

North Lanarkshire Council

Report

Audit and Scrutiny Panel

approval noting

Ref KA/LM/ASP/December 2020

Date 10/12/20

Internal Audit: Follow up of actions previously agreed by management in response to audit recommendations

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Executive Summary

The purpose of this report is to update the Panel on the results of Internal Audit's follow-up work reviewing the extent to which management have implemented those actions previously committed to in response to recommendations in Internal and External Audit reports. Information is contained in respect of the last two years External Audit outputs and those actions in response to Internal Audit recommendations which were due to be completed in the period January to September 2020. Information in relation to the recently issued 2019-20 External Audit outputs will be reported to a future meeting of the Panel.

The Panel should note that where actions are not yet 'complete' this does not mean that no relevant activity has been undertaken by management and that sometimes the actions taken, or progress made to date will already have reduced the risk exposure in respect of the weaknesses previously identified.

21 of the 54 actions agreed in response to relevant Internal Audit recommendations have been completed with 25 partially implemented and eight no longer relevant.

Members should note that progress in implementing audit recommendations has, in many cases, been significantly impacted by demands placed upon Services by the Covid-19 pandemic and the subsequent need to re-prioritise resources and efforts. Although a significant number of agreed actions are not yet complete, we have assessed the residual risks arising as 'low' and there are no material weaknesses outstanding that require to be highlighted.

All of the actions agreed in response to external audit recommendations are either complete or assessed as no longer relevant.

Recommendations

The Panel is invited to:

- (1) note the contents of this report; and
- (2) consider whether there are any issues arising from this report on which they wish to receive further information from relevant management.

The Plan for North Lanarkshire

Priority: All priorities

Ambition statement: All ambition statements

1. Background

- 1.1 All Internal and External Audit reports contain management responses to audit recommendations which generally include a commitment to specific actions by a stated timescale. This report presents an overview of progress by management in addressing all External Audit recommendations made in the last two years and all 'Red' and 'Amber' Internal Audit recommendations which were previously reported as outstanding or where the proposed actions were due to be completed by the end of September 2020.
- 1.2 The format of this report is designed to enable elected members to focus on those issues where non-implementation of agreed actions presents the most significant ongoing risk to the Council and to enable the Panel to more effectively hold relevant senior management to account.
- 1.3 In that regard, Internal Audit has assessed the potential risks arising from those planned actions agreed in response to Internal Audit recommendations which are not yet fully completed and consider that there are no actions which require to be highlighted to the Panel. There are currently no outstanding actions in respect of External Audit recommendations.
- 1.4 The updates from management on progress to date have been verified on a sample basis by Internal Audit as part of the preparation of this report. However, it should be noted that this review has focused on whether planned actions have been completed and has not included detailed testing of whether the implemented actions have been effective in addressing the previously identified weaknesses.

2. Report

Actions previously agreed by management – Internal Audit recommendations

- 2.1 Table 1 below shows whether management have implemented those actions previously committed to in response to 'Red' and 'Amber' Internal Audit recommendations which were due to be completed by the end of September 2020. Overall, 21 of the agreed actions have been completed, with 25 partially implemented and eight no longer relevant.

Table 1 Area	Complete	Partially implemented	No longer relevant	Total
Corporate	6	13	5	24
Chief Executive	4	1	1	6
Education & Families	3	0	0	3
Enterprise & Communities	6	7	2	15
Health & Social Care	2	4	0	6
TOTAL	21	25	8	54

- 2.2 Members should note that progress in implementing audit recommendations has, in many cases, been significantly impacted by demands placed upon Services by the Covid-19 pandemic and the subsequent need to re-prioritise resources and efforts. Although a significant number of agreed actions are not yet complete, we have assessed the residual risks arising as 'low' and there are no material weaknesses outstanding that require to be highlighted. Where actions are not yet complete, management has committed to revised timescales for completion and we will monitor progress against these revised timescales and report on this to future meetings of the Panel.

Actions previously agreed by management – External Audit recommendations

- 2.3 Table 2 below shows the current status of actions agreed by management in response to external audit reports issued last year (2018-19). Internal Audit has concluded that 8 of the 10 agreed actions have been completed and the remaining two actions are no longer relevant. Information in relation to the recently issued 2019-20 External Audit outputs will be reported to the next meeting of the Panel.
- 2.4 The 2018-19 Interim Audit Report actions assessed as ‘no longer relevant’ both relate to actions for which External Audit have made new recommendations as part of their 2019-20 Interim Report and will be subject to future follow-up.

Table 2 Report Title/Year	Completed	Partially implemented	Not yet due	No longer relevant	Total
2018-19					
Interim Audit Report	4	0	0	2	6
Annual Report	4	0	0	0	4
TOTAL	8	0	0	2	10

**3. Equality and Diversity
Fairer Scotland Duty**

There is no requirement to carry out a Fairer Scotland assessment in this instance.

Equality Impact Assessment

There is no requirement to carry out an equality impact assessment in this instance.

4. Implications

Financial Impact None identified

**HR/Policy/Legislative
Impact** None identified

Environmental Impact None identified

Risk Impact The potential for increased risks in relation to the relevant control environment or governance arrangements in those areas where individual agreed actions are not fully implemented.

5. Measures of success

- 5.1 Internal Audit report each cycle to the Audit and Scrutiny Panel on the progress made by management in implementing actions previously committed to in response to Internal and External Audit reports.
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6. Supporting documentation

Appendix 1

Residual Risk Rating Definition



Ken Adamson, Audit and Risk Manager

Appendix 1**Residual Risk Rating definition**

Internal Audit Assessment of Residual Risk from non-implementation	
High	Non-implementation of actions has the potential to significantly undermine the relevant control environment.
Medium	Non-implementation of actions has the potential to impact upon the achievement of the control environment.
Low	Other issues which require management attention but which pose less significant or less immediate impacts to the control environment.