Governance, Risk and Best Value Committee

10am, Tuesday 9 June 2020

Internal Audit: Covid-19 Response

Item number	
Executive/routine	
Wards	
Council Commitments	

1.   Recommendations

It is recommended that the Committee:

1.1   reviews and approves the Internal Audit Covid-19 response in relation to delivery of the Council's 2019/20 Internal Audit (IA); annual plan and opinion; and open IA findings.

1.2   reviews and approves IA's proposed approach to provide assurance on new processes established and changes to existing service delivery processes in response to Covid-19.

1.3   notes that the Covid-19 response and proposed approach to provision of assurance on new and amended processes is aligned with Public Sector Internal Audit Standards (PSIAS); Institute of Internal Audit (IIA) Covid-19 guidance; and recent guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Internal Audit Standards Advisory Board (IASAB) in relation to conformance with the PSIAS during the Covid-19 pandemic.

Lesley Newdall

Chief Internal Auditor

Legal and Risk Division, Resources Directorate

E-mail: lesley.newdall@edinburgh.gov.uk | Tel: 0131 469 3216

Report

Internal Audit: Covid-19 Response

2.   Executive Summary

2.1   The purpose of this paper is to update the Committee on Internal Audit's (IA) proposed response to Covid-19 and the impact of these changes on delivery of the 2019/20 IA annual plans and opinions for the City of Edinburgh Council (the Council), and other arm's length external organisations (ALEOs).

2.2   It is currently expected that IA will be able to complete 70% of the Council's 2019/20 IA annual plan to support delivery of a limited 2019/20 annual opinion as there will now be reduced coverage on three key risks that consistently feature in the Corporate Leadership Team (CLT) risk register as a result of the Coronavirus impact upon the Council.

2.3   It is currently proposed that the remaining 30% of the Council's 2019/20 IA plan (13 audits) is carried forward into the 2020/21 annual plan year, together with co-source support to deliver 8 of these audits, and that the proposed 2020/21 annual plan is updated in July for subsequent review and approval by the Governance, Risk, and Best Value (GRBV) Committee in August 2020.

2.4   It is important that proportionate assurance is provided on the design of new and amended service delivery processes implemented by the Council in response to Covid-19, to enable management to confirm that risks associated with them are being appropriately managed in line with expectations. Further details on the proposed assurance approach to be applied by IA is included at 4.6 to 4.9 below, with provisional details of the processes to be reviewed included at Appendix 3. It is also proposed that the outcomes of this assurance activity are included in the revised 2020/21 IA annual plan.

2.5   It is recommended that a four month extension is applied to all currently open and overdue IA findings across the Council, enabling management to focus on ongoing resilience activities and the transition back to business as usual in due course, although management should be encouraged (where possible) to work with IA towards closure.

Arm's Length External Organisations

2.6 The SEStran audit has been completed, and the LVJB audit is currently in progress. IA is currently engaging with the Tattoo to determine whether their planned audit can be completed by July 2020.

3. Background

3.1 COVID-19 is a respiratory disease caused by a type of coronavirus that has now been classified by the World Health Organisation (WHO) as a pandemic as it is a worldwide spread of a new disease that affects large numbers of people.

3.2 IA paused all assurance activity in March to enable the Council to focus on implementing its resilience activities in response to Covid-19.

3.3 In response to WHO; UK Government; and Scottish Government guidance, Scottish Local Authorities have implemented emergency resilience plans and new measures to protect the their most vulnerable citizens (such as the elderly) and ensure that employees can continue to provide core services. Consequently, the Council has implemented some new, and has made changes to some existing, service delivery processes in response to Covid-19.

3.4 It is the responsibility of the Council's Chief Internal Auditor to provide an independent and objective IA annual opinion on the adequacy and effectiveness of the Council's control environment and governance and risk management frameworks in line with Public Sector Internal Audit (PSIAS) requirements. The opinion is provided to the GRBV Committee; is based on the outcomes of an approved risk based annual IA plan; and should be used to inform the Council's Annual Governance Statement.

3.5 The 2019/20 IA annual plan includes a total of 43 audits to be delivered across the Council, with the 2019/20 IA annual opinion scheduled to be presented to the GRBV Committee in August 2020.

3.6 IA also provides assurance to three external arm's length organisations (ALEOs). One audit is performed annually for each of these organisations.

3.7 It is important that IA responds appropriately to the current situation by making appropriate adjustments to annual plan delivery, enabling first and second line teams focus on key operational resilience activities, whilst considering the impact this will have on annual opinion outcomes.

