

## **Audit and Governance Committee**

31 March 2009

Report of the Assistant Director of Resources (Customer Service and Governance)

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## **Follow Up of Audit Recommendations**

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### **Summary**

1. This report sets out the progress made by the council in implementing agreed internal audit recommendations. It also summarises the progress made to address recommendations raised by the external auditor.

### **Background**

2. Internal audit reviews the implementation of agreed recommendations on an ongoing basis, once target implementation dates for recommendations become due. A summary of the outcome from this work is reported to this committee every six months together with details of any outstanding recommendations that require referral to the committee for consideration. This report covers recommendations with target dates up to 28 February 2009.
3. In addition, following a request by this committee in September 2008, a review of progress made to implement recommendations raised by the external auditor has also been carried out. An overview of progress was reported to the committee in January 2009. The current report contains further details about the findings of the follow up review, which is summarised below. For the future it is intended that this work will be carried out on an ongoing basis and the results included as part of the regular six monthly follow up report.

### **Follow Up of Internal Audit Recommendations**

4. All internal audit recommendations are reviewed once their agreed implementation date has passed. The review is carried out using a combination of questionnaires completed by departments, risk assessment, and further detailed review by internal audit where appropriate.
5. A total of 133 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 <sup>1</sup>	No. of Recommendations Followed Up
1	4
2	62
3	67
<b>Total</b>	<b>133</b>

<sup>1</sup> The priorities run from 1 (high risk issue) to 3 (lower risk)

6. Figure 2 below provides an analysis of the recommendations which have been followed up, by directorate.

Figure 2: Recommendations followed up by directorate

Priority of Recommendations	No. of Recommendations Followed Up by Directorate					
	Chief Executives	City Strategy	HASS	LCCS	Resources	N'hood Services
1	0	2	1	0	0	1
2	9	7	4	26	15	1
3	7	2	5	30	21	2
<b>Total</b>	<b>16</b>	<b>11</b>	<b>10</b>	<b>56</b>	<b>36</b>	<b>4</b>

7. Of the 133 recommendations, 2 (1.5%) had been superseded (for example by business developments or because of cessation of service). Of the remaining recommendations, 102 (76.7%) had been satisfactorily implemented.
8. In one case (0.8%) the recommendation had not been implemented fully although some progress had been made. This issue is being followed up in detail as part of the current annual audit of the service area.
9. In a further 25 cases (18.8%) the recommendations had not been implemented, however, satisfactory explanations for the delays in implementation have been received (for example unexpected difficulties or issues dependent on new systems being introduced). In these cases a revised implementation deadline has been agreed. The issues will be followed up again after the revised deadline and will be escalated if unsatisfactory progress is found to have been made.
10. In three cases (2.3%) the reasons given for not progressing the recommendation were considered unsatisfactory, and these issues are now being escalated<sup>1</sup>. None of these recommendations is yet at the stage for referral to the Audit & Governance Committee.
11. The follow up testing undertaken confirms that, overall, good progress has been made to rectify weaknesses in control highlighted in internal audit reports. However, there are a number of areas where work is still required to address the recommendations made. Progress in implementing these recommendations will be monitored on an ongoing basis, and reported as required through the escalation procedure. There are no specific issues that

<sup>1</sup> The three recommendations are currently at the referral to service manager stage. There are no other recommendations currently in the escalation process.

need to be brought to the attention of the Audit and Governance Committee at this time.

## **Follow Up of External Audit Recommendations**

12. The review considered all Audit Commission reports issued since 2005/06. In cases where follow up work has already been conducted by the Audit Commission, or where recommendations have been superseded by later reports (for example in relation to annual reports on the financial statements), only the latest relevant recommendations has been followed up.
13. Annex 1 sets out the findings from the review. The opinion given indicates whether action has already been taken, is in progress, or is planned to be undertaken. However, it does not necessarily confirm that satisfactory action has been concluded. This is not yet possible in many cases as the issues are broad in scope and require action over an extended period of time. Detailed testing to validate the action taken or planned has been carried out where possible. However, this work is still in progress – any issues arising as a result of ongoing work will be included in future reports.
14. The findings show that action has been taken, is in progress, or is planned to be taken in every case<sup>2</sup>. However, it is clear that there is still a significant amount of work required in a number of areas.
15. For the future, it is proposed that:
  - the progress made in implementing these recommendations and any arising from future reports will continue to be monitored by internal audit, and progress reported to this committee as part of six monthly follow up reports
  - reports will contain only a summary of the follow up work undertaken, along with details of areas where the progress made in implementing agreed recommendations is deemed inadequate (this is similar to the agreed approach for reporting on internal audit recommendations).

## **Consultation**

16. Not relevant for the purpose of the report.

## **Options**

17. Not relevant for the purpose of the report.

## **Analysis**

18. Not relevant for the purpose of the report.

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<sup>2</sup> In four cases the recommendation has been superseded. In addition, no opinion has been given for five recommendations which relate to the work of the audit and fraud service.

## **Corporate Priorities**

19. This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

## **Implications**

20. There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

## **Risk Management**

21. The council will fail to properly comply with the 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.

## **Recommendations**

22. Members of the Audit and Governance Committee are asked to:

- consider the progress made in implementing internal and external audit recommendations as reported above (paragraphs 4 – 15).

### Reason

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

- approve the process for monitoring and reporting on ongoing progress in implementing Audit Commission recommendations as set out in paragraph 15.

### Reason

*To ensure that a consistent approach is adopted to monitoring and reporting progress on the implementation of external audit recommendations.*

## Contact Details

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Report Approved ☒

Date 12 March 2009

## Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All ☒

For further information please contact the author of the report

## Background Papers:

None

## Annexes

Annex 1 – Follow Up of Audit Commission Recommendations