North Lanarkshire Council
Report

Audit and Scrutiny

☐approval ☒noting   **Ref** KA/LM/ASP/Dec 2021   **Date** 09/12/21

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 actions previously committed to in response to recommendations made within Internal and External Audit reports.

Information is contained in respect of the last two years External Audit outputs and those actions in response to 'Red' and 'Amber' Internal Audit recommendations which were due to be completed in the period to the end of September 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 often the actions taken/progress made to date will have reduced the risk exposure in respect of the weaknesses previously identified even although the action is not yet complete.

Members should note that in a change to our reporting on follow-up, 11 recommendations which were previously reported to the Panel in September as partially implemented have now been given a revised target implementation date agreed with management and will now be monitored against this revised date.

Four of the 11 actions agreed in respect of External Audit outputs have been completed, three have been partially implemented, two are not yet due and two are no longer relevant.

Six of the 15 actions agreed in response to relevant Internal Audit recommendations due in the period July to September 2021 have been fully completed, with eight being partially implemented and one being no longer relevant. Of the eight Internal Audit actions not yet fully implemented, we have assessed that one of these presents a level of residual risk that requires to be highlighted to the Panel.

Recommendations

The Panel is invited to:

(1) consider whether there are any issues arising from this report on which they wish to receive further information from relevant management; and

(2) note the contents of this report.

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 September 2021.

1.2   The format of this report is designed 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 response to previous comments and to make best use of resources, Internal Audit has recently reviewed our arrangements for following-up audit recommendations. As a result, we have amended our processes to include, in certain circumstances, agreeing a revised implementation date and monitoring and reporting against these revised dates where we are provided with a strong rationale for the non-implementation of the audit recommendation by the original agreed date. This avoids reporting and focusing on actions as late where there are sound reasons for non-implementation.

1.4   All actions reported as 'partially implemented' at the September Panel meeting have now been given an agreed revised implementation date which are detailed in Appendix 1 for information. Going forward, they will be monitored and reported on in line with the agreed revised implementation date.

1.5   This change means that this report presents the assessment of the potential risks arising from those planned actions agreed in response to Internal Audit recommendations due in the period (July to September 2021) which are not yet fully completed.

1.6   Information on those which are assessed by Internal Audit as having a 'High' or 'Medium' residual risk rating is detailed at Appendix 2 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 3 for Internal Audit recommendations.

1.7   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 substantive testing of whether the implemented actions have been effective in addressing previously identified weaknesses.

2.   Report

Actions previously agreed by management – Internal Audit recommendations

2.1   As a consequence of the above changes to our approach, 11 actions reported as 'partially implemented' at the September meeting of the Panel meeting now have revised implementation dates. Table 1 below provides a summary of the Service areas. More detailed information regarding the original recommendation, current management position regarding implementation and the agreed revised implementation date are detailed in Appendix 1 for information.

Table 1 Head of Service Area	Not yet due
Asset and Procurement	2
Business Solutions	3
Financial Solutions	2
Performance, Planning and Quality Assurance	4
TOTAL	**11**

2.2 Table 2 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 September 2021. Overall, six of the agreed actions have been completed, eight are partially implemented and one is no longer relevant.

Table 2 Head of Service Area	Complete	Partially implemented	No longer relevant	Total
Audit and Risk	0	1	0	1
Business Solutions	1	6	1	8
Chief Executive	0	1	0	1
People and Organisational Development	4	0	0	4
Planning and Regeneration	1	0	0	1
TOTAL	**6**	**8**	**1**	**15**

2.3 The issue assessed as being 'no longer relevant' relates to Digital NL and has been followed up separately as part of detailed audit work more recently undertaken in this area and, where appropriate, updated recommendations have been made in the current audit report.

2.4 Table 3 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 4).

Table 3 Head of Service Area	Total not yet completed	Residual Risk Rating		
		High	Medium	Low
Audit and Risk	1	0	1	0
Business Solutions	6	0	0	6
Chief Executive	1	0	0	1
TOTAL	**8**	**0**	**1**	**7**

2.5 Appendix 2 provides a detailed update on the one previously agreed planned action which has only been partially implemented and which are assessed by Internal Audit as having a 'Medium' residual risk rating.

2.6 Appendix 3 provides summary information on the seven actions not yet completed but which have been assessed by Internal Audit as having a 'Low' residual risk.

2.7 Internal Audit has reviewed the management update and agreed with relevant management revised implementation dates for all eight recommendations listed as partially implemented at table 2. These recommendations will now be monitored in line with the agreed revised date and will be reported back to the Panel in accordance with this revised timescale at which time consideration will be given to whether previously identified weaknesses have now been addressed.