4. Main report

The Council's 2019/20 Internal Audit Annual Plan and Opinion

4.1 As at 19 March 2020, a total of 9 audits had been completed; 5 draft reports were with management; with a further 7 draft reports being prepared. A total of 9 reviews were in the latter stages of fieldwork and will require minimum involvement from first

and second line teams between June and July 2020 to support finalisation of audit reports. Further information is included at Appendix 1.

4.2   If these audits can be finalised a total of 30 of the 43 (70%) planned Council audits can be delivered and finalised to support the 2019/20 IA annual opinion.

4.3   The overall impact of this 30% reduction in the plan for 2019/20 is reduced assurance on Health and Social Care; Digital Services; and ongoing management of Council properties. These areas are all currently included in the Corporate Leadership Team risk register as red (original) and amber (current) risks. There will also be a reduced level of coverage across the Communities and Families Directorate in comparison to the planned coverage included in the 2019/20 annual plan.

4.4   Adopting this approach will result in a limited annual opinion for 2019/20. The Chief Internal Auditor has engaged with the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA) who jointly authored the PSIAS; and other Scottish Local Authority Chief Internal Auditors to confirm that the approach to the annual opinion is aligned with the Public Sector Internal Audit Standards (PSIAS); recent guidance issued by CIPFA and other Scottish Local Authorities

4.5   If this approach is adopted, support will be required from management to work with IA to finalise the 2019/20 reports. It is hoped that this can be achieved as the Council has now moved to a more stable business as usual resilience position. Further detail on the support that will be required from both CLT and management to support completion of these audits is included at Appendix 2.

Assurance on new and amended Covid-19 processes

4.6   It is important that management is provided with adequate and proportionate assurance on the new and emerging risks associated with new and amended Covid-19 service delivery processes implemented by the Council, and it is proposed that IA focuses on providing assurance on the design of these processes between June and September 2020.

4.7   It is proposed that IA will review the design of the processes, and not their operating effectiveness, focusing instead on whether objectives are being achieved (for example, all business grant applications are processed within ten days of receipt as per Scottish Government guidance) with appropriate and acceptable risk tolerances applied (for example, limited as opposed to a fully comprehensive range of fraud checks is performed) that reflects the critical nature of these services and the Council's current workforce capacity.

4.8   An agile 'light touch' IA methodology approach will be adopted to support this assurance work ensuring that (whilst IA remains compliant with the PSIAS), time required from both employees and management to support these reviews is minimised. This approach will be based on process walkthroughs to assess the design of key process controls and will involve IA supporting management with

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immediate implementation of solutions to address any significant control gaps. Short summary reports will also be provided detailing the work performed; the outcomes; and solutions implemented to address control gaps.

4.9   It is proposed that the outcomes of this assurance activity are included in the 2020/21 IA annual plan and opinion in line with PSIAS requirements.

The Council's 2020/21 Internal Audit Annual Plan

4.10   The proposed 2020/21 IA annual plan was approved by the CLT in February 2020 and was scheduled for review and approval by the GRBV committee in March. This meeting was cancelled due to Covid-19, and the plan has not yet been approved by the committee.

4.11   Given the significant change in the Council's risk profile as a result of its response to, and ongoing management of the Covid-19 situation, it is recommended that the proposed 2020/21 IA plan is reviewed and refreshed to ensure that it includes appropriate and proportionate assurance provision covering these new Covid-19 risks, and emerging adaptation and recovery programme risks.

4.12   It is also recommended that the remaining 13 Council audits (30% of the 2019/20 annual plan) will be carried forward into the 2020/21 annual plan. Of these audits, 8 were being delivered by our co source provider, and IA is currently planning to recommence these audits in September 2020 with co-source support. Planning work has been completed for the remaining 5 audits to be carried forward, and these will be delivered by the in-house IA team.

4.13   This will also have an impact on the proposed 2020/21 annual plan, as the plan will now need to be adjusted to reflect current IA in-house team capacity. This will be reviewed over the Summer period and recommendations for the 2020/21 annual plan brought back to GRBV for approval later in the year.

Open and Overdue Internal Audit Findings

4.14   It is also recommended that a four month extension is applied to current completion dates for all open and overdue Internal Audit findings, enabling management to focus on resilience activities and the return to business as usual. Meantime, management is encouraged to work with IA (where possible) towards closure of open and overdue findings. This position will be reviewed again at the end of July.

5.   Next Steps

5.1   The position will continue to be closely monitored, with any further adjustments required to IA plan delivery and the potential impact on the Council's annual opinion discussed and agreed with the Chief Executive and Convenor of the GRBV Committee.

