SUBJECT:	IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS – 2017/18
DIRECTORATE:	Resources
MEETING:	Audit Committee
DATE:	25th July 2019
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 2017/18.

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 2016/17 96% of audit recommendations were agreed by operational managers. In 2017/18 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 2018/19 all 2017/18 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 finalised audits relating to this period, 2017/18 there were 33 audit jobs which included 355 audit recommendations. 66% of audit recommendations had been implemented or partially implemented, 19% had not been implemented, with 5% ongoing.   5% were considered no longer relevant and for 2%, managers had accepted the risk of non implementation. A comparison of the output for 2016/17 is shown at Appendix B, but overall there was a decrease in the number audit recommendations implemented or partially implemented between the two years.

3.8   The 33 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. These were rated as significant (red), moderate (amber) or minor (yellow) and are colour coded within reports.

3.10   Within the 2017/18 audit reports, of the 79 significant weaknesses identified, only 39 (49%) were confirmed as implemented; 47% were only partially or not implemented at all. This is quite concerning from an internal control / governance point of view.

3.11   Appendix D also shows how well audit recommendations were implemented across each Business Unit within the Council.

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 financial stewardship of public money or governance arrangements to enable the Council to beter meet its objectives and servie delivery.

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

Andrew Wathan, Chief Internal Auditor
Telephone: x.4243
Email: andrewwathan@monmouthshire.gov.uk

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.	

Status of Internal Audit Recommendations

	2016/17		2017/18	
	No' of Audit Recommendations	**%**	**No' of Audit Recommendations**	**%**
Implemented	87	68	183	52
Partially implemented	7	5	50	14
Not implemented	25	20	67	19
Ongoing	2	2	19	5
No longer relevant	6	5	16	5
Risk accepted	-	-	8	2
Response not received	-	-	12	3
	127	**100**	**355**	**100**
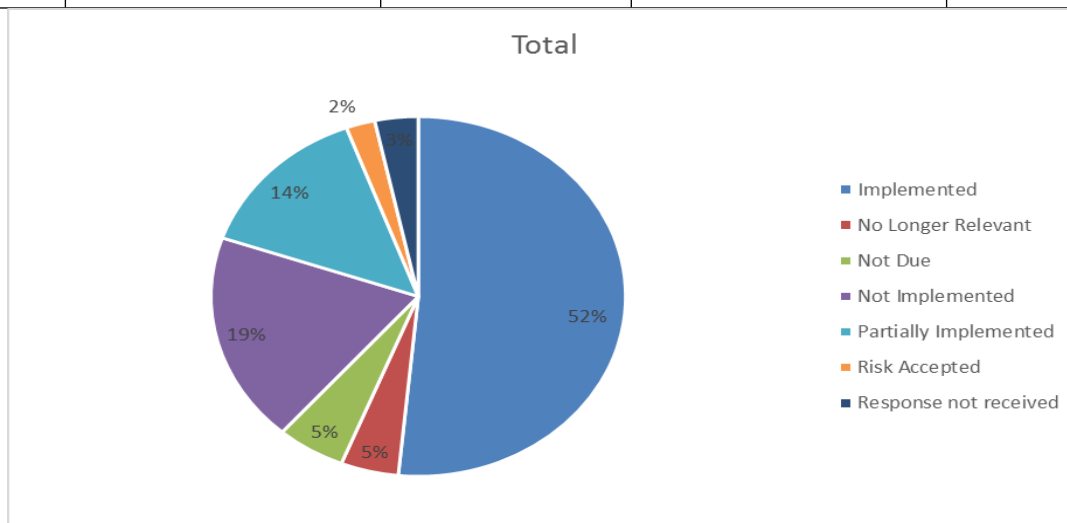
Recommendation Status per Report

Audits	Implemented	No Longer Relevant	Not Due	Not Implemented	Partially Implemented	Risk Accepted	Response not Received	Grand Total
Bribery Act	3	1	2	8	2			16
Capital Programme	3	4	3	2				12
Capital Receipts	1							1
Chepstow School	5		1	2	1			9
Community Hubs	8	2			1			11
Control, Suspense & Holding	1				1			2
Council Tax and NNDR	4			1	1	1		7
Cross Ash Primary School	6							6
Events Follow-up	6		12		4			22
Fixed assets	1							1
Homelessness	10			6			1	17
HR Policies	7			3	2			12
Insurances					1			1
Kerbcraft	12					1		13
Magor CiW School	14	2		4	5			25
Markets Follow-up	11	2		4	8			25
Mobile phones	6	1		12				19
Mounton House Special School	11			2	2			15
NFI	4							4
Osbaston Primary School	1			4				5
Pembroke Primary School	7							7
Procurement Cards Follow Up	4	2			2			8
Procurement Follow-up			1		2	1		4
Raglan	16			5	10			31
Registrars	3							3
Risk Management	5				3			8
S106	3			3	1			7
School Admissions	2							2
Special Educational Needs							12	12
Sports Development	8					2		10
SWTRA	4	1		4	1	2		12
The Dell Primary School	4			1				5
Volunteering	13	1		6	3			23
Grand Total	**183**	**16**	**19**	**67**	**50**	**8**	**12**	**355**

Recommendations Status by Categorisation Recommendations Status by Categorisation

Row Labels	Implemented	No Longer Relevant	Not Due	Not Implemented	Partially Implemented	Risk Accepted	Response not Received	Grand Total
Moderate	134	14	6	48	23	6	11	242
Significant	39	1	1	15	22		1	79
N/A	10	1	12	4	5	2		34
Grand Total	**183**	**16**	**19**	**67**	**50**	**8**	**12**	**355**

Recommendations Status by Business Unit

Business Unit	Implemented	No Longer Relevant	Not Due	Not Implemented	Partially Implemented	Risk Accepted	Response not Received	Grand Total
Achievement & Attainment							12	12
Community-led Delivery	8	2			2			12
Corporate	37	7	5	31	10			90
CYP Resources	2							2
Finance	9	2			3			14
Operations	17	1	1	4	2	4		29
Planning	13			9	1	1		24
Policy and Performance	11	2		4	8			25
Resources	5			1	2	1		9
Revenues	3							3
Schools	64	2	1	18	18			103
Tourism, Leisure & Culture	14		12		4	2		32
Grand Total	**183**	**16**	**19**	**67**	**50**	**8**	**12**	**355**