

**REPORT TO: SCRUTINY COMMITTEE - 29 JUNE 2022**

**REPORT ON: 2021/22 INTERNAL AUDIT ANNUAL REPORT**

**REPORT BY: ACTING SENIOR MANAGER - INTERNAL AUDIT**

**REPORT NO: 158-2022**

## **1.0 PURPOSE OF REPORT**

To submit to Members of the Scrutiny Committee the 2021/22 Internal Audit Annual Report. This report provides an independent annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control framework and a summary of the key activities of the Council's Internal Audit Service during the period from which the opinion is derived.

## **2.0 RECOMMENDATIONS**

Members of the Committee are asked to consider and note the contents of this report.

## **3.0 FINANCIAL IMPLICATIONS**

None

## **4.0 MAIN TEXT**

**4.1** The terms of reference of the Scrutiny Committee, as detailed in Report No 274-2014 (Policy and Resources Committee 10 November 2014, Article V), includes consideration of the strategy, plan and performance of the Council's Internal Audit Service. In addition, the Committee is also required to consider internal audit reports and seek assurance that appropriate action has been taken, monitor the implementation of internal audit recommendations agreed with management and receive the Annual Report of the Acting Senior Manager – Internal Audit.

**4.2** The Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 (updated 1 April 2017), apply to all internal audit service providers within the public sector and set out the requirements in respect of professional standards for these services. Professional Standard 2450, Overall Opinions, states that *"the chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement"*. In the context of Dundee City Council, the *"chief audit executive"* is the Acting Senior Manager – Internal Audit.

**4.3** The PSIAS also states that the annual report prepared by the chief audit executive must incorporate:

- the annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
- a summary of the information that supports that opinion;
- a disclosure of any impairments to scope and / or independence;
- a statement of conformance with the PSIAS; and
- the results of the quality assurance and improvement programme (External Quality Assessment) and progress against any improvement plans.

**4.4** The Local Authority Accounts (Scotland) Regulations 2014, which became effective in October 2014 state that *"a local authority must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing"*. In this context, recognised standards and practices are deemed to be those set out in the PSIAS. The Regulations require that the local authority must from time to time assess the efficiency and effectiveness of its internal auditing service, in accordance with the standards, the findings from which must be considered as part of the review of the effectiveness of its system of internal control.

**4.5** The Internal Audit Annual Report for the 2021/22 financial year, which is attached for consideration by Elected Members, has been prepared on the basis of the requirements outlined above.

**5.0 POLICY IMPLICATIONS**

This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues.

**6.0 CONSULTATIONS**

The Chief Executive, Executive Director of Corporate Services, Head of Corporate Finance and Head of Democratic and Legal Services have been consulted on the content of this report.

**7.0 BACKGROUND PAPERS**

None

David Vernon, Acting Senior Manager – Internal Audit

DATE: 13 June 2022

## **2021/22 INTERNAL AUDIT ANNUAL REPORT**

### **1. PURPOSE OF REPORT**

- To summarise the key activities undertaken by the Council's Internal Audit Service during the 2021/22 financial year and highlight any matters of significance that have arisen as a result of the audit process.
- To provide an independent annual internal audit opinion, derived from the above, on the overall adequacy and effectiveness of the organisation's governance, risk management and control framework.