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6.   Financial impact

6.1   The financial impact associated with these proposals is currently being reviewed by management. This will be reported back to CLT and Committee as required and once the full impact has been considered.

7.   Stakeholder/Community Impact

7.1   Reduced requirement to support delivery of audits on both first and second line teams, enabling them to focus on short to medium term resilience activities.

7.2   Reduction in Internal Audit assurance for the Council in 2019/20.

8.   Background reading/external references

8.1   None

9.   Appendices

9.1   Appendix 1 – Internal Audit: Proposed Adjustments to 2019/20 Annual Plan

9.2   Appendix 2 – Support required to finalise IA reports for the 2019/20 annual opinion

9.3   Appendix 3 – Proposed IA assurance focus on new and amended Covid-19 processes

Appendix 1 - Internal Audit: Proposed Adjustments to 2019/20 Annual Plan

Audit Review			
Completed		**Report Rating**	**Presented to Committee**
1.	Transfer of the Management of Development Funding Grant	**Effective**	December 2019
2.	Building Standards Follow-up b/f 2018/19	**Effective**	March 2020
3.	CGI Sub Contract Management	**Some Improvement Required**	March 2020
4.	Drivers – Findings Only Report	**Sig. Improvement Required**	March 2020
5.	Preparation of the Strategic Housing Investment Plan	**Effective**	March 2020
6.	Looked After and Accommodated Children (St Katherine's) b/f 2018/19	**Some Improvement Required**	March 2020
7.	Revenue Budget Setting and Management	**Some Improvement Required**	March 2020
8.	Port Facilities Security Plan	**Effective**	May 2020
9.	Schools Admissions, Appeals, and Capacity Planning	**Sig. Improvement Required**	May 2020
Draft Reports Issued to Management		**Action**	
10.	CGI Partnership Management and Governance	**Finalise to support annual opinion.**	
11.	Policy Management Framework		
12.	Health and Social Care Localities		
13.	Project Management – Governance of First Line Projects outwith the Major Projects Portfolio		
14.	Protection of Vulnerable Groups and Disclosures		
Draft Reports Being Prepared		**Action**	
15.	Model and Intelligent Automation Risk	**Finalise to support annual opinion.**	
16.	**(PwC) -** Implementation of Assurance Actions and Linkage to Annual Governance Statement		
17.	**(PwC)** Unsupported Technology (Shadow IT)		
18.	Scott Moncrieff - Risk Management		
19.	Validation		
20.	Health and Safety - Lone working		
21.	**(PwC)** Brexit Impacts – Supply Chain Management		
Fieldwork		**Action**	
22.	Edinburgh Tram Extension	**Ongoing agile project reviews**	
23.	Enterprise Resource Planning System Implementation		
24.	Health and Safety – Tree Management	**Finalise to support annual opinion**	

Appendix 1 - Internal Audit: Proposed Adjustments to 2019/20 Annual Plan

Audit Review		
25.	Social Media	**Finalise to support annual opinion**
26.	Payroll b/f 2018/19	**Finalise to support annual opinion**
27.	City Deal	**Finalise to support annual opinion**
28.	Health and Safety – Life Safety	**Finalise to support annual opinion**
29.	**PwC -** Digital Services - Change Management - c/f 2018/19	**Finalise to support annual opinion**
30.	**PwC -** Digital Services – Incident and Problem Management	**Finalise to support annual opinion**
31.	**PwC -** Digital Services – Resilience	**Delay and carry forward into 20/21 plan**
32.	**PwC -** Digital Services - Mobile Device Management	**Delay and carry forward into 20/21 plan**
33.	Health and Safety – Managing Violent and Aggressive Behaviour across Communities and Families	**Delay and carry forward into 20/21 plan**
Planning		**Expected Completion**
34.	Repairs and Maintenance	**Delay and carry forward into 20/21 plan**
35.	Customer Experience	**Delay and carry forward into 20/21 plan**
36.	**PwC -** Criminal Justice Social Work	**Delay and carry forward into 20/21 plan**
37.	**PwC -** Internal Council Companies	**Delay and carry forward into 20/21 plan**
38.	**PwC -** Performance Management Information	**Delay and carry forward into 20/21 plan**
39.	Prevention Services	**Delay and carry forward into 20/21 plan**
40.	**PwC -** Enhanced / Intensive Housing Benefit	**Delay and carry forward into 20/21 plan**
41.	Care Homes Follow Up	**Delay and carry forward into 20/21 plan**
42.	**PwC -** Parking and Traffic Regulation	**Delay and carry forward into 20/21 plan**
43.	**PwC -** Registration and Bereavement Services	**Delay and carry forward into 20/21 plan**

