

From: Amanda Beer, Chief Executive
Ben Watts, General Counsel

To: Governance and Audit Committee, 23 January 2025

Subject: Update on Progress against Internal Audit Recommendations

Status: Unrestricted

ACTION from Previous Meeting

1. Background

- a) In July 2024, the Committee received and noted (for assurance) the Internal Audit Annual Report for 2023-24. In introducing the item, the Head of Internal Audit identified the reduced implementation rates of agreed management actions and explained the concern around the direction of travel of this key indicator.
- b) A further paper was brought to the Committee in October 2024 which provided further details of the implementation rates and the actions being taken to improve them.
- c) As part of discussions with Members of the Committee, it was agreed that further reporting on progress would be brought back to the Committee before the end of the administrative cycle.
- d) Further and considerable work has been undertaken to not only address the rates of implementation on the cohort reported in the annual report but also to put in place new systems to ensure that improvements are embedded and systemic rather than simply dealing with the backlog.
- e) This report is the first of two reports tracking progress that will be brought to the Committee, with a further report to come to the March meeting.

2. Progress

- a) It is important to start by repeating the comment from officers at the previous meeting, that the poor performance against this metric was unacceptable. The actions are those agreed by management with auditors and, as such, the compliance rates must be improved for this financial year.
- b) Similarly, the Chief Executive has been clear with the Corporate Management Team that in addition to resolving the backlog completion of recommendations, ongoing focus must be placed on the timely resolution of

agreed actions by senior officers. This is to ensure that any improved rates are sustained.

- c) A number of the steps to improve performance have now been implemented. A review of the 36 outstanding actions reported in October was completed and a response sent from each service to Internal Audit for review. Information and discussions on those actions are ongoing in order to ensure that both auditors and management are clear on the evidence needed in order to close the outstanding actions in a safe and compliant manner.
- d) Work is underway to resolve the actions within this financial year and to ensure that ongoing confidence about compliance is in place for the end of the financial year. A number of steps previously identified to the Committee as potential improvements have now been put in place:
 - i. Senior management and audit managers are now working together and highlighting progression of actions as part of their regular meetings.
 - ii. Progression against the actions is now rightly and regularly discussed at Divisional, Directorate and Corporate Management Team meetings and in 1:1 management discussions to maintain focus.
 - iii. There is a greater focus in future audits on the agreement of management actions in terms of deliverability and timescale both from Internal Audit colleagues (as mentioned by the Head of Internal Audit at the previous meeting) and with those officers in management positions agreeing the actions and timescales.
 - iv. Internal Audit are providing detailed schedules of information on the actions and progress to the Chief Executive and Corporate Management Team.
 - v. Internal Audit colleagues have advised that there has been additional engagement since October and that they have received a considerable amount of additional information regarding progress and implementation of actions.
 - vi. All actions have been reviewed. A number of actions have been implemented, with a number of other actions repurposed and redefined as a result of internal audit and management discussions.
- e) The purpose of the activity between Internal Audit and managers across the Council is to ensure that the actions are meaningfully implemented and crucially the identified risks have been suitably addressed. It is also to ensure that the way in which management actions are progressed and monitored are clearly defined and understood by all parties. Work will continue in directorates on the urgent (but full) completion of outstanding agreed actions.

f) Over the past few months, a number of the actions originally brought before the Committee as part of the annual report have been resolved. Similarly, a number of them have been subject to revised plans agreed with internal audit which now run to different timetables. At the same time, further actions fell due and will fall due for review and implementation in the coming months. Additional work is therefore ongoing on implementing a process that will look at all actions as part of the regular discussion and meeting cycle as opposed to simply looking at the backlog. This is to ensure that compliance with agreed actions is a permanent and sustained outcome of this intervention. This work will be supported by a new software implementation within Internal Audit which will lead to a single version of the position reducing bureaucracy without many of the spreadsheets which are currently being exchanged. A table showing the comparative position between the figures shared in October and the current position, including all outstanding and new actions, is shown at Table 1 below.

g)

Position reported to October Committee

% Implemented	22%
% In Progress	76%
% Superseded	1%

Position as at January Committee

% Implemented	31%
% In Progress*	65%
% Superseded	4%

* all but 5 of these actions have been deemed by Internal Audit as making satisfactory progress

h) Corporate Management Team will be having a dedicated discussion in February on all the agreed actions (both the backlog, the in-year and forthcoming) to further drive performance and improvement in implementation rates.

i) An additional metric is being used by the Chief Executive to monitor this issue given the dynamic position on these actions. The metric identifies the internal audit view on whether progress is considered satisfactory. Currently, there are five actions including both backlog and current year (approximately 50 actions) where progress is uncertain or not considered satisfactory. These are to be brought before Corporate Management Team for a deep dive in the coming weeks.

j) Work is ongoing between the authors of this report and internal audit in relation to how to present a dashboard of progress for Members and it is intended to share this information on a regular basis starting from the beginning of March on the Teams site. This will also include further details and particularity for Members on the following key issues:

- i. The actions where progress has not been considered satisfactory
- ii. Actions where management has decided to accept the risk
- iii. The reasons and rationale provided by management in relation to i) and ii)

- k) It is likely that Members of the Committee will wish to further explore these issues and it is suggested that the details provided at j) in March be used as part of agenda setting to inform the report and further scrutiny of the Committee in March, including the attendance of the responsible officers.
- l) Work is ongoing to provide a resolution to the backlog and an improved way of working to ensure future years do not see a repeat of the statement by the Head of Internal Audit in July this year.

3. Conclusions

- a) The seriousness and need for timely compliance with Management Actions has been reinforced by the Chief Executive and understood by the Corporate Management Team.
- b) Improvements to compliance and engagement with the process have already been made and further improvements will follow by the end of the current financial year.
- c) Corporate and Directorate Management Teams will continue to scrutinise the completion of existing and new management actions and will prioritise implementation of actions that will have been subject to greater consideration of deliverability and timeliness.
- d) A further report on progress will be provided to the Committee with further information and functionality to be added to the Governance and Audit Committee Teams site in early March.

4. Recommendation

- a) The Governance and Audit Committee NOTE the progress update

5. Report Author and Relevant Director

Ben Watts, General Counsel

