

# Governance, Risk, and Best Value Committee

10.00am, Tuesday, 8 December 2020

## Internal Audit Update Report: 8 July 2020 to 31 October 2020

Item number

Executive/routine

Wards

Council Commitments

### 1. Recommendations

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It is recommended that the Committee notes:

- 1.1 the outcomes of completed 2020/21 audits;
- 1.2 progress with the delivery of the 2020/21 Internal Audit (IA) plan; and
- 1.3 progress with delivery of IA key priorities and ongoing areas of focus.

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## Internal Audit Update Report: 8 July 2020 to 31 October 2020

### 2. Executive Summary

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- 2.1 There has been good progress with delivery of the 2020/21 annual plan, with 25 of the 45 planned audits (55% of the plan) either completed or underway.
- 2.2 Of the 45 planned audits, 36 will be delivered across the Council, and 23 of these (64%) are in progress.
- 2.3 Two of the remaining nine audits (22%) to be delivered for arms-length and external organisations have also commenced.
- 2.4 Completion of the remaining 20 audits by April 2021 is dependent upon the Council's capacity to support their delivery in the ongoing Covid-19 operating environment and the impact of any further individual or simultaneous resilience events (for example a winter flu epidemic; severe weather; and a no deal Brexit), where either a pause in plan delivery or a reduced annual plan may be required. This position will be kept under review.

### 3. Background

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#### 2020/21 Internal Audit Annual Plan

- 3.1 The 2020/21 IA annual plan was originally scheduled to be presented to the Committee for scrutiny and approval in March 2020. However, this meeting was cancelled due to the impacts of the Covid-19 pandemic.
- 3.2 In June 2020, the Committee approved IA proposals to complete 11 audits designed to provide assurance on the design of new and amended processes implemented in response to the Covid-19 pandemic, and noted that the IA 2020/21 annual plan was being refreshed.
- 3.3 On 29 September 2020, the Committee approved the refreshed IA annual plan for 2020/21 that includes a total of 45 audits, including the ongoing follow-up process.
- 3.4 Excluding the ongoing IA follow-up process, a total of 36 audits will be delivered across the Council, as well as 9 for arm's length and external organisations (ALEOs).

## **Internal Audit Reports**

- 3.5 Copies of all completed IA reports are provided to GRBV Elected Members via Microsoft Teams. Following agreement by the Committee in July 2020, any reports that have either an overall red (Significant Improvement Required) outcome, or include any red (High) rated findings are presented to the Committee for scrutiny. Elected Members may also request presentation of other reports provided that do not meet this criteria at Committee.
- 3.6 All audits performed for the Lothian Pension Fund (LPF) are subject to separate scrutiny by the Pensions Audit Sub-Committee and the Pensions Committee. Progress with delivery of these audits is included in this paper for completeness.
- 3.7 Similarly, audits performed for the Edinburgh Integration Joint Board (EIJB) are presented to the EIJB Audit and Assurance Committee for scrutiny, with any reports that are relevant to the Council being subsequently referred to the GRBV Committee.
- 3.8 Audits performed for the Council that are relevant to the EIJB will be recommended for referral to the EIJB Audit and Assurance Committee by the GRBV Committee.
- 3.9 All audits performed for other arms-length external organisations are reported to the relevant management teams and audit and risk committees of those organisations as appropriate.

## **Internal Audit Consulting Services**

- 3.10 Public Sector Internal Audit Standards (PSIAS) permits IA to provide consulting services, providing that the scope is agreed with the client, that they add value and improve an organisation's governance, risk management, and control processes without the internal auditor assuming management responsibility (refer 2220.A2).
- 3.11 The PSIAS also notes that the results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.
- 3.12 The PSIAS also specifies that details of any consulting services must be included in the annual plan, and included in their evaluation of the organisation's control processes.

## **4. Main report**

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### **2020/21 Plan delivery progress**

- 4.1 Of the 45 audits to be completed:
- 4 are now finalised, including one consultancy review;
  - 1 is with management for final approval of the draft report;
  - 6 draft reports are currently being prepared;
  - 7 audits are underway;

- 7 audits are currently being planned; and
- 20 are not yet started

Further detail is included at Appendix 1.

