

# North Lanarkshire Council

## Report

### Audit and Scrutiny Panel

approval  noting

**Ref** KA/LM/ASP/March 2021

**Date** 25/03/21

### Internal Audit: Follow up of actions previously agreed by management in response to audit recommendations

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#### Executive Summary

The purpose of this report is to update the Panel on the results of Internal Audit's follow-up work reviewing the extent to which management have implemented those actions previously committed to in response to recommendations in Internal and External Audit reports. Information is contained in respect of the last two years External Audit outputs and those actions in response to Internal Audit recommendations which were due to be completed in the period to the end of December 2020.

The Panel should note that where actions are not yet 'complete' this does not mean that no relevant activity has been undertaken by management and that sometimes the actions taken, or progress made to date will already have reduced the risk exposure in respect of the weaknesses previously identified.

12 of the 40 actions agreed in response to relevant Internal Audit recommendations have been completed with 20 partially implemented and eight no longer relevant. 10 of the 17 actions agreed in respect of External Audit outputs have been completed, one has been partially implemented, three are not yet due and three are no longer relevant.

Members should note that progress in implementing audit recommendations, in many cases, continues to be significantly impacted by additional demands placed upon Services by the Covid-19 pandemic and the subsequent need to re-prioritise resources and efforts. Of the 20 Internal Audit actions and one External Audit action not yet fully implemented, we have assessed that only six Internal Audit actions require to be highlighted to the Panel.

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#### Recommendations

The Panel is invited to:

- (1) note the contents of this report; and
- (2) consider whether there are any issues arising from this report on which they wish to receive further information from relevant management.

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#### The Plan for North Lanarkshire

**Priority:** All priorities

**Ambition statement:** All ambition statements

## 1. Background

- 1.1 All Internal and External Audit reports contain management responses to audit recommendations which generally include a commitment to specific actions by a stated timescale. This report presents an overview of progress by management in addressing all External Audit recommendations made in the last two years and all 'Red' and 'Amber' Internal Audit recommendations which were previously reported as outstanding or where the proposed actions were due to be completed by the end of December 2020.
- 1.2 The format of this report is designed to enable elected members to focus on those issues where non-implementation of agreed actions presents the most significant ongoing risk to the Council and to enable the Panel to more effectively hold relevant senior management to account.
- 1.3 In that regard, Internal Audit has assessed the potential risks arising from those planned actions agreed in response to Internal Audit recommendations which are not yet fully completed, and information on those which are assessed by Internal Audit as having a 'High' or 'Medium' residual risk rating is detailed at Appendix 1 for Internal Audit recommendations. There are no such actions assessed with a 'High' or 'Medium' residual risk rating in respect of External Audit recommendations. Information on those which are assessed by Internal Audit as having a "Low' residual risk rating is detailed at Appendix 2 for Internal Audit recommendations.
- 1.4 The updates from management on progress to date have been verified on a sample basis by Internal Audit as part of the preparation of this report. However, it should be noted that this review has focused on whether planned actions have been completed and has not included detailed testing of whether the implemented actions have been effective in addressing the previously identified weaknesses.

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## 2. Report

### *Actions previously agreed by management – Internal Audit recommendations*

- 2.1 Table 1 below shows whether management have implemented those actions previously committed to in response to 'Red' and 'Amber' Internal Audit recommendations which were due to be completed by the end of December 2020. Overall, 12 of the agreed actions have been completed, with 20 partially implemented and eight no longer relevant.

<b>Table 1 Area</b>	<b>Complete</b>	<b>Partially implemented</b>	<b>No longer relevant</b>	<b>Total</b>
Corporate	4	10	6	20
Chief Executive	2	5	0	7
Enterprise & Communities	6	2	0	8
Health & Social Care	0	3	2	5
<b>TOTAL</b>	<b>12</b>	<b>20</b>	<b>8</b>	<b>40</b>

- 2.2 Members should note that progress in implementing audit recommendations continues, in many cases, to be significantly impacted by additional demands placed upon Services by the Covid-19 pandemic and the subsequent need to re-prioritise resources and efforts. This has been taken into consideration when assessing the potential residual risk of those actions which have been partially implemented.

- 2.3 Three of the eight issues categorised as no longer relevant relate to Corporate Governance, two relate to Quality of External Care Providers and one relates to Creditors. Each of these actions have been separately followed up as part of more recently undertaken detailed audit work in these areas and where appropriate updated recommendations have been made in these audit reports. The remaining action categorised as no longer relevant relates to Debt Management which has been superseded by a revised action and new implementation timescale which will be followed up in due course by Internal Audit and thereafter reported to the Panel.
- 2.4 Table 2 below shows the results of Internal Audit's assessment of the potential residual risk arising from those planned actions which have been partially implemented (definitions for the residual risk ratings can be found at Appendix 3).