### **2. GOVERNANCE, RISK MANAGEMENT AND CONTROL FRAMEWORK**

- The governance framework comprises the systems, processes, culture and values by which the activities of the Council are directed and controlled and through which they are accountable to, engage with and, where appropriate, lead the community. It enables the Council to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate cost-effective services.
- Risk management is a fundamental element of good governance and decision making in any organisation. The Council's risk management arrangements are intended to support the identification, documentation, scrutiny and management of both current and emerging risks. The range and extent of long-established services provided by the Council routinely result in a varied and complex risk profile.
- In addition to routine risks, the Covid-19 pandemic proved persistent throughout 2021/22 and at time of writing remains an ongoing risk albeit the current national policy is one of 'living with' Covid-19. The real risk remains that further variants of the disease may develop and it is therefore important that we remain vigilant to this and maintain the ability to stand up pandemic related processes and procedures developed over the past two years. Alongside this, it is equally important that there are sound risk management arrangements in place to capture all risks, and manage and escalate these timeously and appropriately.
- The Council's Covid-19 Recovery Risk Register continued to be referenced by the Council's Incident Management Team throughout 2021/22 and the risks within it were regularly reviewed and, where applicable, updated at the same time as considering the control measures in place to mitigate each risk. Consideration is now being given to winding down the Covid-19 Recovery Risk Register and assessing these risks as business as usual going forward. The Corporate Risk Management Working Group continued to meet virtually on a quarterly basis throughout the year, and risk management was reported to the Council Leadership Team, Policy and Resources Committee and Scrutiny Committee in line with the Risk Management Policy and Strategy.
- The most recent Risk Management Annual Report, containing the Corporate Risk Register mapped to service level risk registers and a summary of the Covid-19 Recovery Risk Register, was considered at the Policy and Resources Committee on 21 February 2022 (Article VIII, Report No 62-2022 refers) and the Scrutiny Committee on 27 April 2022 (Article III, Report No 62-2022 refers). Risk Management processes are embedded across all Service areas, including the use of Pentana, the Council's corporate performance management system, to review and monitor risks. An e-learning package on Risk Management was finalised during 2021/22 and was launched as mandatory e-learning for all users of the risk module of Pentana.
- The Council's Risk Management Policy and Strategy requires to be reviewed at least once per administrative term. This is scheduled to be undertaken during the 2022/23 financial year and proposed revisions will be reported to the Policy and Resources and Scrutiny Committees in due course.
- The system of control is a significant part of this framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise the risks that may impact on the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those

risks being realised along with the impact they may have if they come to fruition and to manage them economically, efficiently and effectively.

### **3. ROLE OF INTERNAL AUDIT**

- Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It is a fundamental element of Dundee City Council's governance and assurance framework and assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of its governance, risk management and control framework. This role includes the requirement to have a full understanding of the key risks to which the Council is exposed.
- During 2021/22, the Internal Audit Service was independent of all of the activities it audited. Independence is essential and helps ensure the Service provides unbiased judgements and impartial advice to management. Whilst there have been no specific audit assignments relating to the organisation's corporate fraud or risk management arrangements delivered during the year, the Acting Senior Manager – Internal Audit continues to be operationally responsible for both the Corporate Fraud Team and the Risk Management Function.
- The Internal Audit Service, with strict accountability for confidentiality and the safeguarding of records and information, is authorised full, free, and unrestricted access to all of the organisation's records, physical properties and personnel relevant to carrying out any engagement and effectively discharging its remit.
- The primary purpose of internal audit is to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control framework. The Internal Audit Plan, therefore, requires to include a programme of work that is sufficient and diverse enough to enable the annual opinion to be informed. The types of review undertaken are grouped into key themes, which are integral to the assurance gathering process across the organisation's activities, specifically governance, information and communications technology (ICT), systems, procurement / contract and financial. In addition, the Internal Audit Service may also provide advice and guidance on governance, risk management and control matters, including during specific investigations.
- The existence of an Internal Audit Service does not diminish the responsibility of management to ensure that resources are utilised appropriately, in a manner and on the activities intended and governance, risk management and control arrangements are sufficient to address the risks that their services are exposed to.
- The Internal Audit Charter, updated in 2018 (Article VI of the minute of the Scrutiny Committee meeting of 14 February 2018 refers) sets out in more detail, within the context of Dundee City Council, the purpose, authority and responsibility of the Internal Audit Service.

### **4. AUDIT PLANNING**

- A key component in the effective management of internal audit is planning audit work to ensure that objectives are met, priorities are established, resources are targeted and used effectively, Best Value is achieved and cognisance is taken of the risk(s) associated within each area.
- To ensure planning is operationally effective, Internal Audit is required to have a clear understanding of the Council's functions / activities, associated risks and range and breadth of potential areas for inclusion within the plan. The Internal Audit Plan is compiled on an annual basis and provides a summary of the areas where it is planned that work will be carried out during the forthcoming year. The Internal Audit Plan for the 2021/22 financial year was reviewed and approved by the Scrutiny Committee on 27 April 2021 (Article III Scrutiny Committee, Report No 127-2021 refers). In line with recognised good practice, the Internal Audit Plan was prepared on the best information available at that time.
- The internal audit arrangements are assessed on an annual basis by the Council's External Auditor. In 2021/22 the External Auditor was Audit Scotland. As part of this assessment, the External Auditor considers the activities of internal audit, principally to obtain an understanding of the work carried out and determine the extent to which assurance can be placed on its work. This approach helps to minimise duplication of effort and unnecessary disruption to Council services.

