



GOVERNANCE AND AUDIT COMMITTEE – 20TH APRIL 2021

**SUBJECT: UPDATE ON TRACKING OF AGREED 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 the implementation of the audit report recommendation tracker, and to provide data on findings identified by audit work.

2. SUMMARY

- 2.1 The ISA 260 report in 2018 stated that the Audit Committee does not have oversight of the recommendations made by Internal Audit. The report recommended that a tracking document should therefore be produced which shows the progress of the Internal Audit recommendations.
- 2.2 Following that an exercise took place to procure an Audit Management system and Pentana MK was subsequently purchased. This system allows reporting and tracking of agreed recommendations arising from audits. This report provides an update on the implementation of this system.

3. RECOMMENDATIONS

- 3.1 Members note the implementation of the Pentana MK system and the reporting of progress on agreed recommendations that this will facilitate.
- 3.2 Members consider the frequency of reporting of recommendations and the tracking of progress to the Governance and Audit Committee.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that the Governance and Audit Committee is aware of the progress on this matter and is informed of the number of findings identified.

5. THE REPORT

- 5.1 There was an outstanding recommendation from a prior ISA 260 report which had recommended that a tracking document should be introduced which showed the progress of recommendations arising from Internal Audit reports.
- 5.2 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.
- 5.3 Previously Internal Audit relied on a manual system of following up Audit Reports by the overall audit opinion rather than at a more granular level of the individual findings and their risk ratings.
- 5.4 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.
- 5.5 The Pentana MK system was procured in 2019 and it was introduced later in that year. The intention was to perform all new audits using the system, and the expectation at that time was that audits would be concluded, and recommendations would be generated and trackable all within the system before the end of the 2020/21 financial year.
- 5.6 The version of Pentana MK in use has the facility to assign recommendations to Officers and link to their emails so that once a recommendation has been agreed and a planned implementation date set, the system is able to generate reports to management on recommendations raised, due and overdue. Such reports would then be able to provide information to the Governance and Audit Committee who would then be able to assess progress or make further enquiries as necessary.
- 5.7 The system is also able to generate automatic reminders to officers that the deadline for agreed recommendations is approaching and also to advise them if the deadline has passed. The intention being that they will be able to either advise Internal Audit that the agreed actions have been implemented, that they are in hand or that they may need to change the due date. This system also has the capability for the managers to log into the recommendation tracker for their own reports via an online portal and update any actions taken and also attach files or other supporting information. However, some network related IT issues have delayed the roll out of this portal, so it is currently being managed manually by audit staff. The intention is to activate the user's portal as soon as the IT issues have been resolved. Some training and guidance is anticipated to be required to support the rollout of this portal.
- 5.8 As members are aware the COVID-19 pandemic affected audit work such that audits were temporarily suspended, and not recommenced until the second half of 2020/21. Time has been prioritised on completing those audits that were unfinished when audits were suspended.
- 5.9 Work has been continuing and as at 8th April 2021 there were 255 findings that had been raised within the MK system since the date of implementation within the tracker module. The system identifies and risk rates findings, these are linked at the

agreement stage of the draft report to agreed recommendations. Accordingly, it is possible that risk ratings may change during the draft report discussion process if additional information is provided to the auditors.

5.10 The chart below shows the current findings by risk rating, using the criteria previously agreed by the committee.

Audit findings by risk rating

This chart below shows the total number of recommendations classified by risk rating

