

## **ANALYSIS OF INTERNAL AUDIT RECOMMENDATIONS IN 2007/08**

**Report By: Chief Internal Auditor**

### **Wards Affected**

1. None.

### **Purpose**

2. To provide the Audit & Corporate Governance Committee with information requested on:
  - a) The risk analysis of internal audit recommendations made in 2007/08.
  - b) The internal audit recommendations not accepted by management in the year.

### **Financial Implications**

3. None identified.

### **RECOMMENDATION**

**THAT: (a) The Audit and Corporate Governance Committee notes the content of this report.**

### **Reasons**

4. The Audit & Corporate Committee requested a more detailed analysis of internal audit recommendations made during 2007/08 when it considered the Chief Internal Auditor's annual assurance report for 2007/08 at its last meeting.

### **Considerations**

5. All internal audit recommendations are ranked as follows:

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<b>1 Critical</b>	<p>ACTION IS REQUIRED URGENTLY OR WITHIN AN AGREED TIMESCALE.</p> <p>Non-compliance will be a high risk to the Council.</p> <p>These recommendations will be shown as Rank 1 (Critical) on the Recommendation Sheet and highlighted under the Opinion paragraph in the Main Report. These recommendations are reported to the Audit Corporate Governance Committee.</p>
1	<p>TIMELY ACTION REQUIRED.</p> <p>Necessary due to statutory obligation, legal requirement, Authority Policy, or risk of loss or damage</p>
2	<p>Necessary for sound internal control and confidence in the system to exist – medium risk, should be pursued in the short to medium term, ideally within 6 months.</p>

6. The Audit Services team made 655 recommendations in 2007/08 as follows:

Analysis of Internal Audit Recommendations in 2007/08				
Level	Recommendations Made		Recommendations Accepted	
	No.	%	No.	%
<b>Critical</b>	9	1.4	9	100.0
<b>1</b>	307	46.9	300	2.3
<b>2</b>	339	51.7	339	100.0
<b>Total</b>	<b>655</b>	<b>100.0</b>	<b>648</b>	<b>98.9</b>

7. The increase of 175 in the number of recommendations between that previously reported and the final outturn is due to the timing in relation to finalising some reports relating to 2007/08 and receipt of returned action plans from clients.

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8. The reduction of 19 in the number of internal audit recommendations not accepted by management between that previously reported and the final outturn reflects:
  - a) The outcome of audit follow-up since the last report.
  - b) A change in approach by the Department for Children, Schools and Families (DCSF) in the use of the toolkit.
  - c) Heads of Service over-ruling decisions at lower levels to reject internal audit recommendations.
9. The Chief Internal Auditor and directors now have an audit protocol in place that requires Heads of Service to sign off action plans.
10. There are two Critical 1 recommendations included in the table at Paragraph 6 relating to 2007/8 that have not previously reported to the Audit & Corporate Governance committee. One of these was missed out of the Chief Internal Auditor's Assurance Report 2007/08, presented to Committee in June, 2008, in error. The other relates to an audit for 2007/08 finalised after the Committee's last meeting.
11. The first of these two previously unreported Critical 1 recommendations related to the Managed Learning Platform/Virtual Learning Environment report. The relevant recommendation was that 'clarification should be sought from Netmedia regarding the likely effective date of the licences purchased'. The Council has received written assurance from Netmedia that the licences will run from September 2008.
12. The second of these two previously unreported Critical 1 recommendations related to the Management of Property report. The relevant recommendation was that 'a data verification exercise should be carried out to evaluate the extent of data error and introduce data verification systems, including standard reports. A common referencing system should be adopted across all asset management systems'. The Head of Asset Management & Property has accepted the recommendation and has included these requirements in the functional specification for the Integrated Support Services element of the Herefordshire Connects programme.

### **Risk Management**

13. Recommendations made by the Audit Services team form part of the Internal Control Matrix previously adopted by the Audit & Corporate Governance Committee. Lack of action by management would impact adversely on the Internal Control Matrix score. To reduce this risk, the Chief Internal Auditor reports to the Audit and Corporate Governance Committee on the action taken by management on Critical 1 recommendations and the number of recommendations accepted by management. In addition, planned recommendation follow up work by Audit Services team, forms part

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of the Annual Audit Plan approved by the Audit & Corporate Governance Committee.

**Background Papers**

Annual Assurance Report presented to the Audit and Corporate Governance Committee on 20<sup>th</sup> June 2008.

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