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Audit of Environmental Strategy - Baseline Data

Draft Report Issued: 10 June 2020
Director Draft Issued: 14 July 2020
Final Report Issued: 03 August 2020

Audit Report Distribution

Client Lead:	Policy and Communications Manager
Chief Officer:	Deputy Chief Executive Corporate Director of Economic Development Chief Executive
Others:	Policy & Performance Officer Data Analyst Apprentice Information Governance Manager
Audit Committee:	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 Environmental Strategy – Baseline Data. This was an internal audit review included in the 2020/21 risk-based audit plan agreed by the Audit Committee 30 July 2020.

1.2   In March 2019 the Council passed a motion to declare a Climate Change Emergency and a decision was taken to prepare a Local Environment (Climate Change) Strategy. Strategy preparation is informed by the Council's own data and information, with additional evidence from Cumbrian authorities who are also progressing strategies and action plans to respond to:

- The Government's announcement (of 12th June 2019) to amend the Climate Change Act 2008 to require net United Kingdom carbon emissions to be zero by 2050
- Council's Climate Emergency motion (of 5th March 2019) to inter alia make the Council's activities net-zero carbon by 2030.

To support the implementation of the strategy and the achievement of related objectives it is essential that accurate and reliable data is available in accordance with the agreed methodology.

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 Policy and Communications Manager 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:

- Risk 1 – Governance – Failure to achieve business objectives due to insufficient governance (specific to data collection, recording and reporting activity).
- Risk 2 – Information 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.

- Risk 3 – Data used to determine the City Council's baseline carbon footprint is incomplete, inaccurate and/or lacks integrity leading to an inability to meet reporting requirements. Resulting in reputational damage and potential sanctions.

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 Environmental Strategy - (Part 1) – "Completeness, accuracy and integrity of data used to determine the Council's baseline carbon footprint" provide **Partial 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. **Management** - achievement of the organisation's strategic objectives achieved (see section 5.1)	2	-
2. **Regulatory** - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	-
3. **Information** - reliability and integrity of financial and operational information (see section 5.3)		2
4. **Security** - safeguarding of assets (see section 5.4)	-	-
5. **Value** – effectiveness and efficiency of operations and programmes (N/A)	-	-
Total Number of Recommendations	**2**	**2**

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):**

Responsibility for establishing and reporting the City Council's baseline carbon footprint is allocated to the Policy and Communications Team. Data collection and assessment is currently ongoing and supporting documentation was continuing to be developed in accordance with the three-scope model published by the Local Authority Climate Policy Group. This model provides high level guidance on the methodology to calculate an organisations baseline carbon footprint.

General governance is in place to support team activity such as job description documents, service plans and risk management records. However, while the audit found the individuals involved in the collection/assessment of data had a good knowledge of the high level three-scope model, there is no evidence to indicate specific governance (direction and guidance) had been sufficiently developed to clearly define how the model was being applied to data collection/assessment within the City Council to provide assurance in relation to the "Completeness, accuracy and integrity of data used to determine the Council's baseline carbon footprint".

Discussions with responsible officers involved in data collection and assessment to inform the calculation of the baseline carbon footprint indicated they had a good understanding of their roles. However, local data collection and assessment activity was not supported by a documented project or action plan and adequate local data definitions had not been established. As a result, there was a lack of clarity in relation to data collection, data quality and risk management requirements, actions and responsibilities.

It is recognised this activity is new to the City Council and it is evident the Policy and Communications Team are continuing to learn and modify activity as learning and experience develops.

Information gathered to inform the audit indicates no personal data is processed during the collection/analysis of data to inform the development of the Environmental Strategy. In addition, all personnel involved in the collection/analysis of data have completed relevant GDPR and Cyber Security Awareness Training.

Data is not currently shared with other organisations or third parties. Audit enquiries revealed that data will eventually be shared with associated countywide working groups and partner organisations, but at present there is no evidence to indicate controls are planned to support data sharing.

Due to the absence of fundamental governance and direction, such as but not limited to a formal project/activity plan and fully detailed data definitions, an audit opinion of 'Partial' assurance is provided at this time. However, completion of the ongoing development activity and implementation of the recommendations detailed within this report has the potential to mitigate the identified issues.

Comment from the Deputy Chief Executive

As identified in the 'Findings Summary' this area of work is new to the City Council and whilst good progress is being made on the development of an Environmental Strategy the findings and associated recommendations of this report are welcomed and will be actioned during July and August 2020.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

5.1.1 A suitable structure supported by documented job description documents is in place within the Policy and Communications Team. The general purpose and responsibilities associated to each role are well defined.

5.1.2 It is noted the job description for the role of Policy and Communications Manager has not been reviewed since November 2010. Therefore, review of the document should be considered to ensure it remains appropriate.

