

ITEM No ...8.....

REPORT TO: SCRUTINY AND AUDIT COMMITTEE - 3 DECEMBER 2025

REPORT ON: EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT ARRANGEMENTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 251-2025

1.0 PURPOSE OF REPORT

To present the report and outcome from the recent External Quality Assessment (EQA) of the Council's Internal Audit arrangements against prescribed Internal Auditing Standards.

2.0 RECOMMENDATIONS

Members of the Committee are asked to consider and note the External Quality Assurance report and related EQA action plan at Appendices 1 and 2.

3.0 FINANCIAL IMPLICATIONS

None.

4.0 MAIN TEXT

- 4.1 The Council is required by The Local Authority Accounts (Scotland) Regulations 2014 to comply with prescribed Internal Auditing Standards. Public Sector Internal Audit Standards (PSIAS) were in place until 31 March 2025. From 1 April 2025 these were replaced with Global Internal Audit Standards as amended for the UK Public Sector (GIAS (UK Public Sector)). Both standards require an external review of compliance at least every five years.
- 4.2 The previous EQA for the Council's Internal Audit Service was undertaken in 2018 and reported to Scrutiny Committee in report 208/18 in June 2018 (article VII of the minute refers). The current review was initially scheduled for 2023/24. For a number of reasons, mainly due to resource availability, this timetable was not met, and the Council has therefore not met the five-year requirement for an EQA. The review was against PSIAS conformance.
- 4.3 The Council is part of a peer review process for EQAs organised by the Scottish Local Authority Chief Internal Auditors Group (SLACIAG). This review against the requirements of PSIAS has been undertaken by the Senior Manager (Audit, Fraud, Safety and Risk) from Falkirk Council. The process consists of evaluation of a self-assessment using templates provided by SLACIAG.
- 4.4 The self-assessment for the review was completed and sent to the reviewer in November 2023. The review began in December 2023 and has been underway sporadically since then, concluding in August 2025.
- 4.5 The report at Appendix 1 concludes that "Dundee City Council's Internal Audit Service fully conforms with the PSIAS in twelve areas and generally conforms in two".
- 4.6 Appendix 2 of the report contains an action plan that has been agreed as a result of the review. Actions 3 and 4 are complete. Progress with the remaining actions will be reported to the Scrutiny and Audit Committee in future.

4.7 GIAS (UK Public Sector) is similar to PSIAS so that a significant amount of PSIAS compliant activity is also GIAS (UK Public Sector) compliant. An action plan is currently being implemented to ensure compliance with the GIAS (UK Public Sector). The two action plans will be aligned where appropriate.

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 Leadership Team have been consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

None.

CATHIE WYLLIE
CHIEF INTERNAL AUDITOR

DATE: 17 NOVEMBER 2025

EXTERNAL QUALITY ASSESSMENT 2

OF

DUNDEE CITY COUNCIL'S INTERNAL AUDIT SERVICE

Report Recipients:

Gregory Colgan, Chief Executive
Paul Thomson, Executive Director of Corporate Services
Cathie Wyllie, Chief Audit Executive
Councillor Kevin Keenan, Convener of the Scrutiny Committee

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1. INTRODUCTION

- 1.1 The mandatory Public Sector Internal Audit Standards (PSIAS), published initially in April 2013 and updated most recently in March 2017, apply to all internal audit service providers in the UK public sector, whether in-house, provided via a shared service arrangement or outsourced. To supplement the PSIAS, and provide specific guidance surrounding its application within a local government setting, the Chartered Institute of Public Finance and Accountancy (CIPFA) compiled a Local Government Application Note, which was last updated in 2019.
- 1.2 The objectives of the PSIAS are to define the nature of internal auditing within the UK public sector; set a basic principles for carrying out internal audit; establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; establish the basis for the evaluation of internal audit performance and drive improvement planning.
- 1.3 The PSIAS require the Chief Audit Executive or CAE (the Chief Internal Auditor in Dundee City Council) to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both periodic internal self-assessments and five-yearly external assessments, carried out by a qualified, independent assessor from outwith the organisation, and enable evaluation of the internal audit activity's (Internal Audit Service in Dundee City Council) conformance with the PSIAS, including the Mission of Internal Audit, Definition of Internal Auditing, and Code of Ethics. In addition, the QAIP should also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.
- 1.4 To assist its members to meet the five-yearly external assessment requirement, the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) established a collaborative system of formal peer reviews. This approach not only assists with ensuring that independent assessors, and their teams, have appropriate knowledge and experience of the local government internal audit environment but also removes the financial burden from councils, associated with procuring these services externally. The allocation of assessors / assessment teams to councils participating in the peer review process was undertaken autonomously, ensuring that, amongst other governing principles, local authorities with perceived / known conflicts of interest could not review one another. At the outset, assessors were required to formally declare any interests so that these could be appropriately addressed during the allocation process. Falkirk Council was selected to carry out the external assessment in Dundee City Council.
- 1.5 To support the peer review process, SLACIAG developed a comprehensive External Quality Assessment (EQA) framework, including an EQA Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note (EQA Checklist) and a key Stakeholder Questionnaire proforma. The external assessment of Dundee City Council's Internal Audit Service has been carried out by Falkirk Council's Internal Audit Service utilising this framework. It is important to note, however, that the review was undertaken outwith the five year period due to the assessing authority's own five yearly external assessment being undertaken at the same time. The findings, therefore, are based on what was evidenced at the time of the review in relation to compliance with PSIAS and not compliance with the Global Internal Audit Standards introduced from April 2025.
- 1.6 This report provides a high level summary of requirements for each standard per the PSIAS and CIPFA Local Government Application Note and sets out the findings, conclusions and recommendations from the external assessment, which involved discussions with key members of staff, including the Chief Audit Executive (CAE), review of the most recent self-assessment carried out utilising the EQA Checklist and consideration of other relevant supporting documentation / information (Evidence Pack) including working paper files and completed stakeholder questionnaires. A comprehensive list of supporting documentation / information and completed

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stakeholder questionnaires considered as part of the assessment can be found at appendices B and C respectively.

2. OVERALL CONCLUSION

2.1 The overall conclusion of the external assessment is that Dundee City Council's Internal Audit Service **fully conforms** with the PSIAS in twelve areas and **generally conforms** in two.

A full summary of assessment, per assessment area, can be found at Appendix A. A summary of totals is as follows:

	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
TOTALS	12	2	0	0

2.2 The 2 standards assessed as generally conforms are listed below:

- 1000 - Purpose, Authority, and Responsibility; and
- 1100 - Independence and Objectivity.