## 5. AUDIT REPORTS

- Each audit assignment results in an internal audit report, which includes an executive summary as well as audit findings, recommendations and management responses, where appropriate. The audit report provides management with an action plan, which assigns responsibility and details the timetable for implementation of audit recommendations.
- Within all audit reports a judgement is given on the importance of each audit finding i.e. critical, significant or routine. These judgements are utilised to determine the overall level of assurance / opinion to be assigned to the area that has been subject to review. There are generally four overall levels of assurance i.e. full, reduced, limited and no assurance, with corresponding standard overall opinions. The overall opinion is detailed in the executive summary of each report.
- The findings and recommendations arising from the audit assignments reported upon since the last Annual Report have been discussed and agreed with appropriate officers of the Council and action plans have been put in place to address the areas identified for improvement. The executive summary from each report has been submitted to the Scrutiny Committee for consideration.
- To confirm that management is discharging its responsibility in terms of implementing audit recommendations within the agreed timescales, Internal Audit undertakes formal follow-up work and progress reviews. The outcomes from these exercises are also formally reported to relevant officers and the Scrutiny Committee, along with revised implementation dates where appropriate. In line with previous years, the implementation of internal audit recommendations is monitored via Pentana.

## 6. KEY EVENTS AND DEVELOPMENTS

- The Council has continued to operate within a significantly challenging and changing environment during 2021/22 and, as a result of continuing resource constraints, it is expected that the level and pace of change will continue for the foreseeable future. The cumulative savings required between 2022/23 and 2024/25 to achieve a balanced budget, assuming flat cash settlements in line with the Council's long-term financial projections, are £20.8m. The response to Covid-19 initially exacerbated the Council's financial circumstances and necessitated the provision of new / changed services, resulting in additional expenditure in some areas and a reduction of income in others. This continued during 2021/22 as the Council continued to respond to the Covid-19 pandemic. The financial impact of Covid-19 and where this is funded continues to be monitored closely.
- Key events and developments during 2021/22, that have impacted on the organisation have included, or are related to the Low Emission Zone Delivery Plan, Eden Project preparation, Scottish Parliamentary Election, preparation for the local Council election, continuing development of Dundee Waterfront with the opening of Waterfront Place, expansion of Free School Meals provision, continuing the Council's commitment to tackle climate change, linked to the COP26 conference and the net zero pledge, further development and support of the Michelin Scotland Innovation Parc.
- The Council's continuing response to the Covid-19 pandemic has continued to have an effect on delivery of the full range of the Council's services during 2021/22. Increasing case numbers and new variants contributed to further changes in the delivery of services including wide ranging support to businesses, communities and individuals. The expansion and continuing roll-out of the Covid-19 vaccination programme through the mass vaccination centre involved staff throughout the organisation including some who were redeployed. Financial support was provided through multiple funding streams to a variety of businesses as various lockdown restrictions were implemented. The Council also continued to provide front-line services and support to individuals and families to mitigate many of the challenges they have faced during the time of the pandemic.
- The turnover of senior management, including the Executive Director of Children and Families, Head of Corporate Finance, Head of Educational Services, as well as a number of long standing senior operational managers has led to a loss of experience within the Council. Changes to working practices and procedures, including continued working from home and transition to a Hybrid working arrangement have also had an impact.

