

Report Title:

Date of meeting:	11 December 2024		
Report to:	Audit and Governance Committee		
Report of:	Executive Director of Corporate Services and Commercial		
Portfolio:	Corporate Services		
Wards affected:	All		
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 and performance.

A review of the outstanding actions from all audits between 2018/2019 to 2023/2024 financial years indicates that a small proportion (9%) of the agreed actions remain outstanding. However, the overall performance shows that significant efforts have been made to implement the agreed actions, with the implementation rate of 91% being above the industry standard benchmark (65%).

Recommendation(s):

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

1. The Rationale and Evidence for the Recommendations

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 20 March 2024 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 20 March 2024, 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 on progress for audit agreed actions for the past six financial years with the implementation date of 30 September 2024, including an update for all responses received from Service Areas up to and including 31 October 2024.
- 2018 – 2019
 - 2019 – 2020
 - 2020 – 2021
 - 2021 – 2022
 - 2022 – 2023
 - 2023 – 2024
- 2.2 During the exercise to provide this report, Audit were informed that some schools have converted to an academy status, therefore are no longer under the LA's maintained responsibility. As a result, the agreed actions for the below School's were marked as closed.
- Linaker Primary School
 - St Edmund's & St Thomas' Primary School

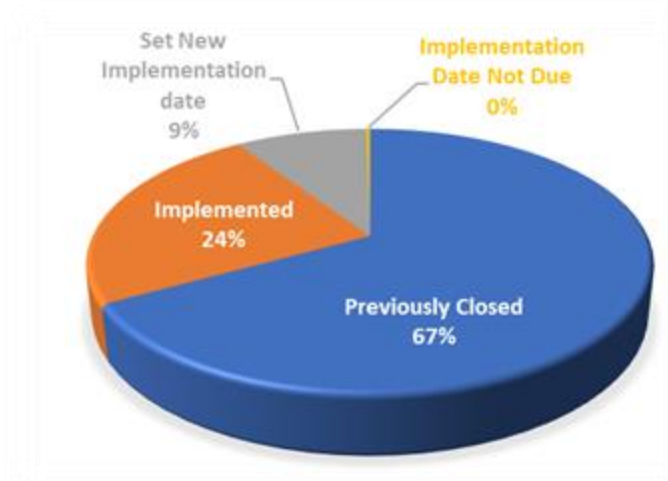
3. Overview

- 3.1 Review of data shows that there were 813 agreed actions for the past six years, of which 544 (67%) were implemented during the previous follow up exercises. Since then, a further 193 (24%) agreed actions have been implemented during 2023/2024 financial year and 74 (9%) agreed actions have been given a new implementation date. There were two (0%) agreed actions from the audit report issued in 2023/2024, where the implementation dates were not due during the follow up exercise. This is illustrated in Table 1 and Chart 1 below.

Table 1 – 2018/2019 – 2023/2024 Agreed Actions Status

Status	No. of Agreed Actions
Previously Closed	544
Implemented	193
Set New Implementation date	74
Implementation Date Not Due	2
Total	813

Chart 1 – 2018/2019 – 2023/2024 Agreed Actions Status



3.2 Over the past six years there were 126 (16%) High priority agreed actions, of which 116 have been implemented. There were 498 (61%) Medium priority agreed actions, of which 445 have been implemented and there were 189 (23%) Low priority agreed actions, of which 176 have been implemented.

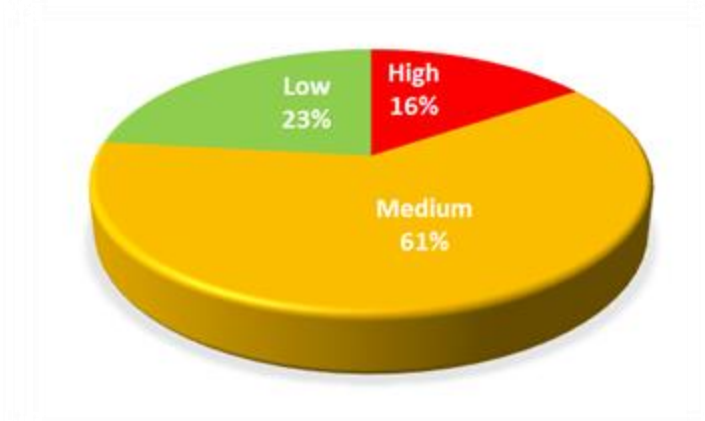
3.3 Table 2 illustrates the numbers of High, Medium and Low risk agreed actions for 2018/2019 – 2023/2024 financial years, along with the status of whether Outstanding, Implemented or Implementation date not due.

Table 2 – 2018/2019 – 2023/2024 Agreed Actions Priority Status

Priority	Implemented	Outstanding	Implementation Date not Due	Total
High	116	10	0	126
Medium	445	52	1	498
Low	176	12	1	189
Total	737	74	2	813

3.4 Chart 2 illustrates the overall number of High, Medium and Low priority agreed actions for 2018/2019 – 2023/2024 financial years.

