

Governance, Risk, and Best Value Committee

Tuesday, 18 February 2020, 10am

Internal Audit: Proposed Changes to the 2019/20 Internal Audit Annual Plan

Item number

Executive/routine

Wards

Council Commitments

1. Recommendations

It is recommended that:

- 1.1 The Committee notes that the five proposed routine (non-urgent) changes to the 2019/20 Internal Audit (IA) annual plan have been discussed with both the Corporate Leadership Team (CLT) and the Committee Convenor, who have confirmed their agreement in principle; and
- 1.2 the Committee approves the five proposed changes.

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Internal Audit: Proposed Changes to the 2019/20 Internal Audit Annual Plan

2. Executive Summary

- 2.1 This paper includes proposals for five routine (non-urgent) changes to the 2019/20 IA annual plan.
- 2.2 It is proposed that four 2019/20 audits are carried forward into the 2020/21 annual plan and that the planned scope for one audit is amended, with the work allocated across the both the 2019/20 and 2020/21 annual plans.
- 2.3 The proposals have been discussed with the CLT at their meeting on 22 January 2020, and also with the Committee Convenor who have confirmed their agreement in principle.
- 2.4 An update on progress with delivery of the 2019/20 Internal Audit annual plan is included at Appendices 1 and 2 to support the Committee with their decision to support the five proposed changes.

3. Background

- 3.1 In August 2018, the Corporate Leadership Team and Governance, Risk, and Best Value Committee approved the implementation of a new process for approval of urgent and routine (non-urgent) changes to the IA annual plan.
- 3.2 Implementation of this process ensures that the integrity of the annual plan and the independence of Internal Audit are effectively maintained.
- 3.3 An urgent request for a change to the IA plan is defined as a change related to new and emerging risks that have crystallised and which require urgent IA focus to confirm the effectiveness of the established control environment.
- 3.4 The final decision to accept or reject urgent changes to the IA annual plan are made by the Chief Executive or relevant Executive Director (in line with the Council's urgency provisions process) in consultation with the Convenor of the Governance, Risk and Best Value Committee (GRBV) and the Chief Internal Auditor.

- 3.5 The process for implementation of routine (non-urgent) changes to the IA annual plan is discussion with the Corporate Leadership Team (CLT) and subsequent discussion and approval by the GRBV, with the final decision to accept or reject the proposed change made by the Committee.

4. Main report

- 4.1 It is proposed that a total of four audits currently included in the 2019/20 IA annual plan are carried forward into the 2020/21 IA plan year for the reasons detailed below, and that the scope of the planned 2019/20 CGI Change Management review is amended, with the audit work allocated across the 2019/20 and 2020/21 plan years.

- 4.1.1 **Freedom of Information (FOI)** – completion of the planned FOI review will require significant effort from the Council's Information Governance Unit (IGU), which is currently under significant workload pressure resulting from an extensive volume of ongoing correspondence (including FOI requests and complaints) in relation to one specific complex matter.

Management has advised that they are currently working towards solutions to support the IGU workload position.

Recognising this pressure, it is recommended that the planned FOI audit is carried forward into the 2020/21 annual plan year and completed once the solution to address the current pressures has been implemented.

- 4.1.2 **Payroll Continuous Monitoring** – the 2019/20 IA annual plan included continuous monitoring review of payroll that involved applying data analytics across the monthly Council payrolls on a quarterly basis to enable identification and resolution of any transaction processing anomalies.

It has not been possible to adopt this quarterly approach as the Payroll team has been unable to provide responses to the anomalies identified from the 2018/19 payroll review (completed in August 2019) as a result of workload pressures and unplanned employee turnover. It should be noted that none of the outstanding anomalies identified from the 2018/19 audit were considered material in terms of the financial statements, as confirmed by the Council's external auditors Scott Moncrieff.

