

ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT COMMITTEE
DATE:	24 SEPTEMBER 2013
TITLE OF REPORT:	INTERNAL AUDIT REPORTING – INCLUDING REPORTING OF PROGRESS ON IMPLEMENTATION OF RECOMMENDATIONS
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	HEAD OF SERVICE –AUDIT
ACTION:	FOR INFORMATION

1. INTRODUCTION

- 1.1 **Internal Audit Work** - Internal Audit provides Progress reports to each Audit Committee detailing the work carried out by the Service in the period since the last Committee, highlighting any significant control weaknesses and other issues identified, and reporting on recommendation tracking statistics. Internal Audit does not currently formally report to Heads of Service and to the Senior Leadership Team.
- 1.2 **Recommendation Tracking** - For a number of years' now Internal Audit has included in its progress reports to the Audit Committee management progress in implementing recommendations from Internal Audit work. A target of 80% of 'High' and 'Medium' category recommendations being implemented within the agreed timescales has been set as the target for implementation which under RSM Tenon's follow up methodology equates to 'good progress.' However, most of the Internal Audit Progress Reports presented to the Audit Committee over the years have included percentage implementation rates below the 80% target. The percentage implementation rate of 'High' and 'Medium' category recommendations reported at the July 2013 Audit Committee was a disappointing 53%.
- 1.3 Internal Audit has carried out a data cleansing exercise on outstanding recommendations recorded on 4Action and 'closed' a number of 'superseded' recommendations and some identified as being implemented. This should provide a more accurate picture of implementation.
- 1.4 It should be noted that the implementation of recommendations is a function of management and not of Internal Audit. Internal Audit facilitates the use of the Council's recommendation tracking software and produces the necessary reports and graphs for the benefit of senior management and Members via the Audit Committee.
- 1.5 This report therefore aims to set out a new reporting procedure for Internal Audit, including recommendation implementation rates, designed to raise the profile of the importance of implementation amongst senior management

2. BACKGROUND – CURRENT REPORTING

- 2.1 **Internal Audit Work** – Reporting of the results of the work of Internal Audit is included in the Progress reports presented to the Audit Committee. Internal

Audit does not currently formally report on the issues and control weaknesses identified through its work to senior management as a group; however individual reports go to the relevant Head of Service and all reports are copied to the Section 151 Officer for information.

- 2.2 **Recommendation Tracking** - The Internal Audit Service uses RSM Tenon's web based 4Action system to record all Internal Audit recommendations. The system allows the tracking of all recommendations made either by Internal Audit, other regulators and departmental action plans as required. However, currently the system is mostly used to record and track Internal Audit recommendations.
- 2.3 Internal Audit records all recommendations made in its reports whether categorises as 'High', 'Medium' or 'Low' or those with no assigned category.' Employees with assigned responsibility for implementing recommendations are provided with access to 4Action which allows them to track the progress of each recommendation made to them and allows them to update any action taken to implement the recommendations. Once a recommendation is assigned to an employee the system sends an email to that employee confirming the recommendation and the timescale for implementation.
- 2.4 An implementation progress report is run by the Internal Audit Service on a quarterly basis showing the implementation status of the 'High' and 'Medium' categorised recommendations for the purpose of reporting to each Audit Committee. The Internal Audit Service also chases updates from responsible employees on a quarterly basis to ensure that the implementation status report is complete and up to date.

3. PROPOSED REPORTING FRAMEWORK

- 3.1 It is proposed that the reporting of a summary of Internal Audit work carried out, the significant issues identified through Internal Audit work in the period and recommendation implementation rates of 'significant' recommendations made be reported to senior management on a regular basis. Reporting will also include the forward work programme for Internal Audit for the information of senior managers.
- 3.2 A regular report to Heads of Service and to the Senior Leadership Team would provide Heads of Service and Directors with increased awareness of issues raised by the work of Internal Audit and of the Services' forward work programme. Such reports would also aim to provide a timely reminder of the outstanding 'High' and 'Medium' category recommendations in their area and those recommendations which have timescales coming up in the near future.
- 3.3 The Internal Audit reports would be based on the information already collated and reported to the Audit Committee and would be presented to Heads of Service and Directors (whenever possible) prior to the equivalent period report being presented to the Audit Committee. This would equate to quarterly reporting to Heads of Service and to the Senior Leadership Team.
- 3.4 We will take the opportunity to review the format of progress reports to the Audit Committee as part of this general review of reporting lines. The aim will be to align reporting to both senior management and the Audit Committee.
- 3.5 The Policy Unit has been tasked to create a framework for the recording, tracking and reporting of all external regulatory reports following an Internal Audit review of Third Party Assurance Report Monitoring Report issued in January 2012. Any recommendation implementation progress reporting should be taken into account in the work being carried out by the Policy Unit.

- 3.6 More detailed reports are to be provided to senior management and to the Audit Committee by Service where implementation rates are below the 80% target.
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