ITEM No …10……….

REPORT TO: SCRUTINY COMMITTEE – 24 APRIL 2024

REPORT ON: 2024/25 INTERNAL AUDIT PLAN

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 108-2024

1.0   PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee the Internal Audit Plan for the 2024/25 financial year.

2.0   RECOMMENDATIONS

Members of the Committee are asked to review and approve the 2024/25 Internal Audit Plan as detailed at Appendix A.

3.0   FINANCIAL IMPLICATIONS

None

4.0   MAIN TEXT

Introduction

4.1.   Internal audit is defined in the Public Sector Internal Audit Standards (PSIAS) as:

"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

4.2.   Management are responsible for establishing the risk, governance and internal control processes and systems as well as their on-going monitoring. Management are also responsible for managing fraud risks and ensuring that internal control systems are designed to guard against fraud and misappropriation. Internal audit is not a substitute for these management responsibilities. Rather it is the review function which will challenge current practices and recommend best practice and improvements to lead to a strengthening of the control environment and therefore assist the council in achieving its objectives

4.3.   Professional practice in relation to the provision of internal audit service is defined by PSIAS issued by the relevant authorities (CIPFA for local government). These standards are exacting in relation to the organisation's governance of internal audit and internal audit's own arrangements and practices. The Standards were last updated in March 2017.

4.4.   PSIAS require the Chief Internal Auditor to set a risk-based audit plan sufficient to provide the required assurances to Members and officers in relation to corporate governance, risk management and internal controls. Assurances are provided throughout the year as individual audits are completed. The annual opinion is included within the Internal Audit Annual Report submitted to Scrutiny Committee in June each year.

4.5.   An External Quality Assessment (EQA) performed during 2018 provided a positive conclusion confirming that Internal Audit fully conformed to 11 of the 13 standards and generally conformed with the remaining 2 standards within the requirements of the PSIAS. The next external EQA was due to be undertaken during 2023. The review has started and is expected to conclude in time to be reported to the June Scrutiny Committee.

4.6.   The Internal Audit plan is considered to be flexible to allow a quick response to any significant new requirement or change to Council risks. Any amendments to the plan will be brought to the Scrutiny Committee for approval.
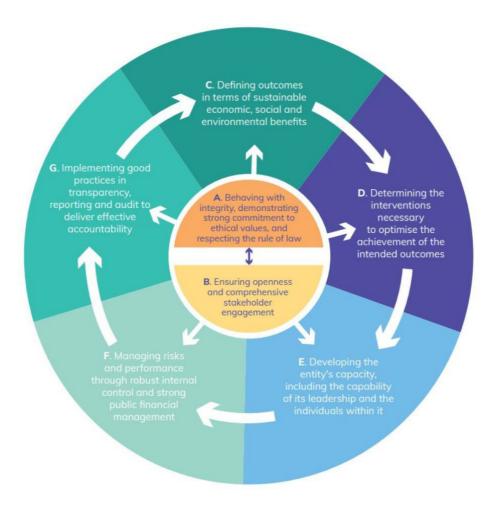
4.7   The Internal Audit plan will be delivered in accordance with the Internal Audit Charter (the Charter) that was approved by the Scrutiny Committee in December 2023. This sets out the role, professional requirements, independence and overall responsibilities of Internal Audit. The authority, access rights and reporting arrangements for the Internal Audit function are also contained within the Internal Audit Charter. The next review of the charter will be undertaken during the review of the revised PSIAS which are expected to be published in the latter half of 2024.

Resources

4.8.   The Council's Internal Audit service is delivered by an in-house team which has been complemented by additional audit input from a contractor for a number of years. Azets were appointed to provide IT and general audit support for a four-year contract beginning with the 2023/24 audit year.

4.9.   The in-house internal audit team structure has 4.3 FTE staff. The Chief Internal Auditor (CIA) (0.5 FTE), Acting Senior Manager – Internal Audit (0.8 FTE devoted to audit), Senior Auditor (1 FTE) and 2 auditors (2 FTE). Two vacant auditor posts were filled in March 2024 bringing the team back to full compliment. The CIA post is currently filled through an arrangement with Angus Council.

