Policy and Sustainability Committee

10.00am, Tuesday, 5 October 2021

Internal Audit: Overdue Findings and Key Performance Indicators as at 11 August 2021 – referral from the Governance, Risk and Best Value Committee

Executive/routine
Wards
Council Commitments

1.   For Decision/Action

1.1   The Governance, Risk and Best Value Committee has referred the attached report to the Policy and Sustainability Committee for information.

Stephen S. Moir
Executive Director of Corporate Services

Contact: Emily Traynor, Assistant Committee Officer
Legal and Assurance Division, Corporate Services
E-mail: emily.traynror@edinburgh.gov.uk

<div style="background:#1f5fa8;color:#fff;padding:1em;">

Referral Report

</div>

Internal Audit: Overdue Findings and Key Performance Indicators as at 11 August 2021 – referral from the Governance, Risk and Best Value Committee

2.   Terms of Referral

2.1   On 21 September 2021, the Governance, Risk and Best Value Committee considered a report on the outcome of the Internal Audit: Overdue Findings and Key Performance Indicators as at 11 August 2021.

2.2   The Governance, Risk and Best Value Committee agreed:

2.2.1 To note the status of the overdue Internal Audit (IA) findings as at 11 August 2021;

2.2.2 To approve that a further three-month extension date is applied to all open IA findings, recognising the ongoing impacts of Covid-19 and other priorities and challenges currently faced by the Council;

2.2.3 To note management commitment to implementation of the governance and assurance model and ensuring appropriate ongoing focus on closure of all high rated findings, and all findings that are more than one year overdue; and,

2.2.4 To refer the report to the relevant Council executive committees and the Edinburgh Integration Joint Board Audit and Assurance Committee for information in relation to the current Health and Social Care Partnership position.

3.   Background Reading/ External References

3.1   Minute of the Governance, Risk and Best Value Committee – 21 September 2021

4.   Appendices

Appendix 1 – report by the Head of Audit and Risk / Chief Internal Auditor

Governance, Risk and Best Value Committee

10:00am, Tuesday, 21 September 2021

Internal Audit: Overdue Findings and Key Performance Indicators as at 11 August 2021

Item number	
Executive/routine	Executive
Wards	
Council Commitments	

1. Recommendations

1.1 It is recommended that the Committee:

1.1.1 notes the status of the overdue Internal Audit (IA) findings as at 11 August 2021;

1.1.2 approves the recommendation that a further six-month extension date is applied to all open IA findings, recognising the ongoing impacts of Covid-19 and other priorities and challenges currently faced by the Council;

1.1.3 notes management commitment to implementation of the governance and assurance model and ensuring appropriate ongoing focus on closure of all high rated findings, and all findings that are more than one year overdue; and,

1.1.4 refers this paper to the relevant Council Executive committees and the Edinburgh Integration Joint Board Audit and Assurance Committee for information in relation to the current Health and Social Care Partnership position.

Lesley Newdall

Head of Audit and Risk / Chief Internal Auditor

Legal and Assurance Division, Corporate Services Directorate

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

Internal Audit: Overdue Findings and Key Performance Indicators as at 11 August 2021

2. Executive Summary

Progress with Closure of Open and overdue Internal Audit findings

2.1 The overall progress status for closure of overdue IA findings remains amber (stable with limited change).

2.2 This is supported by closure of an increased number of IA findings and management actions in the current period, with 24 findings (3 open and 21 overdue) and 95 management actions closed following review by IA in comparison to 18 findings (5 open and 13 overdue) and 68 management actions closed in the previous quarter (10 February to 27 April 2021).

2.3 This is further supported by a decreasing trend in the proportion of open IA findings that are overdue (KPI 3 in Appendix 1); improvement in the proportion of findings between three and six months overdue (KPI 9); and a decrease in the proportion of overdue management actions (KPI 14).

2.4 This progress is offset by a decrease in the proportion of findings and management actions submitted to IA by management for review and closure (KPIs 4 and 15); an increasing trend in findings less that are less than three months and more than six months overdue; and an increase in the number of management actions where the latest implementation date has been missed.

