT





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.

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 / (target in italics)
Corporate Governance					
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
Financial Governance					
Payroll continuous auditing April to June 2024 July to Sept. 2024 Oct. – Dec. 2024	On-going	Complete Complete Complete	Comprehensive Comprehensive Comprehensive		Aug 2024 Dec. 2024 March 2025
Payroll audit of overtime payments added April 2024 September 2023 to June 2024	On-going	CLT input to be obtained on final report			<i>April 2025</i>
Creditors continuous auditing Duplicate Payments April to June 2024 July to Sept. 2024 Oct. – Dec. 2024	On-going	Complete Complete Complete	Comprehensive Comprehensive Substantial		Aug 2024 Dec. 2024 March 2025

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
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		Jan. 2025
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		Jan. 2025
Tayside Contracts – Invoice Processing & Monitoring (2023/24) - Fleet	Aug. – Nov. 2024	Complete	Substantial		Jan. 2025
Council Tax Refunds – review of process and controls	Sept. 2024	Complete	N/A	N/A	Dec. 2024
External Placements (Children)	Sept.– Dec. 2024	Draft report under review			<i>Apr. 2025</i>
Self-Directed Support (SDS)	Mar. / Apr. 2025				<i>June 2025</i>

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Programme of random cash counts	Intermittent	Complete	Comprehensive		Jan. 2025
Purchase ledger invoice processing & authorisation - Early Years	Oct.- Jan. 2024	Complete	Comprehensive		March 2025
Purchase ledger invoice processing & authorisation - Housing (Northgate)	Oct.- Jan. 2024	Draft report issued			<i>April 2025</i>
Travel Expense Claims	Nov. – Jan. 2024	Draft report under review			<i>April 2025</i>
IT Governance					
IT User Access Administration – Integra (2023/24)	Feb 2024 (Delayed)	Complete	Substantial		Jan. 2025
Digitisation of Services (2023/24)	March/April 2024	In Progress			<i>Apr 2025</i>
IT User Access Administration (Eclipse)	Feb. / Mar. 2025	Planned			<i>Apr. 2025</i>
Use of Cloud Computing	Jan. / Feb. 2025	In Progress			<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>
Internal Controls					
AWI Follow-up (2023/24)	Feb./ Mar. 2024	Complete	Substantial		Aug. 2024

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Contract Management Procedures	Feb./ Mar. 2025	In progress			<i>June 2025</i>
Procurement	Apr. / May 2025				<i>Aug. 2025</i>
Asset Management					
Management/ supervision of empty Council premises	Mar. 2025				<i>June 2025</i>
Fleet Management	Mar./ Apr. 2025				<i>June 2025</i>
Housing Void Management	Mar./Apr. 2025				<i>June 2025</i>
Legislative and other compliance					
Health & Safety – Evolve System (for risk assessments on school trips, excursions, etc.)	Mar./Apr. 2025	Planning			<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
Payroll Continuous Auditing Oct. – Dec. 2024	Comprehensive		-	-	-	-
Creditors Continuous Auditing Oct. – Dec. 2024	Substantial		-	-	-	-
Purchase ledger invoice processing & authorisation - Early Years	Comprehensive		-	-	-	-

Continuous Auditing – Payroll & Creditors

Continuous auditing analysing data extracted from Council systems is undertaken using the data analysis software, CaseWare IDEA (Interactive Data Extraction covering:

- Payroll
- Creditors (Accounts Payable) duplicate payments
- Creditors same person registration & authorisation
- System log-in access.

We are reporting on Payroll and Creditors duplicate payments.

Payroll – October to December 2024 - Comprehensive assurance

No issues were identified relating to duplicate or missing NI numbers.

Review of the top 10 payments identified one incorrect salary calculation in October, where a system error resulted in one employee being overpaid. The overpayment was identified by Payroll following a pension query from the employee, who repaid the overpayment in full via bank transfer. For four of the top 10 payments in November which were investigated, Payroll confirmed that one employee had received backdated salary due to incorrect placement on the salary scale; one had received an additional payment due to a delay in notification of the employee's return to work after sickness absence; one was a teacher who had received a pay adjustment on leaving, as per SNCT guidelines; the other was an overpayment due to a timesheet being processed twice in error, which was identified by Payroll and steps will be taken to recover the overpayment.

Creditors – Duplicate Payments – October to December 2024 - Substantial Assurance

Fifteen duplicate payments totalling £16,826 were made in October, one in November (£334) and two in December (total £172). Some were identified by services prior to the audit and £16,700 had been recovered at the beginning of February 2025. Recovery is being pursued for the remainder.