4.10. The Internal Audit team provides audit input to support the Chief Internal Auditor of the Dundee IJB (Integration Joint Board), who is from FTF Audit and Management Services.

4.11. For the 2023/24 financial year, the total productive days available for audit work will be of the order of 600 days. The time available for audits takes into account the work for the IJB noted above, the time needed for professional development of staff, internal administrative activities, annual leave and contingency for other staff absences, and involvement in corporate management groups.

4.12. Follow-up audit work will be undertaken with services as audit actions are closed in Pentana, with specific follow up reviews only considered for areas where the overall assurance level is limited or no assurance.

4.13. Where any team member has a perceived or actual conflict of interest in relation to an Internal Audit assignment or investigation, they will not be permitted to have any involvement in that piece of work. In addition, Internal Audit staff who are involved in consultancy work will not be permitted to be involved in any internal audit work that is directly related to that work.

Assurance Framework and Mapping

4.14. Cipfa's December 2023 publication "Developing an effective assurance framework in a local authority" defines an assurance framework as

"The means by which leaders, managers and decision makers can have confidence that the governance arrangements that they have approved are being implemented, operating as intended, and remain fit for purpose."

4.15. The following diagram is an extract from the December publication and reflects the areas in the Council's Local Code of Corporate Governance (the Local Code).

4.16. An assurance map identifies in more detail the various ways in which management and those charged with Governance receive assurance about achievement of objectives and service delivery. It considers activity that provides assurance in four distinct areas: operational internal control: management oversight: external third-party oversight, and Internal Audit review.

4.17. In formulating the internal audit plan, review of the assurance map identifies:

- where sufficient alternative assurance to internal audit is in place, and therefore audit is not needed currently, and
- the internal processes that should be included in the audit universe so that audit can assess if they are providing control and assurance as intended.

4.18. A fully populated assurance map can identify gaps in assurance and areas where more assurance is gathered than is required, thereby releasing resources for other activity.

4.19. In developing the 2024/25 internal audit plan we used the Assurance Framework above to identify the key elements of the Council's assurance framework and map assurance sources to them. The Service self-assessment checklist that informs the Annual Governance Statement includes links to best practice and identifies Council policies, procedures and guidelines that make up the Framework and reports providing assurance information.

4.20. We ensured that key framework elements and internal assurance routes were included in our audit universe and that areas with external assurance sources were excluded from the plan to avoid duplication. Some of these external assurances may be taken into account in formulating the annual Chief Internal Auditor's opinion and time is set aside for reviewing reports and complying with PSIAS requirements about taking reliance from others.

4.21. Key assurance framework elements include:

- The Council Plan 2022 to 2027
- The City Plan for Dundee 2022 to 2032
- The Council's Vision, values and key priorities
- Service plans
- Over-arching thematic plans, e.g. medium-term financial plan.
- Codes of conduct for employees and members
- Statutory officers in place
- Strategies, policies and procedures
- Standing Orders and schemes of administration
- Committee arrangements, including Terms of Reference
- Transformation Programme and Programme Management Office
- Risk management arrangements
- Arrangements to comply with legislation, e.g. GDPR, Fairer Scotland and Equality Impact Assessment
- Performance management framework
- Local Partnerships

4.22. The main reported assurance sources are:

- Annual performance reporting and self-evaluation by the Council and individual services,
- External audit. This includes the annual audit report and opinion, Best Value reporting and other Audit Scotland publications.
- Inspection agency reports.

The 2024/25 Internal Audit Plan

4.23. A risk-based plan for the Council, outlining the planned programme of work to be undertaken by the Internal Audit Service, is developed annually in consultation with audit stakeholders. Appendix A presents the outcomes of the annual planning exercise and the Chief Internal Auditor's proposed 2024/25 Internal Audit Plan, for approval.

