Governance, Risk and Best Value Committee

10.00am, Tuesday 25 September 2018

Internal Audit: Overdue Findings and Late Management Responses as at 31 August 2018

Item number	7.2
Report number	
Executive/routine	
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Council Commitments	

Executive Summary

This report sets out details of all overdue Internal Audit (IA) findings, and audit reports issued in draft, where final management responses have not been received within the agreed service standard timeframes.

There were 141 open IA findings across the Council as at 31 August 2018, including the 30 historic findings that were reopened earlier this year.

This compares to 130 as at 25 July 2018. This movement reflects 20 new findings raised in the Health and Social Care Purchasing Budget; Drivers; General Data Protection Regulation Readiness; Phishing Resilience; and Transfer of the Management of Development Funding Grant audits, and closure of 9 overdue findings (6 High; 1 Medium; and 2 Low).

Of the 141 open IA findings and associated management actions:

1. 94 (66%) are currently reported as overdue as they have missed all of their originally agreed implementation dates;

2. a total of 47 (34%) of these are open, but not yet overdue;

3. evidence in relation to 66 (70%) of the 94 overdue findings is currently being reviewed by IA to confirm that it is sufficient to support their closure;

4. 28 (30%) residual overdue actions still require to be addressed; and

5. Revised dates and progress updates have been provided for 22 (78%) of these 28 remaining overdue findings.

Report

Internal Audit: Overdue Findings and Late Management Responses as at 31 August 2018

1.   Recommendations

1.1   Committee is recommended to note:

1.1.1   the status of overdue findings arising from IA reports as at 31 August 2018;

1.1.2   that IA is focussed on reviewing the significant quantity of evidence provided by Directorates/Divisions to support closure of open and overdue findings during August, with a five-week window (to 5 October 2018) being given to services to address and resolve any subsequent IA queries raised prior to findings being formally recorded as overdue (where appropriate);

2.   Background

2.1   Overdue findings arising from IA reports and late management responses are reported monthly to the CLT and quarterly to the GRBV Committee.

2.2   It is anticipated that the greater visibility that monthly CLT reporting provides will result in more IA findings being closed off in a timely manner.

2.3   The IA definition of an overdue finding is any finding where all agreed management actions have not been implemented, evidenced as implemented and validated as closed by IA by the date agreed by management and IA and recorded in IA reports.

2.4   The IA Charter includes a requirement for receipt of management responses to draft IA findings within 10 working days. Where management responses are not received on time, details are included in this report.

2.5   IA is currently reviewing the end to end process for addressing IA findings to ensure that IA validation is also managed within a formal standard as part of an enhancement of the IA Charter. This will enable a fully transparent and clear reporting of performance across the whole of the IA process for the Committee in the future.

3.   Main report

Quality of Evidence and Management Responses

3.1   Quality of evidence provided by management to support follow-up and closure of IA findings remains an ongoing challenge. This has resulted in IA providing further engagement and advice and having to reperform follow-up work to support final

closure.   This impact is expected to reduce as more people attend the IA training which provides guidance and examples of best practice.

3.2   Quality and timely receipt of management responses is also a challenge when finalising IA reports. The responses provided do not always fully address the findings raised and associated management actions and the 10-working day timeframe specified in the IA charter is not consistently adhered to.   Again, it is expected that the impact of this will reduce through the rollout of the training.

3.3   Delays in receipt of management response presented a challenge when finalising draft reports to support the 2017/18 IA opinion for presentation to GRBV in July 2018.

IA Solutions to Address Quality of Evidence and Management Responses

3.4   IA launched the new Team Central automated follow-up system in July 2018.

3.5   IA training is being provided for the Wider Leadership Team, all employees who are involved in implementing agreed management actions and executive support. An update on training attendance and feedback will be provided to Governance, Risk and Best Value Committee in October 2018.

3.6   IA has also implemented a new 'workshop' approach when finalising draft reports, with the objective of confirming factual accuracy of the draft report and agreeing management actions in a collaborative rather than an iterative way. This is proving to be particularly effective where the findings and recommendations span a number of Directorates or Divisions, as it facilitates an opportunity for them to agree how best to work together to address the control gaps identified.

Open and Overdue Findings

3.7   The 141 open IA findings across the Council have been split into the following two categories to enable separate monitoring and reporting of the historic findings that were reopened in June 2018:

3.7.1   The current overdue findings (112 in total) shows progress with findings raised, tracked and reported on as part of the routine IA assurance cycle; and

3.7.2   the historic overdue findings highlights progress with the 30 historic findings that were reopened.