- Some of the events noted above, including the Covid-19 pandemic and delays in being able to progress / implement some projects / systems as planned, have, like last year, directly impacted on the Internal Audit Service during 2021/22. As a result of this constantly changing and complex environment, it is essential that the framework of governance, risk management and control described in Section 2 above is in place and continues to evolve to support it.
- Going forward, changes to the way the Council delivers its services will be driven by a number of internal and external factors, including the outcome of Scottish Government's Resource Spending Review; the continuing impacts of Brexit and the conflict in Ukraine in terms of global supply chain, supplies of materials and increased costs; the ongoing energy crisis; the Council's transformation programme C2022; outcome of single status review; the Tay Cities Deal; the Dundee Waterfront Project; the plans for a National Care Service and the subsequent governance arrangements that will arise and evolve from it.
- The ongoing impact of reduced funding, staffing and resources and the corresponding changes to the way Council services are delivered, including the continuing development of hybrid working will continue to result in a challenging environment in which internal audit services require to be planned and delivered. Steps will continue to be taken to ensure that any related potential difficulties are identified and managed timeously.

## **7. PSIAS CONFORMANCE**

- The Internal Audit Service operated in conformance with the PSIAS throughout 2021/22. A requirement of the PSIAS is that the Chief Audit Executive develops and maintains a Quality Assurance and Improvement Programme (QA&IP) covering all aspects of the Internal Audit Service, including both periodic internal self-assessments and five-yearly external assessments. Since the PSIAS came into effect in April 2013, periodic self-assessments, and one external assessment, have been undertaken as required to assess conformance against the PSIAS and identify opportunities for improvement. The last self-assessment was carried out during 2020/21 and the next external assessment is planned for 2022/23 which will be carried out by a Chief Internal Auditor from one of the other Scottish Local Authorities under a peer review process. A copy of the QA&IP Action Plan with progress updates against the actions that were partially implemented at the last update can be found at Appendix C. It should be noted that the partially implemented actions do not represent significant deviations from the PSIAS.

## **8. PLAN ACHIEVEMENT**

- For the 2021/22 financial year, there was a total of 640 productive audit days used for direct audit activities, a decrease of approximately 15% on the previous year. In terms of the total number of productive days (audit and non-audit), approximately 75% was spent on direct audit activities, and 25% on support activities such as strategic management of the Internal Audit Service, Scrutiny Committee attendance, audit planning, attendance and contribution to national groups (including the Scottish Local Authorities Chief Internal Auditors Group), staff training and development.
- The 2021/22 Internal Audit Plan included a portfolio of internal audit assignments, both at a corporate and service level across the organisation. It also included an allocation of audit days for follow-up reviews, progress reviews, finalisation of audit assignments that commenced in the previous financial year, the provision of advice and guidance to services, specific investigations and PSIAS Self-assessment. Whilst work on the majority of the planned areas for corporate and service reviews included within the plan commenced in 2021/22, there were (due to a number of factors, including the departure of the Senior Manager – Internal Audit during the year) changes to the plan, which resulted in some re-scheduling of work into 2022/23 and four deferrals.
- The changes to the plan were reported to, and approved by, the Scrutiny Committee at its meeting in April 2022 (Article III of the minute of meeting of this Committee of 27 April 2022 refers). Specific reasons behind these changes varied but generally related to some audit assignments requiring more days than originally envisaged when the Internal Audit Plan was compiled, resources not available to fully complete the assignments, timings and workloads within other service areas, and planned changes in the implementation of areas subject to audit. The departure of the Senior Manager – Internal Audit during the year, together with an acting up

arrangement put in place for the Principal Internal Auditor to act up into the Senior Manager – Internal Audit role, with no backfilling of this also reduced the total available net resource available to deliver the Internal Audit Service.

- As part of the continuous improvement process within the Internal Audit Service, client feedback questionnaires are issued at the conclusion of each planned audit review. Feedback from this process is used, where appropriate, to improve the quality of the Internal Audit Service going forward. During 2021/22, 7 completed client feedback questionnaires were received. Responses were very positive across the Audit Approach, Communication and Conduct and Audit Report statements with 100% rated as strongly agree / agree. The positive rating in the Timing section was lower at 86%, with 1 of the returned questionnaires disagreeing with the statement that the timing of the audit was appropriate. Additional comments on the input to the audit process and the process for presenting the report findings to the Scrutiny Committee were also received, which the Internal Audit Service will consider going forward. All of the returned questionnaires indicated that the review was beneficial to the client's area of responsibility.

