

**SUBJECT: IMPLEMENTATION OF INTERNAL AUDIT
RECOMMENDATIONS – 2015/16**

DIRECTORATE: Chief Executive
MEETING: Audit Committee
DATE: 25 May 2017

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 2014/15 and 2015/16.

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 2014/15 96% of audit recommendations were agreed by operational managers. In 2015/16 97% 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 2016/17 all 2014/15 and 2015/16 audit reports which were finalised during 2015/16 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 concerned for this period there were 25 audit jobs which included 284 audit recommendations. 189 (67%) audit recommendations had been implemented, 51 (18%) had not been implemented, with 32 (12%) partially implemented or were ongoing. For 12 (4%) of the agreed audit recommendations, managers had accepted the risk of not implementing the agreed action to make the improvements to the financial stewardship of their system or establishment. 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 per audit review.
- 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 (2014/15) these were rated as 1 (most significant), 2, 3 or 4 weaknesses; more recently (post 2015/16) 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 2014/15 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 2015/16 audit reports, 9 significant weaknesses were identified; 67% (6) of which had been addressed by implementing the appropriate action. This left 33% (3) significant weaknesses not

addressed. 2 of these related to Outdoor Education where the provision is currently under a strategic review. The 3rd related to Housing Benefits; this has now been picked up by MCC management and is being progressed.

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

4. REASONS

- 4.1 Part of what Internal Audit does 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
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.

Appendix A(ii)

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:

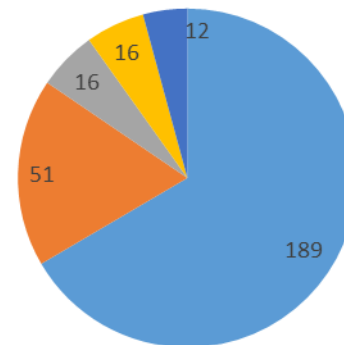
Opinion	Description
Very Good	Very well controlled with minimal risk identified; a few minor recommendations
Good	Well controlled although some risk identified which needs addressing
Reasonable	Adequately controlled although some risks identified which may compromise the overall control environment
Unsatisfactory	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

Row Labels	Count of Audit Title	
Implemented	189	67%
Not implemented	51	18%
Ongoing	16	6%
Partially Implemented	16	6%
Risk Accepted (Evidence Received)	12	4%
Grand Total	284	

Count of Audit Title

Total



Status

- Implemented
- Not implemented
- Ongoing
- Partially Implemented
- Risk Accepted (Evidence Received)

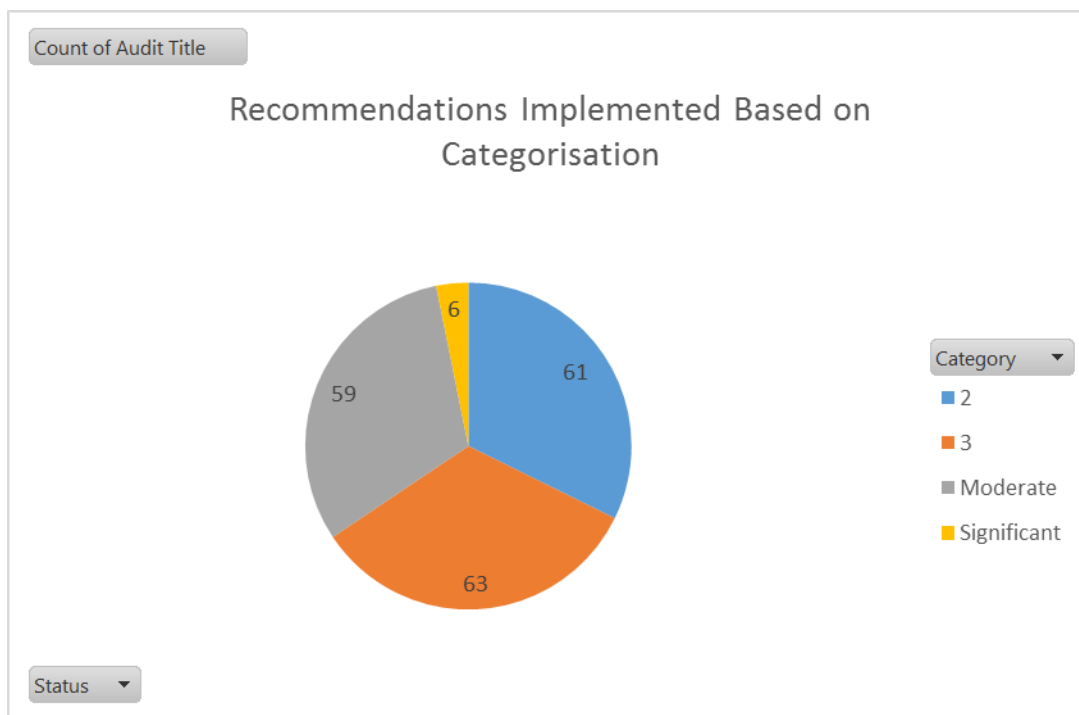
Recommendation Status per Report

Count of Audit Title Row Labels	Column Labels					Grand Total
	Implemented	Not implemented	Ongoing	Partially Implemented	Risk Accepted (Evidence Received)	
Agresso Systems Admin	11	1				12
Archbishop Rowan Williams	6					6
Benefits	5	3			2	10
Building Control	8	1	2		1	12
Caldicot Comprehensive School	14	3	1			18
Cantref Primary School	18	1		5	2	26
Car Park Income	3	18	1			22
Cashiers	6			1	1	8
Castle Park Primary School	11		2			13
Chepstow Leisure Centre	3					3
Dewstow Primary	4	1				5
Durand Primary School	6					6
Fostering (Internal)	1	2	2			5
Grounds Maintenance	4	1				5
King Henry VIII	10	5	2			17
Llandogo Primary (Follow-up)	5	5		6	1	17
Llanvihangel Crucorney	9					9
Outdoor Education	6	6	4	1	3	20
Rogiet Primary	23	2	1			26

Social Care and Health Debtors	3					3
Sundry Debtors	8		1		2	11
Treasury Management	2	1				3
Usk Primary - Follow up	8			2		10
Youth Offending Team	11					11
Bank Reconciliation	4	1		1		6
Grand Total	189	51	16	16	12	284

Recommendations Status by Categorisation

Count of Audit Title	Column Labels						Grand Total	Implemented
	Implemented	Not implemented	Ongoing	Partially Implemented	Risk Accepted (Evidence Received)			
2	61	11	5	11	2	90	68%	
3	63	22	3	4	4	96	66%	
Moderate	59	15	8	1	6	89	66%	
Significant	6	3				9	67%	
Grand Total	189	51	16	16	12	284		



Recommendation Status by Directorate

Count of Audit Title Row Labels	Column Labels					Grand Total	Implemented
	Implemented	Not implemented	Ongoing	Partially Implemented	Risk Accepted (Evidence Received)		
Children & Young People	118	19	8	14	3	162	73%
Finance	36	6	1	2	5	50	72%
Leisure	5	4	2		3	14	36%
Operations	15	20	3		1	39	38%
Social Care & Health	15	2	2			19	79%
Grand Total	189	51	16	16	12	284	67%

