

# Report to Audit Committee

Agenda  
Item:

A.5

Meeting Date: 8 July 2021  
Portfolio: Finance, Governance and Resources  
Key Decision: Not applicable  
Within Policy and Budget Framework YES  
Public / Private Public

Title: Internal Audit Report - Environmental Strategy Baseline  
(Follow-Up)  
Report of: CORPORATE DIRECTOR FINANCE & RESOURCES  
Report Number: RD18/21

## Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2020/21 and considers the follow up review of the Environmental Strategy Baseline.

## Recommendations:

The Committee is requested to

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

## Tracking

Audit Committee:	<b>8 July 2021</b>
Scrutiny Panel:	<b>Not applicable</b>
Council:	<b>Not applicable</b>

## **1. BACKGROUND INFORMATION**

- 1.1 A follow-up audit of Environmental Strategy Baseline was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2020/21. The original audit completed in August 2020 provided partial assurance and included 4 recommendations (2 high graded). The follow-up, appended as Appendix A of this report found assurances have increased to reasonable and includes 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.

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**Appendixes**

**Appendix A – Environmental  
Strategy Baseline Data (Follow-up)**

**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 follow up of Environment Strategy - Baseline Data

Draft Report Issued: 22<sup>nd</sup> February 2021

Director Draft Issued: 25<sup>th</sup> February 2021

Final Report Issued: 09<sup>th</sup> March 2021



## Audit Report Distribution

<b>Client Lead:</b>	Policy and Communication Manager Policy & Performance Officer
<b>Chief Officer:</b>	Corporate Director of Economic Development Deputy Chief Executive Chief Executive
<b>Audit Committee</b>	The Audit Committee, which is due to be held on 8 <sup>th</sup> July 2021 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 a follow up audit of Environment Strategy - Baseline Data. This was an internal audit review included in the 2020/21 risk-based audit plan agreed by the Audit Committee on 30<sup>th</sup> July 2020.
- 1.2. The original audit was carried out in August 2020, resulting in a conclusion of partial assurance and four recommendations (two high graded). A management action plan was completed detailing agreed actions, responsible manager and implementation dates to address the recommendations (Appendix A). This follow-up report provides an update on progress made against this action plan.

## **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.
- 2.3 The Client Lead was asked to provide an update on progress made implementing the agreed actions. Internal Audit then undertook testing as necessary to confirm that actions have been fully implemented and that controls are working as intended to mitigate risk

### Audit Scope and Limitations.

- 2.4 The original scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risk areas:
  - Failure to achieve business objectives due to insufficient governance (specific to data collection, recording and reporting activity).
  - Loss or breach of information / fines and sanctions / reputational damage due to failure to securely process, retain, share, and dispose of records and information.
  - 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.
- 2.5 It is the responsibility of management to monitor the effectiveness of internal controls to ensure they continue to operate effectively.
- 2.6 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 C** for definitions).
- 3.2 Where the findings of the follow up confirm that actions have been successfully implemented and controls are working effectively, the internal audit assurance opinion may be revised from that provided by the original audit.
- 3.3 From the areas examined and tested as part of this follow up review, we consider the current controls operating within Environment Strategy – Baseline Data provide **reasonable assurance** (revised from 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 D**.
- 4.2 The previous audit included four recommendations (See Appendix A) of which:
- One agreed action has been successfully implemented.
  - Three agreed actions have been partially implemented.
- 4.3 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	-	2
2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts	-	-
3. <b>Information</b> - reliability and integrity of financial and operational information	-	1
4. <b>Security</b> - safeguarding of assets	-	-
5. <b>Value</b> – effectiveness and efficiency of operations and programmes	-	-
<b>Total Number of Recommendations</b>	-	<b>3</b>

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

4.5 **Findings Summary:**

Good progress has been made on the data quality review of the baseline, resulting in removal of the high graded recommendations. There remains some outstanding work needed to give complete confidence on the data accuracy of the baseline.

The Policy and Communications Team have now developed and documented actions in relation to the data quality of baseline data, in the Carbon Emissions Calculations Action Plan and Issue Log. Audit found that further development of this document, to include actions for all data sets documented in a SMART manner, will assist the Team in concluding the baseline in a timely manner.

Responsibilities for monitoring and managing collection and assessment of nearly all data sets has now been documented in the Carbon Emissions Calculations Procedure. Audit found that further development of this document, to include responsibilities for monitoring and managing collection and assessment of all data sets, will also assist the Team in concluding the baseline in a timely manner.

The process and associated responsibilities for monitoring and managing data collection, assessment and reporting activity of the data sets has now been communicated accordingly.

Data definitions have now been developed for nearly all data sets and recorded in SharePoint. Audit found that some data definitions were still to be defined and recorded.

The Policy and Communication Team has carried out and documented a significant number of data quality checks on the baseline data, although not wholly in line with the Carbon Emissions Calculations Procedure and Council Data Quality Policy. Audit identified some additional data quality findings, and further work is required to develop SMART actions to conclude all outstanding data quality findings identified, in a timely manner.

**Comment from the Corporate Director of Economic Development:**

I welcome the report which provides reassurance that good progress is being made. The timely follow up audit and revised assurance (partial to reasonable) is welcomed by all the teams that work with the data that make up the organisation's carbon footprint. I am satisfied with the action plan in place to conclude all outstanding data quality findings identified.

