

# Governance, Risk, and Best Value Committee

10.00am, Tuesday, 8 June 2021

## Internal Audit Update Report: 1 February to 30 April 2021

Item number	
Executive/routine	Executive
Wards	All
Council Commitments	

### 1. Recommendations

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- 1.1 It is recommended that the Committee:
- 1.2 retrospectively approves the three urgent changes to the 2020/21 Internal Audit (IA) annual plan in line with the agreed process for approving changes to the Internal Audit annual plan;
- 1.3 notes the outcomes of completed 2020/21 audits;
- 1.4 notes progress with delivery of the 2020/21 Internal Audit plan;
- 1.5 notes progress with delivery of the 2021/22 IA plan;
- 1.6 notes extended delivery timeframes for completion of seven audits and their potential impact on the 2020/21 IA annual opinion; and,
- 1.7 notes progress with delivery of IA key priorities and ongoing areas of focus;

**Lesley Newdall**

Chief Internal Auditor

Legal and Risk Division, Resources Directorate

E-mail: [lesley.newdall@edinburgh.gov.uk](mailto:lesley.newdall@edinburgh.gov.uk) | Tel: 0131 469 3216

## Internal Audit Update Report: 1 February to 30 April 2021

### 2. Executive Summary

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- 2.1 In response to the Council's changing risk profile, a further three urgent changes have been made to the 2020/21 IA annual plan since the quarterly update provided to the Committee in March 2021. These include two agile consultancy reviews on the pre-implementation design of Covid-19 grant allocation processes, and the addition of a 'findings only' review.
- 2.2 Two technology related audits that are being delivered with support from PwC have been combined to improve efficiency and reduce costs.
- 2.3 These changes have increased the number of audits included in the 2021/22 IA annual plan to 47, with 38 of these to be delivered across the Council.
- 2.4 There has been good progress with delivery of the 2020/21 annual plan, with 43 of the 47 planned audits (93% of the plan) either completed or underway, which includes 35 (92%) of the 38 audits to be completed across the Council.
- 2.5 Eight audits have now been fully completed across the Council with five reports assessed as 'some improvement required' (amber); and three 'effective' (green).
- 2.6 A further three agile pre-implementation reviews of the proposed design of Covid-19 grant allocation processes have been completed, with no control design weaknesses identified that would have prevented or delayed their implementation.
- 2.7 Extended delivery timeframes (July 2021) are proposed for eight audits, reflecting additional time required due to the ongoing impacts of Covid-19. It is likely that these audits will not be completed in sufficient time to support the 2021/22 IA annual opinion that will be presented to the Committee in August 2021, and will instead be included in the 2021/22 annual opinion.
- 2.8 Delivery of the 2021/22 annual plan approved by Committee in March 2021 has commenced with three audits underway, and three audits currently being planned.

### 3. Background

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#### **2020/21 Internal Audit Annual Plan**

- 3.1 On 29 September 2020, the Committee approved the refreshed 2020/21 IA annual plan that would deliver a total of 45 audits, and also included time for ongoing IA follow-up assurance across the Council.
- 3.2 The original plan included 36 audits to be delivered across the Council, with nine audits to be completed for arm's length external organisations (ALEOs).
- 3.3 The plan also includes 11 audits approved by the Committee in July 2020, designed to provide assurance on the design of new and amended processes implemented in response to the Covid-19 pandemic.
- 3.4 On 8 December 2020, the Committee approved the inclusion of the Edinburgh Tram Network Supplier Arrangements audit, increasing the total number of audits to 46, with 37 of these to be delivered across the Council.
- 3.5 In March 2021, the Committee noted that the audit of the Development and Implementation of the Council's Carbon Neutral / Climate Change Strategy would be deferred and carried forward into the 2021/22 annual plan, and noted the addition of a review of the design process for Covid-19 Business Support Grants.

#### **2021/22 Internal Audit Annual Plan**

- 3.6 On 23 March 2021, the Committee approved the 2021/22 IA annual plan that would deliver a total of 45 audits (36 across the Council and 9 for ALEOs), and also included time for ongoing IA follow-up assurance.

#### **Internal Audit Reports**

- 3.7 Copies of all completed IA reports are currently provided to Committee Members via the Microsoft Teams Committee channel. 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.
- 3.8 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.
- 3.9 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.
- 3.10 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.
- 3.11 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.

## **Agile Auditing and Consultancy Support**

- 3.12 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).
- 3.13 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.
- 3.14 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.
- 3.15 A paper on [Agile Auditing and Consultancy Support](#) was presented to the Committee in July 2020 that detailed IA's methodology and approach supporting delivery of consulting services across the Council, and confirmed that it was compliance with PSIAS requirements.

