

SUBJECT:	INTERNAL AUDIT Implementation of Agreed Internal Audit Recommendations 2021/22
DIRECTORATE:	Resources
MEETING:	Governance & Audit Committee
DATE:	30th March 2023
DIVISION/WARDS AFFECTED:	All

1. PURPOSE

To receive and consider the progress operational managers have made against implementing Internal Audit Recommendations made in final reports issued in relation to the 2021/22 Internal Audit Plan. Reported previously to the former Audit Committee in November 2021. Implementation of Internal Audit recommendations strengthens good governance.

2. RECOMMENDATION(S)

That the Governance & Audit Committee consider this report, identify any concerns of non-implementation of audit recommendations and where appropriate consider requesting further explanations from operational managers as to why the implementation of actions has not been as productive as expected.

3. KEY ISSUES

- 3.1 The Public Sector Internal Audit Standards (PSIAS) came into force in April 2013 (updated March 2017) which the Internal Audit team needs to demonstrate it is compliant with; these replaced the former Code of Practice for Internal Audit within Local Government.
- 3.2 A requirement of the PSIAS is that 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.

- 3.3 Each audit opinion is based on the strengths and weaknesses identified during the course of each audit; definitions of which are shown at Appendix 2. 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. The recommendation is categorised as a level of risk.
- 3.4 Generally operational management agree with the audit recommendations made and agree to implement the action required to make the improvements; for reports finalised in 2021/22 98% of Internal Audit recommendations were agreed by operational managers.
- 3.5 Another requirement of the PSIAS is for the Chief Internal Auditor to verify that agreed IA recommendations have been implemented by operational managers. This is to verify that improvements have been made in the financial stewardship within services which have been audited. 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.
- 3.6 Where a Limited Assurance opinion has been given a full follow up audit is undertaken and these are reported into Governance an Audit Committee separately. This report provides data on recommendations made in audit reports all audit opinions.
- 3.7 Due to limited resources within the Internal Audit Team not all audit recommendations can be physically followed up, so this was previously undertaken on a sample basis. 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.
- 3.8 This review has only taken account of audit reports started in 2021/22 and finalised in either 2021/22 or 2022/23. Recommendations made in previous years which had not been implemented have not been included within this report due to limited resources within the team.
- 3.9 As at 31-3-21, 114 recommendations were due to be implemented (includes recommendations made within Limited Assurance opinion audits); 7 were no longer relevant as the programme had ceased, leaving 107 recommendations to be implemented.
- 3.10 In summary:

Measure	Performance
Number of recommendations accepted by managers	98%
Recommendations Implemented	60%
Recommendations Partially Implemented	16%
Intention to Implement by 31-3-23	7%
Intention to Implement post 31-3-23	17%

- 3.11 The percentage of audit recommendations implemented or partially implemented was 76%.
- 3.12 The details of the recommendations made per audit job in 2021/22 are shown at Appendix 1 where the majority of opinions issued were favourable and supportive of positive assurance. The 2 Limited opinions have subsequently received a follow up audit which have resulted in a more positive audit opinion as the recommendations stated as significant have been implemented.
- 3.13 Previously the Internal Audit Team undertook a more in depth review of the implementation of recommendations on a sample basis by doing a mini follow up review. The implementation status of previous Internal Audit recommendations is shown below.

Status	2018/19		2019/20		2020/21	
	Number	%	Number	%	Number	%
Implemented	183	56	94	45	38	36
Partially Implemented	50	15	43	20	20	19
Not implemented	67	21	49	23	39	36
Ongoing	0	0	2	1	5	5
No Longer Relevant	16	6	14	7	4	4
Risk Accepted	8	2	8	4	1	1
Total	324		210		107	

- 3.14 The combined percentage of recommendations implemented and partially implemented for 2020/21 amounts to 55%. This shows that there has been an improvement during 2021/22, although not all recommendations agreed have been implemented by operational managers.

- 3.15 This data on the implementation of Internal Audit recommendations has been reported into SLT along with the details of the individual audit reports in which the recommendations were made.
- 3.16 The definitions of the audit opinions and with the risk rating of the weakness identified currently used by the Internal Audit team are shown at Appendix 2.

4. REASONS

- 4.1 Part of Internal Audit's responsibility is to provide assurances to senior management and the Governance & Audit Committee 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 financial stewardship of public money or governance arrangements to enable the Council to better meet its objectives and service delivery.

5. RESOURCE IMPLICATIONS

None.