Recognising these challenges, it is recommended that a full review of the 2019/20 payroll review using data analytics is carried forward into the first quarter of the 2020/21 annual plan year, with the quarterly continuous monitoring approach implemented thereafter.

- 4.1.3 **Building Standards Follow-Up** – the 2019/20 IA annual plan included two follow-up reviews of Building Standards. The purpose of the first review was to confirm that all Internal Audit findings raised in the March 2018 Building Standards review had been implemented, with the second review to confirm

whether the enhanced controls had been effectively sustained scheduled for completion later in the 2019/20 IA plan year.

As the first review was completed in November 2019 and the outcomes shared with the Scottish Government, it is Internal Audit's opinion that there has not been sufficient elapsed time to confirm that the enhanced controls have been effectively sustained.

Consequently, it is proposed that the second review is carried forward and completed in the 2020/21 annual plan year.

- 4.1.4 **Royal Edinburgh Military Tattoo (REMT)** – the 2018/19 REMT annual audit was completed in March / April 2019, and REMT management has advised that they would prefer the next audit to be completed in April / May 2020, enabling them to finalise their financial statements.

Consequently, the current audit included in the 2019/20 can be recommended for removal and the work carried forward into the 2020/21 annual plan year.

This will result in the loss of circa £9k income for completion of this work in the Council's 2019/20 financial year.

- 4.1.5 **CGI Change Management** – the 2019/20 IA annual plan includes a review of CGI change management that was carried forward from 2018/19, with the objective of 'reviewing the adequacy and effectiveness of the CGI change management model established to support delivery of the Council's change programme'. The scope detailed in the initial terms of reference for this review provided to Customer and Digital Services and CGI in December 2019 following planning / discovery days with the CGI teams in October / November specified that the review would cover the change management process from point of initiation (completion of change requests) through to final implementation of the change.

Both Customer and Digital Services and CGI management have advised that it is not feasible to complete this work within the scope of one audit as it comprises two separate processes (change initiation and then change implementation) which are performed by two separate CGI teams, and that the scale of a combined review is unlikely to be achievable in sufficient time to support the 2019/20 IA annual opinion that will be presented to the GRBV in June 2020.

CGI and Customer and Digital Services have proposed that the scope of the 2019/20 audit is changed and allocated across both the 2019/20 and 2020/21 annual plans, with an audit of change initiation performed in 2019/20 and the audit of change implementation completed in 2020/21.

Whilst Internal Audit can support this approach, there is clear impact that the risk of handover between the change initiation and implementation teams will not be covered in the 2019/20 IA plan year, and that consequently only

partial assurance will be provided in 2019/20 on the adequacy and effectiveness of the CGI change management model established to support delivery of the Council's change programme.

5. Next Steps

- 5.1 IA will continue to monitor progress with delivery of the Internal Audit annual plan and the ongoing risk profile of the Council to determine whether any further changes to the annual plan are required.
- 5.2 Where further changes are required, the process for approving changes to the annual plan will be applied.

6. Financial impact

- 6.1 Loss of circa £9k income from REMT as no IA review will be completed in the Council's 2019/20 financial year.

7. Stakeholder/Community Impact

- 7.1 The main stakeholder and community impacts associated with these proposals is delayed delivery of Internal Audit assurance on the effectiveness of the delivery of services and associated risk management by these services.

8. Background reading/external references

- 8.1 [Internal Audit – Proposed process for approving changes to the Internal Audit plan – Item 7.9](#)

9. Appendices

Appendix 1 – 2019/20 Internal Audit Annual Plan Reconciliation

Appendix 2 - Summary of 2019/20 IA Plan Progress as at 10 February 2020

Appendix 1 – 2019/20 IA Annual Plan Reconciliation

Reconciliation		Comments
Total number of reviews in 19/20 IA Plan	50	Approved by GRBV March 2019
Add - Reviews carried forward from 2018/19	3	Payroll; Looked After and Accommodated Children (St Katherine's); Building Standards Follow-up
Add - Reviews added in 2019/20	2	Transfer of the Management of Development Funding Grant and City Deal
Add – Findings only review	1	Drivers
Less - Reviews to be removed from the plan	(4)	As detailed in the main paper above
Lesss – Combined reviews	(1)	Two of the planned project management audits have been combined to provide extended focus on governance of first line projects delivered outwith the Council's Major Projects Portfolio
Total reviews to be delivered to support 2019/20 IA opinion	51	Refer Appendix 2 below for further detail