Purchase Ledger Invoice Processing and Authorisation – Early Years

Background

As part of the 2024/25 annual plan, Internal Audit has completed a review for Purchase Ledger Processing and Authorisation and included a review of invoice authorisation processes before transactions reach the Purchase Ledger.

Responsibility for initial checking and authorisation of invoices rests with individual Council services, some of which use specialised “feeder” systems or spreadsheets to compile batches of transactions for uploading to the Purchase Ledger. Responsibility for the Integra Centros Purchase Ledger system sits with the IT Systems team, and administration/processing of the data is carried out by the Processing & Governance Team within Business Support.

The following services and systems covered in the audit review are:

- Housing – NEC - Northgate
- Angus Health & Social Care Partnership – Carefirst
- Early Years (Education & Lifelong Learning) – Spreadsheet upload
- Throughcare & Aftercare (Children, Families & Justice) – Spreadsheet upload

This report is for purchase ledger invoice processing for Early Years; other services will be reported separately.

Early Years payments are made to Private and Voluntary childcare providers, and Childminders. Funding for 2 and 3-5 year olds, as well as Scottish Milk and Healthy Snack Scheme (SMHSS) and meal payments, is administered as a spreadsheet detailing the individual providers.

A new Scottish Government information management system, SEEMIS EY, is not yet available for the recording of, and payment to, Early Years providers. The timeframe for the new system is October 2025 but this is expected to slip again.

Council staff developed a new manual system to record the funding hours to be paid to external childcare providers/partners. The old system used Nursery Application Management System (NAMS), which collects all children’s data but is not feasible for payment processing.

Providers are paid for Early Years funding, meals, and snacks. 3 separate payments are made but only 1 bulk upload. There are 3 types of provider: private, voluntary sector and childminders. Payments are made for non-attendance as long as this is less than 6 weeks.

Each child has their own unique reference number. Intakes are 3 times a year after their 3rd birthday or for eligible 2 year olds. Changes for intakes are normally made at the start of a new term.

Scope

The audit reviewed the procedures currently in place for Purchase Ledger processing and the authorisation, including feeder systems/processes prior to transactions reaching the Processing & Governance Team for payment:

- There are adequate written procedures for staff to follow for authorisation of invoices, and preparation and authorisation of each source of input to the purchase ledger, including the need for adequate segregation of duties.
- Procedures for authorising invoices and credit notes for inclusion in the batch or spreadsheet for processing are being followed in practice, including the relevant Scheme of Delegation.

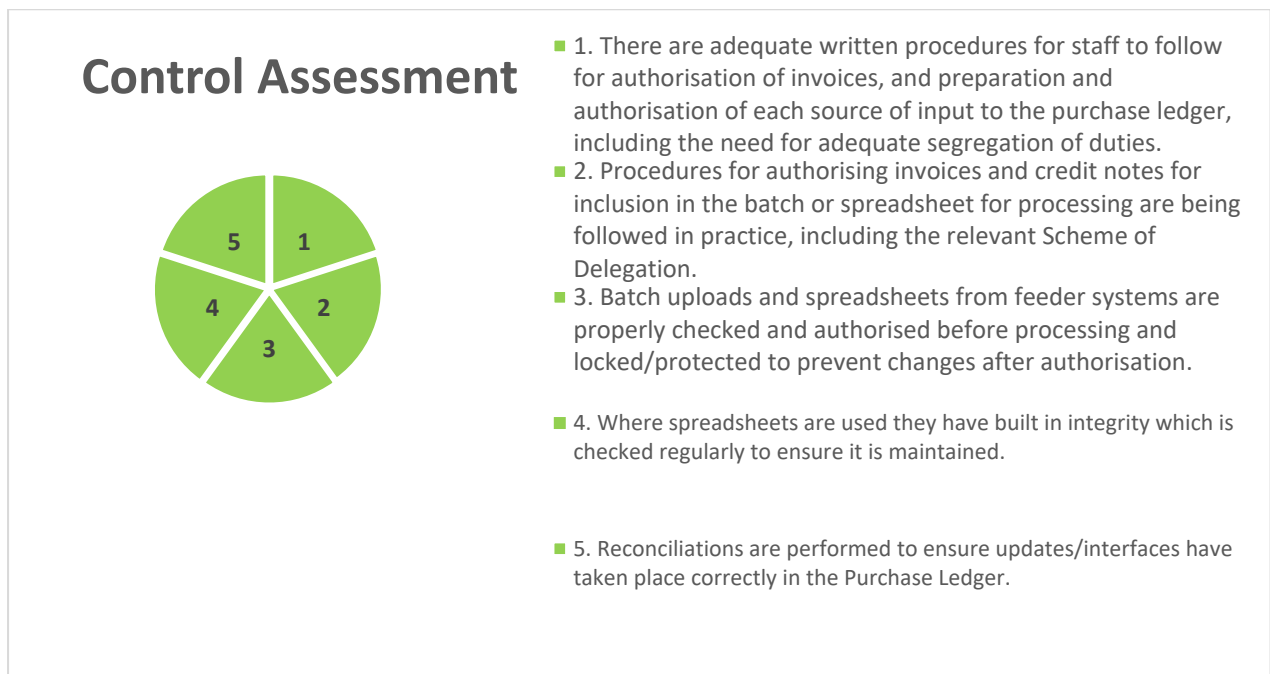
- Batch uploads and spreadsheets from feeder systems are properly checked and authorised before processing and locked/protected to prevent changes after authorisation.
- Where spreadsheets are used they have built in integrity which is checked regularly to ensure it is maintained.
- Reconciliations are performed to ensure updates/interfaces have taken place correctly in the Purchase Ledger.

