

# Governance, Risk and Best Value Committee

10.00am, Tuesday 8 December 2020

## Internal Audit: Revisiting Internal Audit Extension Timeframes

Item number

Executive/routine

Executive

Wards

Council Commitments

### 1. Recommendations

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- 1.1 It is recommended that the Committee:
- 1.2 reviews and notes the proposals included in this paper to risk accept, refresh and rebase (where appropriate) management actions associated with open and overdue Internal Audit (IA) findings following consideration of the challenges associated with the current operating environment and the ongoing impact of Covid-19.

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## Internal Audit: Revisiting Internal Audit Extension Timeframes

### 2. Executive Summary

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- 2.1 The purpose of this paper is to update the committee on management's decisions to risk accept, refresh and rebase (where appropriate) management actions associated with open and overdue IA findings as at 30 October 2020, following consideration of the challenges associated with the current operating environment and the ongoing impact of Covid-19 upon the Council.
- 2.2 Completion of this exercise confirms that the risks associated with open IA findings across the Council remain relevant and require to be addressed, as only a small number of management actions will be refreshed.
- 2.3 It is recommended that two High rated findings in relation to the design of the Place localities operating model and the refresh of the Council's operational property strategy are transferred to the Adaptation and Renewal programme for completion. This will involve a further refresh of the actions and extension of the dates for the 8 management actions associated with these findings.
- 2.4 Following the four month extension applied to all open IA findings, management has requested that implementation dates are extended for a further 65 management actions associated with open IA findings.

### 3. Background

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- 3.1 A paper outlining IA's Covid-19 response was presented to the GRBV in June 2020 that recommended application of a four-month extension to completion dates for all open and overdue IA findings, enabling management to focus on resilience activities and the return to business as usual.
- 3.2 This paper also confirmed that management was encouraged to work with IA, where practicable and possible, towards the closure of open and overdue management actions associated with IA findings, and that the position would be reviewed again at the end of July.

- 3.3 IA has worked with directorates to establish the impact of Covid-19 on their open IA findings to determine their capacity for supporting closure in the current environment and agree whether findings should be closed; completion dates extended, where required; or could be risk accepted in instances where Covid-19 had impacted capacity and the residual risk associated with the open finding was Low to Medium.
- 3.4 There was a total of 126 open and overdue IA findings as at 30<sup>th</sup> October 2020 across the Council. This figure includes all of the completed 2019/20 audits. These open IA findings are supported by a total of 376 management actions, with multiple actions mapped to each finding that require to be completed to support closure of these findings. As at 30 October, a total of 65 findings and 170 management actions were overdue, based on implementation dates agreed with management when audit reports were finalised.
- 3.5 Further detail on the number of open IA findings and supporting management actions for each directorate, as at 30<sup>th</sup> October 2020, is included at Appendix 1.
- 3.6 In October 2020, the Corporate Leadership Team (CLT) agreed that additional support was needed in directorates to help to address the open and overdue IA findings position, with the objective of seeing a significant improvement by the end of January 2021.
- 3.7 This additional support has now been secured, and it is expected that progress will be evident with closure of open and overdue findings, where possible; the design of solutions required to address overdue IA findings; and / or a significant reduction in the ratings allocated to overdue findings indicating that the associated risks are gradually being addressed. Focus will also be directed towards current IA findings to ensure that they are closed on time and do not become overdue.

## 4. Main report

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### Proposed changes to the current open IA findings position

- 4.1 Management has proposed the following changes to the 376 management actions supporting the 126 open IA findings (as at 30 October 2020) as detailed in the table at Appendix 1:
- 4.1.1 **risk acceptance** – a total of 4 management actions supporting 3 open IA findings are proposed for risk acceptance. Agreement has been reached with IA on 2 of the 4 risk proposals, and 2 are subject to ongoing discussion with management. Further information is included at 4.2 below:
- 4.1.2 **management actions refreshed and dates extended** - a total of 22 management actions are refreshed, with new actions and implementation dates agreed. The majority of these findings relate to High rated actions to be completed by all directorates that were originally raised in the Resilience

audit completed in September 2018. Further detail is included at 4.3 to 4.6 below.

- 4.1.3 **actions to be transferred to the Adaptation and Renewal Programme – 2** High rated findings (and 8 associated management actions) in relation to the design of the Place Localities operating model, and the refresh of the Council's operational property strategy will be transferred to Adaptation and Renewal programme for resolution. It is likely that these actions will also require to be refreshed and their implementation dates extended.
- 4.1.4 **implementation dates extended** - completion dates for 65 management actions (41 High; 23 Medium; and 1 Low) will be extended;
- 4.1.5 **no changes required** – the balance of 277 management actions will be completed within currently agreed implementation timeframes.