Appendix 2 - Support required from directorates and divisions to finalise Internal Audit reports by end of June for provision of the annual Internal Audit opinion to GRBV in August 2020 - as at 29 May 2020

Report Name	Status	Further action required
CGI partnership Management and Governance	Management responses received from Digital Services	IA – final workshop to be arranged in June and report shared with Head of Customer and Digital Services and Executive Director of Resources for feedback and comment prior to finalising.
Policy Management Framework	• Responses and implementation dates agreed with Strategy and Communications. • Draft report shared with Directors 2 March 2020 with request for responses by 13 March 2020. • IA has not chased responses from Directors	• Strategy and Comms implementation dates to be revisited to confirm whether these remain achievable. IA sent email 27/5 for confirmation by 3/6 for any revised dates. • Responses required from Directors (including HSCP) – email will be sent by IA once S&C dates confirmed (as Directorate dates depend on completion of S&C actions). • Discussion required at CLT to agree and finalise the report
Health and Social Care Localities	• Draft report issued to HSC (Tom Cowan) 22 April with agreed management actions and implementation dates	• Implementation dates to be revisited. IA sent email 28/5 for confirmation by 3/6 for any revised dates. • Report to be approved by the Chief Officer HSCP
Project Management – Governance of First Line Projects outwith the Major Projects Portfolio	• Issued to Directors 16 March for review in advance of discussion at CLT • Was scheduled for discussion at CLT on 25 March to agree Directorate management actions and implementation dates, but meeting cancelled due to Covid-19	• Management actions required from each Director (excluding HSC as not included in scope). IA updating management actions for sharing with Directors for approval. • Final review and approval of report by CLT.
Major Projects - Meadowbank	• Report currently being drafted by IA	• Draft report to be issued to key contacts • Workshop required to agree management actions and implementation dates. Email sent to arrange for w/c 15 June. • Final approval required from Head of Finance; Head of Place Management; Executive Director of Resources and Executive Director of Place.

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Report Name	Status	Further action required
Protection of Vulnerable Groups and Disclosures	- Management actions and implementation dates agreed with Communities and Families - Management actions and implementation dates requested from P&FM and HR by 17 March. - IA has not chased for responses.	- C&F implementation dates to be revisited to confirm whether these are realistic and achievable. IA sent email 27/5 for confirmation by 3/6 for any revised dates. - Final review and approval by Director of Communities and Families and Executive Director of Resources. Following receipt of responses. - Report has been shared with Executive Director of Resources 28/5 for feedback.
Model and Intelligent Automation Risk	Draft report issued to service managers and workshops scheduled.	- Draft report issued 29 May to Finance and Customer teams. - Workshops scheduled for 1 June by IA to confirm factual accuracy of findings and agree management actions. - Final approval required from Head of Finance; Head of Customer and Digital Services; and Executive Director of Resources.
Implementation of assurance actions and annual governance statements	IA finalising draft report to share with Directors	- IA to agree HSCP contribution with partnership management Moira Pringle) - Draft report to be shared with Directors (first week in June) - Discussion at CLT required to agree thematic Directorate management actions and implementation timeframes.
Unsupported Technology (Shadow IT)	Draft report has been prepared and shared with Digital Services who has provided feedback and comments.	- Digital Service feedback has been received. . - Draft report to be shared with Procurement with discussion scheduled to agree management actions and implementation dates - Draft report to be reviewed and finalised by CLT
Risk Management	Draft report received from Scott Moncrieff and reviewed by Head of Legal and Risk.	Management responses to be prepared by Directors and Head of Legal and Risk

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Report Name	Status	Further action required
	• Meeting scheduled with SM 28 April to provide feedback on draft report	• Review and approval of final report by CLT
Validation	• Workshops held with key stakeholders in March (Customer / Resources; C&F; HSC) to agree findings and agreed management actions • Draft report has been prepared by IA	• Draft report to be issued by IA to key stakeholders (decision taken not to issue in March / April) - Customer / Resources; C&F; HSC • Agreed implementation dates to be reviewed to confirm whether realistic and achievable. • Report to be reviewed and finalised by the Head of Customer and Digital Services; Executive Director of Resources; Head of Schools and Lifelong Learning; Chief Social Work Officer; Director of Communities and Families; Chief Finance Officer, EIJB and the Chief Officer HSCP.
Health and Safety – Lone Working	• Draft report currently being prepared by IA	• Draft report to be issued to the HSCP no later than w/c 8 June • Workshop to be arranged to confirm accuracy of findings and agree management actions and implementation dates. Email sent to arrange workshop w/c 15 June. • Report to be approved by the Chief Officer HSCP
Brexit Impacts – supply chain management	• Draft report currently being prepared by IA	• Draft report to be shared with Procurement and Resilience (early June) • Workshop to be arranged to confirm accuracy of findings, and agree management actions and implementation dates (mid June) • Report to be approved by the Head of Finance and Executive Director of Resources.
Health and Safety – Tree Management	• Draft report currently being prepared by IA	• Draft report to be shared with key contacts no later than 8 June.