## **9. OVERALL ASSESSMENT OF GOVERNANCE, RISK MANAGEMENT AND CONTROL**

- Internal Audit activity covered a diverse range of areas including Adult Support and Protection; Data Centre; Scottish Welfare Fund; Brexit; Payroll; Purchasing; Corporate Complaints; Electoral Registration, Legislative and Regulatory Updates; Low Emission Zones, Car Parking Income, Fleet Management Procurement, Early Learning and Childcare Expansion, Gladstone MRM, Covid-19 Funding as well as formal Follow-up Reviews on Travel and Subsistence; Mosaic; Climate Change and Materials Purchasing. In addition, First Level Controller responsibilities were also completed as planned on the final year of the Create Converge Project, EU INTERREG North Sea Region Programme, grant claims. The range of areas covered within the organisation continues to reflect the changing landscape and nature of internal audit work and focuses on evaluating, and contributing towards the improvement of the organisation's governance, risk management and control framework.
- The 2021/22 corporate and service-level reviews identified that many of the expected controls are in place and operating satisfactorily in the areas examined. However, audit work also identified a number of areas requiring improvement and, consequently, Internal Audit reports included a range of recommendations and action plans with management responses which, once implemented, will improve the organisation's governance, risk management and control framework. Specific improvement areas were identified from the audit reports in relation to system user access controls, including monitoring of super user activity; procurement processes, including specific arrangements for fleet management procurement; key processes implementation in Adult Support and Protection arising from the joint inspection report.
- In addition, whilst not necessarily directly informed through the planned programme of work, the Internal Audit Service has assisted the Council, through the provision of advice and guidance, to make a number of improvements during 2021/22 to its governance, risk management and control framework. More specifically, improvements around the organisation's fraud governance arrangements including Gifts, Gratuities and Hospitality processes and resilience in general via the Integrity Group and Corporate Risk Management Working Group. During 2021/22, the Internal Audit Service continued to provide advice and guidance to services to develop / design robust new systems / processes including around the continuing Covid-19 pandemic. In particular, advice has been provided around the arrangements for grant payments including Low Income Pandemic Payments, Fuel Support Payments, Strategic Business Framework Fund, Small Business Grants, Retail, Hospitality and Leisure Business Grant Scheme, Taxi Driver and Private Hire Driver Fund and Business Ventilation Fund.
- A number of corporate improvement areas continue to be developed including workforce planning, business continuity planning, asset management, information governance and procurement. These areas will feature, alongside other areas identified as requiring improvement, in the Continuous Improvement Agenda of the Council's Annual Governance Statement, which will be formally reviewed, monitored and reported on during the 2022/23 financial year.
- The wider Internal Audit Service including the Corporate Fraud team will also review the Council's whistleblowing arrangements and further consider assurance mapping arrangements in 2022/23.

- A total of 20 Dundee City Council internal audit reports have been finalised since the last Annual Report was issued. A summary of these reports is attached at Appendix A. These reports have been well received by clients, with management agreeing to implement 100% of the recommendations made. A total of 59 recommendations were made in the reports issued on behalf of Dundee City Council. Of these, 6 were categorised as critical, 29 as significant and the remaining 24 as routine. In comparison, 79 recommendations were made in the previous year.
- Analysis of the overall audit opinion in each of the reports issued on behalf of Dundee City Council highlighted that 10% of the areas reported upon were considered to be well controlled (full assurance), 65% were adequately controlled (reduced assurance) and 25% required improvement (limited assurance).
- A summary of the outcome of the Progress Review Exercise carried out during 2021/22 can also be found at Appendix A.
- In addition, in relation to the Dundee IJB, 1 internal audit report was submitted to the Performance and Audit Committee (PAC) during 2021/22 as well as to the Council's Scrutiny Committee. A summary of this report is also included at Appendix A for information.
- The PSIAS requires the Acting Senior Manager – Internal Audit to provide an internal audit annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, which should be used to inform the Council's Annual Governance Statement. This principle is also affirmed in the Local Authority Accounts (Scotland) Regulations 2014. Attached at Appendix B is the Acting Senior Manager – Internal Audit's annual opinion, which is supported by the audit work carried out by the Internal Audit Service and other relevant information. On the basis of the areas used to inform this process for the year to 31 March 2022, the overall audit opinion reached is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control.



