

REPORT TO THE AUDIT COMMITTEE – 16 SEPTEMBER 2021

INTERNAL AUDIT PROGRESS WITH 2020/21 AUDIT PLAN

1. Reason for Report / Summary

- 1.1 This report advises the Committee of Internal Audit's progress against planned work during the current year.

2. Recommendation

The Committee is recommended to:

2.1 Review, discuss and comment on the issues raised within this report and the attached appendices

3. Purpose and Decision Making Route

3.1 Purpose

- 3.1.1 It is one of the functions of the Audit Committee to review the activities of the Internal Audit function, including its annual work programme. Internal Audit reports interim progress each December and provides a full year report following the end of the financial year. An additional report is being presented in September this year in order to provide an early indication of potential risks to delivery of the Internal Audit Plan.

3.2 Decision Making Route

- 3.2.1 Details contained within this report have not previously been considered by this, or another Committee.

4. Discussion

Internal Audit Plan 2020/21

- 4.1 Appendix A to this report details the audits carried forward from 2020/21, to 2021/22 and the current position with regard to these. Some of the residual 2020/21 audits have taken longer to complete than anticipated when included in the plan due to performance issues, absences, and delays in clearing some reports with Services.

Audit Status	Number	%age
Complete	7	44%
Draft Report Issued	4	25%
Work in Progress	5	31%
Total	16	100%

Internal Audit Plan 2021/22

- 4.2 The Internal Audit Plan approved by the Audit Committee on 25 March 2021 detailed what Internal Audit expected to be able to review in the year, assuming stability in resources available to the Section. It was noted that the plan is flexible and can be amended to reflect changes in priority or because of new risks being introduced or identified. The audits were allocated to an indicative quarter in which work was planned to be undertaken. This was to remain fluid throughout the year in recognition of the fact that it may not be appropriate to undertake specific work when planned, as a result of continued Covid 19 restrictions, and it was highlighted that it was likely that further changes may be required as the year progresses.
- 4.3 Internal Audit's resources have been constrained due to the direct and indirect impacts of Covid 19 on team absence statistics, and a series of vacancies following the departure of the former Chief Internal Auditor, recruitment for which is still ongoing. Two of the Section's key roles (the Chief Internal Auditor and one Senior Auditor) are not currently filled on a permanent basis, pending recruitment processes. Acting up arrangements have been implemented in the interim, and additional Assistant Auditors have been offered fixed term contracts to back-fill capacity. However, it has taken some time to conclude recruitment and some of this capacity will be required for training and development. Limited management capacity has also reduced opportunities to address performance issues identified within the team. Turnover and absence has increased, including some experienced members of the team.
- 4.4 It is anticipated that the ongoing permanent Chief Internal Auditor (CIA) recruitment process will be concluded in September 2021. In the interim, acting-up arrangements remain in place within the team, and recruitment of Assistant Auditors is in progress. Opportunities to improve the efficiency of the team's work are being pursued where this will not impact on the level of assurance obtained and delivered. On conclusion of CIA recruitment, the team will progress towards a full staffing complement to restore capacity currently lost through back-filling of posts.
- 4.5 Given the challenges set out in section 4.3, the 2021/22 Internal Audit Plan has not progressed to the extent originally anticipated to date. Work has however commenced, with a summary shown in the following table:

Audit Status	Number	%age
Complete	0	0%
Draft Report Issued	0	0%
Work in Progress	10	23%
To be Commenced	34	77%
Total	44	100%

- 4.6 Appendix B to this report details the current position with audits contained in the 2021/22 plan agreed with the Audit Committee in March 2021. Work has been delayed commencing some of these audits, pending progress with concluding work carried forward from the previous year. Audited Services have also indicated continuing issues with capacity to support Internal Audit's work as they seek to re-establish and where appropriate

adjust operations following Covid 19.

