

# North Lanarkshire Council

## Report

### Audit and Scrutiny Panel

approval  noting

**Ref** KA/LM/ASP/June 2021

**Date** 30/06/21

### 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 March 2021.

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.

13 of the 37 actions agreed in response to relevant Internal Audit recommendations have been fully completed with 24 being partially implemented. 11 of the 17 actions agreed in respect of External Audit outputs have been completed, two have been partially implemented, one is 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 attention and resources.

Of the 24 Internal Audit actions and two External Audit action not yet fully implemented, we have assessed that five Internal Audit actions present a level of residual risk that requires 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 March 2021.
- 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, for transparency, shown 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 March 2021. Overall, 13 of the agreed actions have been completed and 24 are partially implemented.

<b>Table 1 Head of Service Area</b>	<b>Complete</b>	<b>Partially implemented</b>	<b>No longer relevant</b>	<b>Total</b>
Asset and Procurement Solutions	0	3	0	3
Audit and Risk	3	2	0	5
Business Solution	2	10	0	12
Communities	0	1	0	1
Financial Solutions	5	2	0	7
Housing Solutions	2	0	0	2
Legal and Democratic Solutions	0	1	0	1
Planning, Performance and Quality Assurance (Health and Social Care)	0	5	0	5
Regulatory and Waste Solutions	1	0	0	1
<b>TOTAL</b>	<b>13</b>	<b>24</b>	<b>0</b>	<b>37</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 attention and resources. This has been taken into consideration when assessing the potential residual risk of those actions which have been partially implemented.
- 2.3 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 Head of Service Area	Total not yet completed	Residual Risk Rating		
		High	Medium	Low
Asset & Procurement Solutions	3	0	1	2
Audit & Risk	2	0	1	1
Business Solution	10	0	2	8
Communities	1	0	0	1
Financial Solutions	2	0	0	2
Legal & Democratic Solutions	1	0	0	1
Planning, Performance and Quality Assurance (Health and Social Care)	5	0	1	4
<b>TOTAL</b>	<b>24</b>	<b>0</b>	<b>5</b>	<b>19</b>

- 2.4 Appendix 1 provides a detailed update on the five previously agreed planned actions which have only been partially implemented and which are assessed by Internal Audit as having a ‘Medium’ residual risk rating.
- 2.5 Appendix 2 provides summary information on the 19 actions not yet completed but which have been assessed by Internal Audit as having a ‘Low’ residual risk.
- 2.6 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***

- 2.7 Table 2 below shows the 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 11 of the 17 agreed actions have been completed, two have been partially implemented, one is 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	1	1	1	4
Annual Report	2	1	0	0	3
<b>TOTAL</b>	<b>11</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>17</b>

- 2.8 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. Public Sector Equality Duty and Fairer Scotland Duty**

#### **3.1 Fairer Scotland Duty**

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

#### **3.2 Equality Impact Assessment**

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

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### **4. Impact**

#### **4.1 Financial impact**

No impact because of this report.

#### **4.2 HR policy / Legislative impact**

No impact because of this report.

#### **4.3 Technology / Digital impact**

No impact because of this report.

#### **4.4 Environmental impact**

No impact because of this report.

#### **4.5 Communications impact**

No impact because of this report.

#### **4.6 Risk impact**

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/ Head of Service	Identified risk	Details from original recommendation	Current position per management update	Proposed management action and target date	Assessment of residual risk
1	Risk Management (Head of Audit & Risk)	The absence of a fully documented corporate risk register, subject to relevant monitoring and challenge, may mean that key stakeholders fail to fully understand the key risks the Council faces and in turn may consequently fail to take appropriate action to mitigate them.	The Chief Executive should ensure that the three corporate risks under development are completed and moved to 'live' status as a priority; Category: Amber Timescale: March 2021	The three corporate risks are still under development and have not yet been completed.	Action still requires to be taken by the relevant Services to progress the three corporate risks. This will partly be addressed via the ongoing review of the Corporate Risk Register and the Risk Team will further engage with relevant officers to assist with completion. Implemented by: August 2021	<b>MEDIUM</b>
2	IT Network Controls (Head of Business Solutions)	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.	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. Category: Amber Timescale: April 2020	A protocol for assigning value and criticality to applications, based on the degree of risk posed by a loss of availability, has been agreed. Detail as to information to be gathered to inform back up frequency is now in place with each application scored to ensure appropriate backup, disaster recovery and resilience processes are put in place as they are migrated. System owners have been identified. for those applications identified in the Council's existing ICT Disaster Recovery Plan, to assist in determining any strategy for testing of non-Gold back-ups. There is no explicit testing strategy for network drives. Files held within them are subject to frequent restores based on requests from users.	Conclude recruitment of a temporary ICT Security Officer to provide capacity within the Information Risk Management Team to address Internal Audit recommendations. Identify current back-up strategies for non-Gold applications and document an appropriate back-up testing approach that will identify the frequency and intervals to be applied. Implemented by: October 2021	<b>MEDIUM</b>