4.24. The planning process involves determining the potentially auditable areas of the Council and updating these each year. This year the high-level Audit Universe used previously was reviewed to record a more detailed audit universe. The auditable areas are identified from a number of sources including:

- Knowledge base within Internal Audit
- Council plans and policy documents
- Corporate risk register
- Service risk register
- External inspection reports
- Audit Scotland and Accounts Commission reports
- Liaison with external auditors
- Any matters arising from the work of the Scrutiny Committee
- Consultations with Scrutiny Committee members
- Consultations with the members of the Council Leadership Team and service managers

4.25. Each area in the audit universe is then risk assessed by:

- Mapping the risk registers, and the residual risk score to the audit universe,
- An independent assessment of risk by the Chief Internal Auditor, and
- Consideration of issues identified by audit stakeholders.

4.26. The final step in the development of the annual plan is to identify the individual audits from the audit universe. The selection is performed by categorising the audit universe according to the degree of assurance required in respect of those processes and process areas.

Factors which contribute to a process or process area requiring a higher degree of assurance include where the process is assessed as:

- Being identified as high risk by stakeholders and/or Internal Audit's own assessment of risk,
- Being included as a mitigating action against high scoring risks in the Council's Risk Registers,
- Identified as essential or significant to the delivery of a Council objective,
- Not having been subject to previous review, or not reviewed in some time,
- An area of limited assurance in previous audits and inspections, or where counter fraud activity suggests control issues,
- Specifically requested by management and members.
- Audits carried forward from the previous year are also included.,

4.27.   The proposed portfolio of work to be included within the 2024/25 Internal Audit Plan is summarised at Appendix A. The layout of the plan as presented to Committee, in general, follows that used in previous years, with proposed reviews grouped into key themes that are integral to the assurance gathering process across the organisation's activities. For each of the reviews included within the plan there is a brief summary of the proposed coverage, currently informed by the Council's Corporate Risk Register, and service-level risk registers where appropriate. The proposed coverage has, in the main, been compiled based on discussions and review of relevant background information gathered as part of the audit planning process. A more detailed audit brief containing background information, scope of the work, overall / specific objectives and reference sources will be compiled for each review and agreed with the client prior to commencement of the audit fieldwork.

Conclusion

4.28.   The Chief Internal Auditor is content that the proposed plan in Appendix A has been prepared in accordance with PSIAS and will provide sufficient assurance to comply with the PSIAS requirements, including to inform the Chief Internal Auditor's annual opinion on governance, risk management and internal controls.

4.29.   Whilst the 2024/25 Internal Audit Plan has been prepared using the best information currently available, it is possible that it will require to be amended during the financial year to reflect changing risks, priorities and resources. As required under the PSIAS, any significant changes to the planned programme of work will be reported to the Scrutiny Committee. The Chief Executive, Executive Director of Corporate Services and the Head of Corporate Finance will also be kept informed of Internal Audit developments by the Chief Internal Auditor through regular meetings.

5.0   POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment

6.0   CONSULTATIONS

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

7.0   BACKGROUND PAPERS

None

CATHIE WYLLIE, CHIEF INTERNAL AUDITOR   **DATE: 29 MARCH 2024**

Appendix A

2024/25 INTERNAL AUDIT PLAN	Proposed Coverage	Risk Code
Governance Reviews		
Child Poverty and Fairness Action Plan	Review of the arrangements to implement and oversee the next phase of the Fairness and Local Child Poverty Action Plan, including measurement of progress towards Scottish Government targets.	DCC004a
Partnership Working - Dundee Alcohol and Drugs Partnership	Review of the arrangements which underpin the Council's delivery responsibilities under the Alcohol and Drugs Partnership's Strategic Framework, including delivery plans, progress monitoring, and engagement with other members of the Partnership.	DCC004a
Tay Cities Deal	The Grant Offer Letter provided to Dundee City Council as lead authority for the deal requires that the Authority's Internal Audit Service performs a review of arrangements to implement and oversee the deal at least every other year. This year's audit will be a review of the benefits realisation processes including assessment of benefits towards delivering outcomes.	DCC004c DCC010
Risk Management	A review of the Council's risk management processes will be carried out by the Internal Audit contractor.	All
ICT Reviews		
End User Computing – Cloud Migration	A critical friend review of the processes in place to manage end user device access to the Council's network and applications. There has been changes to how people work and the devices they use. From a security perspective, it is vital that only authorised devices are permitted access to Council systems and data.	CSIT

