



## **GOVERNANCE AND AUDIT COMMITTEE - 16<sup>TH</sup> MARCH 2022**

**SUBJECT: UPDATE ON TRACKING OF AGREED AUDIT REPORT  
RECOMMENDATIONS**

**REPORT BY: ACTING INTERNAL AUDIT MANAGER**

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### **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 and implementation of agreed recommendations.

### **2. SUMMARY**

- 2.1 It was previously agreed that the Governance and Audit Committee would receive updates on audit findings and recommendations arising out of Internal Audit reports in terms of numbers and risk ratings. This information not only informs the committee on the number of findings and the proportion of the various risk rated findings it also supports and informs the detail of the year end Internal Audit opinion
- 2.2 It was further agreed that the progress on implementing agreed recommendations would also be reported as this informs the committee on how risks are being addressed by the individual service managers and the actions taken to mitigate them and the timeframes. This report provides an update on the position to date.

### **3. RECOMMENDATIONS**

- 3.1 Members note the information in relation to audit findings and the associated risk ratings arising and the progress that is being made in relation to implementing the actions required to address or mitigate those risks.

### **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 and progress in addressing them that is being made by Heads of Service and Managers.

## 5. THE REPORT

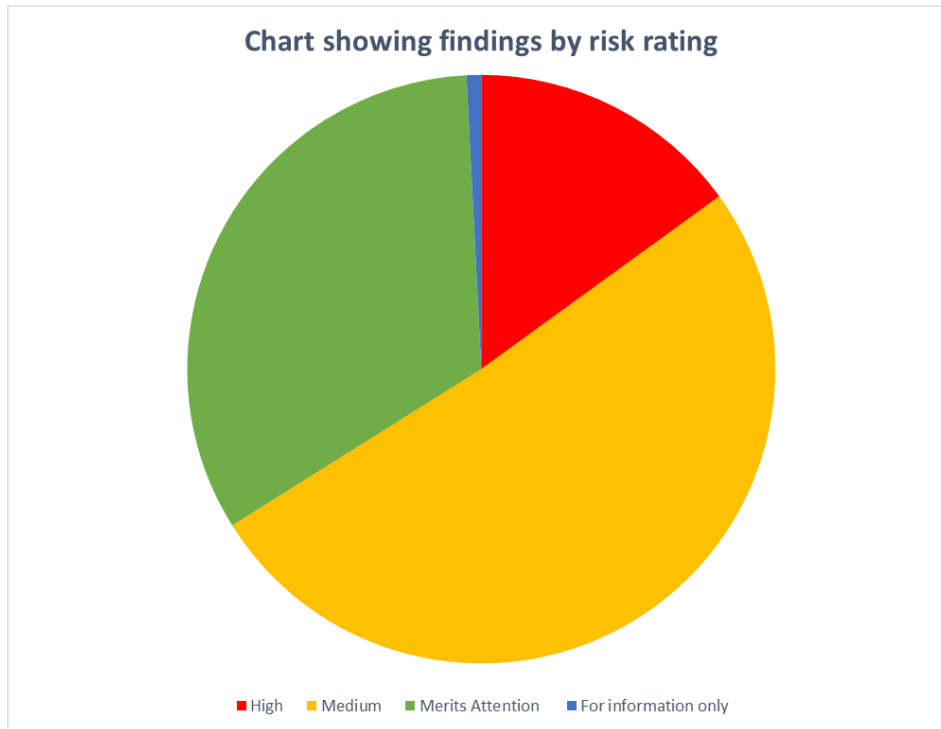
- 5.1 The Institute of Internal Auditors (IIA) has published guidance that states that the follow up and tracking of agreed recommendations by management is important as it ensures that management have implemented the agreed actions, and this has addressed the risks identified.
- 5.2 Management are responsible for addressing the risks highlighted in Internal Audit reports (or Findings) and implementing control processes (Recommendations) to reduce or eliminate the risks identified. Recommendations that are not addressed may expose the authority to unnecessary risks.
- 5.3 A report to Audit Committee on the 16<sup>th</sup> October 2018 recommended that all audit findings included in an Internal Audit report be assessed as High (H) Medium (M) or Merits Attention (MA) within a set of guidance parameters. ( **APPENDIX 1**) The number and risk rating of the findings would also be used to inform the overall opinion of the audit report and provide guidance to Managers of the expected timescales for the implementation of the agreed actions or recommendations with high risk issues being subject to a shorter timescale.
- 5.4 Therefore, in order to appropriately inform the Governance and Audit Committee it is key to ensure that the numbers and risk ratings of findings are reported, and that management are making adequate progress in mitigating or eliminating the risks with appropriate management actions within acceptable timescales.
- 5.5 The Audit Committee agreed in 2019 that where adequate progress was not made in relation to these agreed actions that managers could be invited to the Committee if necessary.
- 5.6 The Pentana MK system allows all findings and recommendations generated by audits to be held within its database. The system also allows these to be assigned to officers or managers within the service or establishment audited, with a forecast implementation date and these details are trackable within the system.
- 5.7 Work has been continuing and as of 25<sup>th</sup> February there were a total of 746 findings (April 2021 - 255 findings) that had been raised within the tracker module of the MK system, since the date of implementation.
- 5.8 The table and chart below shows the current findings by risk rating, using the criteria previously agreed by the Committee.