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

No	Report/ Head of Service	Identified risk	Details from original recommendation	Current position per management update	Proposed management action and target date	Assessment of residual risk
3	Business Continuity & Disaster Recovery (November 2018)	Disaster recovery plans and/or testing arrangements may not be adequate and/or robust and/or meet management requirements and/or opportunities to improve resilience may not be recognised or actioned.	The Head of Business Solutions should ensure that the ICT Disaster Recovery Plan is reviewed and updated as a matter of priority with an appropriate testing programme established and implemented. Category: Red Timescale: October 2019	ICT Disaster Recovery Plan has been reviewed, updated and formally presented to the Corporate Resilience Management Team. A process has been introduced to enable classification of applications as Gold/Silver/Bronze and any major changes to systems are assessed against these criteria and reported through the EAGG for consideration.  Work on developing and formalising a test strategy has however been impacted by the reprioritising of resources.	A formally defined testing strategy continues to be developed and formalised. Implemented by: July 2021	<b>MEDIUM</b>
4	Carbon Management (Head of Asset & Procurement Solutions)	Setting clear targets enables key stakeholders to understand how and where reductions in carbon emissions reductions are to be achieved and, along with relevant performance reporting, assist those charged with governance to better monitor and challenge performance.	Management should: (1) set short, medium and longer-term targets for carbon emission sources across the Council that help support the delivery of local and national ambitions; and (2) establish performance arrangements/ and/or reporting framework such that performance against targets and future actions are monitored and reported to key stakeholders at appropriate intervals. Category: Amber Timescale: February 2021	(1) The use of back tracking will help inform the revision of the Carbon Management Plan and its action plan. The short and medium-term projects will be informed by capital projects and this will also enable target setting.  (2) Work is continuing to improve the robustness of the reporting framework with a review of all indicator templates. A webpage has been established for a summary report of the annual Public Sector Climate Change Duties Report and a report will go to Committee in Cycle 1, 2022 providing an update on this annual submission. A spreadsheet has been established, with a breakdown of data requirements and sources for the annual report and this monitors data requests and receipts, as well as noting revision dates of indicator templates.	All Services should be reviewing their current revenue and capital allocation and considering ways to improve carbon emissions through the work they do.  The ongoing seconded resource until February 2022 will continue to support and challenge this. Implemented by: February 2022	<b>MEDIUM</b>

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

No	Report/ Head of Service	Identified risk	Details from original recommendation	Current position per management update	Proposed management action and target date	Assessment of residual risk
5	Self-Directed Support (Head of Performance, Planning and Quality Assurance (Health and Social Care))	<p>Where support plans are not sufficiently detailed, including SMART outcomes, the Service may be unable to effectively monitor individual cases.</p> <p>Failure to retain documentation or adequately record information in respect of the assessment, review and monitoring of service users' care could result in there being insufficient or inadequate evidence to support the processes being undertaken and/or decisions made.</p> <p>If guidance is inadequate, or is not sufficiently detailed, staff may not be fully aware of expected practice and this could impact on the service being received by individuals.</p>	<p>Management should:</p> <p>(1) ensure that support plans provide adequate detail on identified needs and outcomes, outlining how these will be addressed by the individual budget and that outcomes contained within these plans are SMART;</p> <p>(2) introduce an appropriate and consistent way of recording and filing all information and decisions made in respect of assessing, reviewing and monitoring individual service users' care packages to clearly demonstrate how identified needs and outcomes have been met/progressed;</p> <p>(3) remind staff of the importance of fully completing and storing all relevant documentation in line with expected practice and corporate records management policies; and</p> <p>(4) prepare a single comprehensive guidance document which provides clear and concise information on all aspects of self-directed support ensuring expected working practices are in line with legalisation and setting out clearly what documentation is to be completed and retained.</p> <p>Category: Amber Timescale: March 2021</p>	<p>(1) The Service are currently working on a training programme to be delivered to all front-line staff who complete assessment and support planning and are ensuring the training is delivered at the level appropriate to staff team. This has been an ongoing piece of work and links in with Training, Organisation and Development team. The Service plan to roll out updated training to independent providers and 3rd sector.</p> <p>(2) &amp; (3) The Service have linked with localities to set up service user folders for collating all relevant info regards assessment, and support planning.</p> <p>(4) The comprehensive document is in draft and will be implemented following training.</p>	<p>The comprehensive guidance document will be signed off, circulated, and implemented following delivery of training.</p> <p>It is proposed that training will start to be rolled out in July 2021 with an estimated completion date of December 2021.</p> <p>Implemented by: December 2021</p>	<p><b>MEDIUM</b></p>

