

## **Audit and Governance Committee**

4 October 2006

Report of the Assistant Director of Resources (Audit and Risk Management)

### **Follow Up Review of Implementation of Internal Audit Recommendations (October 2005 – March 2006)**

#### **Summary**

1. This report sets out the progress made by departments in implementing recommendations made in final internal audit reports issued between October 2005 and March 2006, and other recommendations due to have been implemented in the period up to 31 August 2006. It also includes a proposed amendment to the process for following up internal audit recommendations, for Member approval.

#### **Background**

2. In June 2006, Audit and Governance Committee approved the process to be followed in reviewing and reporting on progress made by service departments in implementing agreed internal audit recommendations. Under this process reports will be prepared for the Committee every six months setting out the progress made by departments, together with details of any outstanding recommendations that require referring to the Committee for further action.
3. As reported in June, there will be some overlap between the follow up of recommendations under the old system, based upon the date of the original audit, and the new system, based upon the agreed implementation date for recommendations. This report was prepared largely using the old system which means that the majority of the findings relate to recommendations made in the period October 2005 to March 2006. However, it also includes recommendations followed up under the new system, with agreed implementation dates up to 31 August 2006.

#### **Consultation**

4. Details of the findings of follow up work set out in paragraphs 5 - 8 have been discussed with relevant service managers.

## Follow Up of Recommendations

5. A total of 246 recommendations were followed up as part of this review. A summary of the priority of these recommendations is included in figure 1, below.

*Figure 1: Recommendations followed up as part of the current review*

Priority of Recommendations	No. of Recommendations Followed Up
High	65
Medium	165
Low	16
Total	246

6. Of the 246 recommendations, 10 (4%) had been superseded (for example by other audit recommendations or because of cessation of service). Of the remaining recommendations, 211 (86%) had been satisfactorily implemented. However, for 13 of these 211 recommendations it was found that although the department had taken the action agreed at the time of the audit, this has not fully addressed the underlying control weaknesses. These recommendations related to two audits, for which additional recommendations have now been raised to address the ongoing weaknesses. These additional recommendations will be followed up as part of a later review.
7. In 25 cases (10%), the recommendations had not been implemented (although progress had been made in some cases). These were referred back to the service manager or assistant director in accordance with the escalation policy. Following this, a revised deadline was agreed for 23 of the recommendations. These will be followed up again after the revised deadline, and escalated in accordance with the revised procedure set out at paragraph 12, if necessary.
8. For two of the recommendation that have not been implemented, the assistant director reports that he is unable to address them as there is insufficient funding available. These recommendations have now been escalated to the relevant director, in accordance with the escalation policy.

## Conclusion

9. The follow up testing undertaken by Internal Audit confirms that in general, good progress has been made by directorates to rectify the weaknesses in control identified in previous audit reports. However, there are a number of areas where work is still required by departments to address the recommendations made. Progress in implementing these recommendations will be monitored, and reported as required through the escalation procedure.
10. There are no specific issues that need to be brought to the attention of the Audit and Governance Committee. Although a number of high priority recommendations have not been addressed satisfactorily, these do not represent fundamental weaknesses in control, and subsequent actions will be monitored as part of continuing Internal Audit follow up work.

## **Amendment to Follow Up Procedure**

11. For 23 of the 25 recommendations that had not been addressed (paragraph 7), a revised deadline for implementation was agreed with the department. Although the revised implementation dates are considered to be reasonable, it is still important that the underlying control weaknesses are addressed.
12. The outstanding recommendations will therefore be followed up again once the new deadline has passed. If it is found that they have not been addressed at this point, then further escalation will be required. It is proposed that rather than restarting the escalation process, that any outstanding issues will immediately be escalated to the next level in the process (as at the point when the extension to the deadline was agreed). In addition, no further extension to the deadline will be given and any remaining unresolved issues will also be escalated. An amendment to the escalation process agreed by Members in June is proposed, to reflect this approach.

## **Options**

13. Not relevant for the purpose of the report.

## **Analysis**

14. Not relevant for the purpose of the report.

## **Corporate Priorities**

15. This report contributes to the overall effectiveness of the Council's internal management & assurance arrangements in helping to achieve the following corporate objectives.
  - Ensure probity, integrity and honesty in everything we do (Objective 8.3).
  - Provide accurate and transparent management information in a timely and effective manner (Objective 8.3).
  - Continue to provide sound and timely financial management, and improve medium and long term financial planning. (Objective 8.6).
  - Manage the Council's property, IT and other assets on behalf of York residents. (Objective 8.9).
  - Implement risk management and business continuity procedures. (Objective 8.10).

## **Implications**

16. The implications are:
  - **Financial** – there are no financial implications to this report.

- **Human Resources (HR)** – there are no HR implications to this report.
- **Equalities** - there are no equalities implications to this report.
- **Legal** - there are no legal implications to this report.
- **Crime and Disorder** - there are no crime and disorder implications to this report.
- **Information Technology (IT)** - there are no IT implications to this report.
- **Property** - there are no property implications to this report.

## **Risk Management**

17. The Council will fail to properly comply with the Chartered Institute for Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government if it fails to follow up on audit recommendations and report progress to the appropriate officers and Members. This in turn would adversely impact on the Council's Comprehensive Performance Assessment (CPA) score for the Use of Resources and therefore its overall CPA score when this is re-assessed in 2007.

## **Recommendations**

18. Members of the Audit and Governance Committee are asked to:
  - consider the progress made in implementing audit recommendations as reported in paragraphs 5 – 10 and what further action is required, if any.

### Reason

*To enable Members to fulfil their role in providing independent assurance on the Council's control environment.*

- note and agree the proposed amendment to the escalation process set out at paragraph 12.

### Reason

*To enable Members to monitor the work of the Audit and Fraud team effectively, and ensure that outstanding audit recommendations are addressed to reduce unacceptable risks to the Council.*

## Contact Details

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Report Approved

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### Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

### Background Papers:

None

### Annexes

None