Current Overdue Findings

3.8   Of the 112 open findings, 65 (58%) are now technically 'overdue' in comparison to 71 as at 25 July 2018. However, IA is currently reviewing requests to close 49 (75%) of these findings, and they have been classified as 'IA Validation in progress', leaving a balance of 16 overdue findings (2 High; 13 Medium; 1 Low) still to be addressed.

3.9   Additionally, 11 management actions associated with a further 7 open and overdue findings have now been closed, with further evidence required to support closure of the remaining management actions associated with these findings.

3.10 The balance of 16 overdue findings includes 3 Medium findings that became overdue (based on originally agreed implementation dates) between 25 July and 31 August 2018. These related to:

3.11.1 Place – Waste and Cleansing Health and Safety;

3.11.2 Communities and Families – Foster Care; and

3.11.3 Resources – Care Homes

3.11 Management has provided revised implementation dates and status updates for 11 of these 16 overdue findings. Further details are included at Appendix 1, with findings where revised implementation dates and further updates are required highlighted in red.

Historic Overdue Findings

3.12 A total of 30 historic findings that had either not been implemented, or implemented but not sustained, were reopened as overdue in June 2018.

3.13 IA has now been able to confirm closure of 1 of these and has reviewed evidence to support closure of a further 17 (59%), which are currently classified as 'IA validation in progress'. Details of the remaining 12 (3 High and 9 Medium) to be addressed are included at Appendix 2. Revised implementation dates have been provided for 11 of the remaining 12 findings, with the finding where revised implementation dates and further updates are required highlighted in red.

IA Validation timeframes

3.14 Evidence provided to support closure of open and overdue findings was reviewed by IA by the end of August. Where evidence provided was not fully sufficient to support closure, the 'IA validation in progress' status will be maintained until Friday 5 October, enabling Service Areas to respond and provide additional evidence, before changing the status to overdue (where appropriate).

3.15 This timeframe has been agreed with the Corporate Leadership Team and recognises that IA has not historically had sufficient capacity to review the evidence provided by Directorates/Divisions in a timely manner.

4. Measures of success

4.1 An increase in effective implementation and closure of IA findings within their agreed dates.

4.2 An improvement in the time taken to receive management responses and finalise IA Reports.

5. Financial impact

5.1 No direct financial impact.

6. Risk, policy, compliance and governance impact

6.1 If IA findings and associated management actions are not implemented, the Council will be exposed to the risks set out in the relevant detailed IA reports. IA findings are raised as a result of control gaps or deficiencies identified during reviews therefore overdue items inherently impact upon effective risk management, compliance, and governance.

7. Equalities impact

7.1 Not applicable.

8. Sustainability impact

8.1 Not applicable.

9. Consultation and engagement

9.1 Not applicable.

10. Background reading/external references

10.1 None.

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11. Appendices

Appendix 1: Overdue IA findings not yet ready for closure

Appendix 2: 13 Historic IA findings not yet ready for closure

Appendix 1: Overdue IA findings not yet ready for closure

Reference	Report		Rating	Action By	Comments
3 new overdue findings not yet ready for closure					
PL1706ISS.5	Waste and Cleansing – Health and Safety		Low	Place	Implementation date was 31 July 2018. No updates received.
CF1702ISS.3	Foster Care		Medium	Communities and Families and Resources (Business Support)	Updates and supporting evidence received (end August) to support close of this finding.
HSC1701ISS.7	Care Homes		Medium	Resources	This finding includes 6 agreed management actions. Of these 3 have been proposed for closure, and 3 implementation dates have been extended. Latest progress update on the 3 remaining actions was provided 27 August 2018
13 existing overdue findings not yet ready for closure					
SSC1701ISS.5	Short Term Homelessness Provision		Medium	Safer and Stronger Communities	Update and request to support closure provided 29 August 2018.
HSC1604ISS.1	IJB Data Integration & Sharing		High	E.I.J.B	Revised date requested on 13 September 2018. Now working to a revised implementation date of 31 December 2018.
HSC1604ISS.2	IJB Data Integration & Sharing		High	E.I.J.B	Working to revised date of 30 September 2018. Last update received in May 2018.
HSC1604ISS.3	IJB Data Integration & Sharing		Medium	E.I.J.B	Latest implementation date was 31 May 2018. Last update received was May 2018.
HSC1503ISS.3	Personalisation SDS - Option 3		Medium	Resources (Customer)	Request received from Resources in August (Business Support) to transfer ownership to Health and Social Care. IA has advised that both Services will need to agree prior to transfer.
HSC1503ISS.6	Personalisation SDS - Option 3		Medium	Resources (Customer)	Request received from Resources in August (Business Support) to transfer ownership to Health and Social Care. IA has advised that both Services will need to agree prior to transfer.