2.3 In relation to the above, a number of areas for improvement were identified, which are detailed in the report along with recommendations to address them. The following paragraphs summarise the areas for improvement:

- There is no protocol in place for presenting private papers to Scrutiny Committee. CIPFA guidance for audit committees notes that committees should have a protocol for presentation of private papers.
- The Scrutiny Committee has been in place since 2009, but was reviewed in 2014. The Terms of Reference has not been updated since 2014, although, an updated version is due for Committee approval in September 2025. It is important that the focus is on audit as well as scrutiny, therefore, the Committee would benefit from a review (also consider a name change to reflect the importance of audit aspects which should be non political).
- Dundee City Council's Internal Audit Charter is periodically reviewed with the most recent review taking place in December 2023. It had minimal changes from the previous version, and was approved by the Scrutiny Committee at its meeting on 14 February 2018. Review of the Charter has found that it does not cover arrangements for appropriate resourcing; define the role of Internal Audit in any fraud related work; define the arrangements for avoiding conflict of interest, define the nature of consultancy services; and state the requirement for Internal Audit to be notified of all suspected or detected fraud, corruption, or impropriety.
- Internal Audit team members are required to comply with the National Code of Conduct for employees and are required to confirm extra mural employment to the Chief Audit Executive (CAE) on an ad hoc basis by way of a Registers of Officers' Interest form. Independence and Conflict of Interest declarations are on different forms. Team Members are expected to inform the CAE of any changes. A structured approach could be implemented to ensure annual returns are submitted by all team members, covering extra mural employment, independence, and any actual perceived conflicts of interest.
- There is no longer term plan within the team to mitigate workforce related risks and manage any shortfall in resource should it arise. The current contract with Azets has been expanded to take into account more general audit work along with the agreed IT audit work. A detailed medium to longer term workplan would assist with planning as the CAE or Acting Internal Audit Senior Manager could monitor.

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- Dundee City Council operates an employee performance and development review process known as “Quality Conversations”. It was introduced in April 2023, and is carried out on an annual basis and is in place for all staff. In line with the Secondment Agreement, the CAE has an annual appraisal in Angus Council, but not at Dundee City Council. Dundee City Council are invited to input to the appraisal process. Regular 1-2-1 meetings are held between the CAE, Head of Finance, Executive Director of Corporate Services, and the Chief Executive. The Dundee City Chief Executive feeds back performance information to the Chief Executive of Angus Council at their regular meetings. It is important that there is written evidence of the CAE’s knowledge, skills, and other competencies to carry out their professional responsibilities at Dundee City Council, applying due professional care the same as team members.
- The review of working papers, as well as draft and final reports is a key part of the assignment quality assurance process. That said, the level of review, the number of reviewers, and time taken to review at the pre final stage of the process appears, on the face of it, to be potentially disproportionate. On that basis, the Council’s senior management team should consider the proportionality of the current review process, particularly after the draft has been agreed with the Service.
- The key performance measure is the completion of the Internal Audit Plan. Performance of the Internal Audit Service is reported to Scrutiny Committee via the CAE’s Annual Assurance Report, which provides an opinion on conformance with Public Sector Internal Audit Standards. There is no performance measurement framework (such as key performance indicators), however, previous years data is available in the Annual Report. The CAE stated that key performance indicators is not something that the Committee has ever requested and that the team do not have the resources to undertake the data capture. The CAE should discuss with the Committee to confirm what further information could be provided to benefit transparency and accountability. This could include benchmarking with other similar sized local authorities.
- An assurance map identifies the various ways in which management and those charged with Governance receive assurance about achievement of objectives, service delivery, and risk. 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. Assurance mapping was under development in Dundee City Council, but it was decided the ask was too onerous and would not be taken forward in that way, but would continue to be explored. Best practice for the CAE would be to continue to explore options on how this could be achieved to assist with assurance provision.
- The CAE is aware that the Audit Manual needs updated, however, has had resourcing issues and would prefer to update the Manual in line with the new Global Internal Audit Standards (GIAS) introduced in April 2025. The Internal Audit Service have, however, been changing the reporting, audit planning, audit progress, and action implementation monitoring processes so have been writing guidance and creating new templates as supplements to the Manual.
- The CAE has identified that an Audit File Checklist needs to be developed. This has been discussed with the team and they agreed that the Angus Council Key Dates Activity Log could be utilised, however, it needs a bit of tailoring for Dundee City Council. This has not been implemented to date due to the resource constraints and the fact that the majority of staff are very experienced so not seen as an essential at this stage as the CAE has prioritised other areas.
- A record retention schedule is in place (current year plus five years) which follows the Scottish Council on Archives Record Retention Schedules, however, there are still paper records and electronic files held from pre 2019 that need to be considered and destroyed accordingly.

2.4 Full details of the assessment recommendations and management responses can be found in the Action Plan at Appendix D.

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3. SECTION A – MISSION OF INTERNAL AUDIT AND CORE PRINCIPLES

The PSIAS state that the Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation, which is 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

Taken as a whole, the Core Principles for the Professional Practice of Internal Auditing, as set out in the PSIAS, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Core Principles should be present and operating effectively. Failure to achieve any of the Core Principles would imply that an internal audit activity was not as effective as it could be in achieving the Mission of Internal Audit.

- 3.1 Evidence obtained from assessing conformance with other standards in the PSIAS has been used, along with specific consideration surrounding the achievement of the Core Principles, to conclude that the Internal Audit Service at Dundee City Council **fully conforms** with accomplishing the Mission of Internal Audit as detailed above.

4. SECTION B – DEFINITION OF INTERNAL AUDITING

The PSIAS state that internal auditing is 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.

- 4.1 Evidence obtained from assessing conformance with other standards in the PSIAS has been used to conclude that the Internal Audit Service at Dundee City Council **fully conforms** with the definition of Internal Auditing as detailed above. The main reason for this assessment relates to the findings from the independent review of the activities, the completed EQA Stakeholder Questionnaires, and the interviews with key stakeholders which demonstrates that the profile and status of the Internal Audit Service is well respected. This has been enhanced recently through the introduction of a new report style, revised assurance and recommendation definitions, a new approach to follow up of audit recommendations, and revised reporting to Scrutiny Committee.

5. SECTION C – CODE OF ETHICS

The PSIAS state that the purpose of the Institute of Internal Auditor's Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out in the PSIAS. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

- 5.1 Evidence obtained from assessing conformance with other standards in the PSIAS, in particular the Attribute Standards 1000 – Purpose Authority and Responsibility, 1100 – Independence and Objectivity, 1200 – Proficiency and Due Professional Care and Professional Standards 2000 – Managing the Internal Audit Activity and 2300 – Performing the Engagement, has been used to conclude that Dundee City Council's Internal Audit Service **fully conforms** with the requirement to comply with the Code of Ethics. Completed Stakeholder Questionnaires also largely support the conclusion.

6. SECTION D – ATTRIBUTE STANDARDS

Attribute Standards apply to organisations and individual internal auditors providing the internal audit services in a local authority.

6.1 1000 - Purpose, Authority, and Responsibility

The PSIAS state that the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval. The internal audit charter must also:

- *define the terms 'board' and 'senior management' for the purposes of internal audit activity;*
- *cover the arrangements for appropriate resourcing;*
- *define the role of internal audit in any fraud-related work; and*
- *describe safeguards to limit impairments of independence or objectivity if internal audit or the chief audit executive undertakes non-audit activities.*

6.1.1 Dundee City Council's Internal Audit Charter is periodically reviewed with the most recent review taking place in December 2023. The Internal Audit Charter was approved by the Scrutiny Committee on 06 December 2023. It had minimal changes from the previous version, approved by the Scrutiny Committee at its meeting on 14 February 2018 (it was also reviewed in 2020, but no changes were made). Changes agreed in December 2023 included: adding a Mission Statement; updating the title of the Council Leadership Team; and updating the title of the Chief Audit Executive.