Actions previously agreed by management – External Audit recommendations

2.8 Table 4 below shows the status of actions agreed by management in response to External Audit reports issued in the last two years (2019/20 and 2020/21). Internal Audit has concluded that four of the 11 agreed actions have been completed, three have been partially implemented, two are not yet due and the remaining two actions are no longer relevant.

Table 4 Report Title/Year	Completed	Partially implemented	Not yet due	No longer relevant	Total
2019/20					
Interim Audit Report	1	2	0	1	4
Annual Report	2	0	0	1	3
2020/21					
Interim Audit Report	1	1	2	0	4
TOTAL	**4**	**3**	**2**	**2**	**11**

2.9 The 2019/20 Interim Audit Report action assessed as 'no longer relevant' relate to an action for which External Audit have made a new recommendation as part of their 2019/20 Annual Report. Similarly, the 2019/20 Annual Report action assessed as 'no longer relevant' relates to an issue on which External Audit have made a subsequent recommendation as part of their 2020/21 Interim Report.

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.

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.

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.

6. Supporting documents

Appendix 1   Internal Audit recommendations: Management actions 'not yet complete' with agreed revised implementation date outwith period under review

Appendix 2   Internal Audit recommendations: Management actions 'not yet complete' and residual risk assessed as 'High' or 'Medium'.

Appendix 3   Internal Audit recommendations: Management actions 'not yet complete' where residual risk assessed as 'Low'.

Appendix 4   Residual Risk Rating definition

Ken Adamson, Audit and Risk Manager

Appendix 1   Internal Audit recommendations - management actions 'not yet complete' with agreed revised implementation date outwith period under review

Head of Service Report Details	Details from original recommendation	Position per management update at September 2021	Agreed revised implementation date
Head of Asset & Procurement			
Carbon Management (December 2019)	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) A Climate Plan, intended to replace the former Carbon Management Plan has been drafted for consultation and sets a series of annual reduction targets, allocating reduction targets to the three main types of emissions: stationary (buildings), fleet and waste. (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. Note: A report from the Head of Asset and Procurement Solutions reporting progress to date in this area and future actions planned was also presented to the Panel in September 2021.	February 2022
Carbon Management (December 2019)	Management should (1) review the current governance arrangements for progressing the climate change/net-zero carbon agenda in light of recent developments to ensure it remains 'fit for purpose' in providing clear strategic direction; and (2) consider reviewing the Carbon Management Plan against recognised good practice, amending the plan as necessary where omissions/areas for improvement are noted. Category: Amber Timescale: February 2021	(1) The remit of the recently established Carbon and Energy Group has been revised, with focus on the full scope of building emissions. Membership of the group has been expanded to reflect this. (2) A Climate Plan, intended to replace the former Carbon Management Plan has been drafted for consultation and sets a series of annual reduction targets, allocating reduction targets to the three main types of emissions: stationary (buildings), fleet and waste. Note: A report from the Head of Asset and Procurement Solutions reporting progress to date in this area and future actions planned was also presented to the Panel in September 2021.	February 2022

Head of Service	Details from original recommendation	Position per management update at September 2021	Agreed revised implementation date
Report Details			
Business Continuity & Disaster Recovery (November 2018)	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 testing programme for Gold applications is in place. Whilst this meets the recommendation, and the current DR Plan is reflective of IT and Service resources available, Business Solutions advise that the plan is based on historic Service assessments and as such is not considered as robust or effective as it could/should be. In recognition of the further improvements required Business Solutions have developed a draft ICT Systems Disaster Recovery Standard which was presented to the Data Management Team (DMT) in July 2021 for comment in advance of being presented to the September 2021 meeting of Data Governance Board (DGB) for approval. This standard defines the overarching processes that will be put in place to ensure going forward that all ICT systems have appropriate DR plans and testing programmes. A defined approach to testing is included within this Standard. A corporate process has been introduced to enable classification of applications as Gold/Silver/Bronze (in line with the draft Standard) and any major changes to systems are assessed against these criteria and reported through the EAGG for approval. However, further consideration is required as to when individual systems will be reclassified against the standard to ensure it is up-to-date and reflective of the current environment, service delivery expectations and available resources. The development and approval of the ICT Systems Disaster Recovery Standard, which includes a defined approach to testing, has resulted in delays in implementation of these actions.	December 2021
Information Governance (June 2019)	Management should: (1) consider how best to gain assurance on the extent, or otherwise, of the Council's compliance with published retention schedules; and (2) establish a planned timescale for the finalisation of the current review of retention schedules. Category: Amber Timescale: May 2019	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. Delay in implementation is due to the rollout of Office 365.	December 2021