## **4. Main report**

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

- 4.1 Reflecting the Council's changing risk profile, retrospective Committee approval is required for the following three urgent additional audits that have been added to the 2020/21 annual plan:
- 4.1.1 Salary Overpayments - this findings only review was added to the plan following completion of the 2019/20 Employee Lifecycle Data and Compensation and Benefits Processes that highlighted some potential challenges with salary overpayments.
- 4.1.2 Two agile pre-implementation reviews of the proposed design of Covid-19 grant allocation processes. These were:
- Taxi and Private Hire Driver Support Fund; and,
  - Discretionary Business Grants.
- 4.2 Inclusion of the changes noted above, and the combination of a further two technology reviews has increased the number of 2020/21 audits to be completed to 47, with 38 of these to be delivered across the Council. Full details of changes to the approved 2020/ 21 IA annual plan are included at Appendix 1.
- 4.3 Of the 47 audits to be completed:
- 12 are now finalised – this includes one EIJB audit, and the three pre-implementation reviews of the design of Covid-19 grant allocation processes;
  - 11 draft reports are with management for review and approval;
  - 6 draft reports are currently being prepared by IA;

- 9 audits are in progress;
- 5 audits are currently being planned; and
- 4 are not yet started.

4.4 Further detail is included at Appendix 2.

### **Completed Audits**

4.5 Eleven audits have now been completed across the Council (including three agile pre-implementation reviews of the proposed design of Covid-19 grant allocation processes), and one audit has been completed for the EIJB,

4.6 No significant process control design weaknesses were identified from the three Covid-19 grant allocation process design reviews that would have impacted or delayed their implementation. Whilst no final IA reports were produced, IA advice on areas where controls could potentially be improved was provided to management for consideration. A further review that will assess the effectiveness of all Covid-19 grant funding processes has been included in the approved 2021/22 IA annual plan.

4.7 Of the remaining eight completed audits where reports were produced, five were assessed as 'some improvement required' (amber), and three 'effective' (green).

### **Extended Delivery Timeframes**

4.8 Completion dates for the following eight audits have been extended to July 2021, reflecting the ongoing impacts of Covid-19. It is likely that these audits will not be completed in sufficient time to support the 2021/22 IA annual opinion that will be presented to the Committee in August 2021, and will instead be included in the 2021/22 annual opinion.

- Parking and Traffic Regulations;
- Management of waiting lists and assessments;
- Fraud and Serious Organised Crime;
- Direct Access and Mobile Device Management (PwC);
- Council Tax and Business Rates;
- Active Travel Project Management and Delivery;
- Adaptation and Renewal Programme Governance; and,
- Development of the Council's Technology Strategy Parking and Traffic Regulations.

### **2021/22 Plan delivery progress**

4.9 Of the 36 audits to be delivered across the Council during 2021/22

- 3 are in progress; and,
- 3 are currently being planned.

4.10 Further detail is included at Appendix 3.

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

- 4.11 Progress with IA key priorities and ongoing areas of focus is detailed below:
- 4.11.1 An internal quality review of the IA follow-up process is in progress and will be concluded to support the 2020/21 annual opinion;
  - 4.11.2 Procurement of a new IA co-source provider is in progress, with the aim of appointing the successful provider by 30 July 2021. The existing PwC contract has been extended to 30 July 2021 to support completion of audits with extended timeframes due to the ongoing impacts of Covid-19, and ensure an effective handover (if required) to the new provider;
  - 4.11.3 Publishing new IA pages on the refreshed intranet (the Orb) in alignment with the refresh of Corporate Risk Management pages;
  - 4.11.4 The Institute of Internal Auditors (IIA) has been engaged support completion of an external IA quality assessment 2021/22 in line with Public Sector Internal Audit Standards (PSIAS) requirements commencing January 2022; and
  - 4.11.5 Specification and 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.

## **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 [Approved IA 2020/21 annual plan September 2020 - item 8.1](#)
- 8.2 [Process for approving changes to the Internal Audit annual plan – August 2018 – item 7.9](#)
- 8.3 [Approved IA 2021/22 annual plan March 2021 – item 8.3](#)
- 8.4 [Public Sector Internal Audit Standards](#)

## 9. Appendices

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- 9.1 Appendix 1 Summary of 2020/21 IA Annual Plan Changes
- 9.2 Appendix 2 Summary of 2020/21 IA Plan Delivery Progress
- 9.3 Appendix 3 Summary of 2021/22 IA Plan Delivery Progress

## Appendix 1 – Summary of 2020/21 IA Annual Plan Changes

2020/21 IA annual plan changes	Council	ALEOs	Total
Audits included in original plan approved in September 2020	36	9	45
Audits added to the plan <ul style="list-style-type: none"> <li>• Edinburgh Tram Network Supplier Arrangements (approved Dec 20)</li> <li>• Covid-19 Taxi and Private Hire Support Fund design review (February 21)</li> <li>• Discretionary Grants design review (February 21)</li> <li>• Salary Overpayments – findings only review (February 21)</li> </ul>	4	-	4
<b>Audits combined / removed from the plan</b> <ul style="list-style-type: none"> <li>• Corporate and Learning and Teaching Technology Network Management reviews (combined)</li> <li>• Development and Implementation of the Council's Carbon Neutral / Climate Change Strategy – removed and included in 2021/22 plan (approved March 2020)</li> </ul>	(2)	-	(2)
Total audits remaining in 2020/21 IA annual plan	38	9	47

