



AUDIT COMMITTEE – 10TH DECEMBER 2014

INTERNAL AUDIT RECOMMENDATIONS - IMPLEMENTATION UPDATE

1. Purpose of the Report

- 1.1 This report provides Members with an update of the status of the recommendations reported within the Quarterly Report ending 30th September 2014. This information was requested by the Audit Committee at the meeting held on the 5th November 2014.

2. Recommendation

2.1 It is recommended that the Audit Committee:

- i. considers the information in support of their monitoring responsibilities.
- ii. receives a further progress report as part of the next Quarterly Internal Audit Report in order to continue monitoring progress in implementing the agreed recommendations.

3. Background Information

- 3.1 The Public Sector Internal Audit Standards (PSIAS) (Standard 2500) requires the Head of Internal Audit (HoIA) to ensure that management actions have been effectively implemented or, if not, that senior management have accepted the risk of not taking action. The HoIA must implement a follow-up process for ensuring the effective implementation of audit reports or ensuring senior management are aware of the consequences of not implementing an action point and are prepared to accept the risk of such consequences occurring.

In addition, the HoIA should develop an escalation procedure for cases where agreed actions have not been effectively implemented by the date agreed. These procedures should ensure that the risk of not taking action have been understood and accepted at a sufficiently senior management level.

- 3.2 In accordance with the PSIAS, Internal Audit has applied the following protocol to the follow-up of recommendations in audit reports issued since 1st April 2009:

- all fundamental and significant recommendations irrespective of the assurance opinion;
- all recommendations contained within the annual core financial system audit reports and;
- reports containing a significant number of merits attention recommendations giving rise to a negative assurance opinion.

- 3.3 In determining whether the agreed recommendation has been implemented the responsible officer is contacted and asked to provide an update in terms of progress in implementing the agreed recommendation and asked to provide supporting evidence if the recommendation has been addressed. If the recommendation has not been implemented the manager is asked to provide a revised implementation date. Accordingly, the recommendation implementation date is revised and an update note recorded within the Audit Management System.
- 3.4 Senior Managers are also provided with quarterly updates of their outstanding recommendations.
- 3.5 The Quarterly Audit Committee reports provide summary information in respect of the total number of recommendations made along with the number of recommendations that require follow-up. Details are provided of the percentage of recommendations which have been implemented by the original agreed date, those which have been implemented after the original target date and those which have been implemented after the revised target date.

4. Recommendations Outstanding Longer than 6 Months

- 4.1 At the request of the Audit Committee, Internal Audit have undertaken an analysis of the status of the recommendations previously followed-up and reported to the Audit Committee within the Quarterly Report for the quarter ending 30th September 2014. Appendix A provides details of the recommendations followed-up as they were reported to the Audit Committee.
- 4.2 The analysis of the 11 recommendations which had not been completed and had a revised due date identified the following:-
- 8/11 (73%) the revised end date remained valid and did not require any further action.
 - 2/11 which required follow up had not been implemented and a further revised date agreed.
 - 1/11 of the recommendations had been implemented by the revised implementation date.
- 4.3 As can be seen from the second table in Appendix 1, ten recommendations remain not implemented. All 10 have been given a revised implementation date where appropriate by management who are aware of the implications of the delay in implementation.
- 4.4 Internal Audit is liaising with relevant managers to obtain updates on implementation progress and ensure revised implementation dates are realistic.
- 4.5 Internal Audit is satisfied that sufficient management attention is being given to address the agreed actions / recommendations. However, it is acknowledged that Internal Audit is finding that management generally are under increasing pressure arising from the Future Council arrangements. This was evident in respect of the reasons provided in respect of the majority of the recommendations followed-up.

4.6 All senior managers have been contacted to remind them of the importance of implementing audit recommendations in a timely manner and the Audit Committee's interest in ensuring an improved position in the future.

5. List of Appendices

Appendix 1 - Analysis of Audit Report Recommendations

6. Background Information

Internal Audit quarterly reports to the Audit Committee
Public Sector Internal Audit Standards

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Date: 28th November 2014

Recommendations Followed-up as Reported to the Audit Committee on the 5th November 2014

Recommendation Classification	Quarter 2						Not yet completed – Revised date agreed
	Followed-up	Completed by due date	Completed after target date	Completed by revised target date	Completed after revised target date	Completed after revised target date	
Fundamental	0	0	0	0	0	0	0
Significant	12	1	2	2	1	6	6
Merits Attention	7	1	1	0	0	5	5
TOTAL	19	2	3	2	1	11	11

Current Status of the Recommendations as at 26th November 2014

Recommendation Classification	Quarter 2						Not yet completed – Revised date agreed
	Followed-up	Completed by due date	Completed after target date	Completed by revised target date	Completed after revised target date	Completed after revised target date	
Fundamental	0	0	0	0	0	0	0
Significant	12	1	2	3	1	5	5
Merits Attention	7	1	1	0	0	5	5
TOTAL	19	2	3	3	1	10	10