## Summary of Internal Audit Reports and 2021/22 Progress Review Exercise

Key - Overall Level of Assurance			
<b>F = Full</b> The principal conclusion drawn from this review is that there is a sound system of control designed to achieve the system objectives and that the controls are being consistently applied.	<b>R = Reduced</b> The principal conclusion drawn from this review is that whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made.	<b>L = Limited</b> The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.	<b>N = No</b> The principal conclusion drawn from this review is that there are significant weaknesses in the system which must be addressed.

### i) Summary of Internal Audit Reports

Report No.	Area Reviewed	Level of Assurance	Recommendations			
			Total No.	Importance		
				Critical	Significant	Routine
2020/21	DH&SCP - Adult Support and Protection	L	4	-	4	-
2020/24	Corporate Services - Data Centre	R	3	-	2	1
2020/27	Corporate Services - Scottish Welfare Fund	F	1	-	-	1
2020/31	Chief Executive's Service - Brexit	R	6	-	3	3
2021/01	Corporate / Corporate Services – Payroll*	R	3	-	-	3
2021/02	Corporate Services - Purchasing	L	5	-	3	2
2021/03	Corporate - Stocks and Inventories 2020/21 Year End	R	1	-	1	-
2021/04	Corporate - Corporate Complaints	R	2	-	1	1
2021/05	Corporate Services - Electoral Registration	R	4		1	3
2021/06	Corporate - Legislative and Regulatory Updates	R	2	1	-	1
2021/07	Corporate - Follow Up Review of Travel and Subsistence	L	6	2 (PI)	2 (PI)	2 (1-PI, 1-NI)
2021/08	Corporate - Follow Up Review of Mosaic	L	4	1 (PI)	3 (PI)	-
2021/09	City Development - Follow Up Review of Climate Change	R	2	-	2 (PI)	-
2021/11	Neighbourhood Services / City Development - Low Emission Zones	F	0	-	-	-
2021/12	City Development / Corporate Services - Car Parking Income*	R	3	-	1	2
2021/14	Corporate Services Covid-19 Funding*	R	1	-	-	1
2021/15	City Development - Fleet Management Procurement*	L	5	-	4	1
2021/16	Children and Families Service - Early Learning and Childcare Expansion*	R	2	-	-	2
2021/17	Leisure and Culture Dundee - Gladstone MRM*	R	2	-	1	1
2021/24	Construction Services - Follow Up Review of Materials Purchasing*	R	3	2 (PI)	1 (PI)	-
<b>TOTALS</b>			<b>59</b>	<b>6</b>	<b>29</b>	<b>24</b>

\* Submitted to June 2022 Scrutiny Committee (*Report 157-2022*)

^ For follow-up reviews, the recommendation importance is from the original audit report. The information in brackets, details the number of original recommendations formally assessed as being fully implemented (FI), partly implemented (PI) or not implemented (NI).

**ii) Summary of IJB Internal Audit Reports**

Report No.	Area Reviewed	Level of Assurance	Recommendations				
			Total No.	Assessment of Risk			
				Fundamental	Significant	Moderate	Merits Attention
D05/21 (DCC Report No. 2020/09)	Performance Management  (Review undertaken by Dundee City Council Internal Audit Service)	<b>Reasonable</b>	2	-	2	-	-

**IJB Levels of Assurance:** Green – Substantial Assurance, Yellow – Reasonable Assurance, Amber – Limited Assurance, Red – No Assurance

**iii) Summary of 2021/22 Progress Review Exercise**

As part of the 2021/22 Audit Plan, a total of 145 recommendations from 66 internal audit reports were subject to a progress review. 83 of these recommendations were also part of the 2020/21 Progress Review Exercise. Some outstanding recommendations from the previous year's exercise were not included, however, because planned audit work within the same area was undertaken and reported to Scrutiny Committee. Implementation of the recommendations within the new audit reports will be monitored in line with standard working practices.

