

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 15 December 2021
Subject:	The Follow up of Audit Agreed Actions		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

In accordance with Public Sector Internal Audit Standards, the Chief Internal Auditor must “establish and maintain a system to monitor the disposition of results communicated to management; and a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action”.

For Sefton Council the follow up of agreed audit action plans includes the monitoring of progress of audit agreed actions through internal audit and periodically reporting progress to the Audit and Governance Committee.

This report summarises the current implementation position and arrangements for monitoring and reporting internal audit recommendations.

There has been considerable progress in the implementing of audit agreed actions which will improve the Council’s internal control framework. Covid-19 has had an impact on the delivery of actions however there are pockets where progress has been limited for example Adult Social Care debt where progress has been slower than expected although management have agreed to implement the outstanding internal audit actions.

Recommendation(s):

(1) Members are requested to note the progress outlined in the report.

Reasons for the Recommendation(s):

The report provides transparency on the progress in implementing known weaknesses in the Council’s control framework and provides assurance on an aspect of the Committee’s Terms of Reference.

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs – There are no direct revenue costs from this monitoring report

(B) Capital Costs – There are no direct capital costs from this monitoring report

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): There are no direct resources implications from this report.	
Legal Implications: There are no legal implications	
Equality Implications: There are no equality implications.	
Climate Emergency Implications: The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y
The report has a neutral impact as the report provides a monitoring position on the implementation of agreed audit actions by management. So far there are no climate change related agreed actions that have been highlighted in audits although this position is likely to change going forward.	

Contribution to the Council’s Core Purpose:

Protect the most vulnerable: Positive
Facilitate confident and resilient communities: Positive
Commission, broker and provide core services: Positive
Place – leadership and influencer: Positive

Drivers of change and reform: Positive
Facilitate sustainable economic prosperity: Positive
Greater income for social investment: Positive
Cleaner Greener: neutral

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6630/21) and the Chief Legal and Democratic Officer (LD.4831/21) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee / Council meeting.

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Appendices:

None.

Background Papers:

There are no background papers available for inspection.

1. Background

- 1.1 In accordance with Public Sector Internal Audit Standards, the Chief Internal Auditor must “establish and maintain a system to monitor the disposition of results communicated to management; and a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action”.
- 1.2 In the Audit and Governance Committee’s Terms of Reference presented to and approved by the Members in September 2021 the following is stated;

“To consider reports from the head of internal audit on internal audit’s performance during the year, including the performance of external providers of internal audit services. These will include:

a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work

b) regular reports on the results of the Quality Assurance Improvement Plan (QAIP)

c) reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Assurance Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement (AGS).

d) *to consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.*

1.3 The work plan for the Committee, approved in September 2021, details that a report will be provided annually to the Committee outlining the progress on the implementation of the agreed audit actions.

1.4 The standard practice for audits that are undertaken is that where control weaknesses are identified the weakness and the associated recommendation(s) are shared with the management team both verbally during the audit, at the closing meeting and in the draft report. The gradings for the risks are

High - A matter that is **fundamental** to the system under review. The recommendation should be addressed as a matter of urgency.

Medium - A matter that is **significant** to the system under review.

Low - A matter that **requires attention** and would improve the system under review.

1.5 Management are encouraged in this process to be aware of the issues early in the process which should enable them to consider how to implement the recommendation effectively in a cost effective, efficient and timely manner and finally when they receive the draft report to draft a formal response outlining their action and the timescale when the action will be implemented. The expectation is that management will when providing a response have consulted internally with other stakeholders on the practicality of the implementation and the timescales particularly where the recommendation relies on support from other teams.

1.6 The recommendation becomes an agreed action once the management provide a formal response outlining the action and the proposed completion date to the weakness(es) that have been identified in the audit. The timing of the action should be linked to the risk rating of the agreed action for example high risk ideally should be completed within three to six months of the audit completing.

1.7 Internal Audit monitor the completion of the agreed actions and where appropriate obtain from management confirmation that the action has been completed as well as evidence on the following basis:

- High risk agreed actions - written confirmation action has been implemented as well as evidence in 100% of the actions.

- Medium risk agreed actions - written confirmation action has been implemented as well as evidence in a sample of the actions.
- Low risk agreed actions - written confirmation action has been implemented and obtain information at the next audit of the area.

1.8 Where the action has not been implemented, we will seek to obtain a revised completion date.

2. Progress

2.1 There have been understandable delays in progressing some of the agreed actions as officers across the Council have been refocused on unplanned essential activities that were and are still required to respond to the pandemic. As a result, Internal Audit have engaged with services to understand the impact on timescales agreed pre-Covid19 and what the realistic, achievable revised dates for completion of actions is now likely to be. This work will continue, and proposed changes will be shared with Audit and Governance Committee.

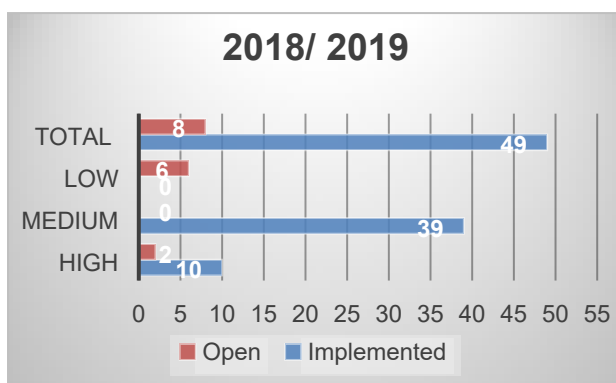
2.2 We are reporting progress for the past three financial years

- 2018 - 2019
- 2019 - 2020
- 2020 - 2021

2.3 **2018 – 2019:** The progress is detailed in the following table and graph.