6.1.2 Review of the Charter has found that it:

- defines the Board as the Scrutiny Committee, and senior management as the Council Leadership Team.
- defines the purpose, authority, and responsibility.
- defines the scope of internal audit activities.
- establishes Internal Audit's position within the Council including the functional reporting relationship with the board. It also confirms the unfettered access to the Chief Executive and Chair of the Scrutiny Cme.
- authorises access to records, personnel, and physical properties relevant to the performance of engagements.
- establishes the position on independence and objectivity on the activities it audits.
- covers the Internal Audit Plan, as well as reporting, monitoring, and assessment.

The Charter does not:

- cover the arrangements for appropriate resourcing.
- define the role of Internal Audit in any fraud related work.
- state the requirement for Internal Audit to be notified of all suspected or detected fraud, corruption, or impropriety, although this is good practice to note.
- define the arrangements for avoiding conflicts of interest if Internal Audit operationally undertakes non-audit activities. Although there is an 'Independence and Objectivity' section within the Charter, it does not describe the safeguards to limit possible impairments of independence and objectivity for non-audit activities, for example, documenting how Corporate Fraud, Risk Management, or Insurance activities are subject to assurance.
- define the nature of consulting services. Consulting services are mentioned in the Charter ("Whilst the Internal Audit Service may be used to support consulting and advisory services related to governance, risk management and control this will not be at the detriment of the provision of core assurance services."), however, the nature

of the work is not defined and, therefore, the Charter should be expanded upon.

6.1.3 With this in mind, the Charter should be re-visited. **See Appendix D – Recommendation 1.**

6.1.4 Completed Stakeholder Questionnaires confirm that the key stakeholders have had sight of the Charter except one stakeholder who said they hadn't seen it. This may just be an oversight, however, it is important that all stakeholders are aware of the Charter.

6.1.5 Having considered the findings above, it has been concluded that the Internal Audit Service at Dundee City Council **generally conforms** with Standard 1000 on Purpose, Authority and Responsibility.

6.2 1100 - Independence and Objectivity

The internal audit activity must be independent and internal auditors must be objective in performing their work. Various aspects of independence and objectivity are covered in this standard as well as 1200, including reporting functional lines of the CAE, the relationship between the CAE and the board and any impairment to individual internal auditors' objectivity or independence. Reporting and management arrangements must be put in place that preserve the CAE's independence and objectivity, in particular with regard to the principle that the CAE must be independent of the audited activities.

6.2.1 The CAE (or Chief Internal Auditor) reports functionally to the Scrutiny Committee and administratively to the Head of Corporate Finance, who is a member of the Corporate Services Management Team. The CAE has direct and unrestricted access to the Chief Executive, the Executive Director of Corporate Services (who is also the Council's Section 95 Officer), the Council Leadership Team, and the Convener of the Scrutiny Committee as appropriate. This has been confirmed through the completed Stakeholder Questionnaires. These reporting / access arrangements are clearly defined in the Internal Audit Charter.

6.2.2 In support of organisational independence, the CAE attends Scrutiny Committee meetings to present all internal audit reports (including, for example, the Internal Audit Charter, Annual Report, Internal Audit Plan, and reports / executive summaries from the planned audits) to Elected Members. The reports are submitted in the CAE's name, although we are aware of one instance of an audit report on Cyber Security that did not go to the Scrutiny Committee. It is acknowledged that type of information would be a risk to Dundee City Council if it was in the public domain. The Head of Democratic and Legal Services was satisfied that the audit report contained Exempt Information. The Chief Executive, Executive Director of Corporate Services, and Head of Democratic and Legal Services were, therefore, of the opinion in the interests of good governance that the audit report should be considered by all members of the Council (29 members), not only the members of the Scrutiny Committee (8 members). The report was still presented by the CAE, but was instead tabled at the City Governance Committee as a confidential item. CIPFA guidance for audit committees notes that committees should have a protocol for presentation of private papers. There is no protocol in place for presenting exempt / private papers to the Scrutiny Committee, therefore, a protocol should be developed to ensure that confidential matters or exempt information in papers can be taken in private to Scrutiny Committee when required (meeting the relevant criteria / legislation for exemption of disclosure). **See Appendix D – Recommendation 2.**

6.2.3 The Scrutiny Committee has been in place since 2009, but was reviewed in 2014. The Terms of Reference has not been updated since 2014, although, an updated version is due for Committee approval in September 2025. We have been able to evidence that new Elected Members (those appointed in 2022) have received some training in the roles of audit and scrutiny. It is important that the focus is on audit as well as scrutiny, therefore, the Committee would benefit from a review (also consider a name change to

reflect the importance of audit aspects which should be non political). These actions mentioned here would be of benefit. **See Appendix D – Recommendation 3.**

6.2.4 The CAE post at Dundee City Council is provided via a shared arrangement with Angus Council (the CAE works 2.5 days at each from January 2024). At Dundee City Council, the CAE has overall responsibility for Internal Audit and Corporate Fraud. There is also a full time Acting Internal Audit Senior Manager at Dundee City Council who has responsibility for the Risk Management and Insurance sections, as well as day to day management of Internal Audit and the Corporate Fraud Team. The Acting Internal Audit Senior Manager also reports operationally to the Head of Corporate Finance.

6.2.5 Dundee City Council also have an external internal audit support contract with Azets to provide IT audits and some general audits if required (Azets were appointed to provide IT and general audit support for a four-year contract beginning with the 2023/24 audit year). They have also been asked to undertake assurance work on risk management and insurance. Both of these audits are now complete and were reported to the June 2025 Scrutiny Committee, with Substantial Assurance for both. Risk management and Fraud Governance were last reviewed by KPMG in 2018.

6.2.6 The CAE and / or the Acting Internal Audit Senior Manager has / have operational responsibility for the activities subject to audit which has not been communicated to stakeholders via the Internal Audit Charter. The Charter should set out the procedure on alternative arrangements to provide assurance on the adequacy of controls in these areas. **See Appendix D – Recommendation 1.**

6.2.7 Internal Audit team members are required to comply with the National Code of Conduct for employees and are required to confirm extra mural employment to the CAE on an ad hoc basis (not annually) by way of a Register of Officers' Interests form. Independence and Conflict of Interest declarations are on different forms. Team Members are expected to inform the CAE of any changes. A structured approach could be implemented to ensure annual returns are submitted by all team members, covering extra mural employment, independence, and any actual or perceived conflicts of interest (even nil returns). **See Appendix D – Recommendation 4.**

6.2.8 The CAE provides an opinion and conformance with public sector internal audit standards in their Annual Assurance report. The CAE confirmed that the staff members involved in the 2023/24 internal audit reviews were independent of the area under review and their objectivity was not compromised in any way. The report also stated that the Internal Audit Service was independent of all the activities it audited.

6.2.9 Dundee City Council's Internal Audit Service **generally conforms** with Standard 1100 on Independence and Objectivity.

6.3 1200 - Proficiency and Due Professional Care

The CAE must be professionally qualified, suitably experienced and responsible, in accordance with the organisation's human resources processes, for recruiting appropriate staff. He or she is responsible for ensuring that up-to-date job descriptions exist, reflecting roles and responsibilities, and that person specifications define the required qualifications, competencies, skills, experience and personal attributes.

The CAE should periodically assess individual auditors' skills and competencies against those set out in the relevant job descriptions and person specifications. Any training or development needs identified should be included in an appropriate ongoing development programme that is recorded and regularly reviewed and monitored. In addition, all internal auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence. This may be fulfilled through requirements set by professional bodies or

through the organisation's own appraisal and development programme. Auditors should maintain a record of such professional training and development activities.

