

BRECKLAND COUNCIL

Report of the Head of Internal Audit to the AUDIT COMMITTEE – 11 June 2010

The Status of Agreed Actions arising from Final Audit Reports at 31 March 2010

1. Purpose of Report

- 1.1 This report seeks to inform Members as to the progress made in implementing recommendations arising from final audit reports, as at 31 March 2010.
- 1.2 The new arrangements introduced to monitor internal audit recommendations are now operating well, with the significant majority of recommendations due to be actioned having now been implemented.

2. Recommendations

It is recommended that the Committee:

- 2.1 Notes the progress made by management in implementing internal audit recommendations

Note: In preparing this report, due regard has been had to equality of opportunity, human rights, prevention of crime and disorder, environmental and risk management considerations as appropriate. Relevant officers have been consulted in relation to any legal, financial or human resources implications and comments received are reflected in the report.

3. Information, Issues and Options

3.1 Background

- 3.1.1 As reported to the Committee in November 2009, new arrangements have been instigated to review audit recommendations; all recommendations are now input on the TEN performance management system, with management being required to update the system as and when their recommendations fall due.
- 3.1.2 Where management notified that recommendations had not been completed by their agreed deadline, they were requested to attend a special “performance clinic” held on 10 March 2010. A panel, comprising the Chairman of the Audit Committee, the Director of Governance and Performance, the Strategic Director, the Deputy Audit Manager and the Policy and Performance Manager was given the opportunity to challenge managers as to why recommendations had not been implemented, and to ensure that going forward, officers would be taking appropriate action where possible to ensure these matters were resolved.
- 3.1.3 This review of the situation in March 2010 has subsequently led to a significant reduction in the levels of recommendations that were found to be outstanding at year-end, details of which are provided below.
- 3.1.4 To aid Members in their review of how outstanding recommendations impact upon the control environment, a summary of the status of agreed audit recommendations is attached at **Appendix 1**. This is a new Appendix, developed to provide an overview as to how the implementation of recommendations has progressed during the year, and links together opinions given in respect of individual audit assignments, where available, to the overall number of recommendations currently outstanding. For example, having a number of outstanding recommendations on an audit originally awarded an “adequate” level of assurance is not as significant as is the case with an audit where a “limited” opinion has been given.
- 3.1.5 **Appendix 1** has also been used to include details as to the status of all agreed recommendations arising from audits undertaken in 2008/09 and 2009/10. This information effectively demonstrates the level to which recommendations have

progressed over time, and thus offers an insight into the associated improvements that are being made to the internal control environment at the authority. In addition, the Appendix draws attention to a number of recommendations concerning audits carried out prior to 2008/09, where agreed actions had been noted as outstanding at 31 March 2009.

- 3.1.6 Our analysis below reflects on both the position we reported to the Committee on 12 June 2009 and 13 November 2009. This enables reflection not only on how matters have progressed since our previous report, but also allows for comparison across the full year to align to the Annual Report and Opinion of the Head of Internal Audit, which accompanies this report.

3.2 Systems Audit Recommendations

- 3.2.1 We reported to the Committee on the status of outstanding recommendations in June 2009, highlighting that there was a total of 24 recommendations outstanding and a further 57 that were not due for implementation at that stage. In November 2009, we provided a further update to the Committee whereby 16 recommendations remained outstanding, including 4 high priority recommendations. Overall, when combining those recommendations that were brought forward as outstanding, and those subsequently raised as a result of the finalisation of new audit reports, we would have expected management to have implemented a total of 112 recommendations during the year.

- 3.2.2 As highlighted by **Appendix 1**, just 4 recommendations remain outstanding, and only 1 of these is high priority. This is excellent progress, and is by far the best performance achieved by a member authority in the Norfolk Internal Audit Consortium, in terms of implementing internal audit recommendations. The details of the outstanding systems audit recommendations are given at **Appendix 2** of this report, and we are satisfied that sound progress is being made to ensure these recommendations are progressed. Members should note that **Appendix 2** adopts a different format to that used in previous audit follow up reports; we are now able to extract these appendices directly from the TEN system with only moderate changes required.

3.3 Computer Audit Recommendations

- 3.3.1 Our previous reports to Committee in June 2009 and November 2009 highlighted that the position in implementing IT recommendations was not as advanced as was found to be the case with systems audit recommendations; in particular there were 26 outstanding recommendations not yet implemented in November, and a further 5 were yet to fall due.

- 3.3.2 As a result of the concerns expressed by the Committee regarding the number of outstanding recommendations, the Head of ICT provided an update to the Committee in January 2010; however, this was subject to internal audit verification. We have also raised a further 9 recommendations on the 2 audit reports that have been completed in the intervening period, of which 5 are not yet due for implementation.

- 3.3.3 Overall, we would have anticipated that 54 IT audit recommendations would have been implemented during the year. Of these, a total of 11 remain outstanding for implementation; full details of these recommendations are given at **Appendix 3** of this report.

- 3.3.4 Although this still continues to be a higher proportion of recommendations than would be anticipated, it should be noted that the IT Security Policy has recently been reviewed by the Business Improvement Sub-Committee, who requested an amendment to the sign-off sheet attached, advising of the consequences of the failure to sign up to, and endorse the policy. As is demonstrated by **Appendix 3**, 6 of

the outstanding recommendations are at least partly related to implementation of the IT security policy, and should be resolved once the policy has been finalised and rolled out to staff.

3.4 Options

- 3.4.1 If the Committee does not feel sufficient action is being taken by management to implement internal audit recommendations, made to improve the Council's overall control environment, then they can request that Managers attend the next Committee meeting to justify why recommendations have not been implemented.

3.5 Reasons for Recommendation

- 3.5.1 Internal Audit are requesting the Committee to note the progress made in implementing audit recommendations; there are now, in total, just 15 recommendations outstanding, and there is evidence that action is being taken in respect of each recommendation.

4. **Risk and Financial Implications**

4.1 Risk

The failure to implement agreed audit recommendations may lead to associated control environment weaknesses arising.

4.2 Financial

None.

5. **Legal Implications**

- 5.1 None

6. **Other Implications**

Equalities: None

Section 17, Crime & Disorder Act 1998: None

Section 40, Natural Environment & Rural Communities Act 2006: None

Human Resources: None

Human Rights: None

Other: None.

7. **Alignment to Council Priorities**

Steps taken to implement audit recommendations will improve the internal control environment operating at the Council and effectively assist the Council in its pursuit of achieving corporate objectives.

8. **Ward / Community Affected**

All

Lead Contact Officer:

Name/Post: Sandra C King, Head of Internal Audit

Telephone: 01508 533863

Email: scking@s-norfolk.gov.uk

Key Decision Status (Executive Decisions only):

Non-Key

Appendices attached to this report:

Appendix 1: Summary of Agreed Audit Recommendations noted at 31 March 2010

Appendix 2: Outstanding Systems Audit Recommendations at 31 March 2010

Appendix 3: Outstanding Computer Audit Recommendations at 31 March 2010