

# Report to Audit Committee

Agenda  
Item:

**A.5**

Meeting Date: 18 December 2020  
Portfolio: Finance, Governance and Resources  
Key Decision: Not applicable  
Within Policy and Budget Framework YES  
Public / Private Public

Title: INTERNAL AUDIT REPORT LOCAL AIR QUALITY MANAGEMENT

Report of: CORPORATE DIRECTOR FINANCE & RESOURCES

Report Number: RD47/20

## Purpose / Summary:

This report supplements the report considered on Internal Audit Progress and considers the review of Local Air Quality Management

## Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

## Tracking

Audit Committee:	<b>18 December 2020</b>
Scrutiny Panel:	<b>Not applicable</b>
Council:	<b>Not applicable</b>

## **1. BACKGROUND INFORMATION**

- 1.1 An audit of Local Air Quality Management was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2020/21. The report, appended as Appendix A of this report was found to provide reasonable assurances and contains 3 medium graded recommendations.

## **2. RISKS**

- 2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

## **3. CONSULTATION**

- 3.1 Not applicable

## **4. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

The Committee is asked to

- i) receive the final audit report as outlined in paragraph 1.1;

## **5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

- 5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

**Contact Officer:**

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**Appendixes**

**APPENDIX A - INTERNAL AUDIT  
REPORT LOCAL AIR QUALITY  
MANAGEMENT**

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:**

- None

### **CORPORATE IMPLICATIONS/RISKS:**

**Legal** – In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement.

**Finance** – Contained within the report

**Equality** – None

**Information Governance** – None

# Audit of Local Air Quality Management

Draft Report Issued: 09 July 2020  
Director Draft Issued: 26 November 2020  
Final Report Issued: 27 November 2020



## Audit Report Distribution

<b>Client Lead:</b>	Principal Health and Housing Officer Regulatory Services Manager
<b>Chief Officer:</b>	Corporate Director of Governance and Regulatory Services Chief Executive
<b>Others:</b>	Information Governance Manager
<b>Audit Committee:</b>	The Audit Committee, which is due to be held on 24 September 2020 will receive a copy of this report.

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.*

## 1.0 Background

- 1.1. This report summarises the findings from the audit of Local Air Quality Management. This was an internal audit review included in the 2020/21 risk-based audit plan agreed by the Audit Committee on 30 July 2020.
- 1.2 The Environment Act 1995 places a duty on Local Authorities to review and assess air quality in their districts to establish if related standards and objectives are being achieved. Where review and assessment activity identify related standards and objectives are not being achieved 'Air Quality Management Areas' (AQMA) are to be designated for each relevant area and a documented action (improvement) plan is required to be prepared and managed.
- 1.3 Details of the action plan and implementation progress is included within an annual Air Quality Annual Status Report (ASR) forwarded to the Department for Environment, Food and Rural Affairs (DEFRA).

## 2.0 Audit Approach

### Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

### Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Principal Health and Housing Officer and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
  - Failure to achieve business objectives due to insufficient governance.
  - Loss or breach of information / fines and sanctions / reputational damage due to failure to securely process, retain, share and dispose of records and information.
  - Failure to meet statutory duty to review and assess local air quality and other Air Quality Management duties under the Environment Act 1995.
  - Budget reduction leads to an inability to procure the services of an external specialist consultant and results in an inability to assess local air quality and complete other Air Quality Management duties under the Environment Act 1995 with existing resources.

- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).

- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Local Air Quality Management provide **reasonable assurance**.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. <b>Management</b> - achievement of the organisation's strategic objectives achieved (see section 5.1)		3
2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	-
3. <b>Information</b> - reliability and integrity of financial and operational information (see section 5.3)		
4. <b>Security</b> - safeguarding of assets (N/A)	-	-
5. <b>Value</b> – effectiveness and efficiency of operations and programmes (see section 5.4)	-	-
<b>Total Number of Recommendations</b>		<b>3</b>

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

**4.3 Findings Summary (good practice / areas for improvement):**

A generally good governance framework is in place that ensures direction and guidance is available to officers to support the achievement of service objectives. It is evident a largely informal approach to team management and associated communication is applied and it is noted this approach meets the needs of the team and is based on the outcomes of team review activity. Personnel are encouraged and supported to undertake professional development with specific provision for time to undertake related activity included within job description documents. Opportunities for governance improvement exist in relation to Risk management, staff training records and document retention schedules.

