

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 13 December 2023
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.

A review of the outstanding actions from all audits between 2018/2019 to 2022/2023 financial years indicates that on the whole most of the agreed actions have been addressed but there is a small proportion of the agreed actions remaining outstanding. Of note is the six High priority agreed actions from 2018/2019 where the progress is still outstanding. However, the overall performance shows that significant efforts have been made to implement the agreed actions, with the implementation rate of 83% being above the industry standard benchmark (65%).

Members are invited to consider the overall performance for the completion of the actions is satisfactory, being above the benchmark, however, should be concerned by the small number of agreed actions where no response could be obtained from management and the eight High Priority agreed actions that are outstanding for 2018/2019.

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.	
Impact on Children and Young People: No The report does not directly impact on Children and Young persons but does outline the implementation of agreed actions from audits of which a minority relate to Children Services audits.	
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 were due to be completed during this review 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 (FD7454/23) and the Chief Legal and Democratic Officer (LD5554/23) 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.

Contact Officer:	David Eden
Telephone Number:	0151 934 4053
Email Address:	david.eden@sefton.gov.uk

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 on 15 March 2023 states: -

“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 15 March 2023, 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. We provide colleagues three opportunities to respond by email before escalating to the Audit and Governance Committee.

2. Action taken to provide report

2.1 We are reporting progress for the past five financial years including an update for all responses received from all Service Area up to and including 10 November 2023.

- 2018 - 2019
- 2019 - 2020
- 2020 – 2021
- 2021 – 2022
- 2022 – 2023

2.2 During the exercise to provide this report, Audit were informed that some schools have converted to an academy under the Southport Learning Trust. Therefore, the agreed actions for the below School's were marked as closed.

- Bedford Primary School
- Holy Spirit Catholic Primary School

2.3 It has been agreed with the Senior Leadership Board (SLB) that the Internal Audit team will provide a quarterly update on the progress of the Significant Governance Issues and the other audit agreed actions, identified in the Annual Governance Statement (AGS). Therefore, the agreed actions from the AGS are excluded from the follow up of audit agreed actions statistics.

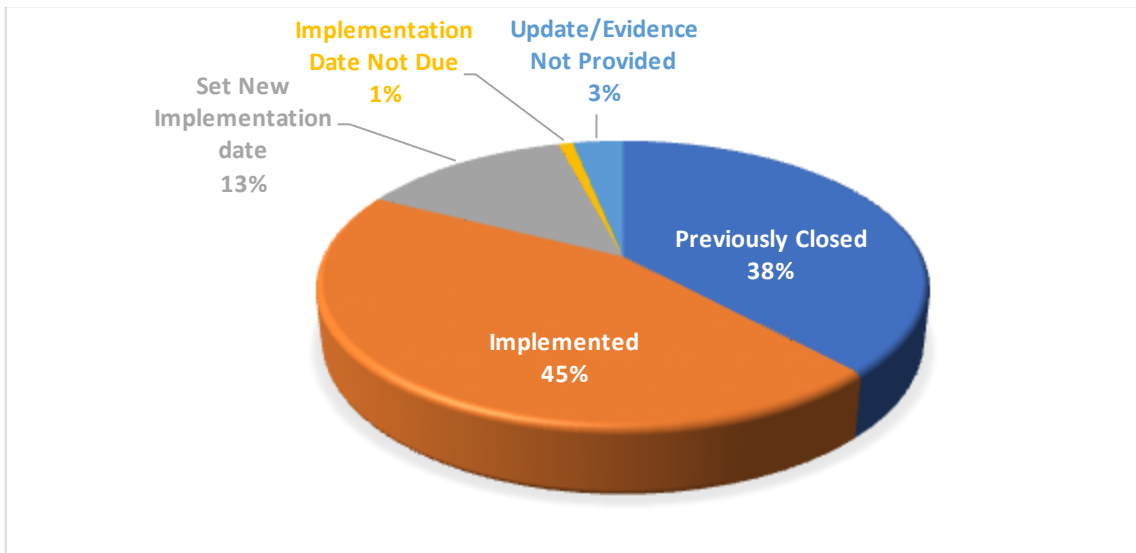
3. Overview

3.1 Review of data shows that there are 657 agreed actions for the past five years, of which 250 (38%) were implemented during the previous follow up exercises. Since then, a further 293 (45%) agreed actions have been implemented during 2022/2023 financial year and 88 (13%) agreed actions have been given a new implementation date. There are six (1%) agreed actions from an audit report being issued in 2022/2023 where the implementation dates were not due during the follow up exercise. There are 20 (3%) agreed actions still outstanding where Audit team were unable to obtain update/evidence from the departments. This is illustrated in Table and Chart 1 below.