The internal audit activity should be appropriately resourced to meet its objectives. It should have appropriate numbers of staff in terms of grades, qualifications, personal attributes and experience or have access to appropriate resources in order to meet its objectives and to comply with these standards. The PSIAS states that the CAE must obtain competent advice and assistance if the activity is unable to perform all or part of an engagement.

6.3.1 The CAE holds a relevant professional qualification, specifically the Institute of Chartered Accountants of Scotland (ICAS), and is suitably experienced, with over 35 years internal audit experience, the last 30 of which have been wholly in public sector organisations. The CAE is a member of SLACIAG (or otherwise) and regularly attends and contributes to meetings. In relation to the two SLACIAG Sub-groups, the Computer Audit Sub-Group (CASG) and the Scottish Local Authorities Investigators Group (SLAIG), Dundee City Council's Internal Audit Service receive the minutes from CASG and Corporate Fraud attends SLAIG.

6.3.2 To support the CAE in Dundee City Council's Internal Audit Service there is one Acting Internal Audit Senior Manager, one Senior Internal Auditor, and two relatively new (2024) Internal Auditors (one of which is a trainee). Professional qualifications are held by all other members of the Internal Audit Team. Internal Audit delivers internal audit services to Dundee City Council, as well as 30 days of audit input to support the Chief Internal Auditor of the Dundee IJB (Integration Joint Board), who is from FTF Audit and Management Services. Previous vacancies in the team have delayed the Internal Audit workplans. Additional audit work (in addition to IT audits) was passed to Azets in 2024. This included five general audits and two audits for 2023/24 and also some carry forward from 2022/23. Communication has been evidenced with Senior management and Scrutiny Committee via Internal Audit Plan Updates and Progress Reports. Committee are asked to note the progress with the Internal Audit Plan, approve changes to the Plan, and note progress with the implementation of agreed internal audit recommendations.

6.3.3 The internal audit resources available in 2023/24 were below establishment due to vacancies caused by staff turnover. The resources available were supplemented by using Azets to undertake work.

6.3.4 There is also a dedicated Corporate Fraud Team as mentioned at paragraph 6.2.4. The Corporate Fraud Team comprises of a Corporate Fraud Supervisor, and three Corporate Fraud Investigation Officers. The Acting Internal Audit Senior Manager manages the Corporate Risk Management Team Co-ordinator (the post is vacant) and the Insurance Section, which comprises of a Senior Insurance and Loss Control Officer and three Insurance Officers (one post is vacant). The Acting Internal Audit Senior Manager has confirmed that other team members are picking up the work, which is managed on a day-to-day basis. There is no longer term plan within the team to mitigate workforce related risks and manage any shortfall in resource should it arise. The current contract with Azets has been expanded to take into account more general audit work along with the agreed IT audit work. A detailed medium to longer term workplan would assist with planning as the CAE or Acting Internal Audit Senior Manager could monitor. **See Appendix D – Recommendation 5.**

6.3.5 Internal Audit Job descriptions / person specifications were reviewed / created in 2021/22 and 2022/23, with a further review in 2023 to allow recruitment at trainee level. The revised Job Description, Person Spec, and Career Grade were agreed in November 2023 prior to advertising a vacant post.

6.3.6 Dundee City Council operates an employee performance and development review process known as "Quality Conversations". It was introduced in April 2023, and is carried out on an annual basis and is in place for all staff. In line with the Secondment

Agreement, the CAE has an annual appraisal in Angus Council, but not at Dundee City Council. In 2022 and 2023 the Angus Council Appraisal was countersigned by the Chief Executive. In 2024 the appraisal was undertaken by the Chief Executive. Dundee City Council are invited to input to the appraisal process. Regular 1-2-1 meetings are held between the CAE, Head of Finance, Executive Director of Corporate Services, and the Chief Executive. The Dundee City Chief Executive feeds back performance information to the Chief Executive of Angus Council at their regular meetings. It is important that there is written evidence of the CAE's knowledge, skills, and other competencies to carry out their professional responsibilities at Dundee City Council, applying due professional care the same as team members. This could be covered via the expansion of the Secondment Agreement for transparency. **See Appendix D – Recommendation 6.**

6.3.7 There are regular 1-2-1 conversations with the Senior Auditor and Auditors. There is also an audit team meeting every two weeks.

6.3.8 The Internal Audit Service is represented on a number of corporate groups, including the Corporate Governance Officers Group, Integrity Group, Tayside wide Risk Management Group, Risk and Assurance Board, and Compliance Group.

6.3.9 The CAE and Principal / Senior Auditors / Auditors have specific continuous professional development (CPD) requirements to adhere to. Completed examples of CPD files were reviewed which confirmed compliance. There are no documented training plans for the Internal Audit team, although, these are being developed to comply with the new Standards requirement. Training until now would be considered individually through the appraisal mechanism or when allocating work and arranged if it was thought necessary for a particular audit.

6.3.10 Stakeholder Questionnaires confirm that the CAE demonstrates sufficient knowledge and experience and that all members of the Internal Audit Service exercise due professional care.

6.3.11 Dundee City Council's Internal Audit Service **fully conforms** with standard 1200 on Proficiency and Due Professional Care.

6.4 1300 - Quality Assurance and Improvement Programme

The PSIAS state that the Chief Audit Executive must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity.

The QAIP must include both periodic internal self-assessments and five-yearly external assessments, carried out by a qualified, independent assessor from outside the organisation, and enable evaluation of the internal audit activity's conformance with the PSIAS, including the Definition of Internal Auditing and Code of Ethics. In addition, the QAIP should also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The public sector requirement in the PSIAS states that results of the QAIP and progress against any improvement plans must be reported in the annual report.

6.4.1 At the time of review, Internal Audit working papers and draft reports are reviewed by the Senior Auditor. Where the assignment is carried out by the Senior Auditor, the Acting Senior Manager Internal Audit will review the working paper file. Any file prepared by the Acting Senior Manager or the CAE would be reviewed by the other before the draft report was issued. There is a work review process in place. All draft reports are reviewed by the Acting Senior Manager and CAE before they are issued. The CAE, or occasionally the Acting Senior Manager, check review notes are cleared and then authorise issue to the Services. Once reports are finalised with the Service the final draft is sent for clearance to the Executive Director of Corporate Services, and then to

the Chief Executive, before it is finalised and issued to the Service and reported to Scrutiny Committee. There is no evidence that the report process is fettered.

6.4.2 Draft and final reports are, therefore, all reviewed prior to issue. The review of working papers, draft, and final reports is a key part of the assignment quality assurance process. That said, the level of review, the number of reviewers, and time taken to review at the pre final stage of the process appears, on the face of it, to be potentially disproportionate. On that basis, it is recommended that the Council's senior management team consider the proportionality of the current review process, particularly after the draft has been agreed with the Service. **See Appendix D – Recommendation 7.**

6.4.3 Client feedback is actively pursued by the Internal Audit Service for assignments carried out within Dundee City Council. 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 2023/24, five completed client feedback questionnaires were received. Responses were very positive across four feedback categories. All respondents agreed or strongly agreed with statements that the Audit Approach, Communication and Conduct, Timing, and Audit Report were satisfactory. Additional comments on the audit process were also received confirming that the audits were carried out efficiently, effectively, and professionally. All of the returned questionnaires indicated that the review was beneficial to the client's area of responsibility.