A comprehensive level of information related to Local Air Quality is published on the City Council (public) website. No personal or sensitive information is processed or published, and managers/staff involved in local air quality management activity have completed GDPR/Cyber Security training.

The specialist consultant engaged to support local air quality management has set out formal terms and conditions related to ensuring the security and processing of information. However, this information sets out requirements of the consultant but there is no evidence to demonstrate the City Council has communicated its own requirements for the control of shared information/documents.

Controls are in place to support compliance with the associated statutory duty, although reliance is placed on the knowledge and experience of the personnel involved and the knowledge and experience of specialist consultants engaged to support the activity.. Annual report submissions to DEFRA should be subject to management review and approval prior to submission.

Evidence to provide assurances that use of the specialist consultant is undertaken in accordance with City Council procurement guidance could not be located and there is a need to revisit this in light of ongoing use of the same consultant.

Activity to formalise budget expenditure related to the use of consultant services is ongoing.

**Comment from the Corporate Director of Governance and Regulatory Services**

The content of the audit is noted and agreed.

## 5.0 Audit Findings & Recommendations

### 5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** There is a documented structure in place. Job descriptions are in place and the purpose and responsibility of the roles are well defined. Reference to monitoring and managing 'pollution' is clearly referenced at all levels. Job description documents include specific provision for time to undertake professional development activity.
- 5.1.2** A wide range of information and guidance is available to staff involved in the management of local air quality. The main source of information and guidance is via the EMAQ subscription and the RIAMS website and it is evident this website is professionally maintained, and content is regularly reviewed/updated.
- 5.1.3** Records of training completion are maintained but the quality and content of these records is variable. Formal records of cross-training are not maintained as reliance is placed on the recruitment of suitably qualified and experienced individuals and the informal completion of personal development activity/on-the-job training. It would add value to formally record details of cross training completion and embed consistent recording of staff training/development.
- 5.1.4** Team communication is largely informal, but it is understood this meets the needs of team members. Appraisal activity is undertaken in accordance with City Council guidance, though it would be beneficial to consider progress against previously agreed objectives as part of the process.
- 5.1.5** Service and business plans are in place that include objectives related to Local Air Quality Management. However, the Service Plan has not been updated for 2020/21 as a result of the Covid-19 pandemic. It is advised that Service Plans are reviewed and updated for 2021/22.
- 5.1.6** There is evidence to indicate risks are formally recorded and monitored. However, audit enquiries revealed a risk relating to ladder use was identified/assessed but not registered and a ladder log referenced within the assessment is not currently maintained. It is acknowledged that further risk review activity in relation to ladder use is planned as a result of audit enquiries.
- 5.1.7** It is unclear how the 'control strategy/mitigating actions' recorded for risk #174 are actually controlling the identified risk and it is advised mitigating actions are updated to fully reflect the controls in place



**5.1.8** There is no evidence to indicate risks related to the use of 'consultants' have been identified or assessed in accordance with City Council Guidance related to the use of consultants.

**Recommendation 1 – A review of risk management should be undertaken to gain assurance all risks are appropriately identified, recorded and managed.**

**5.1.9** Performance objectives are set out within related legislation and replicated within local air quality documentation/reports published on the City Council website.

**5.1.10** A formal air quality management action plan was prepared and approved by Executive in 2012. An updated plan is expected to be presented during 2020/21. Progress against action plan measures are reported to DEFRA on an annual basis and retained on the City Council website. Data included within the latest submission was found to be accurate and formal feedback provided by DEFRA indicated they have accepted the contents of the report.