The IJB internal audit reports were not included in this exercise, however, progress towards implementation of the recommendations contained within them can be found in the Governance Action Plan Progress Report submitted to each IJB Performance and Audit Committee.

In line with the previous year, an update on recommendations with implementation deadlines up to an agreed cut-off date were included. Historically, progress towards implementation of recommendations was not formally reported until the implementation deadlines had passed for all recommendations in an audit report. The annual progress review exercise is routinely carried out in late summer to enable formal reporting to Committee in September.

Whilst this exercise does not normally include a review of evidence to support management assurances, Internal Audit did obtain and review evidence for a sample of completed recommendations to confirm the progress percentages of 100% were accurate.

A summary of the outcome of the progress review exercise is detailed in the table below. A report providing more detail on the progress made towards implementing internal audit recommendations previously reported to and agreed by management was presented to the Scrutiny Committee in September 2021. (Article III of the minute of meeting of the Scrutiny Committee of 22 September 2021 refers).

No. of Recommendations	Fully Implemented	Partly Implemented	Superseded
145	64	79	2

For the recommendations that were partly or not implemented, assurances were provided to Internal Audit by management that the outstanding areas would be addressed and, where feasible, revised timelines were provided for completion. In terms of management responses to the progress reviews that were undertaken as part of the 2021/22 Plan, it was evident again, as in previous years, that there had been slippage in the anticipated timeframes provided by management for the full implementation of the recommendations. Whilst the specific reasons for this were varied, there were recurring themes, including delays in the replacement or implementation of IT systems, further progress being dependent on the outcome of decisions in terms of service provision and changes in responsible officers. In addition, Covid-19 had continued to impact on progress in some areas.

A further update on progress made towards full implementation of the outstanding recommendations will be sought, via Pentana, during the 2022/23 Progress Review Exercise and reported to Scrutiny Committee in September 2022.

## **To the Members of Dundee City Council, Chief Executive and Executive Director of Corporate Services**

As Acting Senior Manager – Internal Audit of Dundee City Council, I am pleased to present my annual opinion for the year ended 31 March 2022. It should be noted that the statement does not include assurances on group activities.

## **Respective Responsibilities of Management and Internal Audit in Relation to the Governance, Risk Management and Control Environment**

It is the responsibility of the Council's officers to determine, establish and maintain sound systems of governance, risk management and control to ensure that the organisation's resources are utilised in the proper manner and on the activities intended and that these arrangements are sufficient to address the risks facing their services. This includes responsibility for the prevention and detection of fraud. Management is also charged with monitoring the continuing effectiveness of these arrangements and taking action as appropriate. It is the responsibility of the Acting Senior Manager – Internal Audit to provide an annual assessment of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

### **Control Environment**

This comprises the governance, risk management and control processes in the context of the Council's defined goals and objectives. The key elements include the following:

- Consistency of operations with established goals and objectives.
- Efficiency and effectiveness of operations and deployment of resources.
- Compliance with significant policies, plans, procedures, laws, and regulations.
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify and report such information.
- Safeguarding of assets.

A sound control environment reduces, but cannot eliminate, the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances. It, therefore, provides reasonable but not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the adequacy and effectiveness of its control environment.

### **The Focus of Internal Audit Work**

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Through its work, internal audit assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of its governance, risk management and control framework. The Council's Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Local Authority Accounts (Scotland) Regulations 2014. The requirements under the PSIAS represent best practice and these, along with the Regulations, are mandatory.

The Acting Senior Manager – Internal Audit prepares an annual internal audit plan which outlines the work to be undertaken. The internal audit plan is developed utilising a risk-based methodology based on the audit universe and considers the requirement placed upon the Acting Senior Manager – Internal Audit to provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In compiling the plan, input from Elected Members, senior management and any other relevant parties is sought and cognisance is taken of emerging issues. The plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation. The plan, any material changes to the plan during the course of the financial year, and any significant matters that may impact upon the delivery of the plan are reported to the Scrutiny Committee as appropriate.

