SUBJECT:	**IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS – 2016/17**
DIRECTORATE:	**Chief Executive**
MEETING:	**Audit Committee**
DATE:	**24 May 2018**
DIVISION/WARDS AFFECTED: All	

1. PURPOSE

To receive and consider the progress operational managers have made against implementing Internal Audit recommendations made in reports issued during 2016/17.

2. RECOMMENDATION(S)

That the Audit Committee consider this report, identify any concerns of non-implementation of audit recommendations and where appropriate consider calling-in any managers for further explanation as to why the implementation of actions has not been as productive as expected. Overall, non-implementation of audit recommendations has not led to a significant risk to the Council.

3. KEY ISSUES

3.1 The Chief Internal Auditor has to give an overall opinion on the adequacy of the internal control environment operated within the systems and establishments of Monmouthshire County Council. This is based on the opinions given on individual audit jobs undertaken as per the agreed annual audit plan.

3.2 Each audit opinion is based on the strengths and weaknesses identified during the course of each audit; definitions of which are shown at Appendix A. Where weaknesses in control have been identified an audit recommendation is made in order to improve the internal control environment which should lead to an overall improvement of service provision or the financial stewardship of the area audited.

3.3 Generally operational management agree with the audit recommendations made and agree to implement the action required to make the improvements. In 2015/16 97% of audit recommendations were agreed by operational managers. In 2016/17 96% were agreed.

3.4 In order to verify that improvements have been made in the financial stewardship within service areas that have been audited, the Internal Audit team has to check that the agreed actions have actually been implemented by service / operational managers. The Team therefore undertake follow up audit reviews to ensure this is done within 6 to 12 months after the final audit report has been issued.

3.5 In 2017/18 all 2016/17 audit reports which were finalised were followed up.

3.6 Due to limited resources within the Internal Audit Team not all audit recommendations could be physically followed up. Although some audits were followed up by the Internal Audit team and evidence tested to ensure that agreed actions had been implemented, for the majority there was significant reliance on the operational managers' honesty in providing an update on the progress of the implementation of agreed actions back to the Internal Audit Team.

3.7 For the audits relating to this period there were 25 audit jobs which included 127 audit recommendations. 87 (69%) audit recommendations had been implemented, 25 (20%) had not been implemented, with 8 (7%) partially implemented or were ongoing. 6 (5%) of the agreed audit recommendations were considered no longer relevant. This is shown at Appendix B.

3.8 The 25 individual audit jobs are shown at Appendix C which identifies the number of implemented audit recommendations along with the status of those that weren't.

3.9 Appendix D shows the recommendations implemented per categorisation. Where the Audit team identify a weakness, the significance of it is categorised by a rating. Previously these were rated as 1 (most significant), 2, 3 or 4 weaknesses; more recently these are rated as significant (red), moderate (amber) or minor (yellow) and are colour coded within reports. There were no 1 rated weaknesses identified in the 2016/17 reports; although not all of the agreed recommendations had been implemented this did not result in a significant risk to the Council.

3.10 Within the 2016/17 audit reports, there were a mix of weakness due to the timing of finalising reports. 12 significant weaknesses were identified; 58% (7) of which had been addressed by implementing the appropriate action. This left 25% (3) significant weaknesses not addressed.

3.11   As a summary, Appendix E shows the status of audit recommendations per directorate.

4.   REASONS

4.1   Part of Internal Audit's responsibility is to provide assurances to senior management that there are sound processes in place across all service areas to ensure effective, efficient and economic use of public money and to safeguard the assets of the Council. Audit reviews are undertaken to check what controls are actually in place to ensure this against what are expected to be in place.

4.2   The Internal Audit Team's work helps to ensure appropriate internal controls, governance arrangements and risk management processes are in place.

4.3   Where weaknesses in process or procedure are identified an audit recommendation is made in order to improve the situation.