Table 1 – 2018/2019 – 2022/2023 Agreed Actions Status

Previously Closed	250
Implemented	293
Set New Implementation date	88
Implementation Date Not Due	6
Update/Evidence Not Provided	20
Total	657

Chart 1 – 2018/2019 – 2022/2023 Agreed Actions Status



3.2 Over the past five years there were 118 (18%) High priority agreed actions, of which 85 have been implemented. There were 398 (61%) Medium priority agreed actions, of which 332 have been implemented and there were 141 (21%) Low priority agreed actions, of which 126 have been implemented.

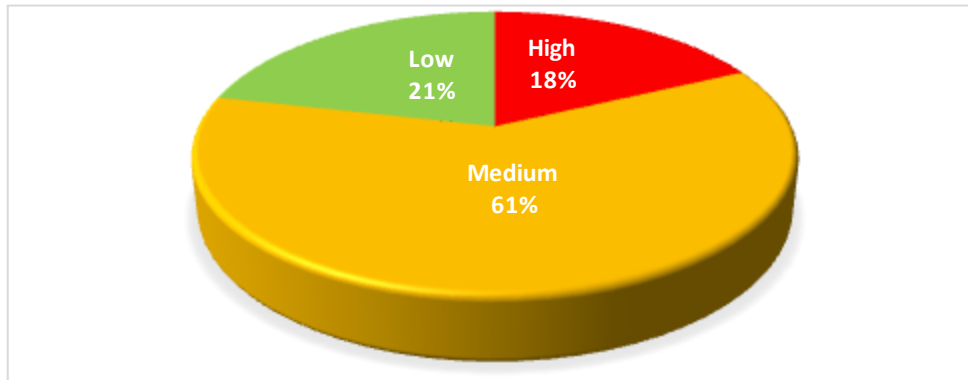
3.3 Table 2 illustrates the numbers of High, Medium and Low risk agreed actions for 2018/2019 – 2022/2023 financial years along with the status of whether Outstanding, Implemented or Implementation date not due.

Table 2 – 2018/2019 – 2022/2023 Agreed Actions Priority Status

Priority	Implemente d	Outstanding	Implementatio n Date Not Due	Total
High	85	32	1	118
Medium	332	64	2	398
Low	126	14	3	141
Total	540	111	6	657

3.4 Chart 2 illustrates the overall number of High, Medium and Low priority agreed actions for 2018/2019 – 2022/2023 financial years.

Chart 2 – 2018/2019 – 2022/2023 Agreed Actions Priority Status



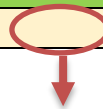
4. 2018/2019 Financial Year

4.1 Review of data for financial year 2018/2019 shows that all High priority agreed actions have been implemented. Five Medium priority agreed actions and one Low priority agreed actions are outstanding and have been set with new implementation dates. For one Medium agreed action, Audit team were unable to obtain update/evidence from the department within the set time period.

4.2 Table 3 illustrates the numbers of High, Medium and Low risk agreed actions for the 2018/2019 financial year along with the status of whether outstanding or implemented.