The Internal Audit Service formally reports upon the areas subject to review. Such reports, which identify system weaknesses and / or non-compliance with expected controls, are issued for the attention of service managers and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that due consideration is given to internal audit reports. This includes management taking remedial action where appropriate or accepting that there may be a level of risk exposure if the weaknesses identified are not addressed for operational reasons. The Acting Senior Manager – Internal Audit must establish a follow-up process to monitor and ensure that audit recommendations have been effectively implemented or, as noted above, that senior management has accepted the risk of not taking action. Matters arising from internal audit work are also reported to the Council's Scrutiny Committee, the Chief Executive, the Council Leadership Team and Audit Scotland, the Council's External Auditor.

### **Summary of Internal Audit Activity**

A total of 20 Dundee City Council internal audit reports have been finalised since the last Annual Report was issued, covering diverse areas, including Adult Support and Protection; Data Centre; Scottish Welfare Fund; Brexit; Payroll; Purchasing; Corporate Complaints; Electoral Registration, Legislative and Regulatory Updates; Low Emission Zones, Car Parking Income, Fleet Management Procurement, Early Learning and Childcare Expansion, Gladstone MRM, Covid-19 Funding as well as formal Follow-up Reviews on Travel and Subsistence; Mosaic; Climate Change and Materials Purchasing. In addition, First Level Controller responsibilities were also completed as planned on the final year of the Create Converge Project, EU INTERREG North Sea Region Programme, grant claims.

The Internal Audit Service also undertook a comprehensive progress review exercise during the year and provided advice and guidance as required surrounding the Council's governance, risk management and control framework. In addition, the Internal Audit Service continued to provide advice and guidance to services to develop / design robust new systems / processes including around the continuing Covid-19 pandemic, as well as providing some real time assurances around controls, mitigating corresponding risks to the Council.

In particular, advice has been provided around the arrangements for grant payments including Low Income Pandemic Payments, Fuel Support Payments, Strategic Business Framework Fund, Small Business Grants, Retail, Hospitality and Leisure Business Grant Scheme, Taxi Driver and Private Hire Driver Fund and Business Ventilation Fund.

The audit work during 2021/22 has identified that many of the expected controls are in place and operating satisfactorily, however, there is scope for improvement. The Internal Audit Service has made a range of recommendations in the areas examined and action plans have been developed in consultation with management which, once successfully implemented, will improve the Council's governance, risk management and control framework.

### **Limitation of Scope or Independence**

There was no limitation of scope or independence placed upon the work undertaken by the Internal Audit Service during 2021/22.

### **Basis of Opinion**

My evaluation of the framework of governance, risk management and control has been informed by a number of sources, including the following:

- Audit work undertaken by the Internal Audit Service.
- The assessment of risk carried out during preparation of the 2021/22 and 2022/23 internal audit plans.
- Knowledge of the Council's culture, governance, risk management and performance monitoring arrangements.
- The Self-assessment Checklists completed to date by relevant Executive Directors / Heads of Service (including the DH&SCP Checklist) providing formal assurances in respect of the general control environment within individual services.
- Reports issued by the Council's External Auditor, together with relevant reports from other external review and inspection bodies.

### **Opinion**

It is my opinion, based on the above, that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2022.

David Vernon CMIIA

DATE: 09 June 2022

Acting Senior Manager – Internal Audit  
Dundee City Council

## Quality Assurance and Improvement Programme – Updated Action Plan

Standard / Area	Action	Revised Implementation Date	Progress Update	New Revised Implementation Date
1300 / Performance Monitoring	Develop performance management / monitoring framework for the Service to feed into the Corporate Finance Service Scorecard.	30 September 2021	Partially Implemented. No further work completed in terms of Internal Audit Service PI's or performance management / monitoring framework. Will review as part of preparation for PSIAS assessment due in 2022/23.	30 December 2022
2000 / Assurance Mapping	Develop the use of assurance mapping.	31 December 2021	Partially Implemented – A briefing paper was prepared and shared with Senior Management. Resources to populate the assurance mapping template to be identified.	31 December 2022
2400 / Audit Opinions	Refresh standard recommendation / overall conclusions levels and associated terminology following conclusion of benchmarking exercise and stakeholder consultation.	30 September 2021	Partially Implemented – No further work carried out in 2021/22. Will review as part of preparation for PSIAS assessment due in 2022/23.	30 September 2022