Appendix 1 (continued)   Internal Audit recommendations - management actions 'not yet complete' with agreed revised implementation date outwith period under review

Head of Service/ Report details	Details from original recommendation	Position per management update at September 2021	Agreed revised implementation date
Head of Business Solutions			
Information Governance/Security (February 2021)	Business Solutions should: (1) ensure that Cyber Essentials re-certification is achieved as soon as possible; and (2) put in place appropriate planning arrangements to ensure that, in future years, re-certification of Cyber Essentials is achieved prior to the existing certification expiring. Category: Amber Timescale: February 2021	A Cyber Essentials submission was made but the Council failed to meet the requirements for recertifying against the new format for Cyber Essentials. Management is considering the next steps with regards to Cyber Essentials compliance. In the meantime, the Service will formally complete the PSN accreditation process. The requirements for completing submission of, and achieving, Cyber Essentials re-certification is now more onerous and challenging than previous and this has impacted on progressing the recommendations made by Internal Audit.	October 2021
Head of Financial Solutions			
Creditors (March 2020)	The Head of Financial Solutions, in conjunction with the Head of Asset and Procurement Solutions should, as a matter of urgency develop a detailed action plan for the interface between e-financials and PECOS ensuring required actions are clearly documented, responsible officers assigned with target completion dates and a mechanism to track and monitor progress. Category: Red Timescale: May 2020	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. Delays in implementation of this action are a result of a combination of technical challenges, competing priorities of the teams involved and external parties' ability to engage.	March 2022
Financial Management (March 2021)	Financial Solutions management should undertake a full self-assessment of the adequacy of its financial arrangements against the revised CIPFA Financial Management Code 2019, in conjunction with Business Solutions, as soon as practicable via the self-evaluation framework and ensure that any issues arising are taken forward as appropriate. Category: Amber Timescale: April 2021	An initial review and evidence gathered provides assurance that the financial arrangements recommended by the Code are present within the Council's process and procedures. A detailed timeline has been devised for a formal self-assessment of the evidence gathered, production of an action plan for improvement and reporting of same to Committee. Priority was given to statutory activities which has led to a delay in the implementation of this action.	January 2022

Appendix 1 (continued)   Internal Audit recommendations - management actions 'not yet complete' with agreed revised implementation date outwith period under review

Head of Service/ Report details	Details from original recommendation	Position per management update at September 2021	Agreed revised implementation date
Head of Performance, Planning & Quality Assurance			
Arrangements for assessing the performance and quality of external social providers (October 2018)	The Service should set out how it plans to measure and report to senior management and elected members on quality assurance/ monitoring activity. This should include setting out proposed monitoring arrangements and key information to be reported to ensure that all stakeholders receive information that is timely and relevant to their respective roles. Category: Amber Timescale: June 2019	A revised Social Work governance framework, detailing reporting arrangements, has been drafted and will be finalised and implemented in the coming weeks. Plans are underway to develop a report on monitoring activity undertaken. Delay in implementation is due to the finalisation of the Adult Social Care restructure.	March 2022
Self-Directed Support (November 2020)	Management should review the current quality assurance arrangements and ensure that: (1) the monitoring procedures contained in the 'Service Improvement Process' are fully developed, approved and implemented; (2) all monitoring checks are undertaken regularly as required and formally recorded both for new providers and in respect of ongoing monitoring; and (3) the proposed centralised database is finalised and implemented as soon as possible ensuring this is robust, fit for purpose, captures all monitoring activity and any decisions made or issues arising in respect of service providers and is thereafter kept up-to-date. Category: Red Timescale: November 2020	(1) Monitoring procedures have been developed and implemented across the main commissioned services. These arrangements are being refreshed and consolidated. (2) All monitoring checks, including enhanced monitoring, are being recorded on the monitoring database which will facilitate reporting of performance. (3) The centralised database is operational and has been populated. New providers from the April 2021 framework have been added and amendments made to reflect the changes made to the SIP process. A lack of admin support and the operational pressures and challenges currently facing the Service have impacted on the progress of these actions.	December 2021
Self-Directed Support (November 2020)	Management should ensure that: (1) the model used to assess and calculate the individual budget is reviewed and updated to ensure that it remains fit for purpose to produce a realistic individual budget for the service user in line with their needs and the costs of the service required to address those needs; and (2) appropriate documentation is retained which demonstrates how the approved individual budget was determined and/or approved. Category: Amber Timescale: March 2021	(1) 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. (2) Complete - all Localities have now been advised to retain all documentation in the appropriate budget user (Service User) file. A lack of admin support and the operational pressures and challenges currently facing the Service have impacted on the progress of these actions.	December 2021