4.4   Although the implementation of agreed actions to address weaknesses identified during the audit review will improve financial management, service provision and governance arrangements, the fact that not all of the recommendations made have been implemented does not represent a significant risk to the Council.

5.   RESOURCE IMPLICATIONS

None.

6.   CONSULTEES

Head of Finance

7.   BACKGROUND PAPERS

Annual Outturn 2015/16 & 2016/17
Public Sector Internal Auditing Standards
Internal Audit Management Information System

8.   AUTHOR AND CONTACT DETAILS

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Definitions of Internal Audit Opinions Used

LEVEL OF ASSURANCE	DESCRIPTION
SUBSTANTIAL	Very well controlled, with numerous strengths identified and any risks being less significant in nature.
CONSIDERABLE	Generally well controlled, although some risks identified which should be addressed.
REASONABLE	Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.
LIMITED	Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.

The tables below summarise the ratings used during the review

RATING	RISK DESCRIPTION	IMPACT	TOTAL IDENTIFIED DURING REVIEW
1	Significant	(Significant) – Major / unacceptable risk identified. Risk exist which could impact on the key business objectives. Immediate action required to address risks.	
2	Moderate	(Important) – Risk identified that requires attention. Risk identified which are not business critical but which require management as soon as possible.	
3.	Minor	(Minimal) - Low risk partially mitigated but should still be addressed Audit comments highlight a suggestion or idea that management may want to consider.	
4.	Strength	(No risk) – Good operational practices confirmed. Well controlled processes delivering a sound internal control framework.	

Previous opinion definitions:

Opinion	Description
Very Good	Very well controlled with minimal risk identified; a few minor recommendations
Good	Well controlled although some risk identified which needs addressing
Reasonable	Adequately controlled although some risks identified which may compromise the overall control environment
Unsatisfactory	Not very well controlled, unacceptable levels of risk identified; changes required urgently
Unsound	Poorly controlled, major risk exists; fundamental improvements are required with immediate effect

Recommendations by Status 2016/17

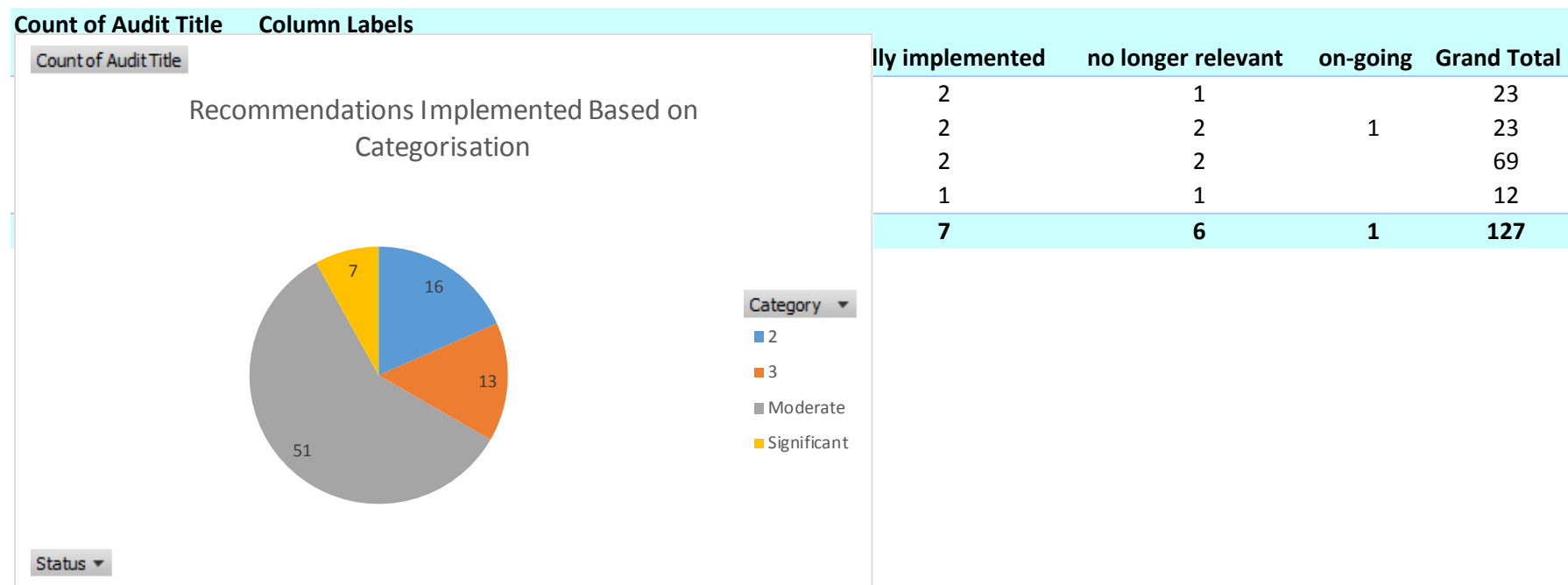| Row Labels	Count of Audit Title	
Implemented	87	69%
Not implemented	25	20%
Ongoing	1	1%
partially implemented	7	6%
no longer relevant	6	5%
on-going	1	1%
Grand Total	**127**	