5.1.3 The Policy and Communication Team have access to general direction and guidance that includes the following:

- Annual Performance Report Forward Plan;
- Carlisle City Council KPI Definition and Target Guide;
- Data Quality Policy; and
- Performance Framework

5.1.4 The content of the available general direction and guidance has the potential to add value and influence good practice in the collection and assessment of data to support the development of the Environmental Strategy. For example, the following text is included within the Carlisle City Council KPI Definition and Target Guide:
"*Clear definitions are critical to ensuring consistent data*" and "*Definitions that are unclear increase the risk of inaccurate data capture or poor data quality*".
In addition, the Data Quality Policy describes how the Council will ensure the quality of the data it produces with specific emphasis on data for the reporting of management information, performance indicators and compliance with the General Data Protection Regulation (GDPR).

5.1.5 The Policy and Performance Team are aware of performance targets in relation to Environmental Strategy development. However, there is a lack of clarity over reporting requirements and responsibilities to provide assurance timely, accurate reporting of performance information takes place and actions are planned to improve any areas of underperformance.

5.1.6 There is a lack of evidence to demonstrate the available direction/guidance has been followed or that activity related to the collection, analysis and reporting of data is formally planned. In addition, there is a lack of evidence to demonstrate adequate local data definitions have been developed to support the collection and assessment of data and

ensure the completeness, accuracy and integrity of data used to determine the Council's baseline carbon footprint. At the time of the audit reliance was placed on informal activity planning and development of local data definitions was ongoing.

5.1.7 Review of documentation made available for audit revealed document control is not embedded.

5.1.8 Team objectives are detailed within the Policy and Communications Team Business Plan. The objectives do not include specific references to the development of the Environmental Strategy or the collection and analysis of supporting data. However, other information such as Management briefing records and the draft Local Environment Strategy (presented to the Executive 10 February 2020) are available and include reference to related objectives.

5.1.9 A risk register detailing risks applicable to the Policy and Communications Team is available within the Performance Management element of SharePoint. The register is consistent with the corporate format. The register does not include any references to risks associated to the development or associated activity to collect and assess data to inform the Environmental Strategy. However, a general risk related to data quality is detailed.

5.1.10 It is acknowledged the risk register is consistent with the corporate format and approach to risk management. However, there are issues evident in relation to content that reduce the value of the risk management activity/record and action should be taken at a corporate level to improve the value of risk management within the City Council. Other audit activity unrelated to this audit is ongoing to communicate observations and opportunities for improvement related to risk management to management for consideration.

Recommendation 1 – A documented Project/Activity Action Plan should be developed to clearly communicate objectives, required actions, responsibilities, timescales and inform risk management activity related to Environmental Strategy data collection/assessment activity and reporting.

Recommendation 2 – Clear and comprehensive local data definitions should be developed relevant to the City Council to inform and support Environmental Strategy data collection/assessment activity and reporting.

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

5.2.1 Data collection, recording and assessment is informed by reference to the three-scope model published by the Local Authority Climate Policy Group.

5.2.2 High-level definitions are included within the model. However, there is currently a lack of evidence to demonstrate how the high-level definitions have been applied to the City Council.

5.2.3 Potential source data has been requested and collected by members of the Policy and Communications Team. This data has been used to begin the calculation of Council's Carbon Footprint/Greenhouse Gas Baseline figure, but it is not currently possible to determine if the data collected is consistent with requirements due to the lack of clear data definitions. For example, locally developed fixed asset records have been used to identify vehicles and equipment but there is a lack of information to clearly demonstrate the selection process and clarify why some items have been included or excluded.

5.2.4 Further data definition detail is required for each element of the model to clearly set out and justify what is to be included and what is to be excluded. In addition, there is a need to clearly define the data collection period/s to support a consistent approach **(See Recommendation 2**).

5.2.5 Data collected to inform the development of the Environmental Strategy does not include personal information.

5.2.6 The Policy and Communications Team are aware of the potential for data to be linked to an individual through vehicle registration and associated fuel use records. However, additional information would be required for the potential to become a reality. Therefore, the additional information required to identify individuals is not collected or processed.

5.3 Information – reliability and integrity of financial and operational information

5.3.1 It is acknowledged that work is ongoing to establish information and data requirements and identify and assess source data.

5.3.2 There is a lack of evidence to demonstrate data collection/assessment/recording activity is planned and that adequate supporting information has been developed/communicated. For example, the three-scope model (an external document) is used to determine information/data requirements but further work is required to adequately establish how

this high-level direction should be applied within the City Council. The absence of a clear plan and local supporting information (data definitions) increases the risks associated to the identification, collection, assessment and reporting of related requirements.