Head of Service/ Report details	Details from original recommendation	Position per management update at September 2021	Agreed revised implementation date
Head of Performance, Planning & Quality Assurance			
Self-Directed Support (November 2020)	Management should: (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; (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; (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 (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. Category: Amber Timescale: March 2021	(1) The Service have developed 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 the Service are working with Training, Organisation and Development Team to get this online, with dates beginning in August/September 2021. (2) & (3) The Service have linked with localities to set up service user folders for collating all relevant info regards assessment, and support planning. (4) The comprehensive document has been completed and will be implemented following training. Recent operational pressures and need to prioritise resources within the Service have impacted on progressing these actions which has resulted in a delay to full implementation of the recommendations.	December 2021

Appendix 2 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	Significant management attention has been given in recent months to each of the three corporate risks previously identified as not yet live. Two of the three risks are currently the subject of regular and significant discussion at senior management level in light of significant current and future developments which are, or will, impact on the precise nature of the risk and how it will be managed. On asset rationalisation and making best use of our assets, risk workshops have been held in respect of issues relating to office rationalisation and the planned single shared campus (both significant Programme of Work items). The risk has not been formally moved to live status however pending the conclusion of closely aligned work in respect of the Council's future operating model which may have a significant impact on the Council's future asset management arrangements. Detailed proposals on Council's future operating model have recently been considered by Corporate Management Team and a report outlining and seeking approval for future plans is expected to be submitted to Policy and Strategy Committee in due course. The risk in relation to the Council's relationship with the IJB has also been the subject of considerable focus in recent months in view of a number of external policy developments, including most notably the Scottish Government's proposals for the development of a National Care Service. Updated risks that this presents to the Council were included in a report to a special meeting of Policy and Strategy in late-October seeking approval for the Council's response to the recent Scottish Government consultation exercise and the risks highlighted will now require to be reflected in the corporate risk register and supporting documentation. The third risk not yet formally signed-off and moved to 'live' relates to the Administration of Elections. Work updating this was recommenced following the administration of the Scottish Parliamentary elections in May but completion been delayed in recent weeks by staff absences. Efforts will be made to ensure that all significant ongoing developments in the three corporate risk areas not yet formally signed-off are properly reflected in the corporate risk descriptions and that associated supporting documentation is completed in a timely manner.	The revised corporate risk documentation is expected to be completed and signed off following recent reports submitted to Committee and future reports planned to be submitted to Committee in the coming weeks. **Implemented by: December 2021**	**MEDIUM**

Appendix 3   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
Head of Business Solutions				
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. A report submitted to CMT in June 2021, provided detail on tasks planned for the review and refresh on the corporate Project Management Model. Action will now commence in line with this. **Revised date: April 2022**	We acknowledge that action to review and refresh the corporate Project Management Model and achieve deliverables will be undertaken using the approach outlined in the report submitted to CMT in June 2021.
Housing Investment Programme (October 2020)	1	The Council's project management documentation requires to be reviewed and updated.		
Managing Strategic Change (June 2021)	1	Improvements require to be made to ensure clear and regular reporting is provided to key stakeholders on the progress of key corporate projects.		
Information Governance (February 2021)	1	There needs to be improved levels of uptake of mandatory information governance and security training undertaken by relevant staff.	This action is almost fully complete. Training for frontline workers will be delivered by the end of the financial year. Compliance with mandatory training will be monitored and thereafter reported through the DGB and management team meetings. The roll out of training was delayed due to the continuing pressures on frontline staff. **Revised date: March 2022**	A significant amount of action has been taken to date, with a clear commitment to deliver training by the end of the financial year.
Corporate Governance Principles E, F & G (March 2021)	1	A periodic self-assessment of the Audit and Scrutiny Panel requires to be undertaken to assess how effectively the Panel is discharging its role.	Given that the Local Government elections are scheduled for May 2022 which has the potential to change the Council's governance arrangements and membership of the Panel, it is not considered to be the optimal time to undertake a self-evaluation of the Panel. This has led to the delay in implementation. **Revised date: December 2022**	We acknowledge that delivery of this action has been postponed due to the potential for changes to the Council's governance arrangements and membership of the Audit & Scrutiny Panel following the Local Government elections in May 2022.
Chief Executive				
Managing Strategic Change (June 2021)	1	A self-assessment of the operation and effectiveness of the newly revised CMT requires to be undertaken once the revised arrangements have had time to be embedded.	The planned self-assessment has been delayed due to the volume and priority of other business on the CMT agenda. However, it is scheduled to be undertaken in the coming weeks. **Revised date: December2021**	We acknowledge that an initial review has been undertaken in this area and a commitment to complete this has been given.

Appendix 4   **Residual Risk Rating definition**

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