Appendix 2 - Support required from directorates and divisions to finalise Internal Audit reports by end of June for provision of the annual Internal Audit opinion to GRBV in August 2020 - as at 29 May 2020

Report Name	Status	Further action required
		- Workshop arranged to confirm accuracy of findings and agree management actions and implementation dates – IA has sent email to arrange for 17 June. - Report to be approved by the Head of Place Management and the Director of Place
Social Media	Draft report currently being prepared by IA	- Draft report to be shared with the Media Manager (mid June) - Workshop to be arranged to confirm accuracy of findings, and agree management actions and implementation dates (mid June) - Report to be approved by the Media Manager and Head of Strategy and Communications.
Payroll b/f 2018/19	Awaiting responses in relation to (non material) payroll anomalies from HR.	- Draft report to be prepared - Draft report to be shared with the Head of HR (early May) - Workshop to be arranged to confirm accuracy of findings, and agree management actions and implementation dates (mid May) - Report to be approved by the Head of HR and Executive Director of Resources
City Deal	- Findings discussed and agreed with Finance - Draft report shared and workshop held with the City Region Deal Programme Manager and Finance (early May)	- Updated draft shared 27/5 management responses due by 3/6 - Report to be approved by the Head of Strategy and Communication; Head of Finance; and Executive Director of Resources
Health and Safety – Life Safety	- Draft findings have been prepared and shared with the Head of Corporate Health and Safety and Head of Legal and Risk - Draft report currently being prepared.	- Draft report to be shared with Property and FM; Edinburgh Scientific Services; Housing Property and Corporate Health and Safety first week in June. - Workshops to be held with Property and FM; Edinburgh Scientific Services; Housing Property and Corporate Health and Safety to

Appendix 2 - Support required from directorates and divisions to finalise Internal Audit reports by end of June for provision of the annual Internal Audit opinion to GRBV in August 2020 - as at 29 May 2020

Report Name	Status	Further action required
		- discuss and agree findings; management actions and implementation dates - Report to be approved by Head of Place Development; Head of Property and FM; and Head of Legal and Risk - Report to be shared with CLT for review and approval.
Digital Services – Change Management	- Draft report shared with both Digital Services and CGI. - Workshops held and management responses discussed	- IA to update Final report with agreed management responses and share for final comment with Digital Services and CGI for final review. - Final report to be approved by Head of Customer and Digital Services and Executive Director of Resources
Digital Services – Incident and Problem Management	- Draft report shared with both Digital Services and CGI. - Workshops held and management responses discussed	- IA to update Final report with agreed management responses and share for final comment with Digital Services and CGI for final review. - Final report to be approved by Head of Customer and Digital Services and Executive Director of Resources

Appendix 3 - Proposed IA assurance focus on new and amended Covid-19 processes

It is proposed that Internal Audit will review the following new and amended Covid-19 service delivery processes implemented by the Council, with key areas of focus agreed in consultation with the relevant Senior Responsible Officer.

1. Business grant application process – complete – IA supported management with process design
2. Self-employed grant application process
3. Shielding
4. Volunteering
5. Purchase and allocation of PPE
6. Supplier relief
7. Social distancing – prioritisation of increased space for walking and cycling
8. Allocation of estimated grades for Scottish Qualification Authority National 5; Higher; and Advanced Higher Grades
9. Provision of Covid-19 data and returns to the Scottish Government
10. Use of returning workers (including PVG certification)
11. Covid-19 employee testing
12. Health and Social Care command centre

The methodology adopted to support completion of these design reviews is as follows:

- understand the objective of the process.
- understand how the process operates.
- understand the risks associated with the process, and what level of risk management is prepared to accept in the current Covid-19 environment.
- perform a process walkthrough by sitting with a team member and observing them applying the process for one sample or client.
- determine whether any essential controls that are needed to ensure we achieve objectives and manage risk in line with expectations are missing, and also whether we have implemented more controls than may be required.
- where key controls are missing, define what these are and why they are required, and discuss and agree with the process owner.
- support management with implementation of the new controls.
- Prepare a short form report (one page where possible) detailing the work performed and actions taken.