

Audit and Governance Committee

29 September 2011

Report of the Assistant Director, Financial Services

Internal Audit Report On Follow Up Of Agreed Actions

Summary

1. This is the regular six monthly report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work.

Background

2. Where weaknesses in systems are found by internal audit the auditors discuss and agree a set of actions to address the problem with the responsible manager. The agreed actions include target dates for issues to be dealt with. The auditors carry out follow up work to check the issue has been resolved, once these target dates are reached. The follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to the Audit and Governance Committee.
3. A summary of the findings from follow up work is presented to this committee twice a year. The current report covers agreed actions with target dates up to 31 August 2011. There were no external audit recommendations requiring follow up by internal audit in this period.

Consultation

4. Details of the findings of follow up work are discussed with the relevant service managers and chief officers.

Follow up of internal audit agreed actions

5. A total of 95 actions have been followed up since the last report to this committee in April 2011. A summary of the priority of these actions is included in figure 1, below.

Figure 1: actions followed up as part of the current review

Priority of actions*	Number of actions followed up
1	1
2	14
3	80
Total	95

* The priorities run from 1 (high risk issue) to 3 (lower risk)

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

Figure 2: actions followed up by directorate

Priority of actions	Chief Executives	City Strategy	CANS	ACE	CBSS
1	0	0	0	1	0
2	0	8	1	3	2
3	2	16	14	33	15
Total	2	24	15	37	17

7. Of the 95 agreed actions 52 (54.7%) had been satisfactorily implemented and 7 (7.4%) were no longer needed¹.
8. In a further 34 cases (35.8%) the action had not been implemented by the target date, but a revised date was agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable (eg due to unexpected difficulties or where actions are dependent on new systems being implemented). These actions will be followed up after the revised target date and if necessary they will be raised with senior managers in accordance with the escalation procedure. Figure 3 below show the priority of these actions.

¹ For example because of other changes to procedures or because the service has ended or changed significantly.

Figure 3: priorities of actions with revised implementation dates

Priority of actions	Number of actions with a revised implementation date
1	0
2	5
3	29
Total	34

9. In two cases (2.1%) no suitable action had been taken by the responsible officer to address the issue raised. These issues have now been escalated to a more senior manager.

Conclusions

10. The follow up testing undertaken confirms that generally, good progress continues to be made in implementing actions agreed as a result of audit work. However, there has been an increase in the percentage of actions where a revised date for implementation has been agreed. On average, the percentage of actions with revised dates is 15% - this has risen to 35% in the last six months. There are no obvious changes to the system for following up actions, or any specific audit related issues that have given rise to this – it is the cumulative effect across many different audits and may just be an anomaly in this reporting period. However, it is likely that it reflects the large amount of change currently taking place within the council (action dates are often revised to coincide with implementation dates for new systems and procedures). No specific action is recommended at this stage. Future trends will continue to be monitored and reported to this committee.

Review of Procedures

11. The internal audit service is currently in the process of reviewing the procedures it follows when following up and escalating agreed actions. The current process is relatively formalised and involves a number of different hierarchical levels. In practice this has become unwieldy and does not always make it easy to escalate and report key issues. The intention is to simplify the process and make it more flexible. The details of the revised procedure will be agreed with the Assistant Director, Financial Services as client officer for internal audit. It is likely that the revised process will change the information reported to this committee in future. In particular, it is

hoped that the revised process will facilitate earlier reporting to the committee where significant actions are not implemented promptly.

Options

12. Not relevant for the purpose of the report.

Analysis

13. Not relevant for the purpose of the report.

Corporate Priorities

14. 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

15. 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

16. 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

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

- consider the progress made in implementing internal audit agreed actions as reported above (paragraphs 5 – 10)
- note that changes will be made to the escalation procedure in agreement with the Assistant Director, Financial Services (paragraph 11).

Reason

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

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**Report
 Approved**



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 2011

Sept

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

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For further information please contact the author of the report

Background Papers:

None

Annexes

None