2.5 This confirms that ongoing focus is required on closure of findings that are more than one year overdue, and ensuring that open findings and supporting management actions do not miss their agreed implementation dates.

2.6 Further detail on the monthly trends in open and overdue findings is included at Appendix 1.

Current position as at 11 August 2021

2.7 A total of 96 open IA findings remain to be addressed across the Council as at 11 August 2021. This excludes open and overdue Internal Audit findings for the Edinburgh Integration Joint Board and the Lothian Pension Fund.

2.8 Of the 96 currently open IA findings:

2.8.1 a total of 45 (47%) are open, but not yet overdue;

2.8.2 51 (53%) are currently reported as overdue as they have missed the final agreed implementation dates. This reflects an increase of 4% in comparison to the April 2021 position (63%).

2.8.3 78% of the overdue findings are more than six months overdue, reflecting an increase of 8% in comparison to April 2021 (70%) with 25% aged between six months and one year and 53% more than one year overdue.

2.8.4 evidence in relation to 3 of the 51 overdue findings is currently being reviewed by IA to confirm that it is sufficient to support closure; and,

2.8.5 48 overdue findings still require to be addressed.

2.9 The number of overdue management actions associated with open and overdue findings where completion dates have been revised more than once since July 2018 is 48, reflecting a decrease of 16 when compared to the April 2021 position. This excludes the four-month date extension that was applied to reflect the impact of Covid-19.

Proposed Solutions

2.10 Whilst a four month extension date was applied to all open IA findings and supporting management actions reflecting the initial impacts of Covid-19, management has subsequently confirmed that this was not sufficient to fully reflect the ongoing impacts of the pandemic.

2.11 It is therefore proposed that a further six month extension is applied to all open IA findings and actions, reflecting the ongoing impacts of the Covid-19 and current Council priorities and challenges as services resume; new ways of working are defined and implemented; and senior leadership review outcomes are implemented.

2.12 The impact of the six-month extension is that completion dates for all 45 open findings that are not currently overdue will be extended by six months, and the eleven findings that are currently less than six months overdue will revert to open with completion dates extended by six months.

2.13 In the interim, management has committed to ensuring appropriate ongoing focus on closure of all high rated findings, and all findings that are more than six months overdue.

2.14 This approach should also provide sufficient time for effective implementation of the new governance and assurance model that was discussed at the August Committee in response to the 2020/21 IA annual opinion.

Key Performance Indicators

2.15 The IA key performance indicator (KPI) dashboard was not applied during the 2020/21 plan year as the Council continued to focus on its Covid-19 resilience response.

2.16   As advised in the June 2021 Committee paper, ongoing monitoring of IA key performance indicators (KPIs) supported by monthly reporting to the Corporate Leadership Team (CLT) and quarterly reporting has been reinstated to support delivery of the 2021/22 IA annual plan.

2.17   Reintroduction of ongoing monitoring of KPIs should also address the Committee request to ensure that audits are carried out in line with the timescales set out in the agreed audit plan.

2.18   Reintroduction of KPIs has confirmed that action is required to ensure that services are aware of the KPIs that apply to the audit process and engage proactively with IA to ensure that any potential impacts that could cause delays are identified and effectively managed.

3.   Background

Overdue IA Findings and Management Actions

3.1   Overdue findings arising from IA reports are reported monthly to the Corporate Leadership Team (CLT) and quarterly to the GRBV Committee.

3.2   This report specifically excludes open and overdue findings that relate to the Edinburgh Integration Joint Board (EIJB) and the Lothian Pension Fund (LPF). These are reported separately to the EIJB Audit and Assurance Committee and the Pensions Audit Sub-Committee respectively.

3.3   Findings raised by IA in audit reports typically include more than one agreed management action to address the risks identified. IA methodology requires all agreed management actions to be closed in order to close the finding.

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

3.5   The IA definition of an overdue management action is any agreed management action supporting an open IA finding that is either open or overdue, where the individual action has not been evidenced as implemented by management and validated as closed by IA by the agreed date.