## Appendix 2 – Summary of 2020/21 IA Plan Delivery Progress as at 30 April 2021

Completed Audits		Report Rating	Available for Committee
1.	Covid-19 Newly Self-Employed Grant Application Process	Effective	March 2021
2.	Covid-19 Purchase and allocation of Personal Protective Equipment (PPE)	Effective	
3.	Covid-19 Allocation of estimated Scottish Qualifications Authority (SQA) grades	Some improvement required	
4.	Covid-19 Health and Social Care Command Centre	Some improvement required	
5.	Covid-19 Workforce Management during Covid-19	Some improvement required	
6.	Payroll – 2019/20 Employee Lifecycle Data and Compensation and Benefits Processes	Effective	
7.	*Digital Services Change Implementation	Some Improvement Required	May 2021
8.	Registrations and Bereavement Services	Some Improvement Required	
9.	**EIJB Capital and Workforce Planning	Reported to the January EIJB Audit and Assurance Committee	
10.	Covid-19 Support for Business Grants – pre-implementation review of the design of the new process.	No significant control design weaknesses were identified that would have impacted implementation of the new process. IA advice on areas where controls could potentially be improved was provided to management for consideration, and no audit reports were prepared.	
11.	^Covid-19 – Taxi and Private Hire Driver Support Fund - pre-implementation review of the design of the new process		
12.	^Covid-19 – Discretionary Business Grants - pre-implementation review of the design of the new process		
<b>Total completed audit / consultancy reviews</b>		<b>12</b>	
<b>Draft Reports Issued to Management</b>		<b>Expected Completion</b>	
13.	Covid-19 Spaces for People	May 2021	
14.	Covid-19 Supplier Relief		
15.	Covid-19 Employee Testing		
16.	Covid-19 Data and Scottish Government Returns		
17.	Covid-19 Shielding and Vulnerable People		
18.	Covid-19 Lessons Learned		
19.	**Lothian Pension Fund – Bulk Transfers (PwC)		
20.	Public and Private Partnership and Design, Build, Finance, and Maintain Schools - Contract Management (PwC)		
21.	^ Edinburgh Tram Network Infra-company Supplier Management Arrangements		

22.	*Technology Resilience (PwC)	
23.	^ Salary Overpayments - findings only review – additional to plan	
<b>Total draft reports issued to management</b>		<b>11</b>
<b>Draft Reports Being Prepared</b>		<b>Expected Completion</b>
24.	Physical Distancing and Employee Protection	May 2021
25.	**Royal Edinburgh Military Tattoo - Data Protection Review	
26.	**SEStran - Covid-19 Resilience Arrangements	
27.	Arm's Length External Organisations (ALEOs) (PwC)	
28.	Chief Social Work Officer's Assurance and Annual Report	
29.	*Corporate and Learning and Teaching Network Management (two separate reviews combined)	
<b>Total reports being prepared</b>		<b>6</b>
<b>Audits in progress</b>		<b>Expected Completion</b>
30.	Health and Safety - Managing Aggressive and Violent Behaviour	May 2021
31.	**EIJB Management Information	
32.	**EIJB Financial Management	
33.	Parking and Traffic Regulations	June 2021
34.	GRBV Committee Effectiveness review	
35.	Health and Safety - Implementation of asbestos recommendations (PwC)	
36.	**Lothian Pension Fund – Employee Cessation Strategies, Valuations, and Exit Calculations (PwC)	
37.	Tram to Newhaven	Ongoing agile audit
38.	Enterprise Resource Planning (ERP)	Ongoing agile audit
<b>Total reviews in progress</b>		<b>9</b>
<b>Audits currently being planned</b>		<b>Expected Completion</b>
39.	**Lothian Valuation Joint Board	June 2021
40.	Management of waiting lists and assessments	
41.	Fraud and Serious Organised Crime (including Physical Security controls)	
42.	*Direct Access and Mobile Device Management (PwC)	July 2021
43.	Council Tax and Business Rates	
<b>Total reviews at planning stage</b>		<b>5</b>
<b>Audits not yet started</b>		<b>Expected Completion</b>
44.	Active Travel – Project Management and Delivery	July 2021
45.	Adaptation and Renewal Programme Governance	

46.	Development of the Council's Technology Strategy	
47.	**Lothian Pension Fund - Technology Model Development	
<b>Total reviews not yet started</b>		<b>4</b>

\* reviews where support is required from CGI

\*\* reviews performed for Arm's Length External Organisations

^ additions to the plan

## Appendix 3 – Summary of 2021/22 IA Plan Delivery Progress as at 30 April 2021

<b>Audits in progress</b>		<b>Expected Completion</b>
1.	Elections in Covid Environment	May 2021
2.	Tram to Newhaven	Ongoing agile audit
3.	Enterprise Resource Planning (ERP)	Ongoing agile audit
<b>Total reviews in progress</b>		<b>3</b>
<b>Audits currently being planned</b>		<b>Expected Completion</b>
4.	Employee Lifecycle and Data management	August 2021
5.	Planning and Performance Framework (agile design review)	July 2021
6.	Scottish Local Government Living Wage	July 2021
<b>Total reviews at planning stage</b>		<b>3</b>