



REPORT TO: PERFORMANCE & AUDIT COMMITTEE – 24 MAY 2023

REPORT ON: DUNDEE INTEGRATION JOINT BOARD INTERNAL AUDIT REPORT – GOVERNANCE ACTION PLAN

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: PAC10-2023

1.0 PURPOSE OF REPORT

1.1 This paper presents the findings of the Internal Audit Review of the Governance Action Plan which is presented to each meeting of the Performance and Audit Committee

2.0 RECOMMENDATIONS

It is recommended that the Performance & Audit Committee (PAC):

- 2.1 Notes the content and recommendations of the Internal Audit Review of the Governance Action Plan as set out in Appendix 1 to this report.
- 2.2 Instructs the Chief Finance Officer to implement the recommendations of the report and provide an update on progress at the next meeting of the PAC.

3.0 FINANCIAL IMPLICATIONS

3.1 None.

4.0 MAIN TEXT

- 4.1 The Governance Action Plan was first presented to the Performance and Audit Committee in March 2019. When first developed, the Governance Action Plan reflected the complicated range of governance arrangements required to be implemented for the IJB as an emerging organisation within a new integrated legislative framework for which there was no previous model to follow. The range of actions continued to be added to at each stage a review on particular aspects of governance was undertaken, including internal and external audit reports and national governance directions.
- 4.2 Given the complexity of the governance arrangements around integration and through embedding governance processes across a wide range of areas, duplication of actions started to become a theme in the plan. Although an exercise was carried out to combine a number of actions, the plan remains to be complex in nature. As part of the IJB's Annual Internal Audit Plan, a review of the Governance Action Plan has been carried out by Internal Audit. Appendix 1 to this report sets out the findings and recommendations of the report. The assessment of risk is rated as significant i.e. requires action to avoid exposure to significant risks to achieving the objectives for area under review.
- 4.3 The recommendations of the report have been agreed by management who have committed to streamline the approach.

5.0 POLICY IMPLICATIONS

5.1 This report has been subject to the Pre-11A Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

6.0 RISK ASSESSMENT

6.1 This report has not been subject to a risk assessment as it a status update and does not require any policy or financial decisions at this time.

7.0 CONSULTATIONS

7.1 The Chief Finance Officer, Regional Audit Manager, Chief Internal Auditor and the Clerk were consulted in the preparation of this report.

8.0 BACKGROUND PAPERS

8.1 None.

Dave Berry
Chief Finance Officer

Date: 28/04/23

FTF Internal Audit Service

Governance Action Plan Report No. D06/21

Issued To: V Irons, Chief Officer
D Berry, Chief Finance Officer

Dundee City Integration Joint Board
External Audit

C Wyllie, Senior Manager – Internal Audit, DCC
D Vernon, Principal Internal Auditor- Internal Audit, DCC

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Draft Report Issued	27 February 2023
Management Responses Received	24 April 2023
Target Audit & Risk Committee Date	24 May 2023
Final Report Issued	25 April 2023

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CONTEXT AND SCOPE

1. Good practice guidance, as laid out in the Audit Committee Handbook, emphasises the importance of effective follow up processes to ensure that the actions agreed by management to address control weaknesses identified by the work of Internal and External Audit are actually implemented. The remit of the Performance & Audit Committee (PAC) requires the PAC *'to receive reports, monitor the implementation of agreed actions on audit recommendations and reporting to the IJB as appropriate'*.
2. A Governance Action Plan was first presented and approved at the PAC meeting in March 2019 in response to a recommendation within our Annual Internal Audit Report 2017/18. Since then, our annual reports noted that a number of longstanding complex issues have remained incomplete for a number of years and continue to feature in the IJBs Governance Statement as well as Governance Action Plans. The Governance Action Plan was escalated to the October 2020 meeting of Dundee City IJB who *'instructed the Chief Officer and Chief Finance Officer to ensure these initiatives are implemented in order to strengthen the governance arrangements in place within the Integration Joint Boards governance framework'*.
3. Work was undertaken to produce an integrated Governance Action Plan which was then presented to the PAC in September 2021.
4. Our audit will evaluate the design and operation of the Governance Action Plan and will specifically consider whether:
 - The Governance Action Plan provides a complete record of all governance actions, taking account of all relevant sources;
 - The Governance Action Plan as reported to the Performance & Audit Committee provides an accurate picture of the status of each action;
 - There is no unnecessary duplication, and similar action points aimed at the same outcomes have been appropriately amalgamated with a clear audit trail where actions have been closed off as no longer relevant;
 - Internal Audit can provide enhancements to the format and content of the Governance Action Plan to the Performance & Audit Committee;
 - Internal Audit can provide any additional support in progressing outstanding actions.

