

<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>22 September 2016</b>
<b>Title of report:</b>	<b>Tracking of internal audit recommendations</b>
<b>Report by:</b>	<b>Assistant director environment and place and Head of corporate finance</b>

## **Classification**

Open

## **Key decision**

This is not an executive decision.

## **Wards affected**

Countywide

## **Purpose**

To agree the process by which the committee will monitor implementation of action plans agreed in response to recommendations made by internal audit.

## **Recommendation(s)**

**THAT:**

- a) the process for monitoring implementation of action plans as set out in the report be approved; and
- b) future monitoring reports be provided bi-annually.

## Alternative options

- 1 Although we could choose to 'not monitor', this would not be recommended as this would not provide assurance that actions were being implemented.
- 2 Whilst a different frequency of monitoring to 'bi-annually' could be agreed, this would need to be proportionate to the risk.

## Reasons for recommendations

- 3 One of the functions of the audit and governance committee as set out in the audit and governance code within the council's constitution is to seek assurance that action is taken on risk related issues identified by auditors and inspectors. The recommendations provide a process by which such actions may be monitored.

## Key considerations

- 4 The internal audit service for Herefordshire Council is provided by South West Audit Partnership Limited (SWAP). SWAP is required to deliver an annual audit plan of work, which is scoped using a risk-based assessment of council activities. Additional reviews are added to the plan where considered necessary to address any emerging risks and issues identified during the year.
- 5 On completion of each audit review, a formal report is drafted for discussion with service managers. Such audit reports detail the main conclusions of the review, including the opinion, individual findings, as well as the potential risk exposure and an action plan for addressing the risk.
- 6 Management responses to each audit recommendation are obtained and recorded, along with details of the person responsible and the target date for implementation agreed by management.
- 7 Each audit review is given one of four levels of assurance, dependent on an evaluation of both the controls in place and testing of the controls identified to ensure they are being correctly and consistently applied. Recommendations are then categorised according to their priority at service level with priority 4 and priority 5 actions being reported to the committee:

Priority	Categorisation
5	Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
4	Important findings that need to be resolved by management.
3	The accuracy of records is at risk and requires attention.
2	Minor control issues have been identified which nevertheless need to be addressed.
1	Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

- 8 It is proposed that the committee monitor implementation of actions agreed in response to recommendations made by internal audit by receiving periodic reports which set out:

- the number of priority 3,4 and 5 recommendations agreed by management;

- the number of those recommendations that have been completed;
- the number of those recommendations that have not been fully completed;
- of those, the number of actions underway which have not yet reached their target deadline; and
- the number of actions overdue, including a progress update and revised target deadline. This will enable the committee to explore in more detail those areas of potential risk and seek assurance as necessary regarding mitigating actions.

- 9 By way of example, work has been undertaken to follow up the highest priority findings and recommendations (priority 4 or 5) contained in individual audit reports issued during the past two years. Schools are responsible for completing any required and agreed actions in relation to audits that have been carried out into their business areas. As this is a new process it has not been possible to make contact with the relevant schools due to the summer break and these actions will be reported in future monitoring reports.
- 10 All managers within the council directorates, responsible for audit recommendations during 2014/15 and 2015/16 have been contacted to review progress on the implementation of recommendations. Some 103 high priority recommendations were made and accepted during this period. Managers were asked to confirm the action which had been taken.
- 11 At the time of preparing this report the status of the follow up is as follows:

Recommendations	2014/15		2015/16		Total
	Priority 4	Priority 5	Priority 4	Priority 5	
Made	49	2	50	2	103
Completed	41	2	42	2	87
<b>Not complete</b>	<b>8</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>16</b>
Not yet due	0	0	4	0	4
<b>Overdue</b>	<b>8</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>12</b>

Further information relating to overdue recommendations can be found in Appendix 1.

- 12 Subject to the committee's approval of this process, future reports will update on where priority 4 and 5 recommendations have not been fully completed, including the implementation of actions in relation to school-specific audits. Progress on priority 3 recommendations from 2016/17 onwards will also be provided.

## Community impact

- 13 By monitoring the implementation of audit recommendations, assurance is given that risks are being managed effectively, and that the council is taking action to meet its corporate plan priority to secure better services, quality of life and value for money.

## Equality duty

- 14 None.

## Financial implications

- 15 There are no specific financial implications associated with the recommendations.

## **Legal implications**

16 There are no legal implications associated with the recommendations.

## **Risk management**

17 If internal audit recommendations are not implemented, the council will be exposed to the risks set out in the relevant detailed internal audit reports. Internal audit recommendations are raised as a result of control gaps or deficiencies identified during reviews therefore overdue items inherently impact upon compliance and governance.

## **Consultees**

18 None.

## **Appendices**

Appendix 1 – Overdue recommendations.

## **Background papers**

None identified.