



Report of the Chief Auditor

Audit Committee – 11 December 2018

Audit Committee – Internal and External Audit Recommendations Follow-up Procedures

Purpose:	This report provides committee with an overview of how internal and external audit recommendations are followed up.
Report Author:	Simon Cockings
Finance Officer:	Simon Cockings
Legal Officer:	Tracey Meredith
Access to Services Officer:	Catherine Window
For Information	

1. Introduction

- 1.1 The Audit Committee's Performance Review was completed in June 2018. One of the recommendations arising from the review was in relation to the tracking of the recommendations made by Internal and External Audit.
- 1.2 This report provides an overview of how recommendations made by Internal and External Audit are tracked and followed-up.

2. Standard Follow-up Procedures

- 2.1 An amended internal audit follow-up procedure was introduced in 2014 as a result of concerns being raised over the failure of management to implement audit recommendations.
- 2.2 As shown in procedure note in Appendix 1, the current procedures identify two methods of following-up on the implementation of recommendations made as a result of internal audit reviews for the fundamental audits and non-fundamental audits.

3. Fundamental Audits

- 3.1 These audits are undertaken on a yearly or two-yearly cycle. All fundamental audits are subject to a Recommendation Tracker Exercise each year, which is normally completed as at the end of September.
- 3.2 The exercise involves discussion with the client department to go through the agreed Action Plan together with a limited amount of testing to confirm whether the recommendations have been implemented.
- 3.3 The results of the Recommendation Tracker Exercise is reported to Audit Committee.

4. Non-fundamental Audits

- 4.1 All other audits that have been given a 'limited' or 'moderate' level of assurance are reported to Audit Committee as part of the Quarterly Monitoring Reports. All such audits are subject to a detailed follow-up visit within 6 months of the issue of the final report.
- 4.2 The follow-up visit concentrates on 'high risk' and 'medium risk' recommendations, and will include discussion with the client department and limited testing to confirm implementation.
- 4.3 The results of the follow-up visit are reported to Audit Committee as part of the Quarterly Monitoring Reports.
- 4.4 Where an audit has been given a 'high' or 'substantial' level of assurance, client departments are asked to confirm the implementation of the recommendations via e-mail.
- 4.5 The results of all follow-up's undertaken are logged and recorded on the Audit Management System (Galileo) to ensure completion is monitored appropriately.

5. Chief Auditors Group PI's

- 5.1 Following discussions at the last Welsh Chief Auditors Group Meeting in October, it was decided that a new Performance Indicator (PI) should be introduced to record the number of recommendations that have been implemented as a percentage of those recommendations made. We are currently working to introduce this additional PI from 2019/20.

6. External Audit Recommendation Tracking

- 6.1 Scrutiny Programme Committee will receive WAO audit reports and action plans to address recommendations and proposals. Scrutiny will also review progress against recommendations within 12 months of the receipt of the report and action plan. Audit Committee will also receive reports and action plans for information and it may decide that it wants to

prioritise and track specific proposals / recommendations in addition to the oversight undertaken by Scrutiny. This does not include those WAO reports that would be intended specifically for Audit Committee.

7. Equality and Engagement Implications

7.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

There are no equality and engagement implications associated with this report.

7.2 There are no equality and engagement implications associated with this report.

8. Financial Implications

8.1 There are no financial implications associated with this report.

9. Legal Implications

9.1 There are no legal implications associated with this report.

Background Papers: None

Appendix 1 – Amended Internal Audit Follow-up Procedure

FOLLOW UP PROCEDURES

1. Introduction

- 1.1 The PwC Interim Audit Report 2008/09 raised concerns over the failure of management to implement audit recommendations stating that some recommendations have been repeated over a number of years.
- 1.2 Following a PwC recommendation, a Recommendations Tracker was introduced for the fundamental audits and an exercise was carried out by Internal Audit in October 2009 to confirm that all the recommendations made following the 2008/09 fundamental audits had been implemented. This exercise had mixed results with a significant number of recommendations having not been or only partially implemented.
- 1.3 Both the Executive Director and Head of Finance are keen to pursue a compliance agenda within the Council e.g. compliance with FPR's, CPR's, HR policies. One of the significant areas they wish to pursue is compliance with audit recommendations.
- 1.4 As a result of the above, the current follow up procedures have been reviewed and the following amended procedures implemented.

2. Amended Follow Up Procedure

Fundamental Audits

- 2.1 All fundamental audits will be subject to a Recommendations Tracker exercise each year to be completed by the end of September. This will include a discussion with the client to go through the agreed Action Plan and a limited amount of testing to confirm that all recommendations have been implemented.
- 2.2 The Recommendations Tracker will be reported to the Audit Committee each year where any further action to be taken will be decided.

Non Fundamental Audits

- 2.3 All other audits which have been given an '**limited**' or '**moderate**' level of assurance will be subject to a detailed follow up visit within 6 months of the issue of the final report.
- 2.4 This follow up will concentrate on '**high risk**' and '**medium risk**' recommendations only and will include a discussion with the client and limited testing to confirm implementation.

- 2.5 The client will also be asked to confirm that any **'low risk'** or **'good practice'** recommendations have been implemented but no testing will be required to confirm implementation.
- 2.6 Where an audit has been given a **'high'** or **'substantial'** level of assurance an e-mail will be sent to the client asking for confirmation that the recommendations have been implemented. If clients fail to respond, a 2nd e-mail should be sent stating that any subsequent reminders will be copied to their Head of Service and Chief Auditor.
- 2.7 It is not the intention that the original audit opinion will be amended as a result of the follow up. This exercise is only meant to confirm that the client has addressed the issues which led to the original opinion.
- 2.8 A separate job code has been set up in Galileo for follow ups and time has been included in the Annual Plan to cover the time to be spent on the Recommendations Tracker and other follow ups.

3 Reporting

- 3.1 An additional column should be added to the Management Action Plan to record the findings of the follow up visit including a brief description of the testing carried out.
- 3.2 Where the client has implemented the agreed recommendations or substantial progress has been identified in implementation then an e-mail should be sent to the client copied to the Head of Service (or Chair of the Governing Body for schools) informing them of our findings. There is no need to send the completed Management Action Plan with the e-mail.
- 3.3 Where it is found that recommendations have **not** been implemented, a copy of the full Management Action Plan should be sent to the client clearly identifying the recommendations which have not been implemented. The e-mail should be copied to the client's Head of Service (or Chair of the Governing Body for schools), Head of Financial Services and Chief Auditor.
- 3.4 If recommendations have not been implemented, a further follow up visit will be made within 3 months.
- 3.5 The Internal Audit quarterly monitoring report to the Audit Committee will include details of any services which have failed to make substantial progress in implementing agreed recommendations. This should be mentioned in the e-mail sent to the client.