3.6   Where management considers that actions are complete and sufficient evidence is available to support IA review and confirm closure, the action is marked as 'implemented' by management on the IA follow-up system. When IA has reviewed the evidence provided, the management action will either be 'closed' or will remain open and returned to the relevant owner with supporting rationale provided to explain what further evidence is required to enable closure.

3.7   A 'started' status recorded by management confirms that the agreed management action remains open and that implementation progress ongoing.

Governance, Risk and Best Value Committee – 21 September 2021

3.8 A 'pending' status recorded by management confirms that the agreed management action remains open with no implementation progress evident to date.

IA Key Performance Indicators

3.9 An operational dashboard has been designed to track progress against the key performance indicators included in the IA Journey Map and Key Performance Indicators (KPI) document that was designed to monitor progress of both management and Internal Audit with delivery of the Internal Audit annual plan.

3.10 A motion and addendum agreed at Committee in August 2021 requested that audits should be carried out in line with the timescales set out in the agreed audit plan.

4. Main report

4.1 As at 11 August 2021, there are a total of 96 open IA findings across the Council with 51 findings (53%) now overdue.

4.2 The movement in open and overdue IA findings during the period 27 April (reported to GRBV in June 2021) to 11 August 2021 is as follows:

| Analysis of changes between 27/04/2021 and 11/08/2021				
	Position at 27/04/21	**Added**	**Closed**	**Position at 11/08/21**
Open	100	20	24	96
Overdue	63	9	21	51

Overdue Findings

4.3 The 51 overdue findings comprise 17 High; 28 Medium; and 6 Low rated findings.

4.4 However, IA is currently reviewing evidence to support closure of 3 of these findings (1 High and 2 Medium), leaving a balance of 48 overdue findings (16 High; 26 Medium; and 6 Low) still to be addressed.

Overdue findings ageing analysis

4.5 Figure 1 illustrates the ageing profile of all 51 overdue findings by rating across directorates as at 11 August 2021:

Governance, Risk and Best Value Committee – 21 September 2021

Fig1: Aged Overdue Findings by Ratings across Directorates
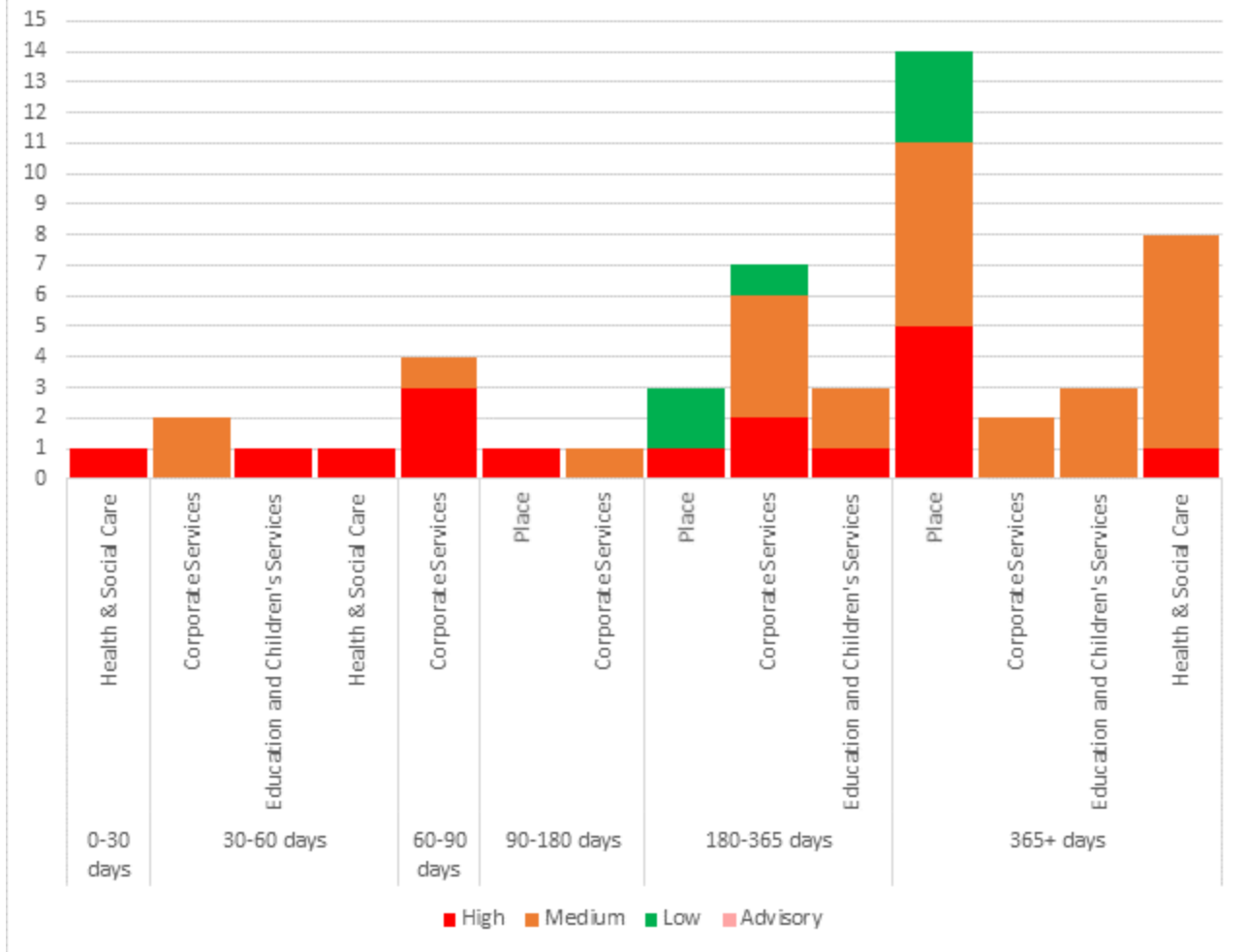
4.6 This analysis of the ageing of the 51 overdue findings outlined below highlights that Directorates made good progress in the last quarter with resolving findings overdue between three and six months, as the proportion of those findings has significantly decreased. However, this is offset by an increase in the proportion of findings overdue for less than three months; overdue between six months and one year; and findings overdue for more than one year.

- 9 (18%) are less than 3 months (90 days) overdue, in comparison to 10% as at April 2021;

- 2 (4%) are between 3 and 6 months (90 and 180 days) overdue, in comparison to 20% as at April 2021;

- 13 (25%) are between 6 months and one year (180 and 365 days) overdue, in comparison to 19% as at April 2021; and,

- 27 (53%) are more than one year overdue, in comparison to 51% as at April 2021.

Governance, Risk and Best Value Committee – 21 September 2021

Management Actions Closed Based on Management's Risk Acceptance

4.7   During the period 27 April 2021 to 11 August 2021 eight management actions have been closed on the basis that management has retrospectively accepted either the full or residual elements of the risks highlighted by IA in original audit reports. These are:

4.7.1   Corporate Services - Communications - Controls over access to Social Media Accounts (Medium) - Management has explored the feasibility of allocating unique user ID and profiles to operate social media accounts and discounted it as it was cost prohibitive. Management has therefore accepted the risks associated with the use of generic shared user IDs, making it difficult to trace any potentially adverse social media content or activity to a particular employee.

4.7.2   Health and Social Care - Emergency Prioritisation & Complaints (Medium) - Management has accepted the residual risk of potential manual errors when recording response times. The process is semi-automated via the Jontek application which records the time of the call and the responder's call from the citizen's home and is supported by paper-based records completed by responders.

4.7.3   Corporate Services - Customer and Digital Services - Digital Services Change Initiation (Medium) - Management has accepted the risks associated with not implementing bespoke service levels for complex change requests, as this is not possible within the terms of the CGI partnership agreement.