Table 3 – 2018/2019 Agreed Actions Status

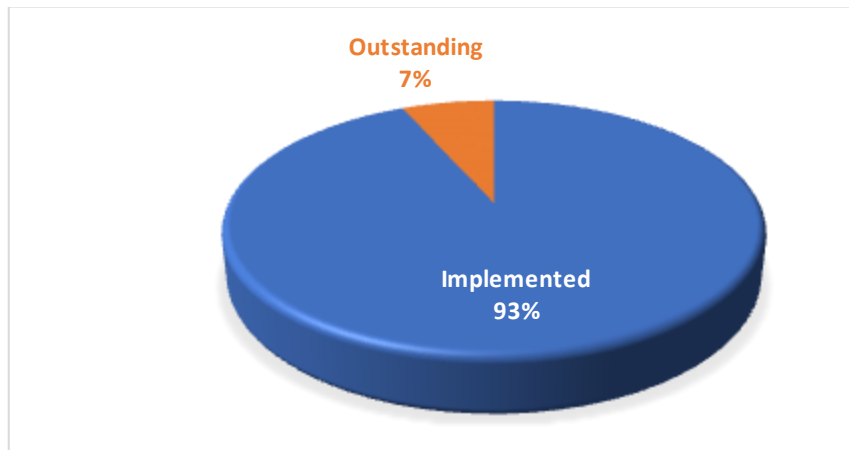
Priority	Implemented	Outstanding	Total
High	13	0	13
Medium	65	6	71
Low	20	1	21
Total	96	7	105



New Implementation date	Update/Evidence Not Provided
0	0
5	1
1	0
6	1
Total	7

4.3 Chart 3 illustrates the overall number of implemented and outstanding agreed actions for the 2018/2019 financial year.

Chart 3 – 2018/2019 Agreed Actions Status



4.4 This analysis shows that 93% of agreed actions have been implemented and 7% of Medium and Low priority agreed actions are still outstanding.

5. 2019/2020 Financial Year

5.1 Review of data for financial year 2019/2020 shows that there are six High priority agreed actions outstanding and have been set with new implementation dates. There are 16 Medium priority agreed actions outstanding, of which 14 have been set with a new implementation date and for two agreed actions, Audit team were unable to obtain update/evidence from the department within the set time period. There are two Low priority agreed actions outstanding both of which have revised implementation dates.

5.2 Table 4 illustrates the numbers of High, Medium and Low risk agreed actions for the 2019/2020 financial year along with the status of whether outstanding or implemented.

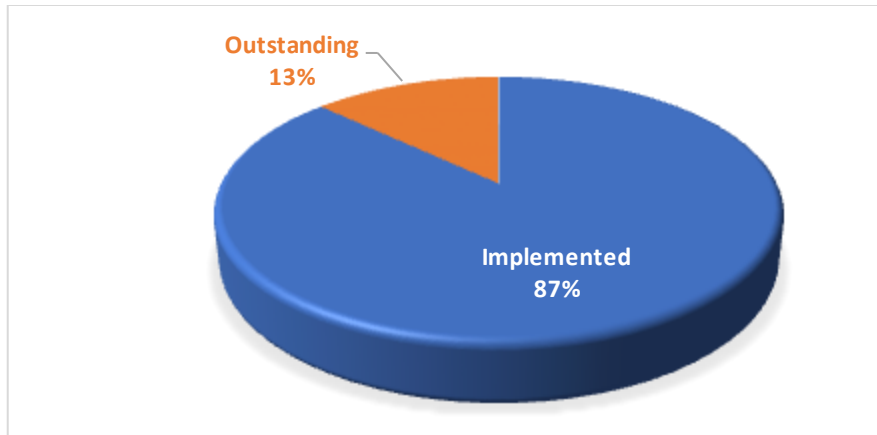
Table 4 – 2019/2020 Agreed Actions Status

Priority	Implemented	Outstanding	Total
High	26	6	32
Medium	93	16	109
Low	42	2	44
Total	161	24	185

New Implementation Date	Update/Evidence Not Provided
6	0
14	2
2	0
22	2
Total	24

5.3 Chart 4 illustrates the overall number of implemented and outstanding agreed actions for the 2019/2020 financial year.

Chart 4 – 2019/2020 Agreed Actions Status



5.4 This analysis shows that 87% of agreed actions have been implemented and 13% of agreed actions are still outstanding.

6. 2020/2021 Financial Year

6.1 Review of data for financial year 2020/2021 shows that all High, Medium and Low priority agreed actions have been implemented.

6.2 Table 5 illustrates the numbers of High, Medium and Low risk agreed actions for the 2020/2021 financial year along with the status of whether outstanding or implemented.

Table 5 – 2020/2021 Agreed Actions Status

Priority	Implemented	Outstanding	Total
High	12	0	12
Medium	14	0	14
Low	2	0	2
Total	28	0	28

6.3 Chart 5 illustrates the overall number of implemented and outstanding agreed actions for the 2020/2021 financial year.