## 5.0 Audit Findings & Recommendations

### 5.1 Recommendation 1 – Development of a document Project/ Activity Action Plan

- 5.1.1** It was previously recommended that 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.
- 5.1.2** The Policy and Communications Team have developed a documented Carbon Emissions Calculations Action Plan and Issue Log along with a Carbon Emissions Calculations Procedure.
- 5.1.3** The Action Plan and Issue Log details required actions and timescales for the completion of baseline data sets. The Carbon Emissions Calculations Procedure details the responsibilities for monitoring and managing collection and assessment of the data sets.
- 5.1.4** There is significant detail in the Action Plan and Issues Log on the barriers to complete the baseline data sets. The documented actions to overcome those barriers would benefit from being detailed in a Specific, Measurable, Achievable, Relevant and Time-bound (SMART) manner, increasing the focus on concluding the baseline in a timely manner.
- 5.1.5** Actions for nearly all the baseline data sets are included in the Action Plan and Issues log, although some are still to be documented.
- 5.1.6** The responsibilities for monitoring and managing collection and assessment of data sets is predominantly detailed in the Carbon Emissions Calculations Procedure, although some are still to be documented.

**Recommendation 1 - SMART Actions should be documented to conclude the baseline for all data sets, and then subject to regular review and update. Responsibilities for monitoring and managing collection and assessment of all data sets to be documented.**

### 5.2 Recommendation 2 – Clear and comprehensive local data definitions should be formally developed

- 5.2.1** It was previously recommended that 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.



**5.2.2** Data definitions have been developed for nearly all data sets and recorded in SharePoint, although some are still to be defined and documented.

**5.2.3** Management indicated that data definitions may be subject to further review and alignment following future discussions with local partners.

**Recommendation 2 - Data definitions to be defined and documented for all data sets.**

### **5.3 Recommendation 3 – Details and arrangements for data quality activity**

**5.3.1** It was previously recommended that details and arrangements for the completion of data quality activity should be developed and communicated accordingly.

**5.3.2** The Policy and Communication Team are responsible for assessing data quality, and this responsibility is now documented in the Carbon Emissions Calculations Procedure.

**5.3.3** The Carbon Emissions Calculations Procedure details how the data quality checks should be carried out in line with the Council Data Quality Policy.

**5.3.4** The Policy and Communication Team carried out and documented a significant number of data quality checks on the baseline data, although not wholly in line with the Carbon Emissions Calculations Procedure and Council Data Quality Policy.

**5.3.5** Subsequently, some further data quality findings identified by Audit were recorded and discussed with the Policy and Communication Team.

**5.3.6** The data quality findings are not considered likely to have a major impact on the baseline data calculations, but all are considered worthy of further investigation and conclusion by the Policy and Communication Team before the baseline is finalised.

**5.3.7** Management indicated that they intended to develop a dashboard to automate future data quality checks using Microsoft Power BI.

**Recommendation 3 - SMART actions for the investigation and conclusion of all the remaining data quality findings to be documented. Future data quality checks to be assessed in line with the Carbon Emissions Calculations Procedure and the Data Quality Policy, with clear documentation of findings and conclusions.**

#### **5.4 Recommendation 4 – Monitoring and managing data collection, assessment, and reporting**

- 5.4.1** It was previously recommended that the process and associated responsibilities for monitoring and managing data collection, assessment and reporting activity should be developed and communicated accordingly.
- 5.4.2** The process and associated responsibilities for monitoring and managing data collection, assessment and reporting activity of the data sets is now detailed in the Carbon Emissions Calculations Procedure.
- 5.4.3** The Carbon Emissions Calculations Procedure was communicated to Officers with the above responsibilities on 8<sup>th</sup> January 2021.

## Appendix A – Original Management Action Plan

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
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	In Part
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	In Part

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
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	In Part

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
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	Yes

## Appendix B – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 - SMART Actions should be documented to conclude the baseline for <u>all</u> data sets, and then subject to regular review and update. Responsibilities for monitoring and managing collection and assessment of all data sets to be documented.	M	Lack of clarity in relation to requirements and allocated responsibilities leading to confusion, inefficient use of resources and exposure to unidentified risk/s.	<u>1.1 Updated action plan</u> A rolling SMART action plan will be updated and maintained for <u>all</u> data items. This action plan will be reviewed fortnightly as recommendations are being implemented.	Policy and Communications Manager	April 2021
			<u>1.2 Procedure Note</u> The Procedure Note will be updated to capture <u>all</u> responsibilities for monitoring and managing collection and assessment of all data sets.		April 2021

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 2 - Data definitions to be defined and documented for <u>all</u> data sets.	M	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.	Data definitions will be concluded and documented for all data items in the carbon footprint calculations (currently in SharePoint).	Policy and Communications Manager	March 2021
			Where future data items are developed, these will also be concluded and documented in the carbon footprint calculations.		September 2021

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 3 - SMART actions for the investigation and conclusion of <u>all</u> the remaining data quality findings to be documented. Future data quality checks to be assessed in line with the Carbon Emissions Calculations Procedure and the Data Quality Policy, with clear documentation of findings and conclusions.	M	Lack of clarity in relation to allocated responsibilities leading to inconsistent practice and lack of assurance in relation to data quality.	<p>SMART actions will be added to the action plan in (recommendation 1) for all the remaining data quality findings identified by Management and Audit.</p> <p>Each action will then be investigated, with the conclusion documented in the action plan.</p> <p>Where relevant, conclusions will be linked to the Carbon Emissions Calculations Procedure on data quality assumptions and business rules.</p> <p>Completion of Power Bi Data Health Check scorecard, linked once again to the Carbon Emissions Calculations Procedure assumptions and business rules.</p>	Policy and Communications Manager	October 2021



## Appendix C - 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 D

### 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 used; 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).