Appendix 2 – Summary of 2019/20 IA Plan Progress as at 10 February 2020

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.	LPF - Charles River Project	N/A	Will be presented to pensions sub audit committee
6.	Housebuilding and Local Development Plan (PwC)	Effective	March 2020
7.	Looked After and Accommodated Children (St Katherine's) b/f 2018/19	Some Improvement Required	March 2020
8.	Budget Setting and Management	Some Improvement Required	March 2020
Total reports completed		8	
Draft Reports Issued to Management		Expected Completion	
9.	Port Facilities Security Plan	February 2020	
10.	CGI Partnership Management and Governance		
11.	Policy Management Framework		
12.	Schools Admissions and Inclusion		
Total draft reports issued to management		4	
Draft Reports Being Prepared		Expected Completion	
13.	Health and Social Care Localities	March 2020	
14.	Model and Intelligent Automation Risk		
15.	EIJB Transformation Framework		
16.	Implementation of Assurance Actions and Linkage to Annual Governance Statement (PwC)		
17.	Unsupported Technology (Shadow IT) (PwC Specialist)		
18.	Project Management – Governance of First Line Projects outwith the Major Projects Portfolio		
19.	Protection of Vulnerable Groups and Disclosures		

Audit Review		
Total reports being prepared		7
Fieldwork		Expected Completion
20.	Edinburgh Tram Extension	Ongoing agile project reviews
21.	Enterprise Resource Planning System Implementation	
22.	SEStran	February 2020
23.	Health and Safety – Tree Management	March 2020
24.	Social Media	March 2020
25.	Payroll b/f 2018/19	March 2020
26.	City Deal	March 2020
27.	Validation	March 2020
28.	Health and Safety - Lone working	March 2020
29.	Brexit Impacts – Supply Chain Management (PwC)	March 2020
30.	Health and Safety – Life Safety	March 2020
31.	LPF Pensions Entitlement	March 2020
32.	LPF - Custodian Services	April 2020
33.	Digital Services – Resilience (PwC Specialist)	April 2020
34.	Digital Services - Change Management - c/f 2018/19 (PwC Specialist)	April 2020
35.	Digital Services – Incident and Problem Management (PwC Specialist)	April 2020
36.	Digital Services - Mobile Device Mgt (PwC Specialist)	April 2020
37.	Health and Safety – Managing Violent and Aggressive Behaviour across Communities and Families	April 2020
38.	Risk Management (Scott Moncrieff – Specialist Review)	April 2020
Total reviews in progress		19
Planning		Expected Completion
39.	Repairs and Maintenance	April 2020
40.	Customer Experience	April 2020
41.	Criminal Justice Social Work (PwC)	April 2020
42.	Internal Council Companies (PwC)	April 2020
43.	Performance Management Information (PwC)	April 2020
44.	Prevention Services	April 2020
45.	Enhanced / Intensive Housing Benefit (PwC)	April 2020
46.	Care Homes Follow Up	April 2020
47.	Lothian Valuation Joint Board	April 2020

Audit Review		
48.	Parking and Traffic Regulation (PwC)	April 2020
49.	Registration and Bereavement Services (PwC)	April 2020
50.	EIJB Recommendations from external bodies	April 2020
Total reviews at planning stage		12
Not yet started		Expected Completion
51.	EIJB Strategic Planning – Capital and Workforce Planning	April 2020
Total audits not yet started		1