- 4.7 Further consideration has therefore been given to prioritising the remaining audit work in line with the anticipated level of risk pertaining to each area. During 2020/21 lower-risk audits were added to a Reserve List, and thereafter removed or deferred following consultation with Officers and the Audit Committee.
- 4.8 A similar approach to reviewing and re-prioritising the Audit Plan has been undertaken for 2021/22, however it is not proposed to formally remove or defer specific pieces of work at this stage. Whilst delivery of the Internal Audit Plan within 2021/22 is at risk due to the circumstances outlined at 3.6 above, the audits included therein remain a priority, and will be progressed as resources allow. Similar to previous years, this is likely to mean a proportion of the Audit Plan will be reported to the Committee in the following financial year.
- 4.9 In order to support the Chief Internal Auditor’s annual report, prior to the end of the financial year assurance will be sought from relevant Services in respect of audited areas where a full review cannot be concluded within the year. More detailed review of supporting evidence will be undertaken thereafter, and reported to the Audit Committee as soon as practicable in the following financial year. The areas in which this is currently anticipated to apply, on a risk-prioritised basis, are included in Appendix B with a revised provisional reporting date of July 2022 (Committee dates pending).
- 4.10 In respect of the proposed Risk Management audit, Finance has recently completed its own review of this area, reported to the Audit Committee in July 2021. Internal Audit will monitor progress with the Service’s action plan to obtain assurance over this area, and will report back to the Audit Committee later in the financial year. Consideration will be given to other areas which might benefit from similar Assurance in Implementation and Development (AID) work – which represents a hybrid approach between consulting and assurance.
- 4.11 Appendix C sets out progress to date with the Internal Audit Quality Assurance and Improvement Plan, through which improved compliance with Public Sector Internal Auditing Standards, and improved performance, was planned during 2021/22.

5. Council Priorities, Implications and Risk

- 5.1 The work of Internal Audit covers all of the Council’s Priorities. It aims to provide assurance over the adequacy and effectiveness of the Council’s framework of governance, risk management and control, which underpin the delivery of all priorities.
- 5.2 The table below shows whether risks and implications apply if the recommendation is agreed.

Subject	Yes	No	N/A
Financial		X	
Staffing		X	

Equalities and Fairer Scotland Duty		x	
Children and Young People's Rights and Wellbeing		x	
Health and Wellbeing		x	
Town Centre First		x	
Sustainability		x	

- 5.3 An integrated impact assessment is not required because the reason for this report is for Committee to discuss and comment on the findings of Internal Audit work and there will be no direct impact, as a result of this report.
- 5.4 There are no staffing or financial implications arising directly from this report other than those implicit in the improvement of internal controls recommended in the Internal Audit reports.
- 5.5 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management.

6. Scheme of Governance

- 6.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report. Any comments made have been incorporated within the report and they are satisfied that the report complies with the Scheme of Governance and relevant legislation.
- 6.2 The Committee is able to discuss this item in terms of Sections G.1.1.d and G.1.4 of the List of Committee Powers in Part 2A of the Scheme of Governance as the Committee is responsible for Internal Audit matters and reviewing the activities of Internal Audit.

CHIEF INTERNAL AUDITOR

Report prepared by Colin Harvey, Chief Internal Auditor (Interim).
31 August 2021.

List of Appendices:

- Appendix A – 2020/21 Internal Audit work
- Appendix B – 2021/22 Internal Audit work
- Appendix C – Internal Audit QAIP Progress

Appendix A

2020/21 Audit Work carried forward into 2021/22:

Service	Audit Topic	Position
Corporate / Cross Service	Compliance with Procurement related Legislation and Council Regulations.	Completed August 2021
	Timesheets / Allowances	Draft report issued July 2021; Anticipated conclusion September 2021
Business Services	Budget Setting Process	Work in Progress; Anticipated conclusion September 2021
	Debtors Invoices	Draft report issued August 2021; Anticipated conclusion September 2021
	Payroll Processes	Work in Progress; Delayed due to audited Service pressures. Anticipated conclusion September 2021
	Payroll Recovery of Overpayments	Completed May 2021
	ICT Contract Management	Work in Progress; Anticipated conclusion September 2021
	Ledger System	Draft report issued July 2021; Anticipated conclusion September 2021
Education and Children's Services	Health and Safety - SSERC	Work in Progress; Anticipated conclusion September 2021
Aberdeenshire Health and Social Care Partnership	Financial Assessments	Completed May 2021
	Mental Health and Substance Abuse	Completed August 2021
	Learning Disabilities	Completed June 2021

2020/21 Audit Work carried forward into 2021/22:

Service	Audit Topic	Position
Infrastructure Services	Housing Rent Collection	Work in Progress; Anticipated conclusion September 2021
	Void Control	Completed May 2021
	Vehicle Replacement	Draft report issued August 2021; Anticipated conclusion September 2021
	Housing Purchasing and Creditors	Completed August 2021