6.4.4 The key performance measure is the completion of the Internal Audit Plan. Performance of the Internal Audit Service is reported to Scrutiny Committee via the CAE's Annual Assurance Report, which provides an opinion on conformance with Public Sector Internal Audit Standards. There is no performance measurement framework (such as key performance indicators), however, previous years data is available in the Annual Report. The CAE stated that key performance indicators is not something that the Committee has ever requested and that the team do not have the resources to undertake the data capture. The CAE should discuss with the Committee to confirm what further information could be provided to benefit transparency and accountability. This could include benchmarking with other similar sized local authorities. **See Appendix D – Recommendation 8.**

6.4.5 An external EQA was previously carried out by East Lothian Council in May 2018. The results of the EQA, which concluded that Dundee City Council fully conforms with eleven of thirteen standards and generally conforms with the remaining two of the PSIAS requirements. The findings were reported to Scrutiny Committee in June 2018. An Action Plan was agreed with the Senior Manager – Internal Audit. The Action Plan included five areas for improvement. From the work carried out during this EQA, we can confirm that three areas for improvement have been addressed, with the exception of:

- The Internal Audit Charter should fully reflect the requirement for Internal Audit to be notified of all suspected or detected fraud, corruption or impropriety and should set out the role of Internal Audit in any fraud related work; and
- Formal training records should be maintained for all members of the Internal Audit team and all team members should participate in the performance monitoring process. This should include the CAE.

6.4.6 A formal self-assessment of conformance with the PSIAS was carried out in April 2024, which utilised the EQA Checklist. Findings have been reported to Committee via the CAE's Annual Assurance report. This includes a copy of the Action Plan which provides progress updates.

6.4.7 Dundee City Council's Internal Audit Service **fully conforms** with Standard 1300 on Quality Assurance and Improvement Programme.

7. SECTION E – PERFORMANCE STANDARDS

Performance Standards describe the nature of the internal audit services being provided and provide criteria against which the performance of an internal audit function can be measured.

7.1 2000 - Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation. The internal audit activity is effectively managed when it achieves the purpose and responsibility included in the internal audit charter, it conforms with the PSIAS, its individual members conform with the Code of Ethics and the PSIAS and it considers trends and emerging issues that could impact the organisation. The internal audit activity adds value to the organisation and its stakeholders when it considers strategies, objectives and risks; strives to offer ways to enhance governance, risk management, and control processes; and objectively provides relevant assurance.

- 7.1.1 An annual risk-based Internal Audit Plan is compiled by the CAE outlining the planned programme of work to be undertaken in consultation with key stakeholders including members of the Scrutiny Committee. Elected Members are included within discussions before the plan is finalised for Committee.
- 7.1.2 The planning process was amended in 2023/24 to include the newly created more detailed Audit Universe. This helps identify all the key potentially auditable areas / services within Dundee City Council. Auditable areas are identified via: City Plans / Council Plans and Service Plans; Corporate Risk Register; Service Risk Register; External inspection reports; Liaison with External Auditors; Consultations with Scrutiny Committee members; Consultation with members of the Council Leadership Team and Service Leadership Teams; and the knowledge base within Internal Audit. Audits are also carried forward from previous years.
- 7.1.3 An assurance map identifies the various ways in which management and those charged with Governance receive assurance about achievement of objectives, service delivery, and risk. 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. Assurance mapping was under development in Dundee City Council, but it was decided the ask was too onerous and would not be taken forward in that way, but would continue to be explored. Best practice for the CAE would be to continue to explore options on how this could be achieved to assist with assurance provision. **See Appendix D – Recommendation 9.**
- 7.1.4 The time available for audits takes into account the work for the IJB, 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.
- 7.1.5 The annual Internal Audit Plan is presented to Scrutiny Committee for approval. Any amendments to the Plan are also brought to the Scrutiny Committee for approval. The Chief Executive, Executive Director of Corporate Services, and the Head of Corporate Finance are also kept informed of Internal Audit developments by the CAE through regular meetings.
- 7.1.6 The CAE presents a progress update towards completion of the Internal Audit Plan, and the individual audits contained within it at every meeting of the Scrutiny Committee. 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.

7.1.7 Completed Stakeholder Questionnaires confirm that the Internal Audit Service adds value to the organisation and management are given the opportunity to feed into the planning process.

7.1.8 As part of the Standards, the CAE should have sufficient access to partnership officers and records and the CAE should have arrangements in place to share information and coordinate activities with internal and external providers of assurance to ensure there is adequate coverage and minimal duplicate of effort (where the body has organisational risks that relate to work it undertakes through partnerships). This is relevant for the IJB, Tay Cities Region Deal, and LACD (Leisure and Culture Dundee).

7.1.9 For the IJB the Council supplies input to the Internal Audit service provided, which is led by FTF Audit and Management Services (see 6.3.2 above). Regular meetings / contact is in place as well as protocols regarding how this works. The Tay Cities Region Deal requires an audit at least every two years and Dundee City Council Internal Audit service undertake this. Arrangements for LACD are in process of being reviewed. Up until now one audit has been undertaken annually as part of the Council plan. The intention is to provide a separate Internal Audit service to LACD, but the Service Level Agreement needs updated first.

7.1.10 The internal audit resources available in 2023/24 were below establishment due to staff turnover. The CAE concluded that on a one off basis they have been sufficient to allow the discharge of the responsibilities of the Council's CAE as described in the PSIAS and other relevant guidance. The resources available were supplemented by using the audit support contractor to undertake work. Vacant posts were also filled towards the end of the period.

7.1.11 Discussion with the CAE and observation at Scrutiny Committee confirmed that delays have been reported by the CAE on receiving audit findings back from auditees which impacts on timeframes to report. A Progress Report goes to each Scrutiny Committee detailing what is outstanding. The CAE presented a briefing paper to the Council Leadership Team which highlighted audits frequently over-run, taking too long to be concluded and reported. There was a plea for Services to prioritise audit interactions to help them meet reporting timeframes. For 2025/26 the CAE has proposed to keep a proportion of time unplanned to allow for audits identified throughout the year. This should help to provide audits on a more timely basis.

7.1.12 Dundee City Council's Internal Audit Service **fully conform(s)** with Standard 2000 on Managing the Internal Audit Activity.

7.2 2100 - Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organisation's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

More specifically, the internal audit activity must assess and make appropriate recommendations to improve the organisation's governance processes, evaluate the effectiveness and contribute to the improvement of risk management processes and assist the organisation in maintaining effective controls by evaluating their efficiency and effectiveness and promoting continuous improvement.

7.2.1 Preparation of the annual Internal Audit Plan is undertaken by the CAE. It is undertaken taking cognisance of the audit universe and through discussion with Chief Officers / senior managers, and Elected Members.

7.2.2 This EQA established that the Internal Audit Plan breaks down into:

- Governance Reviews;
- ICT Reviews;
- Financial Reviews;
- Systems Reviews; and
- Other Work (including Follow Ups, Prior Year Work, Advice and Guidance, PSIAS Self Assessment work, etc).

7.2.3 Each of the reviews are linked to the risk register (the risks to be mitigated).

7.2.4 As risk management falls under the remit of the Acting Internal Audit Senior Manager it is important that there is no impairment of independence or bias to objectivity. Appropriate arrangements have been put in place for delivering reviews of risk management through the external support contract with Azets. A review was agreed for 2023/24 which was delayed into 2024/25. The review was finalised and reported to the Scrutiny Committee in June 2025.

