GOVERNANCE AND AUDIT COMMITTEE - 18TH APRIL 2023

SUBJECT: **UPDATE ON INTERNAL AUDIT REPORT RECOMMENDATIONS**

REPORT BY: **ACTING INTERNAL AUDIT MANAGER**

1.   PURPOSE OF REPORT

1.1   To provide members of the Governance and Audit Committee with an update on progress on Internal Audit Report recommendations.

2.   SUMMARY

2.1   The Governance and Audit Committee has requested that regular reports are prepared to provide information on progress against Internal Audit recommendations.

2.2   This report provides an update on the number of recommendations arising from Internal Audits and their current status.

3.   RECOMMENDATIONS

3.1   Members note the information contained in this report.

4.   REASONS FOR THE RECOMMENDATIONS

4.1   To ensure that the Governance and Audit Committee is aware of the number of Internal Audit recommendations and associated risk ratings.

4.2   To ensure that the Governance and Audit Committee is aware of progress made in implementing recommendations by service areas / locations in receipt of Internal Audit reports, to ensure that reported risks are being addressed appropriately and within adequate timeframes.

5.   THE REPORT

5.1.   The Institute of Internal Auditors (IIA) has published guidance that states that the follow up and tracking of agreed recommendations by management is important as it

ensures that management have implemented the agreed actions, and this has addressed the risks identified.

5.2   Management are responsible for addressing the risks highlighted in Internal Audit reports and implementing control processes to reduce or eliminate the risks identified. Recommendations that are not addressed may expose the authority to unnecessary risks. Therefore, it is key to ensure that high risk findings are adequately dealt with and mitigated or eliminated by appropriate management actions.

5.3   The Pentana MK IT system in use by the Internal Audit Team has the facility to risk rate all recommendations and to track these so that once a recommendation has been agreed and a planned implementation date set, the risk owner or service manager can be reminded to provide updates on progress that is being made to implement the agreed actions.

5.4   This information is then available to provide information to Directors and Heads of Service and ultimately the Governance and Audit Committee, who would then be able to assess if adequate progress is being made to manage risks and implement agreed actions or make further enquiries as necessary.

5.5   The system also allows recommendations to be attributed to "themes" such as GDPR (General Data Protection Regulation), governance or internal control where appropriate, and this can then also enable review of recommendations across different service areas and operations. Large numbers of high risk recommendations in relation to a common risk aspect across different audits would alert Internal Audit to potential areas of concern.

5.6   The system also enables the Internal Audit Team to risk rate recommendations in line with internal guidance procedures. As auditors create findings, they also detail the actions that are recommended that would mitigate or remove the risks identified.

5.7   Each audit goes through a process where the testing is undertaken, a draft report is issued and then the final report, all findings and recommendations are agreed.

5.8   As of 31st h March 2023 there were 1635 recommendations that had been raised within the MK system since the date of implementation (2019).

5.9   **Table showing the status and number of recommendations**

Recommendation Status	Number
Recommendation completed	601
Recommendation in progress	222
Recommendation issued – not yet agreed	87
Draft report not issued	532
No action proposed	115
Archived	77
No response received	1
Total	**1635**

5.10 **Internal Audit recommendations by risk rating and Directorate**

Directorate	High	Medium	Merits Attention	No longer applicable	For information only	Total
Social Services and Housing	10	59	64	10	0	**143**
Communities	3	59	51	1	0	**114**
Education and Corporate Services	289	546	477	64	2	**1378**
Total	**302**	**664**	**592**	**75**	**2**	**1635**

5.11 Recommendations are created, and once they are agreed with service managers, they are allocated to a responsible officer and a due date for completion of the agreed actions is agreed with the service manager and recorded in the system. The system records the status of each recommendation from the initial creation through to completion by the service manager or responsible officer. Occasionally recommendations may be archived if the issue is no longer in existence due to changes in procedures or policy etc. so these are marked as no longer applicable. Also service managers and risk owners may consider that adequate mitigation is achieved by alternative procedures, or they may wish to tolerate the risk and in those cases no action will be proposed.

5.12 It should be borne in mind that the due date is a future date although there is an expectation that the higher the risk identified the more urgent the mitigating actions are required to be implemented, so a shorter due date would be expected and therefore high risk findings should be seen to show good progress towards completion.

5.13 **Audit recommendation status and risk ratings**

The table below shows the status of the recommendations created and their risk ratings:-

Status	High	Medium	Merits attention	For information	No longer applicable	Total
Recommendation completed	62	77	189	0	0	**601**
Recommendation in progress	39	77	106	0	0	**222**
Recommendations issued – not yet agreed	8	42	37	0	0	**87**
Draft report not issued	180	114	238	0	0	**532**
No action proposed	7	52	6	0	50	**115**
Archived	6	31	15	0	25	**77**
No response received	0	0	1	0	0	**1**
Total	**302**	**664**	**592**	**2**	**75**	**1635**

5.14   Progress in completing agreed recommendations is monitored by the Internal Audit Team on a monthly basis and overdue recommendations are identified and followed up with reminders being issued.

5.15   There are currently 152 overdue recommendations (37 high risk, 62 medium risk and 53 that merit attention). This represents 9.3% of all recommendations recorded on the Pentana MK system. Further reminders will be issued to ensure that these overdue recommendations are being addressed.

5.16   **Conclusion**

The report informs the Governance and Audit Committee of the number of Internal Audit recommendations issued and progress towards completion.

6.   ASSUMPTIONS

6.1   There are no assumptions in this report.

7.   SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1   An Integrated Impact Assessment is not required as the content of this report does not require a change of policy or strategy.

8.   FINANCIAL IMPLICATIONS

8.1   There are no direct financial implications arising from this report.

9.   PERSONNEL IMPLICATIONS

9.1   There are no personnel implications arising from this report

10.   CONSULTATIONS

10.1   Any comments received from consultees have been included within the report.

11.   STATUTORY POWER

11.1   Local Government and Elections Act 2021

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