Table 2 Area	Total not yet completed	Residual Risk Rating		
		High	Medium	Low
Corporate	10	0	4	6
Chief Executive	5	0	2	3
Enterprise & Communities	2	0	0	2
Health & Social Care	3	0	0	3
<b>TOTAL</b>	<b>20</b>	<b>0</b>	<b>6</b>	<b>14</b>

- 2.5 Appendix 1 provides a detailed update on the six previously agreed planned actions which have only been partially implemented and which are assessed by Internal Audit as having a 'Medium' residual risk rating.
- 2.6 Appendix 2 provides summary information on the 14 actions not yet completed but which have been assessed by Internal Audit as having a 'Low' residual risk.
- 2.7 We will continue to monitor and re-assess the residual risk for these outstanding actions, each cycle, until we are satisfied that the planned actions have been fully completed and previously identified weaknesses have been addressed.

***Actions previously agreed by management – External Audit recommendations***

- 2.8 Table 2 below shows the current status of actions agreed by management in response to External Audit reports issued in the last two years (2018/19 and 2019/20). Internal Audit has concluded that 10 of the 17 agreed actions have been completed, one has been partially implemented, three are not yet due and the remaining three actions are no longer relevant.

Table 2 Report Title/Year	Completed	Partially implemented	Not yet due	No longer relevant	Total
<b>2018/19</b>					
Interim Audit Report	4	0	0	2	6
Annual Report	4	0	0	0	4
<b>2019/20</b>					
Interim Audit Report	1	0	2	1	4
Annual Report	1	1	1	0	3
<b>TOTAL</b>	<b>10</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>17</b>

- 2.9 The 2018/19 Interim Audit Report actions assessed as 'no longer relevant' both relate to actions for which External Audit have made new recommendations as part of their 2019/20 Interim Report and which will be subject to future follow-up. Similarly, the 2019/20 Interim Audit Report action assessed as 'no longer relevant' relates to an issue on which External Audit have made a subsequent recommendation as part of their 2019/20 Annual Report.
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**3. Equality and Diversity**

**Fairer Scotland Duty**

There is no requirement to carry out a Fairer Scotland assessment in this instance.

**Equality Impact Assessment**

There is no requirement to carry out an equality impact assessment in this instance.

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**4. Implications**

<b>Financial Impact</b>	None identified
<b>HR/Policy/Legislative Impact</b>	None identified
<b>Environmental Impact</b>	None identified
<b>Risk Impact</b>	There is the potential for increased risks in relation to the relevant control environment or governance arrangements in those areas where agreed actions designed to address previously identified weaknesses are not fully implemented.

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**5. Measures of success**

- 5.1 Internal Audit report each cycle to the Audit and Scrutiny Panel on the progress made by management in implementing actions previously committed to in response to Internal and External Audit reports.
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**6. Supporting documents**

Appendix 1	Internal Audit recommendations: Management actions 'not yet complete' and residual risk assessed as 'High' or 'Medium'.
Appendix 2	Internal Audit recommendations: Management actions 'not yet complete' where residual risk assessed as 'Low'.
Appendix 3	Residual Risk Rating definition

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**Ken Adamson, Audit and Risk Manager**

## Appendix 1 Internal Audit recommendations - management actions 'not yet complete' and residual risk assessed as High/Medium