5.3.3   Audit sample of data records created by the Policy and Communications Team identified several issues that indicate data quality activity is not embedded in the current informal process and the lack of data quality assessment information indicates non-compliance with the Council Data Quality Policy. Identified issues resulted in an incomplete audit trail and included:

- Blank data fields in source/assessment information used in the calculation of totals;
- Inconsistent results quoted in different elements;
- Duplicate entries; and
- Different units of measure used to calculate a total for a single unit of measure.

5.3.4   It is acknowledged that limited supporting information and questions are recorded within elements of the documentation sampled during the audit. It is also acknowledged that as a result of audit observations examples of further development of supporting documentation was supplied for audit consideration following completion of audit fieldwork. This demonstrates some consideration has been given to known issues and data quality and that development of the data collection methodology remains ongoing. However, further development/completion is required to ensure data records are clear and consistent with requirements.

5.3.5   It is noted the Policy and Communications Team place reliance on source data owners for the completion of data quality activity prior to the supply of data/information to the Policy and Communications Team. However, data quality should be confirmed during any processing activity. Therefore, the Policy and Communications Team should undertake data quality activity to gain assurance in relation to the completeness and accuracy of the data during and following processing. For example, the Policy and Communication Team should, as a minimum, confirm all required data has been collected and used in accordance with any related supporting definition/s.

Recommendation 3 – Details and arrangements for the completion of data quality activity should be developed and communicated.

5.3.6   Except for routine personnel management there is a lack of evidence to demonstrate Environmental Strategy data collection, assessment and reporting activity is formally monitored and managed. However, the audit was informed the Policy and Performance

Team undertake informal management activity, but associated records are not currently created or retained.

Recommendation 4 - The process and associated responsibilities for monitoring and managing data collection, assessment and reporting activity should be developed and communicated.

5.4 Security – Safeguarding of Assets

5.4.1 It is noted that activity to collect and analyse data is ongoing and that data is not currently shared with other organisations or third parties. The audit was informed there is an intention/expectation that data will be shared with other organisations and/or third parties from an unspecified point in the future. However, there is currently no evidence to demonstrate how the sharing of data will be controlled/managed or that actions are planned to implement associated controls.

5.4.2 Consideration should be given to the inclusion of information and the development of controls associated to the sharing of information to mitigate related information risks.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	**Priority**	**Risk Exposure**	**Agreed Action**	**Responsible Manager**	**Implementation Date**
Recommendation 1 – A documented Project/Activity Action Plan should be developed to clearly communicate objectives, required actions, responsibilities, timescales and inform risk management activity related to Environmental Strategy data collection/assessment activity and reporting.	H	Lack of clarity in relation to requirements and allocated responsibilities leading to confusion, inefficient use of resources and exposure to unidentified risk/s.	An action plan to complete the organisational carbon footprint is being progressed, this plan will be a detailed sub-plan of an action in the Policy & Communication Service Plan. This plan will allocate roles and set a timescale for the completion of the work.	Policy & Communication	31/7/2020
Recommendation 2 – Clear and comprehensive local data definitions should be formally developed relevant to the City Council to inform and support Environmental Strategy data collection/assessment activity and reporting.	H	Lack of clarity in relation to the value and completeness of data leading to an inability to confirm data quality and the achievement of overarching requirements.	Ongoing work to formally develop local data definitions will be completed and definitions will be subject to regular review/revision as data availability/maturity improves.	Policy & Communication	31/8/2020

Recommendation 3 – Details and arrangements for the completion of data quality activity should be developed and communicated accordingly.	M	Lack of clarity in relation to allocated responsibilities leading to inconsistent practice and lack of assurance in relation to data quality.	Policy and Communications Team arrangements and responsibilities for ensuring the quality of data processed by the Team in accordance with local data definitions will be developed and communicated to team members. The Policy and Communications Team will develop a dashboard to monitor data quality and highlight issues to be followed up with source data owners.	Policy & Communication	31/8/2020
Recommendation 4 - The process and associated responsibilities for monitoring and managing data collection, assessment and reporting activity should be developed and communicated accordingly.	M	Lack of clarity in relation to allocated responsibilities leading to inconsistent practice and lack of assurance in relation to objective achievement.	The Policy and Communications Team process and associated responsibilities for monitoring and managing data collection, assessment and reporting in accordance with local data definitions will be developed. This will be communicated to Policy and Communications Team members and shared with source data owners.	Policy & Communication	31/8/2020

Appendix B - Audit Assurance Opinions

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

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	The control framework tested are suitable and complete are being consistently applied. Recommendations made relate to minor improvements or tightening of embedded control frameworks.
Reasonable	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.	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. Any high graded recommendations would only relate to a limited aspect of the control framework.
Partial	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.	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. High graded recommendations have been made that cover wide ranging aspects of the control environment.
Limited/None	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.	Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse. Control is generally weak/does not exist.

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:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	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).