6 CONSULTEES

Deputy Chief Executive

Results of Consultation:

N/A

7. BACKGROUND PAPERS

Internal Audit Management Information 2021/22 & 2022/23

10. AUTHORS AND CONTACT DETAILS

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APPENDIX 1

Internal Audit Services - Management Information for 2021-22 & 2022-23													
Job number	Directorate	Service	Job Name	Risk Rating / Priority	Date of issue of FINAL report	Opinion given	No' of Recs made by Auditor	No' of Recs accepted by Client	No' of Recs implemented at 31-12-22	No' of Recs Partially implemented at 31-12-22	No' of Recs not implemented at 31-12-22 but assurance provided that they will be implemented by 31-3-23	No' of Recs not implemented at 31-12-22	no longer relevant
P2122/23	Corporate	Cross Cutting	Compliance with the Bribery Act	Medium	24/03/22	Reasonable	4.0	4.0	1	3	0	0	
P2122/25	Corporate	Cross Cutting	National Fraud Initiative	High	24/09/21	Considerable	2.0	2.0	2	0	0	0	
P2122/30	Enterprise	Enterprise & Community Animation	Rural Programmes	Medium	07/04/22	Reasonable	7.0	7.0	1	0	0	0	6
P2122/33	Enterprise	Neighbourhood Services	Stores	Medium	31/03/22	Considerable	4.0	4.0	1	1	1	1	
P2122/35	Enterprise	Placemaking, Housing, Highways & Flood	Civil Enforcement	Medium	22/12/21	Considerable	11.0	11.0	6	0	1	4	
P2122/36	Enterprise	Placemaking, Housing, Highways & Flood	Local Development Plan	Medium	03/12/21	Substantial	1.0	1.0	1	0	0	0	
P2122/45	Mon Life	Mon Life	Shire Hall Follow-up	Medium	31/03/22	Considerable	4.0	4.0	3	0	1	0	
P2122/50	Resources	Commercial, Property, Facilities & Fleet	Fleet - Health & Safety and Driver Management	Medium	14/12/21	Limited	7.0	7.0	5	1	1	0	
P2122/57	Resources	Finance	Benefits	High	24/11/21	Substantial	2.0	2.0	2	0	0	0	
P2122/59	Resources	Finance	Control, Suspense & Holding Accounts	Medium	14/01/22	Substantial	1	1	1	0	0	0	
P2122/80	Resources	Commercial, Property, Facilities & Fleet	Investments	High	11/02/22	Reasonable	6.0	6.0	4	0	0	2	
P2122/81	Enterprise	Enterprise & Community Animation	Disabled Facilities Grants	Medium	25/08/21	Reasonable	11.0	11.0	5	2	3	1	
							60.0	60.0	32.0	7.0	7.0	8.0	6.0
Finalisation work from 2021/22 undertaken in 2022/23													
Job number	Directorate	Service	Job Name	Risk Rating / Priority	Date of issue of FINAL report	Opinion given	No' of Recs made by Auditor	No' of Recs accepted by Client	No' of Recs implemented at 31-12-22	No' of Recs Partially implemented at 31-12-22	No' of Recs not implemented at 31-12-22 but assurance provided that they will be implemented by 31-3-23	No' of Recs not implemented at 31-12-22	no longer relevant
F2223-01	Resources	Finance	Budgetary Control (Revenue)	High	19/05/22	Substantial	3	2	1	0	1	0	
F2223-02	Resources	Finance	Fixed Assets	Medium	19/05/22	Substantial	1	1	0	0	0	1	
F2223-03	Resources	Finance	Replacement BACS	High	19/05/22	Considerable	3	3	1	1	0	1	
F2223-04	Children & Young People	Achievement & Extended Services	Early Years		18/05/22	Considerable	7	7	7	0	0	0	
F2223-05	Social Care & Health	Integrated Services	Direct Payment - Follow Up	Medium	17/06/22	Reasonable	11	11	4	4	0	3	
F2223-06	Social Care & Health	Integrated Services	Internal Domiciliary Care	Medium	23/06/22	Reasonable	9	8	4	3	0	1	
F2223-07	Enterprise	Strategic Projects	Concessionary Travel	Medium	27/05/22	Limited	10	10	3	2		4	1
F2223-08	Corporate	Cross Cutting	Agency Staff	High	27/09/22	Reasonable	12	12	12				
							56	54	32	10	1	10	1
			TOTAL				116.0	114.0	64.0				

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		IMPLEMENTED	PARTIAL	INTENTION TO COMPLETE BY YEAR END	INTENTION TO COMPLETE AFTER YEAR END	No longer relevant	
TOTAL	114.0	64.0	17.0	8.0	18.0	7.0	
		56%	15%	7%	16%	6%	
(Exclude no longer relevant)	107.0	64	17	8	18		107
		60%	16%	7%	17%		100%

Internal Audit Opinions

Each report contains an opinion which is an overall assessment of the control environment reviewed.

SUBSTANTIAL	<p>Substantial level of assurance.</p> <p>Very well controlled, with numerous strengths identified and any risks being less significant in nature.</p>
CONSIDERABLE	<p>Considerable level of assurance</p> <p>Generally well controlled, although some risks identified which should be addressed.</p>
REASONABLE	<p>Reasonable level of assurance.</p> <p>Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.</p>
LIMITED	<p>Limited level of assurance.</p> <p>Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.</p>

The table below summarises the finding ratings used during our audits:

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

For grant claim audits:

Unqualified opinion - the terms and conditions of the grant were generally complied with;

Qualified opinion - the terms and conditions of the grant were not fully complied with; the identified breaches of terms and conditions will be reported to the grantor and internally to relevant Head of Service/Chief Officer.