

# Governance, Risk, and Best Value Committee

10.00am, Tuesday, 13 August 2019

## Internal Audit Quarterly Update Report: 1 April to 30 June 2019

Item number

Executive/routine

Wards

Council Commitments

### 1. Recommendations

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- 1.1 It is recommended that Committee notes:
- 1.1.1 progress with the delivery of the 2019/20 Internal Audit (IA) plan;
  - 1.1.2 performance against IA key performance indicators; and
  - 1.1.3 the outcomes of the Team Central post implementation review and progress with key IA priorities and ongoing areas of focus.

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# Report

## Internal Audit Quarterly Update Report: 1 April to 30 June 2019

### 2. Executive Summary

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- 2.1 Of the 44 audits to be delivered across the Council in 2019/20, 19 are currently underway, with 11 audits at planning stage; 6 in fieldwork; and 2 at the draft reporting stages of the audit process. The remainder will commence later this year.
- 2.2 Good progress is evident with IA key priorities, with the main achievement being successful delivery of the 2018/19 IA plan, with a minimum number of audits carried forward to 2019/20.
- 2.3 Key IA priorities for the next quarter include ongoing focus on delivery of the 2019/20 plan; ongoing follow-up of open findings; recruiting for the auditor role that will become vacant in August 2019; implementation of automated scheduling to support allocation of audit reviews across the team and plan delivery; and ongoing delivery of training across the Council.

### 3. Background

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- 3.1 Internal Audit is required to deliver an annual plan of work, which is scoped using a risk-based assessment of the Council's activities. Additional reviews are added to the plan where considered necessary to address any emerging risks and issues identified during the year, subject to approval from the Governance, Risk, and Best Value Committee (GRBV).
- 3.2 The 2019/20 IA plan approved by GRBV in March 2019 included 50 audits. Of these 40 will be delivered across the Council, with the balance of 10 reviews delivered to support the Edinburgh Integration Joint Board (EIJB); the Lothian Pension Fund (LPF); the Lothian Valuation Joint Board; the Edinburgh Royal Military Tattoo; and the South East of Scotland Transport Partnership.
- 3.3 Four audits have been carried forward from the 2018/19 IA plan, and one additional review has been added to the 2019/20 plan (The Management of Development Funding) at the request of the Scottish Government, leaving a total of 44 audits to be delivered in the 2019/20 annual plan year for the Council.
- 3.4 The IA journey map and key performance indicators was approved by both the Corporate Leadership Team (CLT) and the GRBV Committee in January 2019 and

are designed to support timely and effective delivery of the annual plan. The key performance indicators (KPIs) specify expected delivery timeframes for both the IA team and management at all stages of the audit process.

- 3.5 IA progress and copies of completed reports are presented to GRBV quarterly for their review and scrutiny.
- 3.6 All audits performed for the LPF are subject to separate scrutiny by the Pension Audit Sub-Committee and the Pensions Committee and are included in this report for completeness.
- 3.7 Audits performed for the EIJB are presented to the EIJB Audit and Risk Committee for scrutiny, with any reports that are relevant to the Council subsequently referred to the GRBV Committee.
- 3.8 Audits performed for the City of Edinburgh Council (the Council) that are relevant to the EIJB will be recommended for referral to the EIJB Audit and Risk Committee by the GRBV Committee.

## **4. Main report**

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### **2019/20 Plan delivery progress**

- 4.1 Of the 44 audits to be delivered across the Council in 2019/20, 19 are currently underway, with 11 audits at planning; 6 in fieldwork; and 2 at the draft reporting stages of the audit process. The remainder will commence later this year.
- 4.2 IA is now adopting an approach where planning time is scheduled with service areas to develop IA's understanding of their operational processes and key controls prior to preparing terms of reference.
- 4.3 This new approach is supported by a quarterly email sent to all Directors and Heads of Service to provide details of the reviews to be completed in their respective areas, together with indicative timeframes.
- 4.4 We have been unable to prepare and issue terms of reference for all of the audits currently in planning due to ongoing challenges in obtaining access to the relevant teams. This has been mainly attributable to conflicting priorities; sickness absence; and annual leave.
- 4.5 Further details of the reviews underway are included at Appendix 1.