4.7.4   Corporate Services - Customer and Digital Services - CGI Partnership Management and Governance (Medium) - Management has accepted the risks associated with the limited change and security key performance indicators included in the CGI partnership agreement as it is not possible to change these under the terms of the existing contract.

4.7.5   Corporate Services - Customer and Digital Services - Council oversight of CGI subcontract management (Medium) - Management has accepted the residual risk that sub-contractors providing critical high value services for the Council are not identified and reclassified by CGI; that no formal supplier management arrangements are applied by CGI across these sub-contractors; and that poor supplier performance in relation to critical services is not proactively managed. A quarterly report will be sourced from CGI detailing any changes to sub-contractor services that will inform any category change required to key sub-contractors.

4.7.6   Corporate Services - Customer and Digital Services - Ongoing Dacoll supplier management (Low) - Management has accepted this risk until April 2023 which is when the next discussion regarding a contract extension is due. Additionally, there are no guarantees that Dacoll (a key sub-contractor responsible for the Council's local area networks and end user infrastructure)

supplier performance arrangements will be enhanced as part of these discussions. Current supplier performance issues with Dacoll have been escalated by Digital Services to CGI.
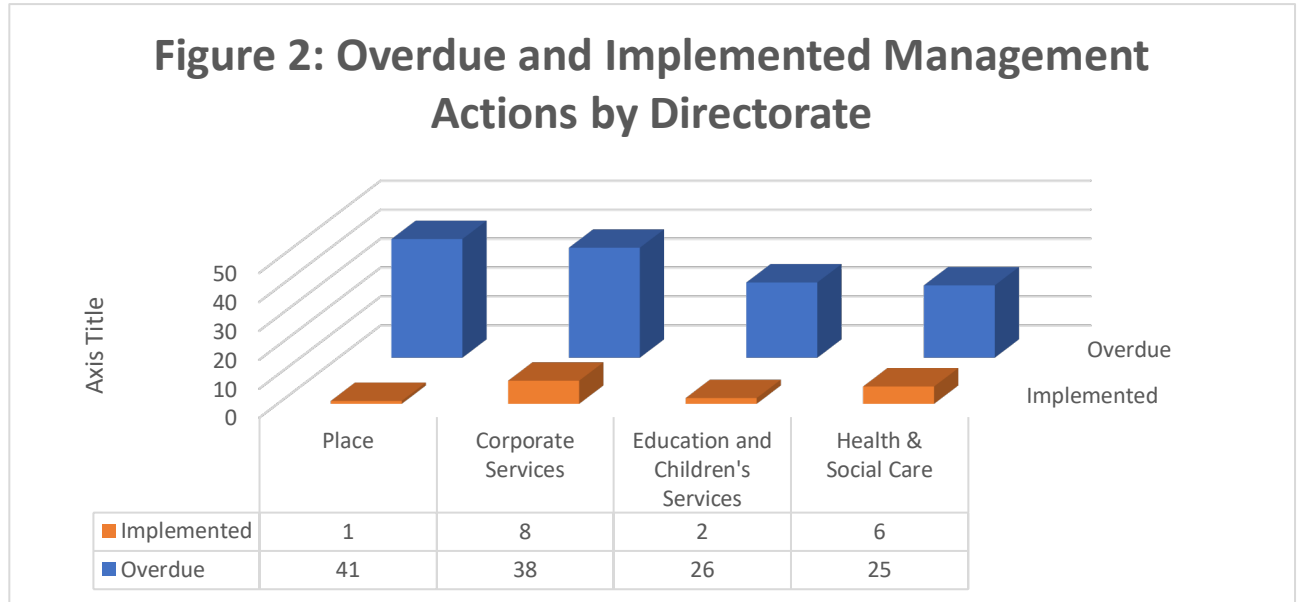
4.7.7 Corporate Services - Customer and Digital Services - Out of Support Technology and Public Sector Network Accreditation: Public Services Network governance arrangements (Low) - Management has accepted the residual risk associated with this finding that security risks (that could potentially impact both PSN and Cyber Essentials plus accreditation) identified, recorded, and managed by CGI on behalf of the Council are not currently flowing through into the Council's risk management process. Digital Services has confirmed that this will be addressed in future through the Council's Cyber and Information Security Steering Group risk register. The risk has been closed on the basis the residual risk is low; is within appetite; and that PSN and Cyber Essentials plus accreditation has been received, although this will need to be addressed in future to support implementation of the refreshed operational risk management framework.