Appendix B

2021/22 Audit Work

Service	Audit Topic	Risk / Audit Priority Level	Original Plan	Proposal / Update
Corporate / Cross Service	General Data Protection Regulation	High (Previous compliance issues)	Planned for Q3	Anticipated Q4
	Climate Change	Medium - Consulting (High profile risks)	Planned to commence in Q2.	This is a consulting / advisory part of the plan. Support has been provided to the Service in developing its approach to measuring and monitoring delivery of the Council's climate change plans and responsibilities.
	Risk Management and Business Continuity Planning	High (Absence of recent assurance)	Planned for Q1	Anticipated Q4 The Service has recently completed its own review of this area, reported to the Audit Committee in July 2021. Internal Audit will monitor progress with the Service's action plan, and report to the Audit Committee in Q4.
	Attendance Management	Medium (Procedural compliance)	Planned for Q3	Work in Progress; Anticipated Q3
	Procurement	Medium - Consulting (Previous compliance issues)	Planned to commence in Q2.	This is a consulting / advisory part of the plan. Support has been offered to C&PSS and assistance is planned over the next few months to help improve controls over procurement compliance.
	Performance Management	Medium (Developing area)	Planned for Q3	Planned for Q3

2021/22 Audit Work continued

Service	Audit Topic	Risk / Audit Priority Level	Original Plan	Proposal / Update
Business Services	Printing Contract	Low (Contract management)	Planned for Q4	Anticipated July 2022
	CRM System	Medium (Key system)	Planned for Q2	Anticipated July 2022
	Cash receipting system	Medium (Key system)	Planned for Q4	Planned for Q4
	i-Procurement System	Medium (Key system)	Planned for Q2	Anticipated Q3
	Budget monitoring	Medium (Key process)	Planned for Q2	Work in Progress; Anticipated Q3
	Purchase cards	Medium (Key system)	Planned for Q1	Work in Progress; Anticipated Q3
	Debt Recovery	Medium (Key process)	Planned for Q2	Anticipated Q3
	PVG Checks	Medium (Key system, legislative compliance)	Planned for Q4	Work in Progress; Planned for Q4
	IR35	Medium (Previous compliance issues)	Planned for Q3	Anticipated Q4

2021/22 Audit Work continued

Service	Audit Topic	Risk / Audit Priority Level	Original Plan	Proposal / Update
Business Services (continued)	Pensions	Low (Procedural compliance)	Planned for Q4	Work in Progress; Anticipated Q3
	Registrars	Low (Procedural compliance)	Planned for Q3	Anticipated July 2022
	Internet Access	Low (Automated controls limit risk)	Planned for Q2	Anticipated July 2022
	Deployment of Microsoft Technology	Medium (Key system)	Planned for Q4	Planned for Q4
	Cyber Resilience	Medium (Key systems, high profile risks)	Planned for Q1	Work in Progress; Anticipated Q3

2021/22 Audit Work continued

Service	Audit Topic	Risk / Audit Priority Level	Original Plan	Proposal / Update
Education and Children's Services	Community and Cultural Facilities	Low (Procedural compliance)	Planned for Q3	Anticipated Q4
	Primary School Visits	Medium (Procedural compliance – previous findings)	Planned for Q4	Planned for Q4
	Family centres and children	Medium (Procedural compliance – previous findings)	Planned for Q4	Planned for Q4
	Education Maintenance Allowances	Low (Partly reviewed by External Audit)	Planned for Q4	Anticipated July 2022
	Catering Procurement	Medium (Previous compliance issues)	Planned for Q3	Anticipated Q4
	Teachers' Recruitment	High (Extent of activity and risks)	Planned for Q2	Anticipated Q3
	1140 Hours Nursery Provision	High (Scale of activity and risks, funding)	Planned for Q4	Planned for Q4

2021/22 Audit Work continued

Service	Audit Topic	Risk / Audit Priority Level	Original Plan	Proposal / Update
Aberdeenshire Health and Social Care Partnership	Care Management System	High (Key system, previous compliance issues)	Planned for Q3	Work in Progress;
	Residential Care	Medium (Procedural compliance – previous findings)	Planned for Q1	The Service has requested that the audit be postponed to Q4 due to the impact of a 3 rd wave of Covid 19 on staff.
	Following the public pound	High (Discretionary payments, previous compliance issues)	Planned for Q2	Work in Progress; Anticipated Q3
	Client Transport	Medium (Procedural compliance)	Planned for Q4	
	Day Care Establishments	Low (Procedural compliance)	Planned for Q4	Anticipated July 2022
Aberdeenshire IJB	Transformational Funding	High (Key to delivery of strategic objectives, and funding)	Planned for Q3	Planned for Q3