### **Internal Audit Key Performance Indicators**

- 4.6 IA has been monitoring performance against the KPIs detailed in the IA journey map and key performance indicators approved by both the CLT and GRBV. Appendix 1 includes details of performance against KPIs in relation to the five day timeframe for feedback received from management on draft terms of reference where these have been issued.
- 4.7 A reporting dashboard that will cover all agreed KPIs is currently being developed and will be provided with the next IA quarterly update paper.

## **Engagement with Digital Services and CGI**

- 4.8 Timeframes for completion of the Digital Services reviews included in the 2019/20 plan have been discussed and agreed with Digital Services. Digital Services management will now position these agreed timeframes with the Council's technology partner, CGI, to ensure effective alignment of IA; Digital Services; CGI; and specialist PwC resources (where required) to ensure effective and timely delivery of these audits.

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

- 4.9 The 2018/19 IA annual plan has now been successfully delivered, with four audits carried forward into the 2019/20 plan year for completion. Of the four audits carried forward, only one delay (Health and Safety Life and Limb Risks) was directly attributable IA. IA is continuing to work with the service areas to finalise completion of the remaining three reviews.
- 4.10 The Team Central post implementation review has now been completed. This comprised completion of a survey and a workshop with a group of ten users. Positive feedback was received on the design and operation of the system; the initial pre-system implementation training provided by IA; and ongoing system support provided by IA. A number of good suggestions were provided in relation to potential system enhancements that will now be considered and explored, with the main workshop outcome being an action for IA to produce a short user crib sheet that can be used as a reminder for users who do not regularly access the system.
- 4.11 Risk, Control and the Three Lines of Defence training was delivered to the CLT and Heads of Service at the end of May.

## **Ongoing areas of focus**

- 4.12 Ongoing areas of focus for Internal Audit include:
- 4.12.1 Recruitment – there will be a new vacancy at auditor level at the end of August. Recruitment is currently underway to fill this post;
  - 4.12.2 Time sheet recording has been implemented, and the management information that is available from the system is currently being reviewed to determine the most suitable reports for ongoing management use;
  - 4.12.3 The scheduling tool included in our audit system is currently being configured for use. This will support effective allocation of workload across the IA team, and more effective monitoring of progress with plan delivery; and
  - 4.12.4 Ongoing quarterly Council wide training has still to be scheduled by IA.

## **5. Next Steps**

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- 5.1 IA will continue to monitor progress with plan delivery 2019/20 IA plan.

## **6. Financial impact**

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

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

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- 7.1 IA findings are raised as a result of control gaps or deficiencies identified during audits. If agreed management actions are not implemented to support closure of Internal Audit findings, the Council will be exposed to the risks set out in the relevant IA reports.

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

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- 8.1 None

## **9. Appendices**

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- Appendix 1 Progress with delivery of the 2019/20 Internal Audit Annual Plan