**Table showing number of recommendations classified by risk ratings**

<b>Risk Rating</b>	<b>Total</b>
High	112 (15%)
Medium	381 (51%)
Merits Attention	247 (33%)
For information only (no recommendation)	6 (1%)
<b>Total</b>	<b>746</b>

## Audit findings by risk rating

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

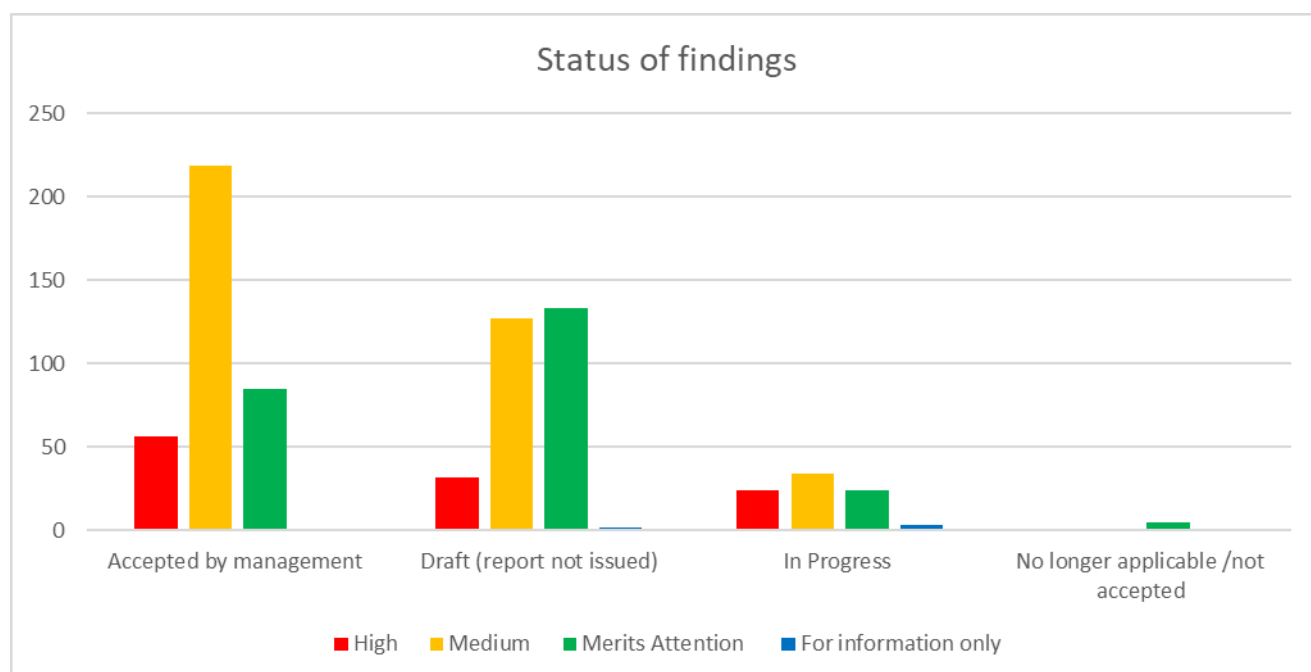


5.9 Findings once created, are held as “draft” until the report is issued. Once the report is issued, they change to “in progress”. During the clearance process, they are discussed with management and become “accepted by management”. In a few cases the findings may not be accepted or become not applicable if there is a change in processes. The completion stage of these can be reported in the following matrix:

### Findings Matrix: Risk Rating & Status

Status	High	Medium	Merits Attention	For information only	Total
Accepted by Management	56	219	85	1	361(48%)
Draft (report not issued)	32	127	133	2	294 (40%)
In Progress	24	34	24	3	85 (11%)
No longer applicable/not accepted		1	5		6 (1%)
	<b>112</b>	<b>381</b>	<b>247</b>	<b>6</b>	<b>746</b>

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



- 5.10 As explained, each finding is discussed with the service manager and where actions are necessary to mitigate the risk identified, these are agreed, and a due date recorded. The system has a facility to interrogate the data held and identify where the due dates for the implementation of agreed actions is approaching or if the deadline has passed. The intention being that Internal Audit will be able to monitor these and request updates where necessary and service managers will be able to either advise Internal Audit that the agreed actions have been implemented, that they are in hand, that they may need to change the due date or that they are overdue. It will also be possible in future to develop this reporting and inform the Audit and Governance Committee on details of specific overdue actions if requested.
- 5.11 The MK system also allows further management information to be extracted such as recommendations raised / completed audits performed in the various Directorates and Service areas.
- 5.12 Work has been continuing and as of 25<sup>th</sup> February 784 recommendations had been generated within the tracker module of the MK system since the date of implementation.
- 5.13 The attached chart shows the current status with reference to the expected implementation of the agreed actions. “Completed” status means that the agreed actions have been implemented, “In progress” means that the due date has not yet been reached and “Draft” means that the report has not yet been issued to the Service manager. In some cases the recommendations are not accepted due to alternative actions being implemented or changes in the procedures within the service area changing which render the recommendations no longer applicable.