7.2.5 Dundee City Council's Internal Audit Service **fully conforms** with Standard 2100 on Nature of Work.

7.3 2200 - Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. The plan must consider the organisation's strategies, objectives and risks relevant to the engagement.

The CIPFA Local Government Application note states that for each engagement, a brief should be prepared, discussed and agreed with relevant managers. The brief should establish the objectives, scope and timing for the assignment and its resource and reporting requirements. Audit work should be undertaken using a risk-based audit approach.

7.3.1 An Internal Audit Manual is in place to guide the team. Most members of the team are experienced, knowledgeable, and professional, and are proficient in their understanding of the audit process. There is a standard methodology in place for engagement planning which includes an Audit Brief.

7.3.2 We selected a sample of three Audit Assignments during the EQA. There was an Audit Brief completed for all three assignments. The Audit Brief contains a background section on the subject of the audit, the high level scope and objective, the specific objectives of the audit, reference sources, and key contacts. The scope of the audit determines the level of activity and depth of review. The final Audit Brief is agreed by the most relevant senior officer of the service which is subject to audit (normally a Head of Service or Executive Director).

7.3.3 The audit brief from 2023/24 onwards now includes a timetable that notes key dates including those around committee reporting.

7.3.4 In addition, Internal Audit staff who are involved in prior consultancy work will not be permitted to be involved in any internal audit work that is directly related to that work.

7.3.5 Dundee City Council's Internal Audit Service **fully conforms** with Standard 2200 on Engagement Planning.

7.4 2300 - Performing the Engagement

Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.

At each stage of the audit, auditors should consider what specific work needs to be

conducted and evidence needs to be gathered to achieve the engagement objectives and support an independent and objective audit opinion. Systems should be in place to ensure that auditors obtain and record, within the working papers, sufficient evidence to support their conclusions, professional judgements and recommendations. Working papers should always be sufficiently complete and detailed to enable an experienced internal auditor with no previous connection with the audit to ascertain what work was performed, re-perform it if necessary and support the conclusions reached. The CAE should also specify how long all audit documentation should be retained, whether held on paper or electronically. All audit work should be subject to an appropriate internal quality review process.

Internal auditors must be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest when performing their individual audits. They must also have sufficient knowledge to identify indicators that fraud or corruption may have been committed.

- 7.4.1 Dundee City Council's Audit Manual sets out the procedure in relation to undertaking an audit, including working papers and files. The Audit Manual was last reviewed in May 2020. Sections include: the Audit Approach; Working Papers; Audit Review; Audit Management; Audit Reporting; Follow-Up process; Client Feedback; IT Audit; Register of Interests; Consultancy Exercise; Scrutiny Committee; Records Retention; Fraud Returns; Incident and Probity Logs. Some of this information is out-of-date. A number of older templates have not been used for some time because they related to paper files, which the service stopped using during 2019/20. This applies to the Audit File checklist and the Draft Report Discussion template.
- 7.4.2 The CAE is aware that the Audit Manual needs updated, however, has had resourcing issues and would prefer to update the Manual in line with the new Global Internal Audit Standards (GIAS) introduced in 2025. The Internal Audit Service have, however, been changing the reporting, audit planning, audit progress, and action implementation monitoring processes so have been writing guidance and creating new templates as supplements to the manual. **See Appendix D – Recommendation 10.**
- 7.4.3 The CAE has identified that an Audit File Checklist needs to be developed. This has been discussed with the team and they agreed that the Angus Council Key Dates Activity Log could be utilised, however, it needs a bit of tailoring for Dundee City Council. This has not been implemented to date due to the resource constraints and the fact that the majority of staff are very experienced so not seen as an essential at this stage and the CAE has prioritised other areas. **See Appendix D – Recommendation 11.**
- 7.4.4 A record retention schedule is in place (current year plus five years) which follows the Scottish Council on Archives Record Retention Schedules, however, there are still paper records and electronic files held from pre 2019. **See Appendix D – Recommendation 12.**
- 7.4.5 We selected a sample of three Audit Assignments during the EQA and checked to ensure that audits are undertaken in compliance with the Standards and the Audit Manual. We found that working papers and templates are standardised. There is a File Review document, which is also a standard template utilised for the review of the file where any questions or points can be noted for the auditor to respond to / action.
- 7.4.6 All the files inspected had a File Review document which was prepared by the reviewer, however, one file was not countersigned by the actioner, although it was clear that actions had been undertaken from the comments. This was confirmed as the first tier file review as stated in the Audit Manual. The second tier file review is the review of the draft report, although this is not clear from the Audit Manual. There are several versions of the draft report that confirms that reviews have been undertaken.

7.4.7 The majority of Internal Audit reports are reviewed by the CAE prior to issue. There is also email evidence of reviews being carried out, along with the first tier review on the agreed template as stated in the Audit Manual and received in the evidence pack. The majority of working papers are reviewed by the CAE and / or a qualified and experienced member of staff. We noted, however, in the audit files inspected that there was no evidence:

- of the feedback questionnaires on two of the three audit files, however, one of the missing questionnaires was later witnessed as saved elsewhere; or
- of the completion of an equivalent to the Audit File Checklist which is specifically mentioned in the Audit Manual. As stated in paragraph 7.4.1 this checklist hasn't been used since 2019/20.

These points should be addressed in conjunction with paragraph 7.4.2. **See Appendix D – Recommendation 10.**

7.4.8 Adequate arrangements are in place regarding General Data Protection Regulation (GDPR) and data sharing with external partners including a Memorandum of Understanding Protocol and Product Sharing Protocol with FTF. By default, engagement results are not released out of the organisation, apart from the IJB audits which are covered by an Internal Audit Output Sharing Protocol. Any such requests would be discussed with Legal Services before complying.

7.4.9 Dundee City Council's Internal Audit Service **fully conforms** with Standard 2300 on Performing the Engagement.

7.5 2400 - Communicating Results

The basic aims of every internal audit report should be to:

- *give an opinion on the risk and controls of the area under review, building up to the annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;*
- *prompt management to implement the agreed actions for change leading to improvement in the control environment and performance; and*
- *provide a formal record of points arising from the audit and, where appropriate, of agreements reached with management, together with appropriate timescales.*

Each report should include the scope and purpose of the audit to help the reader to understand the extent, or limitations, of the assurance(s) provided by the report. During the course of the audit, key issues should be brought to the attention of the relevant manager to enable them to take corrective action and to avoid surprises at the closure stage. Before issuing the final report, the internal auditor should normally discuss the contents with the appropriate levels of management to confirm the factual accuracy, to seek comments and to confirm the agreed management actions. A draft report is useful for this purpose. Recommendations should be prioritised according to risk. The recommendations and the resultant management action plans should be agreed prior to the issue of the final report. Any areas of disagreement between the internal auditor and management that cannot be resolved by discussion should be recorded in the action plan and the residual risk highlighted. Those weaknesses giving rise to significant risks that are not agreed should be brought to the attention of a more senior level of management and the board.

As set out in the PSIAS, the CAE must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement. This must include the annual internal audit opinion concluding on the overall adequacy and effectiveness of the organisation's governance, risk and control framework, a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and a statement of conformance with the PSIAS and the results of the internal audit QAIP.