AUDIT OPINION

5. We reviewed Dundee City IJB systems and processes for producing a Governance Action Plan and compared current practice against other FTF clients, in order to share good practice. A grade is therefore not provided for this review.
6. Descriptions of assessment of risks are given in Section 3 of this report.

Executive Summary

7. Following an internal audit recommendation, the first Governance Action Plan (GAP) was presented to the Performance & Audit Committee (PAC) in March 2019 to monitor progress in implementing internal and external audit action points. Subsequent annual internal audit reports reference the crossover duplication with improvement actions arising from the Ministerial Steering Group (MSG) report as well as areas identified for development in the annual Governance Statement. A recommendation was then made as part of the 2028/29 Annual Internal Audit Report to consider establishing a separate Audit Follow Up process for audit recommendations as distinct from the more high level governance improvement actions.

8. Whilst we note the background to producing one overarching GAP, we now consider this approach to be over complicated and difficult to follow. We recommend that separate reports are maintained and reported to the PAC as follows:
 - Internal Audit Report recommendations including those arising from Annual Internal Audit Reports (each meeting)
 - External Audit Recommendations
 - External review recommendations, for example MSG report (as needed/ minimum annually)
 - Governance Statement Improvement Actions
9. Since the introduction of the Action Tracker in November 2021, actions arising from agenda item discussions should be reported within the action points update agenda item.
10. An update to the Terms of Reference for the PAC will be required to reflect the reporting arrangements. To support each report, we recommend that protocols are set up and agreed by the PAC to ensure clarity on the processes and roles for the production of each report. For example, an Audit Follow Up protocol could set out how completion of actions will be validated to provide assurance that the audit recommendations are having the required impact on the original control weakness.

Completeness of the current Governance Action Plan (GAP)

11. The Governance Action Plan as currently used was initially created based on a review of agenda items discussed by the Performance & Audit Committee (PAC) rather than directly on the actions noted in final internal audit reports or reports by other organisations. We noted that it also includes actions agreed as part of discussions by the PAC which should now be monitored through the Action Tracker for the Committee which has been used since November 2021.
12. In terms of completeness, it also means that reports where governance actions are agreed; but which were taken to the IJB rather than the PAC; are not included, for example the Annual Internal Audit Reports for 2020/21 and 2021/22. Other areas not included which we would have expected to see on the Governance Action Plan are the improvement areas identified in the Governance Statement(s). We have also previously commented in our Annual Internal Audit Reports on the lack of monitoring of actions agreed in response to the MSG report.

Accuracy of Status of Actions in the current GAP

13. We reviewed the actions (these included action points update and audit report recommendations) noted as complete on a GAP report from the Pentana system on 5 July 2022, and based on our knowledge we can provide assurance that they accurately reflect their status as completed.

Duplication of Actions in the current GAP

14. A number of themes have emerged and been mirrored across different reports, including several Internal Audit and External Audit annual reports, the MSG report action plan and the improvement actions noted as part of Dundee City IJB's Annual Governance Statement.

15. Whilst duplication of themes across different assurance provider reports is inevitable, to ensure completeness moving forward, Internal Audit are of the opinion that separate reports relevant to each assurance provider (see para 8) should be provided and reported to the PAC. Cross references maybe made within these reports. The issues identified above with regards to completeness require an exercise to be undertaken to organise the actions to be followed up and reported within the respective reports recommended by Internal Audit, which may present the opportunity for consolidation or cross reference.

