

## **Item: 6**

**Monitoring and Audit Committee: 8 June 2023.**

**External Audit Actions – Progress Update.**

**Report by Chief Internal Auditor.**

### **1. Purpose of Report**

To present an update on progress being made with the implementation of External Audit actions.

### **2. Recommendations**

The Committee is invited to scrutinise:

#### **2.1.**

Progress made to date in completing actions arising from External Audit annual audit reports, as detailed in Appendix 1 to this report, in order to obtain assurance that issues identified during external audits are being actioned and progressed.

### **3. Background**

#### **3.1.**

The Council's performance and risk management system, Pentana Risk, is used to monitor implementation of external audit actions.

#### **3.2.**

When the external audit report has been finalised, the actions from it are uploaded to Pentana Risk and the officers responsible for implementing the audit actions are then required to provide updates on progress. The status of all recommendations is reported quarterly to the Corporate Leadership Team.

#### **3.3.**

At its meeting on 19 October 2022, the Corporate Leadership Team (CLT) noted that External Audit actions, although reported quarterly to CLT, were not reported to Committee. The Interim Chief Executive expressed concerns that this was not necessarily open and transparent.

#### **3.4.**

This report provides the Monitoring and Audit Committee with an update on progress with implementing external audit actions.

## **4. Progress to Date**

### **4.1.**

The External Audit Action Progress Report, attached as Appendix 1 to this report, is based on the information contained in the Council's performance management system, Pentana Risk. Of the 58 recommendations made since the 2014/15 Annual Audit Report, 45 have been completed.

### **4.2.**

The table on Page 2 of the External Audit Action Progress Report shows that there are currently 13 actions still in progress with 10 of these past the original target date for completion. The table on Page 3 gives more detail of the individual actions.

## **5. Corporate Governance**

This report relates to the Council complying with governance and scrutiny and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

## **6. Financial Implications**

There are no financial implications associated directly with the recommendations in this report.

## **7. Legal Aspects**

Complying with recommendations made by the internal auditors helps the Council meet its statutory obligations to secure best value.

## **8. Contact Officer**

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## **9. Appendix**

Appendix 1: External Audit Action Progress Report.



## Internal Audit

### External Audit Action Progress Report

**Draft issue date:** 10 May 2023

**Final issue date:** 17 May 2023

|                           |   |
|---------------------------|---|
| <b>Distribution list:</b> | <p><b>Corporate Director for Strategy, Performance and Business Solutions</b></p> <p><b>Corporate Director for Enterprise and Sustainable Regeneration</b></p> <p><b>Corporate Director for Neighbourhood Services and Infrastructure</b></p> <p><b>Corporate Director for Education, Leisure, and Housing</b></p> <p><b>Chief Officer Orkney Health and Care Partnership</b></p> |
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## Executive Summary

The Council's performance and risk management system, Pentana Risk, is used to monitor the implementation of external audit actions.

When the external audit report has been finalised, the actions from it are uploaded to Pentana Risk and the officers responsible for implementing the audit actions are then required to provide updates on progress. The status of all recommendations is reported quarterly to the Corporate Leadership Team.

At the CLT meeting of 19 October 2022 it was noted that Internal and External Audit actions, although reported to CLT, are not reported to Committee. The Interim Chief Executive expressed concerns that this is not necessarily open and transparent.

This report provides an update on progress with implementing the external audit actions and highlights any actions which have not been implemented by the agreed date.

To assist with the monitoring of actions, a traffic light system on Pentana classifies the performance of each action as follows:

- Blue: the agreed action has been progressed to completion.
- Green: the agreed action is likely to meet or exceed its target.
- Amber: the agreed action is experiencing minor underperformance, with a low risk of failure to meet its target.
- Red: the agreed action is experiencing significant underperformance, with a medium to high risk of failure to meet its target.

The system also highlights actions which are overdue for update. The table below details the number of external audit actions on Pentana for each of the categories.

| Red | Amber | Green | Blue | Update Overdue |
|-----|-------|-------|------|----------------|
| 10  | 0     | 3     | 7    | 0              |

## Introduction

Progress with external audit actions is monitored through the Council's performance management system Pentana Risk. The system sends out automated email reminders to officers responsible for updating each action at the end of each reporting period. Where no update has been made for an action for a particular reporting period, this is noted on the system.

## Actions Overview

The table below gives an overview of the number and status of current actions broken down by Directorate

| Directorate  | Red       | Amber | Green    | Blue     | Total     |
|--|-----------|-------|----------|----------|-----------|
| Strategy Performance and Business Solutions (SPBS) | 1         |       | 2        | 3        | 6         |
| Neighbourhood Services and Infrastructure (NS&I)   | 2         |       |          |          | 2         |
| Enterprise and Sustainable Regeneration (E&SR)     | 7         |       | 1        | 4        | 12        |
| Education Leisure and Housing (ELH)                |           |       |          |          |           |
| Orkney Health and Social Care Partnership (OHASCP) |           |       |          |          |           |
| <b>Totals</b>                                      | <b>10</b> |       | <b>3</b> | <b>7</b> | <b>20</b> |

## Actions Breakdown

The table below gives further detail of the actions both outstanding and in progress. To give some perspective, there were 58 recommendations made by Audit Scotland over the period covered in the table and there have been 45 of these actions completed.

| Report  | Directorate | Action   | Status of Action |
|---------|-------------|--|------------------|
| 2014/15 | NS&I        | The council should review whether it has responsibility for restoring its waste disposal and quarry sites and decide how it will deal with any future costs.   | Red              |
| 2015/16 | E&SR        | The council should ensure controls are in place to detect and manage slippage at an early stage. The council should also develop a long-term capital investment strategy (10 to 15 years) to help to set out the needs and constraints for local capital investment and to help maintain, direct and control their investment. | Red              |
| 2019/20 | E&SR        | The council should consider creating a medium to long term approach for developing savings options, building upon the original intention of the Change Programme.  | Red              |
|         | NS&I        | The council should minimise slippage and re-profiling of capital projects through the use of historic experience to inform capital programmes and create realistic timelines for incurring capital spend.  | Red              |
| 2020/21 | E&SR        | The council should reinstate controls suspended due to Covid-19 as soon as possible.   | Red              |
|         |             | The council should also consider whether improvements could be made to the structure of the ledger to increase the efficiency of the preparation of the accounts.  | Green            |
| 2021/22 | SPBS        | The council should review the BVAR action plan to establish whether the issues highlighted were resolved by the actions taken.   | Red              |
|         |             | Internal audit should provide updates to those charged with governance on the progress the council has made in implementing agreed audit actions.  | Green            |
|         |             | Internal audit should provide updates to those charged with governance on the progress the council has made in implementing agreed audit actions.  | Green            |
|         | E&SR        | Procedures should be put in place to ensure the financial statements are advertised in accordance with The Local Authority Accounts (Scotland) Regulations 2014  | Red              |
|         | E&SR        | The council should conduct an annual assessment of whether the carrying value differs significantly from the current value of land and buildings.  | Red              |

| Report | Directorate | Action   | Status of Action |
|--------|-------------|--|------------------|
|        |             | The council should clearly set out the scope of the work required by the valuer clearly outlining the assets which should be included in the year end valuation exercise. In addition, the council should review the work of the valuer for appropriateness. This should cover the completeness of the assets subject to valuation and the reasonableness of assumptions used. | Red              |
|        |             | The council should implement a procedure to validate employees on a periodic basis to mitigate the risk of ghost employees on the payroll system.  | Red              |