**5.1.11** The audit identified that the data submission is not currently subject to any management review and it is suggested consideration should be given to the implementation of formal quality checks and report approval to reduce the potential for communication of incorrect/inaccurate information/data.

**5.1.12** Regular budget monitoring takes place and activity is ongoing to formalise funding for the continuing engagement of a specialist consultant.

**5.1.13** A wide range of information, guidance and links to other sources of related information is present on the website. While comprehensive, the information on the website would benefit from improvements to document control, to identify when information is due to expire and/or be reviewed/replaced.

**5.1.14** Formal contract agreement documents produced by the external consultant engaged to support Local Air Quality Management includes terms and conditions prepared by the consultant related to ensuring the security and processing of related information. However, there is no evidence to demonstrate the City Council has communicated its requirements for the control of shared information/documents.

**Recommendation 2 - Action should be taken to ensure the terms and conditions detailed within contract agreement documents developed by external consultants are consistent with City Council requirements.**

**5.1.15** Evidence is available to demonstrate action has been initiated in 2020 to formally include associated funding requirements within departmental budgets for use of the external consultant.

**5.1.16** Information/or evidence to demonstrate compliance with the City Council Procurement Guidance Note associated to the use of consultants, such as preparation of a brief to support use of the consultant and completion of a review post engagement of the Consultant could not be located.

**Recommendation 3 - Action should be taken to evidence compliance with City Council Procurement Guidance associated to the use of consultants.**

## **5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts**

**5.2.1** Members of Regulatory Services with specific responsibilities related to Local Air Quality Management have completed GDPR and Cyber Security training.

**5.2.2** Knowledge of current statutory duties is maintained and responsibility for related activity is allocated appropriately.

**5.2.3** Air Quality Assessment Areas and associated Air Quality Management Areas are clearly defined and have been established in accordance with technical guidance published by DEFRA and audit sample testing confirmed data is accurately reported for each area.

## **5.3 Information – reliability and integrity of financial and operational information**

**5.3.1** Review of data and information related to Air Quality published on the City Council website did not identify any inclusion of personal data or sensitive information. A comprehensive Data Protection Privacy Notice is also widely available on the website.

**5.3.2** A central document retention schedule is in place and accessible within the City Council and it is evident the schedule is routinely maintained. However, the value and use of the schedule is not clear as it lacks detail and the absence of document control identification/practice within the City Council significantly reduces the potential to identify specific documents. Audit testing indicates the schedule does not fully encompass the nature of records held and it is advised the schedule is developed further to give a more accurate representation.

## Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – A review of risk management should be undertaken to gain assurance all risks are appropriately identified, recorded and managed.	Medium	Risk management activity is not completed or recorded consistently. Resulting in potential exposure to unidentified and/or uncontrolled risk.	This will be undertaken at the next service review, which is undertaken annually with the service.	Regulatory Services Manager	30 April 2021
Recommendation 2 - Action should be taken to ensure the terms and conditions detailed within contract agreement documents developed by external consultants are consistent with City Council requirements.	Medium	Lack of communication of City Council requirements for the control of information/documents shared with a third party leads to uncontrolled exposure to information governance risks.	To be undertaken before next annual report is required to DEFRA. (Summer 2021)	Principal Health and Housing Officer	30 June 2021.
Recommendation 3 - Action should be taken to evidence compliance with City Council Procurement Guidance associated to the use of consultants.	Medium	Lack of compliance with City Council Procurement guidance leads to a lack of assurance in relation to the use of consultants and an inability to demonstrate value for money and inform organisational learning.	Linked into Recommendation 2, to action before next report is required. Guidance has been read and now aware of what is required going forward for use of specialist external consultants.	Principal Health and Housing Officer	30 June 2021.

## Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
<b>Substantial</b>	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
<b>Reasonable</b>	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
<b>Partial</b>	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
<b>Limited/None</b>	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

## Appendix C

### Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
<b>High</b>	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
<b>Medium</b>	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).