Chart 5 – 2020/2021 Agreed Actions Status



6.4 This analysis shows that 100% of agreed actions have been implemented.

7. 2021/2022 Financial Year

7.1 Review of data for financial year 2021/2022 shows that there is one High priority agreed action outstanding and has a new implementation date. There are seven Medium priority agreed actions outstanding, of which two have been set with new implementation dates. There are two Low priority agreed actions outstanding, of which one has a new implementation date. There are five Medium priority and one Low priority agreed actions where Audit team were unable to obtain update/evidence from the department within the set time period.

7.2 Table 6 illustrates the numbers of High, Medium and Low risk agreed actions for the 2021/2022 financial year along with the status of whether outstanding or implemented.

Table 6 – 2021/2022 Agreed Actions Status

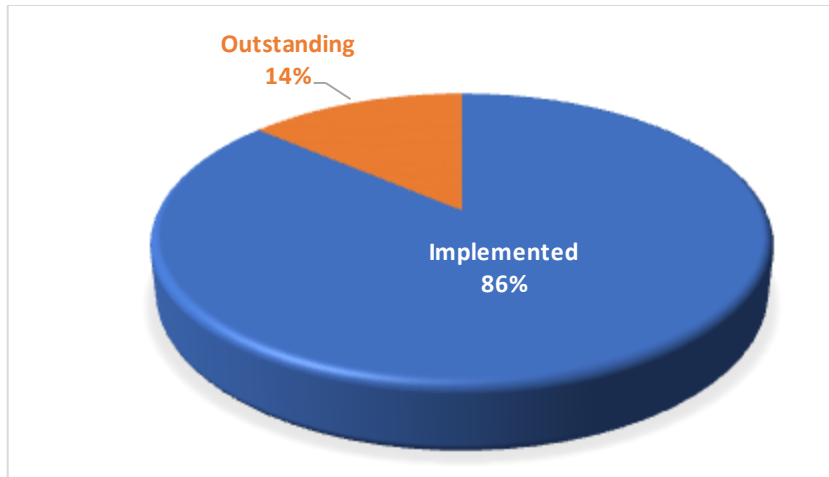
Priority	Implemented	Outstanding	Total
High	5	1	6
Medium	34	7	41
Low	24	2	26
Total	63	10	73

↓

New Implementation Date	Update/Evidence Not Provided
1	0
2	5
1	1
4	6
Total	10

7.3 Graph 6 illustrates the overall number of implemented and outstanding agreed actions for the 2021/2022 financial year.

Chart 6 – 2021/2022 Agreed Actions Status



6.4 This analysis shows that 86% of agreed actions have been implemented and 14% of agreed actions are still outstanding.

8. 2022/2023 Financial Year

8.1 Review of data for financial year 2022/2023 shows that there are 25 High priority agreed actions outstanding, of which 20 have been set with a new implementation date. There are 35 Medium priority agreed actions outstanding, of which 29 have been set with new implementation dates and there are seven Low priority agreed actions outstanding which have been set with new implementation dates. There are five High priority and six Medium priority agreed actions where Audit team were unable to obtain an update/evidence from the department within the set time period.

8.2 Table 7 illustrates the numbers of High, Medium and Low risk agreed actions for the 2022/2023 financial year along with the status of whether outstanding or implemented.

Table 7 – 2022/2023 Agreed Actions Status

Priority	Implemented	Outstanding	Implementation Date Not Due	Total
High	29	25	1	55
Medium	126	35	3	164
Low	38	7	2	47
Total	192	67	6	266