2018/ 2019 financial year	Implemented	Open
High	11	1
Medium	39	0
Low	0	6
Total	49	8
Total Recommendations	57	

Graph 1. detailing the numbers of high, medium and low risk agreed actions with the status of whether opened or implemented for the 2018/2019 financial year.

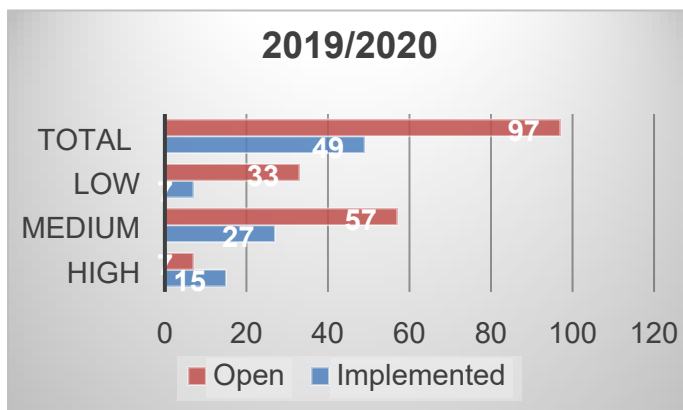


Of concern is the one outstanding agreed high risk action which will be shared at the Committee meeting. It can be seen within this analysis that the vast majority of recommendations made have been implemented. This would be expected as this will have occurred during 2018/19 and 2019/20 ie pre pandemic.

2.4 **2019 – 2020:** The progress is detailed in the following table and graph

2018/ 2019 financial year	Implemented	Open
High	15	7
Medium	27	57
Low	7	33
Total	49	97
Total Recommendations	146	

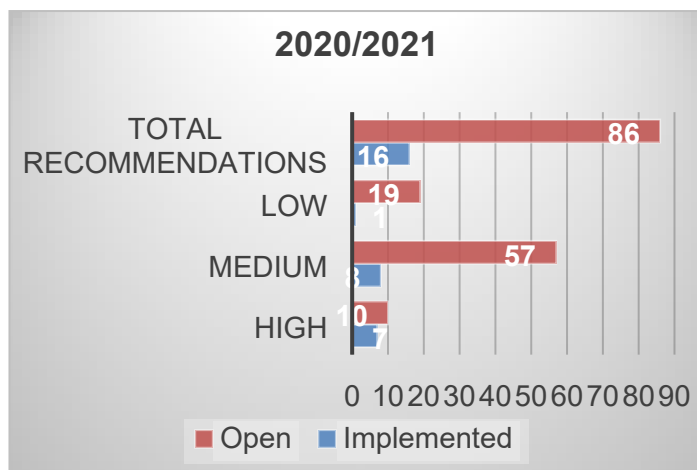
Graph 2. detailing the numbers of high, medium and low risk agreed actions with the status of whether opened or implemented for the 2019/2020 financial year



2.5 **2020-2021:** The progress is detailed in the following table and graph

2020/2021 financial year	Implemented	Open
High	7	10
Medium	8	57
Low	1	19
Total	16	86
Total Recommendations	102	

Graph 3. detailing the numbers of high, medium and low risk agreed actions with the status of whether opened or implemented for the 2020/2021 financial year



2.6 Of particular concern is the delays around some of the actions within the Adult Social Care (ASC) Debt Audit completed in May 2019 which had a major risk opinion. There were 30 agreed actions with 14 remaining outstanding with a mixture of high and medium risks. Management have provided on a number of separate occasions revised dates to implement the actions however when followed up these remain outstanding. It is important due to the risk presented in this area that these are addressed as a priority.

2.7 In order to support this, the service have been engaged to agree a revised implementation programme. A senior responsible officer is to be appointed to lead this work and progress will be reported to the committee of progress being made at each future meeting. It is acknowledged that Covid-19 will have had significant impact on the capacity address all of the recommendations however it is important that progress is made in an expedient manner with a detailed update being provided to members in June 2022 by the service if this has not occurred

2.8 As stated there is some considerable progress on the 2018/2019 actions with just one outstanding high recommendation and all medium risk actions implemented.

2.9 The progress in implementing the actions for 2019/20 and 2020/21 has not been at the level agreed to previously. This reflects the reduced capacity of the organisation which has been focused on the pandemic response over the past 18 months during which most of these recommendations should have been implemented. As the pandemic has waned from the early stages there is now capacity to deliver the outstanding actions and this requires focus. There has been some progress in delivering actions and the internal audit team will continue to monitor progress as well as provide updates to the Committee during the next financial year. Should the position for these two years not improve we will work with management to ensure that there is suitable priority given to the outstanding actions.

3. Summary

3.1 Substantial numbers of the 2018/2019 audit agreed actions have been implemented with only one high risk action outstanding. Whilst progress has been more limited in 2019/20 and 2020/21 this has been due to the Council's limited capacity to undertake improvements whilst responding to the pandemic.

- 3.2 The one area of concern is the ASC debt for which internal audit has a proposed response but this has yet to be implemented.
- 3.3 Taking the capacity issues into account across the Council progress on the whole has been satisfactory and we expect that as the pandemic ebbs the implementation profile of the actions will improve. We will continue to closely monitor the progress and report to the Committee regularly over the next financial year.