2024/25 INTERNAL AUDIT PLAN	Proposed Coverage	Risk Code
User Access Management	The review will consider the adequacy of user access management controls for the Northgate application. This will include assessment of the processes for joiners, movers and leavers as well as access management arrangement to achieve segregation of duties, and monitoring of privileged accounts.	CSIT
Financial Reviews		
Capital Planning and Monitoring	Review of the procedures to oversee the implementation of Capital Plans, in line with the Council's Capital Investment Strategy, and monitor and scrutinise Capital expenditure.	DCC001 DCC010 DCC015c
Payroll - Changes in Circumstances	Review of the processes by which information affecting individual's pay calculation is notified and actioned. To include pension contributions and salary sacrifice schemes.	CSHB003 CSHB004 CSHB005
Purchase to Pay	Review of expenditure processes following the implementation of purchase to pay. To include consideration approaches to support continuous auditing of purchasing data.	DCC013 CSCF007 CSCF008 CSCF011
Systems Reviews		
Asset Management	Review of the processes which ensure that the Council's asset management databases are complete, accurate, and kept up to date. To include processes for condition assessment.	DCC001 DCC010 DCC015a,b and c DCC017a
Housing - Planned and Reactive Maintenance	Review of the processes to plan and carry out maintenance on Council housing stock, including arrangements for reactive maintenance.	DCC015b

2024/25 INTERNAL AUDIT PLAN	Proposed Coverage	Risk Code
Immigration Sponsorship and Visas	Review of the processes by which the Council considers and manages recruitment applications from individuals overseas and/or requiring visa sponsorship, including the update of these policies and procedures in line with changing legislation.	CSHB005 CSHB009
Onboarding & Induction	Review of onboarding processes for all staff, and the guidance available to line management overseeing and recording the onboarding of new starts.	CSHB003 CSHB009
Multi Agency Safeguarding Hub (MASH) Intake processes	Review of the administrative processes to support the Multi-Agency Safeguarding hub in taking timely, effective action on referrals in collaboration with Council Services and partner bodies.	DCC002 DCC009 CFCJ004
Climate Strategy and Delivery Plans	Review to be conducted using a scope and audit programme being developed by SLACIAG for use across local authorities in Scotland.	DCC004b CDPE014
Insurance	A review of Insurance processes will be carried out by the Internal Audit contractor.	CSCF008 CSHB006
DHSCP Review	Review covering an aspect of DHSCP activity. Scope to be confirmed in consultation with the internal auditors for the IJB.	DCC012
Other Work		
Follow Up	Review of progress with the implementation of prior internal audit actions agreed by the Council, for the purpose of providing assurance to Elected Members that identified issues are addressed on a timely basis, and that management attention is appropriately directed towards issues which expose the Council to higher degrees of risk.	All

2024/25 INTERNAL AUDIT PLAN	Proposed Coverage	Risk Code
Prior Year Work	Finalisation of projects that are currently ongoing or nearing completion at June 2024.	N/A
Technical Development	Planning and Scoping work for review and update of the Council's Internal Audit Methodology, including the introduction of Continuous Auditing and Data Analytics and implementation of new Public Sector Internal Audit Standards expected late summer/early autumn 2024.	N/A
Advice and Guidance	Provision of ad-hoc support to assist services in respect of specific queries and contribute to the delivery of improvements in the Council's framework of governance, risk management and control. This will include the ongoing provision of advice and guidance surrounding the development of newly implemented systems and processes, or the revision and update of those processes.	N/A
PSIAS Quality Self-Assessment Process	Annual self-assessment for conformance with PSIAS.	CSCF008
Specific Investigations	To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.	DCC013

Key:

Risk Code	Risk Register
DCC	Council Corporate Risk Register
CDPE	City Development, Planning and Economic Development
CFCJ	Children & Families, Community Justice & Integrated Children's Services
CSCF	Corporate Services, Corporate Finance
CSHB	Corporate Services, Human Resources and Business Support (People)