7.5.1 Individual standardised reports to Services are prepared for all assignments. All reports are summarised to Scrutiny Committee. There were three levels of audit action (recommendation grading) up to June 2023, four thereafter. This was because the report style was revised during 2023, with the new style and revised definitions for assurance and audit actions introduced after June 2023. They have moved from Critical, Significant, and Routine to Critical, High, Medium, and Low.

7.5.2 The new style of report covers: introduction and scope, audit assurance, executive summary, audit findings, recommendations, and action plan. The assignment brief is attached as an appendix to the report. All recommendations are graded in line with pre-defined criteria and definition as above. The new style is more visual with RAG ratings and tables to present conclusions. The main content differences are that the overall assurance level is RAG rated and clearly stated, individual objectives have a RAG rated conclusion, each recommendation is recorded separately, definitions for assurance levels and recommendation gradings are included, and there is a section on the impact of the findings on risk. Progress reporting to committee also now includes the RAG assurance information for all completed audits in the year to date.

7.5.3 Changes were explained and discussed with the Convener and Vice-Convener in advance and also in reports to Scrutiny Committee. The CAE drafted a paper for officers which was also circulated. The changes were also discussed at the Risk and Assurance Board.

7.5.4 End of assignment meeting are not always held. They only occur if the auditee / client and the auditor agree it is required. Draft reports are issued for factual accuracy of the findings. Management is also asked to provide management responses to each recommendation set out in the Action Plan, as well as identifying a responsible officer / owner and implementation date.

7.5.5 The majority of completed Stakeholder Questionnaires confirmed that the Internal Audit Service activity added value.

7.5.6 Dundee City Council's Internal Audit Service **fully conforms** with Standard 2400 on Communicating Results.

7.6 2500 - Monitoring Progress

The PSIAS place responsibility for monitoring progress with the CAE to ensure that management actions have been effectively implemented or, if not, that senior management have accepted the risk of not taking action. The CAE must, therefore, implement a follow-up process for ensuring the effective implementation of audit results or ensuring senior management are aware of the consequences of not implementing an action point and are prepared to accept the risk of such consequences occurring. The results of this process should be communicated to the board. The CAE should develop escalation procedures for cases where agreed actions have not been effectively implemented by the date agreed. These procedures should ensure that the risks of not taking action have been understood and accepted at a sufficiently senior management level. The effective involvement of the board in the follow-up process is critical to ensuring that it works. The CAE should consider revising the internal audit opinion in light of findings from the follow-up process. The findings of follow-up reviews should inform the planning of future audit work.

7.6.1 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.

7.6.2 There is a process in place for monitoring the implementation of recommendations made and agreed with management. After the issue of each final report, the Internal Auditors arrange for all recommendations, along with management responses, implementation dates, and responsible officers / owners to be added to the corporate Pentana system. There have been a numbers of actions still outstanding and agreed dates have been extended and reported to each Scrutiny Committee. The process is in the process of being refined with the end goal where the auditee updates the process on Pentana without auditor input. The Internal Audit team meet monthly to agree any action required to chase up outstanding recommendations and to review the recommendations closed since last meeting.

7.6.3 In 2022, the external auditor commented that “Target dates for implementing some improvement actions from internal audit reports are not being met. Management should ensure that outstanding improvement actions agreed from internal audit reports are completed as a matter of priority or revised dates are reported to elected members” (Article II (b) Report 286-2022 Scrutiny Committee 26 October 2022 refers). The Risk and Assurance Board (RaAB) monitored implementation of actions from June 2022 onwards and the numbers of outstanding actions are now reported to each meeting of the Scrutiny Committee. There was progress during 2022/23 to implement old outstanding actions, but further work was needed to clear older actions as soon as possible.

7.6.4 A link to Pentana reports about outstanding actions in each Directorate are sent automatically to managers monthly. The RaAB discusses progress with clearing action at each meeting. In 2023, however, there was a change in audit approach ‘to give 100% coverage and real-time review’. This was agreed at RaAB in December 2022. This means that information in the Pentana system is used to monitor all actions and agree their closure with reference to evidence that will be identified at the point of the action being agreed as part of the draft report finalisation. The advantages of this are that there is added clarity to the intended outcome when agreeing audit recommendations, and closure will be agreed by Internal Audit at the point services identify the action is closed.

7.6.5 At the time of our review, the CAE stated that they will ask the Internal Audit team to go through the actions and check the evidence to ensure they have been closed properly. They have about 40 to 50 recs in play, which haven’t all gone past their dates. A lot sit at 90%+ complete. Services are getting better at dealing with them, but still not proactive at re-looking at dates. There are still a few old actions and several outstanding recommendations that require their dates to be changed. Notifications are now sent automatically to action owners to update actions. At Pre Agenda meetings, Managers are reminded to complete and close their recommendations.

7.6.6 Follow-up audit work is 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.

7.6.7 The CAE’s Annual Assurance report for 2023/24 highlighted that Management agreed to implement 100% of the recommendations made.

7.6.8 Dundee City Council’s Internal Audit Service **fully conforms** with Standard 2500 on Monitoring Progress.

7.7 2600 - Communicating the Acceptance of Risks

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, they must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, they must communicate the matter to the board. It is not the responsibility of

the chief audit executive to resolve the risk.

- 7.7.1 The Audit Charter outlines that the CAE has unfettered / unrestricted access to the Chief Executive and to the Convener of the Scrutiny Committee. This means that the CAE can escalate issues directly to them (and other senior officers) if required.
- 7.7.2 All audit reports are issued in the CAE's / Acting Internal Audit Manager's name. Where a recommendation is made in a report to mitigate a risk and it is not agreed with management, this would be highlighted in the reporting to the Scrutiny Committee. Discussions with the CAE highlighted no recent instances of this being the case.
- 7.7.3 The Chief Executive, S95 Officer, and Convener of the Scrutiny Committee are kept informed on the process of Internal Audit through regular discussions with the CAE and detailed reporting to the Scrutiny Committee. The full scope of audit activities are also included within the CAE's Annual Report. The Annual Report concludes on an opinion on the Council's framework of governance, risk management, and control.
- 7.7.4 Dundee City Council's Internal Audit Service **fully conforms** to the Standard on Communicating the Acceptance of Risk.

Isabel Wright (CMIIA)
Internal Audit, Risk, and Corporate Fraud Manager
Falkirk Council
14 November 2025

APPENDIX A – SUMMARY OF ASSESSMENT

REF	PAGE No.	ASSESSMENT AREA	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
Section A		Mission of Internal Audit and Core Principles				
Section B		Definition of Internal Auditing				
Section C		Code of Ethics				
Section D		ATTRIBUTE STANDARDS				
1000		Purpose, Authority and Responsibility				
1100		Independence and Objectivity				
1200		Proficiency and Due Professional Care				
1300		Quality Assurance and Improvement Programme				
Section E		PERFORMANCE STANDARDS				
2000		Managing the Internal Audit Activity				
2100		Nature of Work				
2200		Engagement Planning				
2300		Performing the Engagement				
2400		Communicating Results				