Conclusion

The overall level of assurance given for this report is ‘**Comprehensive Assurance**’. We would like to acknowledge the extensive and detailed work performed by the Projects Officer in ensuring EY Providers receive a high standard of service.

Overall assessment of Key Controls

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



Key Findings

There are no audit recommendations in this report.

Future Developments:

- Scottish Government to provide a new information management system, SEEMIS EY which will provide a new process for paying Early Years Providers. This is not expected to be introduced before October 2025.

Impact on Risk Register

There are no Strategic Risks relating to this audit recorded on the Strategic Risk Register on Pentana. The key risks associated with the processes and systems under review in this audit are that unauthorised spending may occur, or legitimate payments are delayed or not made, due to ineffective processing and authorisation controls.

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 49 (53 on 14 January 2024) Internal Audit actions outstanding on 24 February 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 overdue on 24 February 2025
- Table 2 shows the number of actions which would have been overdue on 24 February 2025 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 – 24 February 2025

Directorate	Audit Year	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Children, Families & Justice	2024/25	-	1	-	-	-	1
Vibrant Communities & Sustainable Growth	2024/25	-	2	1	-	-	3
Infrastructure & Environment	2024/25	-	2	2	-	-	4
Chief Executive	2024/25	-	2	2	-	-	4
Finance	2024/25	-	2	2	-	-	4
Legal, Governance & Change	2024/25	-	1	2	-	-	3
HR, OD, DE, IT & Business Support	2022/23	-	1	-	-	-	1
	2023/24	-	-	-	-	-	-
	2024/25	-	2	2	-	-	4
Grand Total		-	13	11			24

Internal Audit Actions - In Progress – 24 February 2025 (due date extended)

Directorate	Audit Year	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Infrastructure & Environment	2020/21	-	1	-	-	-	1
	2021/22	-	-	-	-	-	-
	2022/23	-	-	-	-	-	-
	2023/24	-	-	-	-	-	-
	2024/25	-	-	-	-	-	-
Finance	2022/23	-	1	-	-	-	1
	2023/24	-	-	-	-	-	-
	2024/25	-	6	3	-	-	9
Legal, Governance & Change	2024/25	-	3	-	-	-	3
HR, OD, DE, IT & Business Support	2022/23	-	1	-	-	-	1
	2023/24	-	-	-	-	-	-
	2024/25	-	2	-	-	-	2
Grand Total		-	14	3	-	-	17

Internal Audit Actions - In Progress – 24 February 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	-	-	-	-	1
HR, OD, DE, IT & Business Support	2022/23	-	1	-	-	-	1
	2023/24	-	-	-	-	-	-
	2024/25	1	1	2	1	-	5
Grand Total		2	3	2	1	-	8

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 table below represents the 1 Counter Fraud action outstanding on 24 February 2025 (4 outstanding on 14 January 2025).

Counter Fraud Actions - In Progress – 24 February 2025 (due date extended)

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

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. Very high-risk exposure.
2	Recommendation concerning absence or non-compliance with key control which creates significant risks within the organisation. Substantial weakness identified. Prompt management action required. High-risk exposure.
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. Moderate risk exposure.
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. Limited risk exposure.