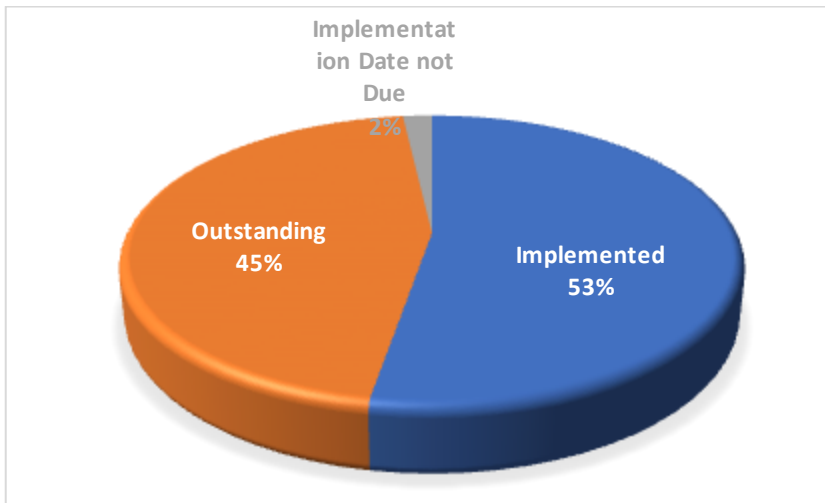
↓

New Implementation Date	Update/Evidence Not Provided
20	5
29	6

New Implementation Date	Update/Evidence Not Provided
7	0
56	12
Total	67

8.3 Graph 7 illustrates the overall number of implemented and outstanding agreed actions for the 2022/2023 financial year.

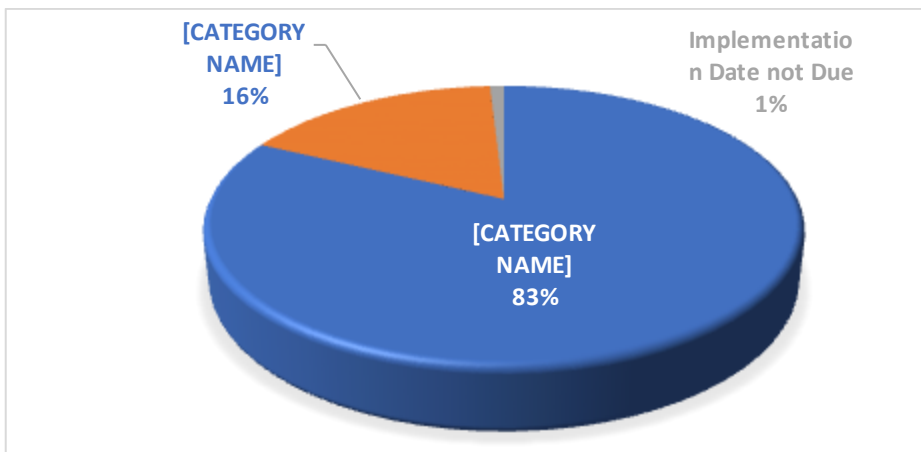
Chart 7 – 2022/2023 Agreed Actions Status



9. Summary

9.1 Analysis of data shows that from a total of 657 agreed actions for 2018 – 2023 financial year, 543 (83%) of agreed actions have been implemented with 108 (16%) of agreed actions still outstanding and for six (1%) of agreed actions, the implementation date was not due for review. An industry benchmark is 65% of agreed actions should be implemented by the original date therefore the Council's performance is above the benchmark. This is illustrated in Chart 8 below.

Chart 8 - 2018 - 2023 Agreed Actions Status



- 9.2 The 16% of outstanding agreed actions includes 3% (20) of agreed actions where Audit team were unable to obtain update/evidence from the department within the set time period.
- 9.3 When comparing annual performance, data for agreed audit actions from 2021/2022 follow up exercise indicated that 70% of agreed actions had been implemented and 30% were outstanding. Whilst this was still above the industry benchmark (65%), comparison with 2022/2023 data showed implementation performance significantly improved to 83%, with only 17% of agreed actions remaining outstanding.
- 9.4 Audit have engaged with Services to understand the impact on timescales agreed and what the realistic, achievable revised dates for completion of actions is now likely to be. This work will continue, and the outcome will be shared with Audit and Governance Committee.
- 9.5 Members are invited to consider the overall performance for the completion of the actions is good, being above the benchmark, and are advised that management will be asked to provide within 1 month the required information that can reported back to the committee on the small number of High priorities agreed actions where no response could be obtained from management and the number of outstanding High Priority agreed actions that are outstanding for 2019/2020.
- 9.6 We will continue to closely monitor the progress and report to the Committee regularly over the next financial year. Should the position for the remaining agreed actions stay at the current level over the next financial year, the team will work with management to ensure that there is suitable priority given to the outstanding actions.