Chart 2 – 2018/2019 – 2023/2024 Overall Agreed Actions Priority



4. 2018/2019 Financial Year

4.1 Review of data for financial year 2018/2019 shows that all High, Medium and Low priority agreed actions have been implemented.

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	71	0	71
Low	21	0	21
Total	105	0	105

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 100% of agreed actions have been implemented.

5. 2019/2020 Financial Year

5.1 Review of data for financial year 2019/2020 shows that there were four High priority, six Medium priority and one Low priority agreed actions outstanding and have been set with new implementation dates.

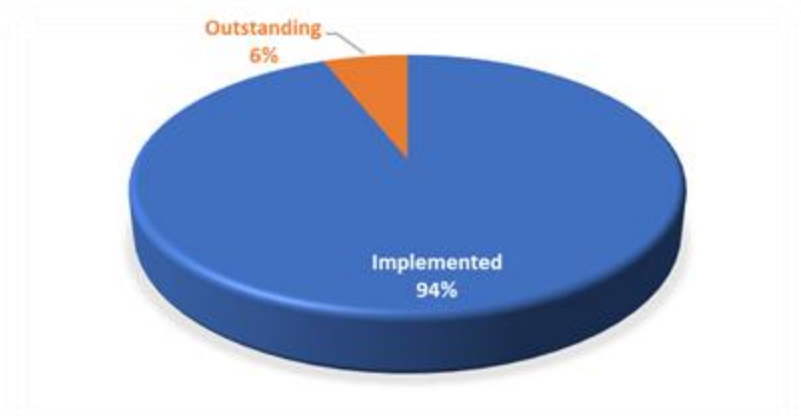
5.2 Table 4 illustrates the numbers of High, Medium and Low risk agreed actions for the 2019/2020 financial year, along with the status of whether outstanding or implemented.

Table 4 – 2019/2020 Agreed Actions Status

Priority	Implemented	Outstanding	Total
High	28	4	32
Medium	103	6	109
Low	43	1	44
Total	174	11	185

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 94% of agreed actions have been implemented and 6% 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 were two Medium and one Low priority agreed actions outstanding and have been set with new implementation dates.

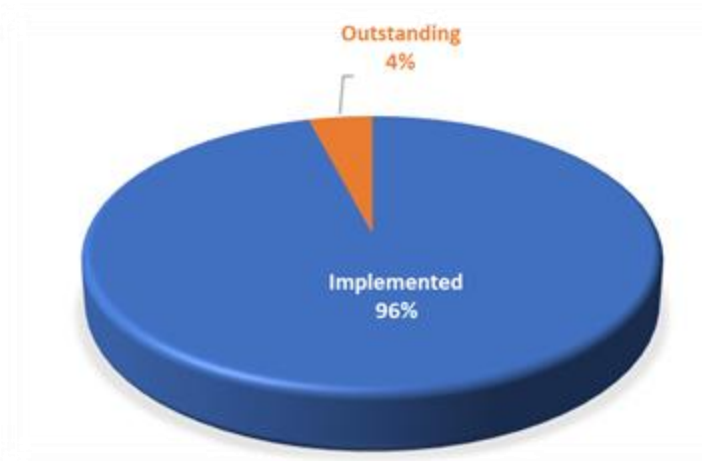
7.2 Table 6 illustrates the numbers of High, Medium and Low risk agreed actions for the 2021/2022 financial year, along with the status of whether outstanding or implemented.

Table 6 – 2021/2022 Agreed Actions Status

Priority	Implemented	Outstanding	Total
High	6	0	6
Medium	39	2	41
Low	25	1	26
Total	70	3	73

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

Chart 6 – 2021/2022 Agreed Actions Status



7.4 This analysis shows that 96% of agreed actions have been implemented and 4% of agreed actions are still outstanding.

8. 2022/2023 Financial Year

8.1 Review of data for financial year 2022/2023 shows that there was one High priority, 12 Medium priority and three Low priority agreed actions outstanding and have been set with new implementation dates.

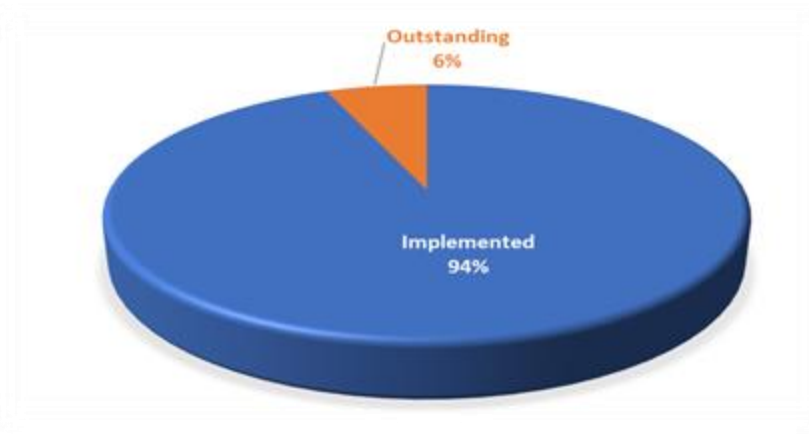
8.2 Table 7 illustrates the numbers of High, Medium and Low risk agreed actions for the 2022/2023 financial year, along with the status of whether outstanding or implemented.