2021/22 Audit Work continued

Service	Audit Topic	Risk / Audit Priority Level	Original Plan	Proposal / Update
Infrastructure Services	European Agricultural Fund for Rural Development Grant Claim	High (Required by funders. Previous compliance issues)	Planned for Q3	Work in progress; Anticipated Q3
	Bus Service Operators Grant	Medium (Required by funders)	As required (No audit reports required)	Completed July 2021
	Interreg Projects	Medium (Required by funders)	As required (No audit reports required)	As required
	Waste	Medium (Procedural compliance)	Planned for Q3	Planned for Q3
	Sheltered Housing	Medium (Procedural compliance)	Planned for Q2	Anticipated Q3
	Rent Arrears	High (Key process)	Planned for Q2	Anticipated Q3
	Support for Businesses	High (Discretionary payments, previous issues)	Planned for Q2	Work in Progress; Anticipated Q3
	Landscape Services	Low (Procedural compliance)	Planned for Q4	Anticipated July 2022

2021/22 Audit Work continued

Service	Audit Topic	Risk / Audit Priority Level	Original Plan	Proposal / Update
Infrastructure Services (continued)	Burial Grounds	Low (Procedural compliance)	Planned for Q3	Anticipated July 2022
	Housing Capital Contracts	High (Scale of activity and risks)	Planned for Q4	Planned for Q4
	Homeless Persons Budget	Medium (Procedural compliance)	Planned for Q3	Planned for Q3
	Confirm System	High (Key system)	Planned for Q4	Planned for Q4

Appendix C

INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

Action	Date	Plan	Progress
Internal Audit Service Development Planning	May 2021	PSIAS recommends that the Internal Audit Plan detail how the Service will be developed in accordance with the Internal Audit Charter. The QAIP will fulfil this recommendation.	The Audit Committee noted the QAIP in May 2021. Complete.
Resourcing	May 2021	Recruitment for the Chief Internal Auditor post is ongoing, anticipated conclusion in May 2021; Recruitment for the Senior Auditor post will commence thereafter; Recruitment for an Assistant Auditor post is nearing completion.	Chief Internal Auditor recruitment was subject to further delay. It is anticipated this will be concluded in September 2021. This has therefore delayed the ability to fill the Senior Auditor position, and acting up arrangements are in place in the interim. If the CIA post is filled in September, this post can be addressed in October 2021. Two Assistant Auditors (fixed term) joined the team in July 2021. Revised timescale: November 2021.
Management Engagement	June 2021	Consultation and engagement with Directors and Heads of Service will be sought, to provide progress updates and identify any potential resource impacts within Services which could impact on Internal Audit progress with planned work.	Consultation was undertaken with Directors' management teams in June 2021 regarding current and planned Internal Audit work, overdue recommendations, and developing options for additional advisory and consulting work. Complete (Ongoing activity).

External Auditor Engagement	June 2021	Consultation and engagement with External Audit will be required to ensure efforts are aligned and avoid duplication / overlap of assurance. This is a recommendation of PSIAS.	<p>External Audit has been reviewing Internal Audit work to inform their work, and reported interim findings to the Audit Committee in July 2021. The Chief Internal Auditor (Interim) meets with the Senior (External) Audit Manager on a regular basis to discuss issues arising.</p> <p>Complete (Ongoing activity).</p>
Performance Management	July 2021	More regular performance monitoring will be implemented following rationalisation of the Internal Audit performance management process.	<p>Performance monitoring data has been refreshed. It will be rolled out and more effectively utilised as management capacity is released following conclusion of recruitment processes.</p> <p>Revised timescale: December 2021.</p>
Improvement Activity	Sept 2021	Corporate improvement and consulting activities have been included in the Internal Audit Plan for 2021/22. Progress will be monitored, outcomes and lessons learned recorded and acted on to inform future years' planning.	<p>Progress is being monitored, and outcomes and lessons learned will be reported in due course.</p> <p>Revised timescale: March 2022.</p>
Assurance Mapping and Prioritisation	March 2022	Wider sources of Internal Audit assurance will be given formal consideration as part of the planning process for the 2022/23 Internal Audit Plan, and priority levels determined for each audit. This is a recommendation of PSIAS.	<p>Priorities have been assigned for 2021/22 work and included in Appendix B above.</p> <p>As the 2022/23 Internal Audit Plan is developed, consideration will be given to the levels of risk anticipated in respect of each audited area, and other sources of assurance.</p> <p>Consideration will also be given to how this is reported to the Audit Committee, including whether it would benefit from presentation of the wider Audit Universe as recommended by External Audit in their report to the July 2021 Audit Committee.</p>