RES1603ISS.5	Leavers Process		Medium	Resources (Property and FM)	Revised date of was 31/08/2018. Progress update provided 27 August confirming that exercise is taking longer than anticipated. Revised date now required.
RES1615ISS.4	Property Maintenance		Medium	Resources	Status updates provided 3 August and now working to revised date of 31 December 2018.
RES1615ISS.5	Property Maintenance		Medium	Resources	Working to revised date of 31 December 2019. Latest update as was provided to GRBV in June 2018.
RES1701ISS.2	Edinburgh Shared Repairs Service		Low	Resources	Working to revised date of 30 September 2018. Latest update received July 2018.
PL1601ISS.5	Recycling Targets		Medium	Place	Revised date 31 August 2018 – awaiting committee approval of revised strategy to support closure in August.
PL1603ISS.5	Mortuary Services		Medium	Place	Latest implementation date was 30 June 2018. Last update received was June 2018 with revised action plan. Now require evidence to confirm whether June timeframes were achieved.
PL1603ISS.3	Mortuary Services		Medium	Place	Latest implementation date was 30 June 2018. Last update received was June 2018 with revised action plan. Now require evidence to confirm whether June timeframes were achieved.

Appendix 2:   12 Historic IA findings not yet ready for closure

Reference	Original Report Title	Rating	Action By	
CW1801ISS.10	HSC1603 Management Information	High	Health and Social Care	Working to revised date of 28 February 2019. Latest update as was provided in July 2018.
CW1801ISS.13	HSC1502 Swift Access Controls	Medium	Health and Social Care	Working to revised date of 30 August 2018. Latest update provided in August 2018. Evidence was submitted 13 September 2018 and IA is no reviewing to confirm whether this can now be closed.
CW1801ISS.11	HSC1603 Management Information	Medium	Health and Social Care	Working to revised date of 28 February 2019. Latest update provided July 2018.
CW1801ISS.16	RES1617 Information Governance Framework	High	Strategy and Insight	Working to revised date of 30 November 2018. A comprehensive update was provided at the end of August together with supporting evidence to support closure of some management actions. This is currently being reviewed by IA.
CW1801ISS.17	RES1617 Information Governance Framework	Medium	Strategy and Insight	Working to revised date of 1 October 2018. A comprehensive update was provided at the end of August together with supporting evidence to support closure of some management actions. This is currently being reviewed by IA.
CW1801ISS.18	RES1617 Information Governance Framework	Medium	Strategy and Insight	Working to revised date of 31 August 2018. A comprehensive update was provided at the end of August together with supporting evidence to support closure of some management actions. This is currently being reviewed by IA. Revised completion date required.
CW1801ISS.19	CG1515 Retention of Corporate Knowledge	High	Strategy and Insight	Working to a revised date of 30 November 2018. A comprehensive update was provided at the end of August
CW1801ISS.20	CG1515 Retention of Corporate Knowledge	Medium	Strategy and Insight	Working to revised date of 30 November 2018. A comprehensive update was provided at the end of August together with supporting evidence to support closure of

				some management actions. This is currently being reviewed by IA.
CW1801ISS.21	RES1608 Risk Management	Medium	Strategy and Insight	Working to revised date of 30 November 2018. Latest update as was provided to GRBV in June 2018.
CW1801ISS.23	SFC1502 Planning Controls and the LDP	Medium	Place	This finding has now been covered by a subsequent IA review of the design of the controls supporting S75 developer contributions, which confirmed that it has not been implemented. The finding will be reflected in the IA report to be produced, but will remain open and continue to track as overdue until agreed actions have been implemented. Management actions will be reviewed / refreshed as part of the report finalisation process.
CW1801ISS.24	SFC1502 Planning Controls and the LDP	Medium	Place	This finding has now been covered by a subsequent IA review of the design of the controls supporting S75 developer contributions, which confirmed that it has not been implemented. The finding will be reflected in the IA report to be produced, but will remain open and continue to track as overdue until agreed actions have been implemented. Management actions will be reviewed / refreshed as part of the report finalisation process.
CW1801ISS.6	ED1501 Sustainable Energy Action Plan	Medium	Place	Revised date was 29 June 2018. No evidence to support closure has been received.