## 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>Head of Asset &amp; Procurement Solutions</b>				
Creditors (March 2020)	1	There is a need to review how management gains assurance on the extent of compliance with key corporate expectations in relation to procurement processes.	A briefing note has been presented to the CPWG to outline service compliance and how best this can be monitored. Guidance on procedural steps to ensure full compliance will be introduced. Revised date: May 2021	This action is largely complete and management have committed to progress the remaining issues.
Carbon Management (February 2020)	1	The current Carbon Management Plan and associated governance arrangements need to be reviewed to ensure that these continue to reflect best practice and incorporate the wider range of actions which are likely to be required to fully address climate change commitments which the Council is expected to deliver against.	A resource review has been carried out and a report submitted to the Climate Change Group with recommendations thereon. A route map to 2030, will be scoped out and considered by the Climate Change Group. The Carbon Management Plan will be reviewed and updated and will have an associated action plan detailing relevant capital projects. Revised date: February 2022	Significant action has been taken to progress the issues raised and management have given a commitment for completion of these.
<b>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 has been addressed when preparing the Internal Audit plan for 2021-22 which includes a specific section on 'planned anti-fraud activities' including a review of existing relevant policies and procedures. Revised date: June 2021	A clear commitment to progress this action can be demonstrated by the inclusion of a specific exercise on this area in the Internal Audit plan for 2021-22.
<b>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: June 2021	Finalising of the guidance has been impacted on by Covid-19 but has now been given priority for completion.
<b>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: September 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.

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

Head of Service/	'Low' residual risk actions not yet complete	Issue	Current Status	Internal Audit comment
<b>Head of Business Solutions</b>				
Information Governance (June 2019)	2	<p>There is a need to determine a mechanism through which to assess compliance with expected retention arrangements.</p> <p>The current format and content of the Information Asset Register requires to be reviewed and, where appropriate, updated to reflect good practice and current legislative requirements.</p>	<p>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.</p> <p>The review of the Information Asset Register is complete and is being regularly monitored. The development of the Information Asset Register will be taken forward by the Digital Platform team.</p> <p>Revised date: December 2021</p>	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)	3	The Council's project management arrangements and 'project management model review programme' require to be reviewed and updated.	<p>Development of the Council's programme management arrangements were paused due to Covid-19. The Programme of Work for 2021/22 includes a review/update on the corporate Project Management Model.</p> <p>Revised date: September 2021</p>	A report will be presented to CMT in May 2021 outlining the scope and tasks planned within the review of the Project Management Model. Action will thereafter be undertaken in line with this.
Digital NL – Review of Progress (October 2020)	2	<p>Consideration requires to be given to the impact of Covid-19 and resources available on the future sustainability and deliverability of the current Digital NL programme.</p> <p>Arrangements need to be developed and put in place with regards to the monitoring and reporting to key stakeholders on performance measures for the Digital NL programme.</p>	<p>A full review of the DigitalNL programme has taken place and a resource plan prepared for submission to the Policy and strategy Committee in June 2021.</p> <p>A Performance Review for Business Solutions has taken place and the performance arrangements continue to be developed.</p> <p>Revised date: August 2021</p>	There has been a significant amount of activity in this area and we are satisfied that management are being proactive in addressing the actions required to meet the revised timescale.
Information Governance (February 2021)	1	Appropriate arrangements need to be put in place to achieve re-certification of Cyber Essentials both currently and in future years.	<p>A Cyber Essentials submission has been made and the results of any assessment awaited. Consideration is being given as to whether the adequacy of PSN accreditation and associated IT health checks are sufficient to mitigate the identified risks.</p> <p>Revised date: Ongoing</p>	This action is largely complete and is dependent on the outcome of the Cyber Essential submission.

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

Head of Service/	'Low' residual risk actions not yet complete	Issue	Current Status	Internal Audit comment
<b>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. An increased resource allocation will enable completion of this interface. Revised date: June 2021	We are satisfied that the identified actions are enough to mitigate the risks identified and are being progressed with enough urgency.
Council Tax (November 2020)	1	As a result of Covid-19, the programme of reviews to verify continued eligibility to previously awarded discounts and exemptions were suspended.	A manual review exercise was carried out which addressed all student discounts and exemptions. An agreed review programme to verify continued eligibility to previously awarded discounts and exemptions will take place from June 2021 – March 2022. Revised date: March 2022	Management have committed to undertaking a review of discounts and exemptions in this financial year.
<b>Head of Performance, Planning &amp; Quality Assurance (Health and Social Care)</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, are being recorded on the monitoring database which will thereafter facilitate reporting of performance and support wider discussion on Quality Assurance priorities and potential provider concerns. Revised date: July 2021	Significant action has been taken to address the issues raised and Management has committed to fully undertaking the remaining actions.
Self-Directed Support (November 2020)	2	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. The model used to assess and calculate the individual budget needs to be reviewed and updated.	Monitoring procedures have been developed and implemented across the main commissioned services. All monitoring checks, including enhanced monitoring, are being recorded on the monitoring database which will facilitate reporting of performance. Work is underway to engage with new providers. An updated budget assessment tool has been created and is currently being tested. It is intended that this will be rolled out in the period July – December 2021. Revised date: December 2021	Action has been taken to address/progress 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.