## Appendix 1 - Progress with Delivery of the 2019/20 Internal Audit Annual Plan

|            |  |           | Key Performance Indicators |                      |            |   |
|------------|--|-----------|----------------------------|----------------------|------------|---|
|            | Review Title   | Status    | Terms of Reference Issued  | Responses Received   | KPI Status | Comments  |
| <b>Ref</b> | <b>Council Wide</b>  |           |                            |                      |            |   |
| 1.         | Implementation of Assurance Actions and Linkage to Annual Governance Statements        | Planning  | Not yet issued             | N/A                  | N/A        | Currently engaging with Directorates prior to preparing terms of reference. Planning survey questionnaire has been prepared and issued.   |
| 2.         | Unsupported Technology / Shadow IT   | Planning  | 14/05/19                   | Resources – May 2019 |            | Feedback has been received from Resources (May 2019) and revised draft issued 30/05/19. No feedback from other Directorates<br>Awaiting final feedback from CGI prior to finalising and issuing.              |
| 3.         | Internal Council Companies / Significant Trading Operations                            | Planning  | Not yet issued             | N/A                  | N/A        | Currently engaging with Directorates and Committee Services prior to preparing terms of reference.  |
| 4.         | Brexit impacts – supply chain management   | Planning  | Not yet issued             | N/A                  | N/A        | Currently engaging with Directorates prior to preparing terms of reference.   |
| 5.         | Looked After and Accommodated Children – St Katherines<br>Carried forward from 2018/19 | Reporting | Agreed in 2017/18          | N/A                  | N/A        | IA is working with Strategy and Insight; Communities and Families and the Health and Social Care Partnership to finalise a combined report for presentation to the Governance, Risk and Best Value Committee. |
|            | <b>Resources</b>   |           |                            |                      |            |   |
| 6.         | Customer Experience  | Planning  | Not yet issued             | N/A                  | N/A        | Currently engaging with Directorates prior to preparing terms of reference.   |
| 7.         | Payroll<br>Carried forward from 2018/19  | Fieldwork | 15/05/2019                 | 28/05/19             |            | Initial feedback from Payroll 28/5/19. Changes made and reissued – awaiting final approval from Payroll.  |
| 8.         | CGI Sub Contract Management  | Fieldwork | 24/01/2019                 | 22/05/2019           |            | Responses received from Resources. Red KPI reflects time taken to agree with CGI.   |

|   |  |           |                |                                 |     |   |
|---|--|-----------|----------------|---------------------------------|-----|---|
| 9.  | Enterprise Resource Planning Project – ongoing agile audit   | Fieldwork | October 2018   | Approved at ERP Programme Board | N/A | N/A   |
| <b>Communities and Families</b>           |  |           |                |                                 |     |   |
| 10.                                       | Schools admissions and inclusion                             | Planning  | Not yet issued | N/A                             | N/A | Currently engaging with Communities and Families; Legal; and Customer prior to preparing terms of reference.  |
| 11.                                       | Community Intervention                                       | Planning  | Not yet issued | N/A                             | N/A | Currently engaging with Community Justice prior to preparing terms of reference   |
| <b>Strategy and Communications</b>        |  |           |                |                                 |     |   |
| 12.                                       | Social Media Accounts  | Fieldwork | 10/07/19       | N/A                             | N/A | Responses due by 15/7/19  |
| 13.                                       | Policy Management Framework                                  | Planning  | Not yet issued | N/A                             | N/A | Currently engaging with Strategy and Communications prior to preparing terms of reference.  |
| <b>Health and Social Care Partnership</b> |  |           |                |                                 |     |   |
| 14.                                       | Localities   | Planning  | Not yet issued | N/A                             | N/A | Currently engaging with the Health and Social Care Partnership Operations and Locality Managers prior to preparing terms of reference.                              |
| <b>Place</b>                              |  |           |                |                                 |     |   |
| 15.                                       | Health and Safety – Trees and Hedges                         | Planning  | Not yet issued | N/A                             | N/A | Currently engaging with Place prior to preparing terms of reference.  |
| 16.                                       | Port Facility Security Plan                                  | Planning  | Not yet issued | N/A                             | N/A | Site visit scheduled 10 July 2019. Terms of reference to be prepared post site visit.   |
| 17.                                       | Tram extension - ongoing agile audit                         | Fieldwork | April 2018     | Approved at Tram Board          | N/A | N/A   |
| 18.                                       | The Management of Development Funding                        | Reporting | 13/06/19       | 14/619                          |     | No responses received from the Place Directorate<br>Final Terms of reference issued 01/07/19  |
| 19.                                       | Building Standards Follow-up<br>Carried forward from 2018/19 | Fieldwork | N/A            | N/A                             | N/A | Management is finalising evidence to be provided to IA support closure of previously raised IA findings. Once provided, this will be reviewed and a report prepared |