### **Progress with Covid-19 Audits**

- 4.2 IA has focused on delivery of the 11 Covid-19 audits that were approved by the Committee in June 2020 during the period June to October 2020.
- 4.3 Three of these audits are now complete with two 'effective' (green) outcomes and one 'some improvement required' (amber) outcome.
- 4.4 IA has also provided consultancy advice on the design of the Support for Business Grants processes implemented in response to Covid-19. This involved developing an understanding of the Scottish Government requirements and guidance, and providing advice to management on the design of the controls that should be established to support implementation of the process. As this was a consultancy review, no audit report has been prepared.
- 4.5 The remaining 7 Covid-19 reviews are in progress, with one draft report with management for review, and four draft reports currently being prepared. The remaining Covid-19 reviews that were agreed in June are scheduled to complete by the end of November.

### **Progress with delivery of the remainder of the 2020/21 IA annual plan**

- 4.6 Good progress is being made, with delivery of the remaining 34 audits included in the plan (25 for the Council and 9 for ALEOs), with 14 audits already in progress. Of these, seven are currently being planned, and seven are at the fieldwork stage.
- 4.7 PwC resources have been secured under the terms of the established co-source agreement to support delivery of 10 audits included in the 2020/21 annual plan. This includes:
- 6 specialist audits (Digital Services and Health and Safety);
  - 2 general audits; and
  - 2 audits for the Lothian Pension fund.

### **Progress with Internal Audit key priorities**

- 4.8 Recruitment for the two vacancies within the team is now complete and the team will be fully resourced from January 2021 with limited impact on delivery of the 2020/21 IA annual plan.
- 4.9 The following are areas of ongoing procurement activity:
- 4.9.1 procurement for a new co-source provider will take place between November and February as the existing contract with PwC will end on 31 March 2021.
- 4.9.2 procurement of external services in November to support delivery of the GRBV committee effectiveness review that is included in the 2020/21 IA annual plan;

- 4.9.3 procurement of external services in November and December to support completion of an external IA quality assessment review in 2021/22 in line with Public Sector Internal Audit Standards (PSIAS) requirements for completion every five years; and
- 4.9.4 procurement of a new IA system as the current system will be out of support in circa 18 months. It is hoped that a combined Internal Audit and Risk Management system can be procured and implemented.

### **Ongoing areas of focus**

- 4.10 The following are areas of focus:
  - 4.10.1 Onboarding new team members;
  - 4.10.2 Ongoing delivery of the 2020/21 IA plan and annual opinion;
  - 4.10.3 Ongoing follow-up engagement with divisions and directorates; and
  - 4.10.4 Developing and publishing new IA pages on the refreshed intranet (the Orb)

## **5. Next Steps**

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- 5.1 IA will continue to monitor progress with plan delivery and the other activities noted in this report.

## **6. Financial impact**

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- 6.1 There are no financial impacts directly arising from this report.

## **7. Stakeholder/Community Impact**

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- 7.1 If Internal Audit cannot deliver the agreed annual plan, it will be unable to provide assurance regarding how effectively the Council is managing its most significant risks.

## **8. Background reading/external references**

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- 8.1 [IA 2020/21 annual plan](#)
- 8.2 [Public Sector Internal Audit Standards](#)

## **9. Appendices**

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Appendix 1 - Summary of 2020/21 IA Plan Delivery Progress