4.7.8 Place - Waste and Cleansing Services - Performance Management Framework (Low) - Management has accepted the residual risk of not providing a clear link to the Scottish Government's Code of Practice on Litter and Refuse guidance on all customer street cleansing communications. The link has been made available via the Council's website; however management has advised that no direct street cleansing communications issued to customers.

Agreed Management Actions Analysis

4.8 The 96 open IA findings are supported by a total of 233 agreed management actions. Of these, 130 (56%) are overdue as the completion timeframe agreed with management when the report was finalised has not been achieved. This reflects a 3% decrease from the April 2021 position (59%).

4.9 Of the 130 overdue management actions, 17 have a status of 'implemented' and are currently with IA for review to confirm whether they can be closed, leaving a balance of 113 to be addressed.

4.10 Appendix 2 provides an analysis of the 130 overdue management actions highlighting:

- their current status as at 11 August 2021 with:
  - ➢ 17 implemented actions where management believe the action has been completed and it is now with IA for validation;
  - ➢ 108 started where the action is open, and implementation is ongoing; and
  - ➢ 5 pending where the action is open with no implementation progress evident to date.
- 70 instances (54%) where the latest implementation date has been missed; and

- 48 instances (37%) where the implementation date has been revised more than once.

4.11 Figure 2 illustrates the allocation of the 130 overdue management actions across Directorates, and the 17 that have been passed to IA for review to confirm whether they can be closed.

Figure 2: Overdue and Implemented Management Actions by Directorate

	Place	Corporate Services	Education and Children's Services	Health & Social Care
Implemented	1	8	2	6
Overdue	41	38	26	25

Revised Implementation Dates

4.12 Figure 3 illustrates that there are currently 48 open management actions (including those that are overdue) across directorates where completion dates have been revised between one and five times since July 2018. This number excludes the automatic extension applied by IA to reflect the impact of Covid-19.

4.13 This reflects a decrease of 16 in comparison to the position reported in April 2021(64).

4.14 Of these 48 management actions, 22 are associated with High rated findings; 23 Medium; and 3 Low, with the majority of date revisions in the Place Directorate.

Governance, Risk and Best Value Committee – 21 September 2021

Figure 3 - management actions with more than one revised completion date since July 2018
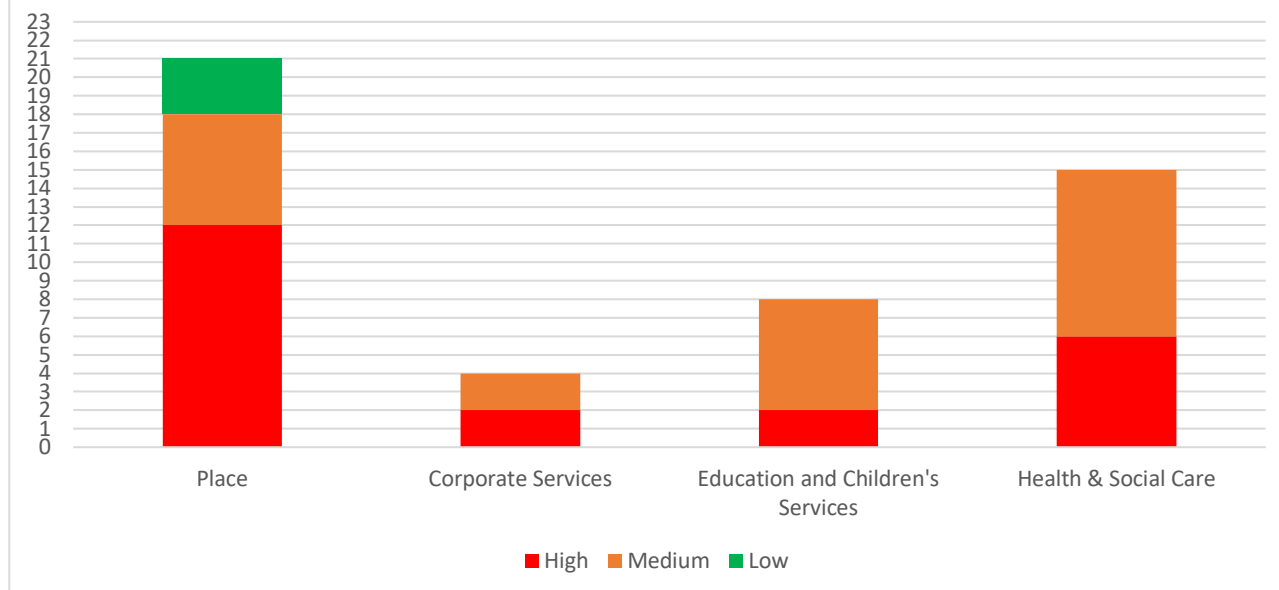
Key Performance Themes Identified from the IA Dashboard

