



**Item: 8**

**Monitoring and Audit Committee: 6 June 2024**

**External Audit Actions Progress Report**

**Report by Chief Internal Auditor**

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## **1. Overview**

- 1.1. When the annual external audit report has been finalised, the actions from it are uploaded to Ideagen Risk Management 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.
- 1.2. The report, attached as Appendix 1 to this report, is based on the information contained in the Ideagen system and provides the Committee with an update on progress with implementing external audit actions.
- 1.3. The table on Page 2 of Appendix 1 shows that there are currently 15 actions still in progress with 2 of these past the original target date for completion. The table on Page 3 gives more detail of the individual actions.

## **2. Recommendations**

- 2.1. It is recommended that members of the Committee:
  - i. Scrutinise 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 followed up.

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## **Implications of Report**

- 1. Financial:** None directly related to the recommendations in this report.
- 2. Legal:** None directly related to the recommendations in this report.
- 3. Corporate Governance:** None.
- 4. Human Resources: None directly related to the recommendations in this report.**
- 5. Equalities:** None directly related to the recommendations in this report.
- 6. Island Communities Impact:** None directly related to the recommendations in this report.
- 7. Links to Council Plan:** Not Applicable.
- 8. Links to Local Outcomes Improvement Plan:** Not Applicable.
- 9. Environmental and Climate Risk:** None directly related to the recommendations in this report.
- 10. Risk:** None directly related to the recommendations in this report.
- 11. Procurement:** None directly related to the recommendations in this report.
- 12. Health and Safety:** None directly related to the recommendations in this report.
- 13. Property and Assets:** None directly related to the recommendations in this report.
- 14. Information Technology:** None directly related to the recommendations in this report.
- 15. Cost of Living:** None directly related to the recommendations in this report.

## **List of Background Papers**

None

## **Appendix**

Appendix 1: External Audit Action Progress Report



## Internal Audit

### External Audit Action Progress Report

**Draft issue date:** 13 May 2024

**Final issue date:** 29 May 2024

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

The Council's performance and risk management system, Ideagen Risk Management, 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 Ideagen 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.

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 Ideagen 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 Ideagen for each of the categories.

Red	Amber	Green	Blue	Update Overdue
2	1	12	7	0

## Introduction

Progress with external audit actions is monitored through the Council's performance management system Ideagen Risk Management. 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)			5	3	8
Neighbourhood Services and Infrastructure (NS&I)	1		1	1	3
Enterprise and Sustainable Regeneration (E&SR)	1	1	4	3	9
Education Leisure and Housing (ELH)					
Orkney Health and Social Care Partnership (OHASCP)					
All			2		2
<b>Totals</b>	<b>2</b>	<b>1</b>	<b>12</b>	<b>7</b>	<b>22</b>

## Actions Breakdown

The table below gives further detail of the actions both outstanding and in progress. To give some perspective, there were 76 recommendations made by External Audit over the period covered in the table and there have been 61 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 capital programme 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
2021/22	SPBS	The Council should ensure the National Fraud Initiative process is completed on a timely basis and reported to those charged with governance to ensure that they get value from the exercise.	Green
2022/23	ES&R	Flotta Oil Terminal Contractual Provision - Annually carry out a single reconciliation of the balance using the starting RPI to the closing RPI reconciling this to the carrying value of the provision as per the detailed spreadsheet.	Green
	ES&R	All additions to the Fixed Asset Register are dated for the year of addition. Depreciation is charged on all assets in operational use every year. An annual review of ongoing asset lives is carried out aligned to ongoing operational use of those assets.	Green
	ES&R	In August 2022, Audit Scotland issued updated guidance in regard to the accounting of Infrastructure assets. For management to meet this requirement they will need to carry out a retrospective review of the methodology used to account for the infrastructure assets and update the methodology accordingly to ensure compliance with the guidance.	Amber
	ES&R	The anti-fraud policy notes that it is subject to review every three years. However, it was last reviewed and updated in 2019. We recommend timely review and update of all policy and procedures documents	Green
	ES&R	The publicly available financial regulations were last updated July 2019. We recommend timely review and update of all policy and procedures documents	Green

Report	Directorate	Action	Status of Action
	All	Medium Term Financial Strategy identifies the options available to bridge the identified funding gap. However, detailed plans at operational/service level are required to be developed and implemented to ensure achievement. There is a risk of inability to achieve financial balance. We recommend that the Council should continue to develop detailed service level medium terms plans to bridge the gap in a sustainable manner	Green
	All	In terms of the Islands (Scotland) Act 2018, the Council, must prepare an Island Communities Impact Assessment in relation to policies, strategies or services, which, in the Council's opinion, are likely to have an effect on an island community which is significantly different from its effect on other communities (including other island communities) in the area in which the Council exercises its functions. We recommend that the Council considers the applicability of such assessments when revising policies/strategies/budgets and as part of service redesign arising from the MTFS.	Green
	SPBS	The Council takes part in the Local Government Benchmarking Framework performance reporting and reports clearly on those indicators aligned to the Council Plan. We recommend that a root cause analysis should be carried out to monitor the observed trend in performance, particularly in respect of those aligned to Council priorities but also the 'all other indicators', in order to support continuous improvement.	Green
2022/23 BV Audit	SPBS	A project to review the approach to Community Consultation and Engagement is underway and includes actions to consider engagements methods. We recommend the Council ensures that it considers, as part of this project, how ad hoc and in-year consultation is carried out effectively and that it seeks stakeholder views on the proposed and implemented approach.	Green
	SPBS	The Council presented on Equality Outcomes 2023-2027 to Policy and Resources Committee in September 2023 and work is ongoing to develop associated KPIs and delivery plan. Until these are completed, there is a risk of inability to monitor and achieve inequality related objectives and outcome. We recommend development / highlighting of specific inequality related performance measures and delivery plan is set a target date and monitored.	Green
	NS&I	The Council should expedite its ongoing development of climate related strategies and associated action and delivery plans. This should include incorporation of the	Green

Report	Directorate	Action	Status of Action
		impacts of the identified climate related initiatives in the future budgets and the medium-term financial plan.	
	SPBS	Equalities Impact Assessment and Island Communities Impact Assessment were carried out as part of the development of the Council Plan. However, these have not been published on the designated section of the website (alongside older assessments) but rather with the associated committee meeting reports where they were considered. We recommend that the Council add a note to this effect on the website and consider how assessments can be most readily accessed / overviewed by the public.	Green