## Appendix 1 – Summary of 2020/21 IA Plan Delivery Progress as at 31 October 2020

Audit Review			
Completed Audits		Report Rating	Available for Committee
1.	Covid-19 Newly Self-Employed Grant Application Process	Effective	January 2021
2.	Covid-19 Purchase and allocation of Personal Protective Equipment (PPE)	Effective	January 2021
3.	Covid-19 Allocation of estimated Scottish Qualifications Authority (SQA) grades	Some improvement required	January 2021
4.	Consultancy review - Support for Business Grants – this was a piece of consultancy work to support the design of the new process. Advice on the controls that should be considered for inclusion in the design of the process was provided to the division, and no audit report was prepared.		
<b>Total completed audit / consultancy reviews</b>		<b>4</b>	
<b>Draft Reports Issued to Management</b>		<b>Expected Completion</b>	
5.	Covid-19 Health and Social Care Command Centre	November 2020	
<b>Total draft reports issued to management</b>		<b>1</b>	
<b>Draft Reports Being Prepared</b>		<b>Expected Completion</b>	
6.	Covid-19 Supplier Relief	November 2020	
7.	Covid-19 Data and Scottish Government Returns		
8.	Covid-19 Employee Testing		
9.	Covid-19 Spaces for People		
10.	Payroll – 2019/20 Employee Lifecycle Data and Compensation and Benefits Processes		
11.	*Project Management Supporting Change Implementation (PwC)		
<b>Total reports being prepared</b>		<b>6</b>	
<b>Audits in progress</b>		<b>Expected Completion</b>	
12.	Covid-19 Workforce Planning and Protection of Vulnerable Groups	November 2020	
13.	Covid-19 Shielding and Vulnerable People		
14.	Registration and Bereavement Services (c/f 2019/20)	December 2020	
15.	**EIJB Capital and Workforce Planning	December 2020	
16.	Health and Safety - Managing Aggressive and Violent Behaviour (c/f 2019/20)	January 2021	
17.	Tram – extension to Newhaven	Ongoing agile audit	
18.	Enterprise Resource Planning (ERP)	Ongoing agile audit	
<b>Total reviews in progress</b>		<b>7</b>	

Audit Review		
Audits currently being planned		Expected Completion
19.	Parking and Traffic Regulations (c/f 2019/20)	January 2021
20.	Social Distancing and Employee Protection	
21.	Council Tax and Business Rates	January 2021
22.	*Learning and Teaching Technology Network Management (PwC)	
23.	*Corporate Network Management (PwC)	
24.	*Direct Access and Mobile Device Management (c/f 2019/20) (PwC)	
25.	**Lothian Pension Fund – Bulk Transfers (PwC)	
<b>Total reviews at planning stage</b>		<b>7</b>
Audits not yet started		Expected Completion
26.	Arm's Length External Organisations (ALEOs) (PwC)	January 2021
27.	Public and Private Partnership (PPP) and Private Finance Initiative (PFI) Contract Management (PwC)	
28.	Health and Safety - Implementation of asbestos recommendations (PwC)	To be confirmed
29.	Fraud and Serious Organised Crime (including Physical Security controls)	To be confirmed
30.	Covid-19 Lessons Learned	To be confirmed
31.	Delayed Discharge Management including management of waiting lists and assessments	To be confirmed
32.	Development of the Council's Technology Strategy	To be confirmed
33.	*Technology Resilience (c/f 2019/20) (PwC)	To be confirmed
34.	Chief Social Work Officer's Assurance and Annual Report	To be confirmed
35.	Active Travel – Project Management and Delivery	To be confirmed
36.	Adaptation and Renewal Programme Governance	To be confirmed
37.	Development and Implementation of the Council's Carbon Neutral / Climate Change Strategy	To be confirmed
38.	GRBV Committee Effectiveness review	To be confirmed
39.	**EIJB Management Information	To be confirmed
40.	**EIJB Financial Management and Directions	To be confirmed
41.	**Lothian Pension Fund – Employee Cessation Strategies, Valuations, and Exit Calculations (PwC)	February 2021
42.	**Lothian Pension Fund - Technology Model Development	March 2021
43.	**Royal Edinburgh Military Tattoo	January 2021
44.	**SEStran	To be confirmed

Audit Review		
45.	**Lothian Valuation Joint Board	To be confirmed
<b>Total reviews not yet started</b>		<b>20</b>

\* reviews where support is required from CGI

\*\* reviews performed for Arms Length External Organisations