### **Risk Acceptance**

4.2 The impact of the risk accepted management actions is as follows:

- 4.2.1 **Phishing Resilience (Resources)** - the residual elements of one High rated finding (one management action) raised in the July 2018 Phishing Resilience audit has been risk accepted, as the Resources directorate (Digital Services) has confirmed that it has not been possible to route phishing information generated by clicking the MS outlook 'report phishing' button directly to the CGI helpdesk without incurring additional costs. Consequently, the themes associated with phishing incidents reported via e mail will not be investigated by CGI and included in reports provided to the Security Working Group. Digital Services Management has confirmed that they will continue to explore options to ensure that phishing emails reported by email users are investigated. This proposal has been discussed and agreed with IA.
- 4.2.2 **HMO Licencing (Place)** - the remaining aspects of a Low rated management action raised in the August 2019 HMO Licencing audit relating to the induction process for new licencing team members has been risk accepted by the Place directorate. Whilst a new induction process has been designed, IA has not confirmed whether it has been applied to all new employees as the licencing team has been impacted by Covid-19. This proposal has been discussed and agreed with IA.
- 4.2.3 **Asset Management Strategy (Resources)** - discussion is ongoing with management in relation to their proposals to risk accept a High rated finding and two associated management actions that were reopened in the July 2019 Asset Management Strategy audit. These findings were originally raised in the January 2016 Management Information Quality within Facilities Management audit, and relate to the completeness, accuracy and quality of historic and current data used to manage the Council's operational property portfolio.

## **Resilience Management Actions**

- 4.3 The Resilience audit completed in September 2018 included a High rated finding that required each Directorate to:
- 4.3.1 review third party contracts to confirm that they have established appropriate resilience arrangements to support ongoing delivery of Council services;
  - 4.3.2 develop annual assurance arrangements with third party suppliers in relation to their resilience arrangements;
  - 4.3.3 complete an annual review of resilience business impact assessments and call trees; and,
  - 4.3.4 develop resilience plans for their statutory and critical services and essential activities:
- 4.4 The majority of these findings are now overdue as their originally agreed completion dates were between 2018 and 2019.
- 4.5 The resilience findings were reviewed and discussed with the Council's Resilience team to consider whether they should be refreshed, and completion dates rebased, given the impact of Covid-19 and current plans to refresh the Council's operational resilience approach.
- 4.6 This confirmed that directorate actions in relation to establishing the adequacy of third party supplier resilience arrangements remain relevant, and that these implementation dates should be extended (refer 4.6.1 and 4.6.2 below), and that a further four directorate operational resilience actions should be refreshed with dates extended following implementation of the refreshed operational resilience arrangements. Details of the refreshed actions and revised implementation dates are included at 4.6.3 to 4.6.6 below.
- 4.6.1 review third party contracts to confirm that they have established appropriate resilience arrangements to support ongoing delivery of Council services with a revised implementation date of 31 March 2021.
  - 4.6.2 develop processes to obtain annual assurance from third party suppliers on the adequacy of their resilience arrangements with a revised implementation date of 31 March 2022.
  - 4.6.3 update resilience business impact assessments and enter the dates into the resilience management system (Continuity 2) by 31 May 2022.
  - 4.6.4 develop resilience plans / protocols for High-risk essential services by 31 December 2022, and then all other services by 31 December 2023 following implementation of the planned organisational restructure and the roll out of revised business impact assessments by the Resilience team.
  - 4.6.5 develop resilience plans for all remaining essential services by 31 December 2023.

4.6.6 update and validate business area resilience plans and protocols annually by 31 December 2024.

4.7 Given the timeframes involved in reviewing open IA findings with directorates, the full population of amendments proposed in this report was not reflected in the overdue findings position as at 30 October 2020 presented to the Committee. Where relevant, overdue management actions included in Appendix 2 of the Overdue Findings report have been manually updated to reflect the outcomes of this exercise.

## **5. Next Steps**

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5.1 Internal Audit has offered training and support for the additional employees in each directorate who will be focused on supporting improvement in the current position with open IA findings between October and January 2021.

5.2 Quarterly reporting on the open and overdue IA findings position to the committee will be reinstated with effect from December 2020.

5.3 The position with open IA findings will continue to be closely monitored and will be reconsidered in the event of any subsequent resilience events that could further impact management's capacity to address the risks associated with open IA findings.

## **6. Financial impact**

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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**

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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**

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8.1 [Internal Audit – Covid-19 Response - Item 8.1](#)

## **9. Appendices**

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9.1 Appendix 1 – Analysis of changes to open IA findings and supporting management actions as at 30 October 2020.

## Appendix 1 – Analysis of changes to open IA findings and supporting management actions as at 30<sup>th</sup> October 2020

Directorate	Resources			Communities and Families			Health and Social Care			Place			Chief Executive and Strategy and Comms			Total
	High	Med	Low	High	Med	Low	High	Med	Low	High	Med	Low	High	Med	Low	
Total number of open findings	16	20	7	4	11	-	9	12	2	15	8	8	5	9	-	126
Total number of supporting management actions	53	43	12	41	28	1	31	32	4	49	16	19	28	19	-	376
Management Actions Risk accepted	3*	-	-	-	-	-	-	-	1	-	-	1	-	-	-	4
Management actions refreshed and dates extended**	4	-	-	4	-	-	4	-	-	4	-	-	5	1	-	22
Management actions - extended Implementation dates agreed	7	4	1	16	10	-	6	8	0	4	-	-	8	1	-	65
Management actions transferred to Adaptation & Renewal Programme	2	-	-	-	-	-	-	-	-	5	-	-	1	-	-	8
Management action on schedule for completion by current implementation date	37	39	11	21	18	1	21	24	4	36	16	18	14	17	-	277

\* note that that this includes the 2 management actions that have been proposed for risk acceptance and are currently being discussed with management

\*\* note that this includes the Council wide resilience actions – 4 for each Directorate