

Internal Audit – review and update

Audit & Scrutiny Committee Tuesday, 2 November 2021

Report of: Chief Executive

Purpose: To provide a summary of the underlying reasons for the late closure of internal audit actions and set out steps being taken to address them

Publication status: Unrestricted

Wards affected: All

Executive summary:

As requested at the last meeting of Audit and Scrutiny Committee on 30 September, this report summarises why there are a growing number of recommendations identified by Internal Audit, which have not been actioned and so remain outstanding.

As your new Chief Executive this is an area where I share the concern of Councillors. In addition to setting out why actions have not been addressed, this report sets out steps being taken to address this issue.

This report supports the Council's priority of:

Effective budget monitoring giving a clear and precise overview of the overall Revenue and Capital financial position

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Recommendation to Committee:

That Members note the report

Reason for recommendation:

To provide Members with the underlying causes and actions being taken in response to the concerns raised regarding the need to address the outstanding Internal Audit actions in a timely fashion

Introduction and background

1. Since joining Tandridge District Council in June 2021 it has become evident to me as Chief Executive that there is an issue with management and staff capacity, which has impacted on performance and morale.
2. Some of these issues can be traced back to Customer First, a major Council-wide transformation programme, which was implemented about 3-years ago. The programme was designed to improve the way the Council operated and it impacted on staff roles and responsibilities.
3. All staff were split between specialists and case workers. Roles were realigned in the structure and end-to-end processes broken. Capacity was greatly reduced, halved in many cases as staff roles were supposed to be supported and replaced by technology. The technology in many instances was not appropriately implemented and staff were not trained on the use of the systems which were implemented. This encouraged a number of manual workarounds allowing for errors to be introduced into processes.
4. Staff who were not successful in securing a role were allowed to leave immediately, having a detrimental impact on business continuity coupled with significant impacts on staff morale.
5. These negative impacts have had such a profound impact on the effective operations of the Council that they are still being felt a number of years later.
6. The process of realigning posts commenced a few months ago in various parts of the Council but there are many parts still living with legacy Customer First. For example, Finance has now been realigned bringing back the Exchequer team under the CFO. This realignment however has only brought in sundry debts into Finance not all of the Council's debt management. Most of the remainder sits in Revenues and Benefits and Housing Teams, under the responsibility of the Executive Head of Communities & Housing (EHCH). Although the CFO and EHCH have a good working relationship and collaborate well and so are finding a Council-wide approach to debt management through the Finance Transformation programme, it is just one example where end-to-end processes do not have one owner or one person having complete responsibility or oversight of the entire process. This results in activities being duplicated or worse, falling through the cracks.

7. Within the context of the challenges resulting from Customer First, part of my role as the Council's new Chief Executive, working with managers and staff, is to deliver demonstrable improvements in organisational performance and staff morale. This work is underway as, working with Managers, I'm scoping out the immediate priorities for the Council's officer leadership team.
8. More specifically, in order to address the issue of outstanding Internal Audit actions and other more immediate concerns regarding capacity and accountability, I am implementing a number of improvements, including:
 - Monthly discussions with SIAP and ELT to review and monitor outstanding actions and provide a realistic date for delivery given the current constraints. This is already underway.
 - Review and realignment of the Executive Leadership Team (ELT). Capacity has been heavily depleted placing all the senior management responsibilities on a few already very overworked officers.
 - Review and reconsider the working arrangements between the Senior Leadership Team (SLT) and ELT and the role of each group.
 - Introduce appropriate arrangements and good principles of project and programme management such as: planning and timetabling of activities; documentation completion and filing; Risks (including mitigations and owners), Issue, Action and Decision (RAID) logs; engagement and consultation; evidence bases for all investment decision (by way of the HM Treasury 5 case model of business cases), supported by appropriate training and education.
 - Baselineing of all of our actions on improvement activities associated with, Internal Audit, Corporate Improvement and the Annual Governance Statement, to identify duplication or gaps and have one tracker which identifies all the activities we said we were going to undertake with deliverable timelines and owners. This exercise is now underway and will be discussed regularly at ELT.
9. Our journey of improvement and reset is further advanced in some areas (e.g. Finance Transformation Programme and the Joint Working Agreement with the County) than others. However, my priority is to address this more broadly. Some of this work will start to take shape as part of the Twin Track Budget setting process (Track 2 for 2023/24) which is currently in train.
10. Since I commenced, I have been very cognisant of these issues and have been taking steps to address those with appropriate consultation of all those involved. Invariably, these things take time to unravel and address. I do want to again reassure the Committee that I, and ELT take inaction and lack of hitting timelines very seriously.

Key implications

Comments of the Chief Finance Officer

There are no direct financial implications of the report. The CFO (s151) agrees with the proposals identified in this report to address the underlying concerns of inaction of Internal Audit recommendations in a timely fashion

Comments of the Head of Legal Services

It is important that the Council maintains a sound internal control environment. Actions that the Internal Auditors have put forward to address risk and control weaknesses have to be monitored more closely by senior management (SLT/ELT) and where appropriate, agreement needs to be reached as to when the corrective action will be taken. An action that is not implemented means that the weakness or risk originally identified in the audit report, and which the action was designed to address, will remain as a risk to the organisation.

As the report has been requested by the Committee and as such, they need to decide whether the recommendations put forward in this report meet their concerns and if not, what further action should be taken.

Equality

This report does not disadvantage or discriminate against any different groups with protected characteristics in the community.

Climate change

There are no significant environmental / sustainability implications associated with this report.

Appendices

None

Background papers

None

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