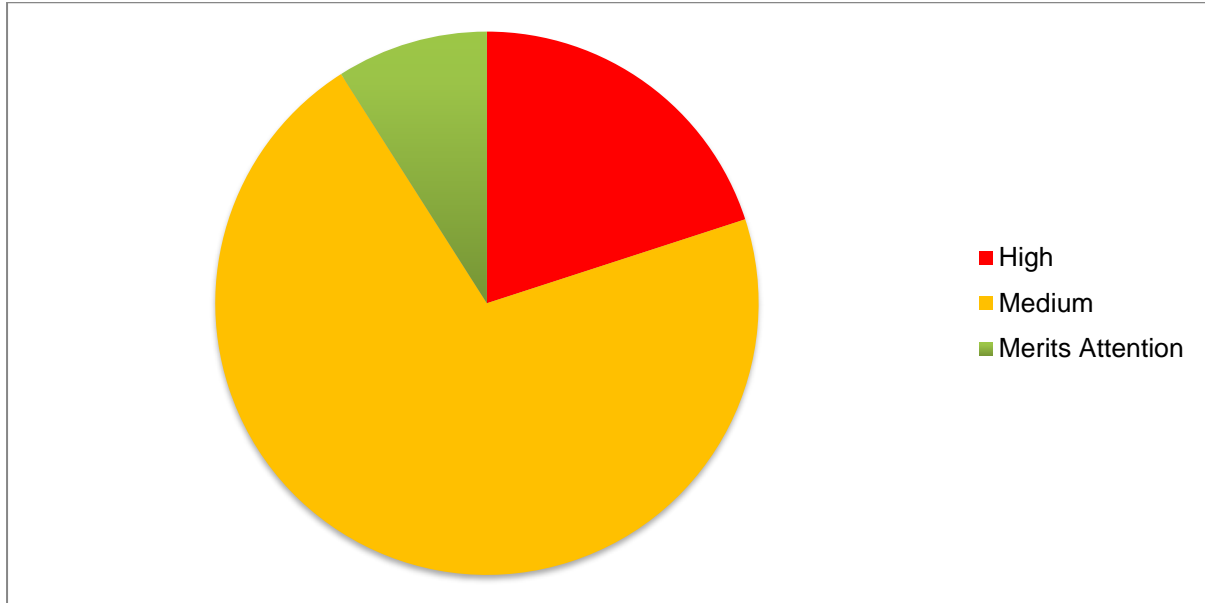


Table showing number of recommendations classified by risk ratings

Risk Rating	Total
High	51 (20%)
Medium	181 (71%)
Merits Attention	23 (9%)
Total	255

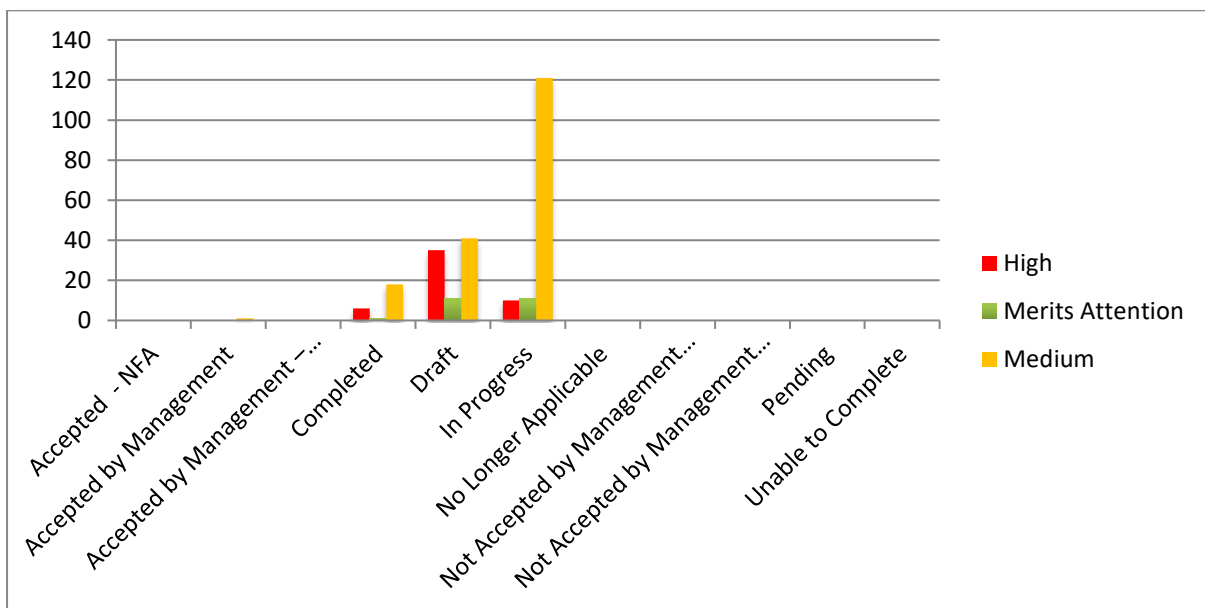
5.11 It can be seen that the significant majority of all findings are considered to be medium risk.

5.12 The stage of completion of these can also be reported in the following matrix and it can be seen that the majority of these are identified as either draft which means that the draft report has not yet been agreed or in progress which means that the recommendation has not yet reached its due date. However, it is expected that as time goes on this pattern will change as more recommendations are issued, agreed, and subsequently implemented.

Recommendation Matrix: Risk Rating & Status

Status	High	Medium	Merits Attention	Total
Accepted by Management	0	1	0	1
Completed	6	18	1	25
Draft	35	41	11	87
In Progress	10	121	11	142
Total	51	181	23	255

5.13 It can also be displayed in the following chart which shows the relative proportions of each.



5.14 It will be the intention of the Internal Audit Section to provide this detail to the Governance and Audit Committee on a regular basis, at a frequency that can be agreed but it is suggested that this is at least twice a year.

5.15 The Pentana MK system also allows further management information to be extracted and it is anticipated that it will be possible in future to inform the Governance and Audit Committee on details such as overdue actions and this will be developed in due course as familiarity with the reporting functionality develops.

Conclusion

5.16 The report informs the Governance and Audit Committee on the progress of the implementation of the recommendation tracker and the increased detail of reporting that will now be possible.

5.17 It is also considered that this recommendation of the ISA 260 report is now completed.

6. ASSUMPTIONS

6.1 There are no assumptions in this report.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1 The Council will be unable to deliver its Well-being objectives in the absence of effective corporate governance arrangements.

7.2 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met, in that a prosperous Wales and a resilient Wales requires an effective Internal Audit service to protect public funds.

7.3 There are no other equalities implications arising from this report in relation to other equalities issues.

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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