2500		Monitoring Progress				
2600		Communicating the Acceptance of Risks				
TOTALS			12	2		

APPENDIX B – EVIDENCE PACK

- Stakeholder Questionnaires (Appendix C)
- Interviews with CAE, two members of the Internal Audit Service, the Convener of the Scrutiny Committee, the Vice Convener of the Scrutiny Committee, the Head of Corporate Finance, and the Executive Director of Corporate Services
- Minutes and papers from the Scrutiny Committee
- Audit Charter
- Audit Manual
- Structure Chart
- Job Descriptions / Profiles
- Evidence of CAE's qualification and qualifications belonging to individuals in the Dundee City Council Audit Service / Professional Certification
- Annual Internal Audit Plan
- Scrutiny Committee - 28 June 2023 report on: 2022/23 Internal Audit Annual Report
- Scrutiny Committee – 26 June 2024 report on: Internal Audit Plan Update and Progress Report
- 2018 EQA
- Annual Conversations
- Scrutiny Committee Stakeholder Consultations
- Internal Audit reports style and Definitions for Assurance Levels and Action Priorities
- Tayside IJB Joint Working Protocols
- Tayside IJB Product Sharing Protocols
- Closed Actions Review
- Completed Actions Review
- Risk Management Report
- Scrutiny Committee – 26 June 2019 on: Insurance Claims Handling Audit
- Review of Scrutiny Arrangements
- Establishment of Scrutiny Committee
- Risk and Assurance Board 21 December 2022
- Anti Bribery Policy
- Audit Universe
- Fraud and Corruption Heat Map – Briefing note
- Fraud and Corruption Heat Map
- City Development Stakeholder notes
- Corporate Services Stakeholder Notes
- Counter Fraud and Corruption Policy
- Data Protection Policy
- Discipline Procedures
- Records Retention Guidance
- ICT Safe and Secure Use Policy
- IJB Audit Joint Working Protocol
- Induction Checklist
- Risk and Assurance Board minutes
- National Code of Conduct
- QAIP Action Plan
- Records Management Policy
- Scottish City Region and Growth Deal
- Whistleblowing Policy
- General Ledger Audit File
- Health and Safety Incident Reports Audit File
- Fleet Minimum Service Levels Audit File
- Secondment Agreement

APPENDIX C – STAKEHOLDER QUESTIONNAIRES

Stakeholder questionnaires were completed by the following key members of staff and Elected Members:

- Gregory Colgan, Chief Executive
- Audrey May, Executive Director of Children and Families
- Robin Presswood, Executive Director of City Development
- Elaine Zwirlein, Executive Director of Neighbourhood Services
- Robert Emmott, Executive Director of Corporate Services
- Paul Thomson, Head of Corporate Finance
- Councillor Kevin Keenan, Convener of the Scrutiny Committee
- Bailie Fraser Macpherson, Vice Convener of the Scrutiny Committee

APPENDIX D – ACTION PLAN

No.	Para	Recommendation	Management Response	Responsible Officer / Agreed Completion Date
1.	6.1.2 6.1.3 6.2.6	We recommend that the Charter is revisited as some areas for improvement were identified as part of the External Quality Assessment.	<p>The Charter was reviewed as part of preparation for GIAS (UK Public Sector) and is compliant with its requirements, including several of those listed.</p> <p>The new Mandate and Charter were discussed with the Corporate Leadership Team and the Scrutiny Committee before finalisation in April 2025.</p> <p>The good practice points not already in the April 2025 Charter will be considered at the next review of the Mandate and Charter.</p>	Chief Audit Executive 30 April 2026
2.	6.2.2	A protocol should be developed for exempt or private Internal Audit reports to be presented at Scrutiny Committee.	Agreed. This protocol will be developed ahead of the next Scrutiny Committee meeting.	Head of Democratic and Legal Services 31 December 2025
3.	6.2.3	The Scrutiny Committee would benefit from a review (also consider a name change to reflect the importance of audit aspects which should be non political).	<p>A review was undertaken in 2023/24 and a revised Terms of Reference, compliant with the Cipfa 2022 guidance, for audit committees are awaiting finalisation of the whole Standing Orders and Schemes of Delegation for the Council.</p> <p>A name change to Scrutiny and Audit Committee is proposed.</p>	Head of Democratic and Legal Services 30 September 2025
4.	6.2.7	A structured approach could be implemented to ensure annual returns are submitted by all team members, covering extra mural employment, independence, and any actual or perceived conflicts of interest (even nil returns).	We will move to declarations for each individual audit from September 2025.	Chief Audit Executive 28 November 2025

5.	6.3.4	<p>The introduction of a longer term plan would help to mitigate workforce related risks and manage any shortfall in resource should it arise. A detailed medium to longer term work force plan would assist with planning as the Chief Audit Executive or Acting Internal Audit Senior Manager could monitor.</p>	<p>We have a workplan covering the whole of the current annual plan, which is updated when the new plan is agreed in April each year. This is regularly monitored and action taken where required to keep delivery of the plan on track.</p> <p>Revised career grade structure is designed to aid recruitment if required, and the Azets contract is designed to provide additional resource at short notice should it be needed.</p> <p>The current Strategy does not envisage any change in workforce resource requirement therefore if there is any change in the current team it will be evaluated and a suitable plan enacted as required.</p> <p>This will be recorded in a section within the Audit Manual</p>	<p>In place at August 2025.</p> <p>Chief Audit Executive Will be recorded in the Manual by 31 December 2025.</p>
6.	6.3.6	<p>It is important that there is written evidence of the Chief Audit Executive's knowledge, skills, and other competencies to carry out their professional responsibilities at Dundee City Council, applying due professional care the same as team members. This could be covered via the expansion of the Secondment Agreement for transparency.</p>	<p>This will be reviewed in preparation for the end of the current secondment in 2026.</p>	<p>Executive Director Corporate Services 31 October 2025</p>
7.	6.4.2	<p>The Council's senior management team should consider the proportionality of the current review process, particularly after the draft report has been agreed with the Service.</p>	<p>This will be reviewed.</p>	<p>Executive Director Corporate Services 31 December 2025</p>
8.	6.4.4	<p>Consideration should be given to establishing a performance measurement framework (such as key performance indicators). The Chief Audit Executive should discuss with the Committee to confirm what further information could be provided to benefit transparency and accountability. This could include benchmarking with other similar sized local authorities.</p>	<p>This action has been identified in our GIAS (UK Public Sector) implementation action plan and will be taken forward there.</p>	<p>Chief Audit Executive 31 December 2025</p>
9.	7.1.3	<p>The Chief Audit Executive should continue to explore options on how assurance mapping could be effectively used at Dundee City Council as an assurance map identifies the various ways in which management and those charged with Governance receive assurance about achievement of objectives, service delivery, and risk. 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.</p>	<p>Assurance mapping is a council-wide activity. This has been taken as far as it can be at this time by Internal Audit itself. Revised CIPFA guidance is due to be published. Our action plan already notes it will be reviewed, and any required changes identified within 3 months of publication.</p>	<p>Chief Audit Executive, within 3 months of revised CIPFA guidance Review position June 2026</p>

10.	7.4.2 7.4.7	The Audit Manual needs updated.	This is currently in progress as part of the GIAS (UK Public Sector) action plan.	Chief Audit Executive 31 December 2025
11.	7.4.3	An Audit File Checklist needs to be developed.	This is currently in progress as part of the Manual update at recommendation 10 above.	Chief Audit Executive 31 December 2025
12.	7.4.4	Internal Audit files should be subject to a review ensuring compliance with the retention and disposal process. Files outwith the retention period should be disposed of in terms of the policy in place.	Agreed.	Acting Senior Manager Internal Audit 31 March 2026

Critical
Significant
Routine

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