Future enhancements to the format of the current GAP report to PAC

16. We reviewed the current format of reporting to assess whether it provides robust assurance over the implementation of agreed actions and allows the PAC to fulfil its remit.
17. As set out above, actions are currently referenced by the agenda item PAC reference number rather than the name or reference of the report they arose from. In addition, actions are grouped by the degree of progress that has been made. It is therefore not possible to use the GAP as a basis for easily assessing progress against one report or area of governance. Consideration should be given to reporting by source as listed in paragraph 8.
18. To ensure meaningful and adequate scrutiny of progress with governance actions, there is scope within each report suggested in paragraph 8 to include the following which will enhance and provide clearer assurance on the status of governance related actions :
- Chart showing total number of action points due broken down into complete, in progress, due date extended, no longer relevant
 - Link to risk (and/or area of governance) –updates should clearly identify risks of non-delivery of actions and these should be summarised in the risk assessment section of the cover paper, which should link to relevant strategic risks.
 - a RAG rating for outstanding actions
 - the drafting of protocols which clarify roles and responsibilities, monitoring and escalation arrangements over each process.

ACTION

19. The action plan at Section 2 of this report has been agreed with management to address the identified weaknesses. A follow-up of implementation of the agreed actions will be undertaken in accordance with the audit reporting protocol.

ACKNOWLEDGEMENT

20. We would like to thank all members of staff for the help and co-operation received during the course of the audit.

Barry Hudson BAcc CA
Regional Audit Manager

Action Point Reference 1

Finding:

The current GAP does not make it easy to identify if all the recommendations from a specific report/source have been completed. Whilst we note the background to produce one overarching GAP, we now consider this approach to be over complicated and difficult to follow.

Audit Recommendation:

An exercise, facilitated by Internal Audit, including reprioritisation of outstanding recommendations is undertaken to ensure completeness of actions to be followed up within the respective reports recommended by Internal Audit, which may present the opportunity for consolidation or cross reference.

We recommend that separate reports are maintained and reported to the PAC as follows:

- Internal Audit Report and Annual Report recommendations
- External Audit Recommendations
- External review recommendations, for example MSG report
- Governance Statement Improvement Actions
- Actions from agenda item discussions to be reported within the standard agenda item – Action Tracker

Areas of enhancement to the reporting could include:

- Chart showing total number of action points due broken down into complete, in progress, due date extended, no longer relevant
- Link to risk (and/or area of governance) –updates should clearly identify risks of non-delivery of actions and these should be summarised in the risk assessment section of the cover paper, which should link to relevant strategic risks.
- a RAG rating for outstanding actions

Consider drafting a Follow Up Protocol to clarify roles and responsibilities, monitoring and escalation arrangements over the process. The PAC Terms of Reference will require updating to reflect the arrangements going forward, along with related protocols.

Assessment of Risk:

Significant







Weaknesses in design or implementation of key controls i.e. those which individually reduce the risk scores.

Requires action to avoid exposure to significant risks to achieving the objectives for area under review.

Management Response/Action:	
<p>When first developed, the Governance Action Plan reflected the complicated range of governance arrangements required to be implemented for the IJB as an emerging organisation within a new integrated legislative framework for which there was no previous model to follow. The range of actions continued to be added to at each stage a review on particular aspects of governance was undertaken. It is agreed by management that this has now become overly complicated to manage in a single plan and management agrees that this can now be streamlined against the categories outlined in the report. Management will develop future reporting to the PAC to be consistent with the recommendations.</p>	
Action by:	Date of expected completion:
Chief Finance Officer	September 2023

Assessment of Risk

To assist management in assessing each audit finding and recommendation, we have assessed the risk of each of the weaknesses identified and categorised each finding according to the following criteria:

Risk Assessment		Definition	Total
Fundamental		Non Compliance with key controls or evidence of material loss or error. Action is imperative to ensure that the objectives for the area under review are met.	None
Significant		Weaknesses in design or implementation of key controls i.e. those which individually reduce the risk scores. Requires action to avoid exposure to significant risks to achieving the objectives for area under review.	One
Moderate		Weaknesses in design or implementation of controls which contribute to risk mitigation. Requires action to avoid exposure to moderate risks to achieving the objectives for area under review.	None
Merits attention		There are generally areas of good practice. Action may be advised to enhance control or improve operational efficiency.	None