No	Report	Identified risk	Details from original recommendation	Current position per management update	Proposed management action and target date	Assessment of residual risk
1	Chief Executive Risk Management	Without a suitably experienced Risk Champion covering all Services, there may be an absence of appropriate monitoring, support and the ability to provide assurance that risk management arrangements are operating effectively.	The Audit and Risk Manager, in conjunction with the Chief Executive, should ensure that an appropriate officer is allocated the role of Risk Champion for Chief Executive's as a matter of urgency, with the relevant officer provided with appropriate training to facilitate undertaking the role effectively. Category: Red Timescale: October 2020	The Audit & Risk Manager has raised this at the Chief Executive's Senior Management Team and at CMT to obtain agreement on the allocation of an appropriate officer to the role. A Risk Champion for Chief Executive's Service has not yet been agreed.	The Audit & Risk Manager recently re-raised this at the Chief Executive's Senior Management Team and a mechanism for identifying a suitable member of staff was agreed. Implemented by: February 2021	<b>MEDIUM</b>
2	Chief Executive Risk Management	The Council may fail to recognise all key risks to which it is exposed and consequently fail to take action to mitigate them.	The Chief Executive should ensure that: (1) Education and Families and Adult Health and Social Care progress the development of risk registers within their respective service areas as a matter of urgency; (2) Services are encouraged to review their current risk registers to ensure that risk descriptions and narratives are meaningful and sufficiently detailed; and (3) Services review their risk registers to ensure that both the risks and associated identified controls are reflective of the current operating environment, and the risk register is promptly updated to reflect any new or emerging risk and impacts, as a result of the current pandemic. Category: Red Timescale: December 2020	(1) Education and Families and Adult Health and Social Care have made significant progress in developing their risk registers further with updates recently provided to the Risk Management Corporate Working Group. (2) and (3) Services have been encouraged via the Risk Management Corporate Working Group to review current risk registers to ensure that risk descriptions and narratives are meaningful and sufficiently detailed and that both the risks and associated identified controls are reflective of any changes in Services' operating environment/models. This includes, where appropriate, promptly updating risk registers to reflect any new or emerging risk and impacts, and/or new methods of operation arising from the current pandemic.	The Risk Team will continue to liaise closely with key services to ascertain how much progress has been made particularly in the context of other pressure services have been dealing with in the current pandemic. This will include checking progress made specifically in relation to the points raised at (1) and (2) and more generally to assess improved risk descriptions and use of context and corporate priorities fields within Figtree per point (3). Narrative will be included, as appropriate, in the Risk Management update to the Audit and Scrutiny Panel in March 2021. Implemented by: March 2021	<b>MEDIUM</b>

**Appendix 1 (cont) Internal Audit recommendations – management actions ‘not yet complete’ and residual risk assessed as High/Medium**

No	Report	Identified risk	Details from original recommendation	Current position per management update	Proposed management action and target date	Assessment of residual risk
3	Corporate Information Governance	An incomplete or out-of-date register increases the risk of the Council failing to identify cases where a different lawful basis for processing information applies and/or of failing to process personal data in line with legislative requirements.	<p>Management should ensure that the current format and content of the Information Asset Register is reviewed, and where appropriate, updated to reflect good practice and current legislative requirements. This should include recording instances where a different legal basis applies for processing personal data and providing details of how data is collected and processed.</p> <p>Category: Amber Timescale: December 2019</p>	<p>A review of the Information Asset Register by Services is complete and is now being regularly monitored.</p>	<p>Work is ongoing to identify an appropriate platform within the new Office 365 suite of products to which the Information Asset Register can migrate.</p> <p>A further review of the format and content will take place in line with recognised good practice once the Information Asset Register is migrated to the proposed platform.</p> <p>Implemented by: June 2020</p>	<b>MEDIUM</b>
4	Corporate IT Network Controls	If there is no periodic testing of back-ups to ensure viability/restorative capability, it could result in an inability to restore data/systems to an appropriate state which could impact on business operations.	<p>Management should review the current testing arrangements for restoring back-ups and consider, on a risk-based assessment basis, whether these should be extended to include network drives and non-Gold applications at appropriate frequency/ intervals.</p> <p>Category: Amber Timescale: April 2020</p>	<p>A review of the existing ICT Disaster Recovery (DR) plan has been undertaken. This has identified important but missing information in the form of system owners and ICT contacts that has required to be gathered. In addition, this exercise allowed systems to be prioritised in respect to a potential schedule for testing of DR arrangements. As a result of this work an initial set of systems whose DR arrangements have been identified for testing has been proposed and feedback is awaited from system owners to confirm an ongoing test schedule and dates. A protocol for assigning value to applications, based on the degree of risk posed by a loss of availability, has been proposed and will be used as part of the ongoing EAGG process. Finally, the information required for the new DR matrix is being collated. This will include testing requirements and frequency. The format of the new matrix is still to be agreed.</p>	<p>An initial prioritised test plan will be documented, and a test programme initiated.</p> <p>In addition, a new Disaster Recovery Matrix will be put in place and populated.</p> <p>Implemented by: April 2021</p>	<b>MEDIUM</b>

**Appendix 1 (cont) Internal Audit recommendations - management actions 'not yet complete' and residual risk assessed as High/Medium**