Table 7 – 2022/2023 Agreed Actions Status

Priority	Implemented	Outstanding	Total
High	54	1	55
Medium	152	12	164
Low	44	3	47
Total	250	16	266

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

Chart 7 – 2022/2023 Agreed Actions Status



8.4 This analysis shows that 94% of agreed actions have been implemented and 6% of agreed actions are still outstanding.

9. 2023/2024 Financial Year

9.1 Review of data for financial year 2023/2024 shows that there were five High priority, 32 Medium priority and seven Low priority agreed actions outstanding and have been set with new implementation dates. For one Medium and one Low priority agreed actions, the implementation date was not due for review.

9.2 Table 8 illustrates the numbers of High, Medium and Low risk agreed actions for the 2023/2024 financial year, along with the status of whether outstanding or implemented.

Table 8 – 2023/2024 Agreed Actions Status

Priority	Implemented	Outstanding	Implementation Date not Due	Total
High	3	5	0	8
Medium	66	32	1	99
Low	41	7	1	49
Total	110	44	2	156

9.3 Chart 8 illustrates the overall number of implemented and outstanding agreed actions for the 2023/2024 financial year.

Chart 8 – 2023/2024 Agreed Actions Status

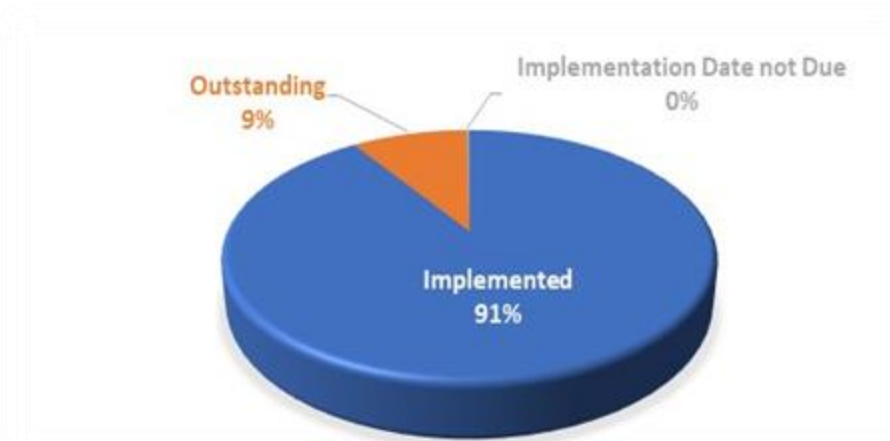


9.4 This analysis shows that 71% of agreed actions have been implemented, 28% of agreed actions are outstanding and 1% of agreed actions, the implementation date was not due for review.

10. Summary

10.1 Analysis of data shows that from a total of 813 agreed actions for 2018/2019 – 2023/2024 financial years, 737 (91%) of agreed actions have been implemented with 74 (9%) of agreed actions outstanding and two (0%) of agreed actions, the implementation date was not due for review. The 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 9 below.

Chart 9 - 2018 - 2024 Agreed Actions Status



10.2 When comparing annual performance, data for agreed audit actions from 2022/2023 follow up exercise indicated that 83% of agreed actions had been implemented, 16% were outstanding and 1% had an implementation date that was not due for review. Whilst this was still above the industry benchmark (65%), comparison with 2023/2024 data showed implementation performance significantly improved to 91%, with only 9% of agreed actions remaining outstanding.

10.3 For the outstanding agreed actions, 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.

10.4 Audit team will continue to closely monitor the progress and report to the Committee over the next financial year. Should the position for the outstanding agreed actions not improve over the next financial year, we will work with management to ensure that there is suitable priority given to the outstanding actions.

2. **Financial Implications** - There are no direct financial implications from this monitoring report.

3. **Legal Implications** – There are no direct legal implications from this monitoring report.

4. **Corporate Risk Implications** – There are no direct corporate risk implications from this monitoring report.

5. **Staffing HR Implications** - There are no direct staffing HR implications from this monitoring report.

Alternative Options Considered and Rejected

Not providing a report which would be in breach of Public Sector Internal Audit Standards.

Equality Implications: There are no equality implications.
Impact on Children and Young People: There is a neutral impact to Children and Young People.
Climate Emergency Implications: The recommendations within this report will have a neutral impact.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Services & Commercial (FD.7848/24.) and the Chief Legal and Democratic Officer (LD.5948/24.) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision:

Following the expiry of the “call-in” period for the Cabinet decision.

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Appendices:

There are no appendices to this report

Background Papers:

There are no background papers