Count of Audit Title

Total
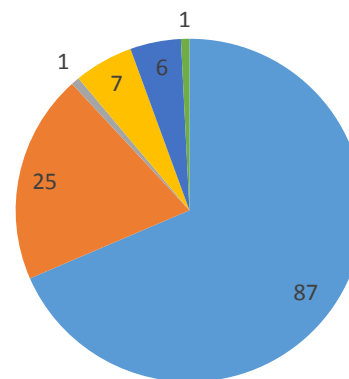
Status

- Implemented
- Not implemented
- Ongoing
- partially implemented
- no longer relevant
- on-going

Recommendation Status per Report

Count of Audit Title	Column Labels						
Row Labels	Implemented	Not implemented	Ongoing	partially implemented	no longer relevant	on-going	Grand Total
Agresso Systems Admin		1					1
Benefits	2	1					3
Building Control	3						3
Caldicot Comprehensive School	2			1	1		4
Cantref Primary School	6						6
Car Park Income	3	5			2		10
Castle Park Primary School	2						2
Dewstow Primary	1						1
Fostering (Internal)	4						4
Grounds Maintainence		1					1
King Henry VIII	4	3					7
Llandogo Primary (Follow-up)	5	2		3		1	11
Outdoor Education	5	4			2		11
Rogiet Primiary	3						3
Sundry Debtors	1						1
Treasury Management		1					1
Usk Primary - Follow up	2						2
Bank Reconcilation	1	1					2
Refuse - Garden Waste	11						11
Leased Vehicles	7	2					9
Llantillo Petholey	5	2					7
Pupil Referral Service	7						7
County Farms	2		1	2	1		6
Mardy Park	7	1		1			9
Community Meals	4	1					5
Grand Total	**87**	**25**	**1**	**7**	**6**	**1**	**127**

Recommendations Status by Categorisation

Count of Audit Title	Column Labels			
Count of Audit Title	...lly implemented	no longer relevant	on-going	Grand Total
	2	1		23
	2	2	1	23
	2	2		69
	1	1		12
	7	**6**	**1**	**127**

Recommendations Implemented Based on Categorisation

Recommendation Status by Directorate

Count of Audit Title	Column Labels						
Row Labels	Implemented	Not implemented	Ongoing	partially implemented	no longer relevant	on-going	Grand Total
				4	2	1	55
							8
					1		6
			1	2	3		40
				1			18
			1	**7**	**6**	**1**	**127**

Count of Audit Title

Implemented

Business Unit
- Children & Young People
- Finance
- Leisure
- Operations
- Social Care & Health

Status