No	Report	Identified risk	Details from original recommendation	Current position per management update	Proposed management action and target date	Assessment of residual risk
5	Corporate Governance of Capital Projects	Key stakeholders may not be adequately informed of progress in the Council's key corporate projects and may not be able to undertake effective oversight and/or ensure that timely remedial action, necessary to ensure that projects are delivered successfully, has been progressed by relevant management.	<p>Management should:</p> <p>(1) develop arrangements to enable a corporate list of key capital and non-capital projects to be created and maintained; and</p> <p>(2) using the corporate list, identify key projects and establish a reporting mechanism which better facilitates regular and ongoing oversight by key stakeholders of the progress of these projects against plan. We suggest that this could include introducing a standard reporting template and adopting a traffic light system to report progress against key criteria, project milestones and overall deliverability against expected time, cost and any other intended outcomes.</p> <p>Category: Amber Timescale: June 2020</p>	<p>Development of the Council's programme management arrangements were paused due to Covid-19 and the need for resources to be re-prioritised.</p> <p>A capital bid has been submitted for the procurement of a corporate programme management system.</p>	<p>The procurement and subsequent implementation of a corporate programme management system will allow these actions to be progressed.</p> <p>Implemented by: Ongoing</p> <p><b><i>Internal Audit Comment – the recently established NL Redesign Board will also have a role in providing corporate oversight of key projects and Programme of Work items. As part of that group's work it is expected that a mechanism will be developed to enable the Board to track deliverables and progress against expected milestones for key projects and Programme of Work items and for the work of the Group to be reported periodically to elected members.</i></b></p>	MEDIUM
6	Corporate Creditors	The Council may fail to demonstrate that best value is being secured by its procurement processes.	<p>Management should review how to gain assurance on the extent of compliance with key corporate expectations.</p> <p>Category: Amber Timescale: June 2020</p>	<p>Procurement Advisory issued to Services to remind them of the corporate expectations. Action is still outstanding regarding compliance checks. A briefing note will be prepared and presented to the next meeting of the CPWG considering compliance and how best this can be monitored.</p>	<p>Management have committed to take this action to the next meeting of CPWG in March 2021.</p> <p>Implemented by: March 2021</p>	MEDIUM

## Appendix 2 Internal Audit recommendations - management actions 'not yet complete' and residual risk assessed as Low

Head of Service/ Report Details	'Low' residual risk actions not yet complete	Issue	Current Status	Internal Audit comment
<b>Corporate – Head of Business Solutions</b>				
Business Continuity & Disaster Recovery (November 2018)	1	ICT Disaster Recovery Plans require to be reviewed and updated, with an appropriate testing programme established and implemented.	ICT Disaster Recovery Plan has been reviewed and updated but requires to be formally presented to the Corporate Resilience Management Team. Revised date: April 2021	The actions are largely complete and delay of outstanding action is a result of Covid-19.
Information Governance (June 2019)	1	There is a need to determine a mechanism through which to assess compliance with expected retention arrangements.	The review of the retention schedule is complete. Software has been purchased to supplement Office 365 to manage destruction of records according to the retention schedule. A pilot for implementation of this software is underway and full rollout will continue during 2021. Revised date: December 2021	Action has been taken and there is a clear direction of travel for completion of the remaining issues outstanding.
Governance of Capital Projects (December 2019)	2	The Council's project management arrangements and 'project management model review programme' require to be reviewed and updated.	Development of the Council's programme management arrangements were paused due to Covid-19. Revised date: Ongoing	Progress in this area has been impacted by the need to re-prioritise use of resources as a result of Covid-19. As the recovery plan is implemented, the Service will progress the issues raised.
<b>Corporate – Head of Financial Solutions</b>				
Creditors (March 2020)	1	A weakness in the control environment was identified, as the electronic link between PECOS and e-Financials ceased with interim arrangements not being enough.	Revised interim arrangements were implemented and notified to Services. An action plan and testing of the interface linking PECOS to e-Financials is underway. Revised date: March 2021	We are satisfied that the identified actions are enough to mitigate the risks identified and are being progressed with enough urgency.
<b>Corporate – Head of Legal &amp; Democratic Solutions</b>				
Information Governance (June 2019)	1	Corporate guidance needs to be developed and rolled out across the Council to ensure consistency in dealing with Subject Access Requests.	Work is ongoing to finalise and implement detailed Corporate Subject Access Request guidance. Revised date: April 2021	Finalising of the guidance has been impacted on by Covid-19 but has now been given priority for completion.