4.15 The IA key performance indicator dashboard was not applied during the 2020/21 plan year as the Council continued to focus on its Covid-19 resilience response.

4.16 The dashboard has now been reinstated for 2021/22 as advised in the June report presented to Committee, to support smooth delivery of the 2021/22 IA annual plan and prevent delayed completion of audits and finalisation of reports shortly before finalisation of the IA annual opinion.

4.17 Reintroduction of the KPIs supported by monthly reporting to the Corporate Leadership Team and quarterly to the Committee will highlight any significant delays that could potentially impact on delivery of the annual plan, and is aligned with the requirements of both the motion and addendum agreed at Committee in August 2021 requesting that audits will be carried out in line with the timescales set out in the agreed audit plan.

4.18 For the 10 audits currently in progress across the Council where a terms of reference has been issued the dashboard at Appendix 3 highlights that:

4.18.1 8 service responses have been received within agreed KPI timeframes;

4.18.2 Executive Director responses are generally within agreed timeframes;

4.18.3 Agreement on the Digital and Smart City terms of reference with Digital Services involved extensive engagement and was impacted by annual leave;

4.18.4   Service responses on the terms of reference for the Fraud and Serious Organised Crime audit have not yet been received from all services included in the scope of the review;

4.18.5   Finalisation of the report and workshop with management for the Planning and Performance Framework review was significantly impacted by the timing of annual leave; and,

4.18.6   The Elections in the Covid-19 environment audit was completed effectively with management and IA working closely to provide assurance in advance of the May 2021 Scottish parliament elections.

5. Next Steps

5.1   IA will continue to monitor the open and overdues findings position and delivery against key performance indicators, providing monthly updates to the CLT and quarterly updates to the Governance, Risk and Best Value Committee.

6. Financial impact

6.1   There are no direct financial impacts arising from this report, although failure to close findings and address the associated risks in a timely manner may have some inherent financial impact.

7. Stakeholder/Community Impact

7.1   If agreed management actions supporting closure of Internal Audit findings are not implemented, the Council will be exposed to the service delivery risks set out in the relevant Internal Audit reports. Internal Audit 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.

8. Background reading/external references

8.1   [Internal Audit: Overdue Findings and Key Performance Indicators at 27 April 2021 – Paper 8.2](#)

8.2   [First Line Governance and Assurance Model – Paper 8.3](#)

8.3   [Internal Audit Journey Map and Key Performance Indicators - Paper 7.6 Appendix 3](#)

9. Appendices

9.1   Appendix 1 – Monthly Trend Analysis of IA Overdue Findings and Management Actions

9.2   Appendix 2 – Internal Audit Overdue Management Actions as at 11 August 2021

9.3   Appendix 3 – Internal Audit Key Performance Indicators as at 11 August 2021