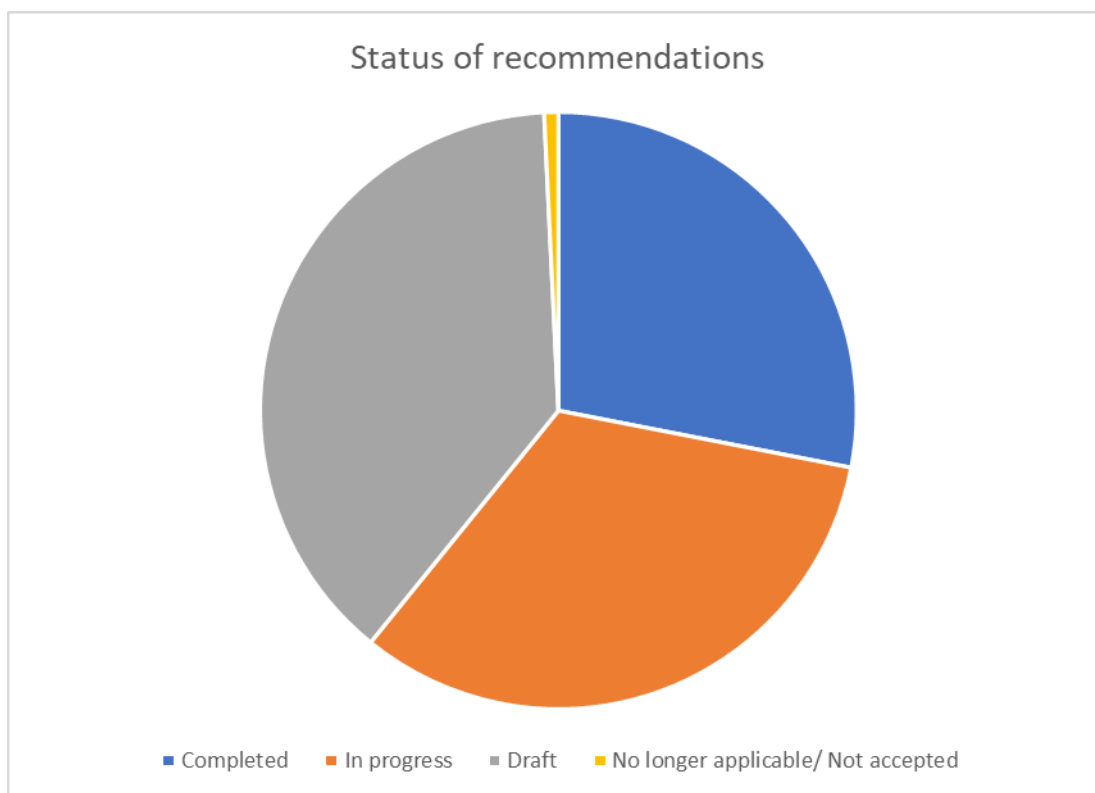
**Table showing Audit recommendation status**

<b>Recommendation status</b>	<b>Number</b>
Completed	220 (28%)
In progress	257 (33%)
Draft (audit report not issued)	301 (38%)
No longer applicable/ not accepted	6 (1%)
	784

This can also be shown in the chart below

### **Status of Recommendations**

This chart below shows the total number of recommendations classified by status



5.14 It is also possible to report on the proportion of agreed recommendations that are actioned on or before the agreed date and those that are overdue. For those that are overdue the length of time can also be reported. It should be noted that allowances have been given for agreed dates due to COVID and where services were impacted as a result. The 7 overdue recommendations relate to schools and are not considered to be indicative of serious risk. These are in the process of being followed up.

The proportion of completed recommendations can be shown in the table below

<b>Total completed recommendations</b>	<b>Within agreed dates</b>	<b>Over 30 days overdue</b>	<b>Over 60 days overdue</b>
220	213	5	2

## 5.15 CONCLUSION

The report informs the Governance and Audit Committee on the status of audit findings and progress of implementation of recommendations. This information supports the Committee in their determination of assurance forming an essential part of the governance framework, and the Committee is asked to note this report.

## 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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Consultees: R Edmunds Corporate Director for Education and Corporate Services  
S Harris Head of Corporate Finance and Section 151 Officer