**Appendix 2 (continued) Internal Audit recommendations - management actions 'not yet complete' and residual risk assessed as Low**

Head of Service/ Report Details	'Low' residual risk actions not yet complete	Issue	Current Status	Internal Audit comment
<b>Chief Executive – Head of Audit &amp; Risk</b>				
Review of the Council's anti-fraud arrangements (May 2020)	1	There is a requirement to review the current corporate anti-fraud policies and arrangements and implement any identified actions necessary to ensure that these arrangements are fully consistent with recognised good practice.	Due to the need to re-prioritise staff resources during 2020 no action has been taken to date. This action will be addressed when preparing the Internal Audit plan for 2021-22 which will include a specific section on 'planned anti-fraud activities' including a review of existing relevant policies and procedures. Revised date: May 2021	Progress in this area has been impacted on by the need to re-prioritise resources as a result of Covid-19 to meet additional demands and reduced resources with some staff seconded to assist with Covid-19 response.
Risk Management (September 2020)	2	Three corporate risks under development need to be finalised and moved to 'live' status. The review of the corporate risk register for 2020/21 needs to be undertaken and arrangements for enhanced monitoring and challenge of individual risks by CMT need to be implemented.  Sharing and development of best practice regarding reviewing and monitoring risks to be progressed and guidance in respect of the 'risk implication' section of Committee reports to be finalised.	The review of the 2020/21 corporate risk register has been completed and enhanced monitoring arrangements are now in place for CMT to review reports on key corporate risks. The three corporate risks are still under development and the Risk Team will further engage with relevant officers to assist with completion.  Guidance regarding best practice for reviewing and monitoring risks has been disseminated and work continues to finalise guidance for Committee reports. Revised date: March 2021	Actions have been significantly progressed. Progress on the outstanding issues will be provided in the Risk Management update to the Panel.
<b>Enterprise &amp; Communities – Head of Communities</b>				
Community Empowerment/ Community Engagement (June 2020)	1	Appropriate action requires to be taken to ensure the Council's arrangements enable compliance with the Community Empowerment (Scotland) Act 2015.	The Council have developed and implemented several processes and actions in this area. Work is ongoing to progress the remaining actions. Revised date: July 2021	Significant action has been taken to address the issues raised and we are satisfied that the Service has committed to taking clear action to address the remaining issues.
<b>Enterprise &amp; Communities – Head of Housing Solutions</b>				
National Fraud Initiative (September 2019)	1	There is a need to improve the quality and accuracy of personal data held on HSMS.	Several new processes and IT system changes have been implemented to improve data held on HSMS. This includes the production and review of reports to identify cases where a person allocated a property appears as a tenant or resident in another property. Work continues in this area. Revised date: March 2021	Progress in this area has been impacted on by the need to re-prioritise resources as a result of Covid-19.

**Appendix 2 (continued) Internal Audit recommendations - management actions 'not yet complete' and residual risk assessed as Low**

Head of Service/ Report Details	'Low' residual risk actions not yet complete	Issue	Current Status	Internal Audit comment
<b>Enterprise &amp; Communities – Head of Housing Solutions</b>				
National Fraud Initiative (September 2019)	1	There is a need to improve the quality and accuracy of personal data held on HSMS.	Several new processes and IT system changes have been implemented to improve data held on HSMS. This includes the production and review of reports to identify cases where a person allocated a property appears as a tenant or resident in another property. Work continues in this area.  Revised date: March 2021	Progress in this area has been impacted on by the need to re-prioritise resources as a result of Covid-19.
<b>Health &amp; Social Care – Head of Performance, Planning &amp; Quality Assurance</b>				
Arrangements for assessing the performance and quality of external social care providers (October 2018)	2	The enhanced monitoring process needs to be fully defined and recorded for each provider subject to such checks.  Arrangements for reporting on monitoring activity to senior management and elected members need to be formulated.	The enhanced monitoring process has been refined. All monitoring checks, including enhanced monitoring, will be recorded on the monitoring database which will thereafter facilitate reporting of performance.  Revised date: April 2021	Reasonable action has been taken to address the issues raised and Management has committed to fully undertaking the remaining actions.
Self-Directed Support (November 2020)	1	Monitoring procedures require to be fully developed, approved and implemented.  Monitoring checks need to be undertaken regularly for all providers and recorded in the centralised database.	Monitoring procedures have been developed and implemented across the main commissioned services. All monitoring checks, including enhanced monitoring, will be recorded on the monitoring database which will facilitate reporting of performance.  Revised date: April 2021	Reasonable action has been taken to address the issues raised and Management has committed to fully undertaking the remaining actions.

**Appendix 3 Residual Risk Rating definition**

<b>Internal Audit Assessment of Residual Risk from non-implementation</b>	
<b>High</b>	Non-implementation of actions has the potential to significantly undermine the relevant control environment.
<b>Medium</b>	Non-implementation of actions has the potential to impact upon the achievement of the control environment.
<b>Low</b>	Other issues which require management attention but which pose less significant or less immediate impacts to the control environment.