

TITLE	Internal Audit Follow Up Report
FOR CONSIDERATION BY	Audit Committee on 4 February 2013
WARD	None Specific
DIRECTOR	Julie Holland, Interim Head of Business Assurance & Democratic Services

OUTCOME / BENEFITS TO THE COMMUNITY

The Internal Audit Follow Up Report details the Business Assurance activity on recommendations made in 2012/13. The Audit Committee provides assurance to the council on the governance, risk management and internal control. This report enables them to determine the progress made by the council in implementing recommendations made by internal audit to strengthen the council's control environment and highlights any residual risks.

RECOMMENDATION

The Audit Committee is asked to note the outcome of Internal Audit activity and the residual risks that the council is exposed to.

SUMMARY OF REPORT

The report summarises the work completed by Internal Audit on determining the status of recommendations made in 2012/13. The report enables the Committee to discharge its oversight function in relation to these activities.

Background

Follow up activity enables the Audit Committee to take a view on the implementation of recommendations. The assurance provided by Internal Audit is robust as evidence is verified to ensure that recommendations have been implemented. Due to our risk based approach Internal Audit do not complete detailed follow-up on low priority recommendations.

Analysis of Issues

The committee needs assurance over the key governance, risk management and internal controls operating in the Council. The key issue for the committee is whether the report provides sufficient assurance for the committee to come to a view on the strength of the information provided.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision
--

Not applicable.

Cross-Council Implications

Not applicable.

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

None.

Contact Julie Holland	Service Governance and Improvement Services
Telephone No 0118 974 6630	Email Julie.Holland@wokingham.gov.uk
Date 23 January 2014	Version No. 2

INTERNAL AUDIT 2012/13 RECOMMENDATIONS FOLLOW-UP REPORT

1. INTRODUCTION

- 1.1 In the 2012/13 audit year, Internal Audit raised 235 recommendations. Management originally agreed all these recommendations and then proposed positive management actions to address the control weaknesses identified. Internal Audit has requested an update on the status of all these recommendations from action owners. Where management have indicated that all recommendations have been implemented, we have verified evidence to confirm that the action has been undertaken and the risk has been mitigated.
- 1.2 Due to our risk based approach, Internal Audit has not completed a detailed follow-up of the 82 low priority recommendations. Where audits are subject to systematic annual review these audit recommendations are routinely followed up as part of the following audit (i.e. key financial systems). These account for 72 recommendations. As this programme of audits is not yet complete the status of these recommendations has not been reported here. This is consistent with previous years.
- 1.3 There are a number of recommendations that have not yet reached their target date and a number that have been impacted by the delayed implementation of the WISER system that was originally envisaged to be implemented this financial year. We have not reported these here as the benefit in doing so is minimal and we are seeking to give the committee the fullest picture possible.

2. RESULTS

- 2.1 The council is faced with a period of dynamic change both in response to external changes (such as Public Service Network compliance) and internal changes (restructures and reconfigurations) that have impacted on the relevance of recommendations and the timeliness of their implementation.
- 2.2 The overall position is that **73%** of recommendations have been verified as fully implemented. This is a deterioration from last year's results (which was 82%) and is largely down to two reviews: Appraisals and Children's Centres that have been affected by issues outside of action owners' control. See section 3 for details.

RECOMMENDATIONS STATUS AS AT 10 JANUARY 2014	QUANTITY
Recommendations that have been verified as implemented	58
Recommendations that have not been fully implemented but management have requested more time	22
Recommendations where management have stated that the recommendation has been implemented, but they have not supplied sufficient information to enable Internal Audit to verify implementation	0
Recommendations that have been verified as not implemented	0
Total	80

- 2.3 In comparison with previous years management have quickly identified those recommendations that they have not been able to implement and stipulate a revised deadline for implementation. There is one recommendation which is no longer relevant.

3. ACTION OWNERS REQUESTING MORE TIME

- 3.1 Appraisals: There are 3 high priority and 4 medium priority recommendations that have not been fully implemented. These are due to factors beyond the control of the local management. The outstanding recommendations are linked to the corporate People Strategy which is in draft and awaiting approval. Final approval is awaiting the WBC restructure process to be completed. An extended implementation date of the 30 June 2014 has been applied, to further review progress at this time.
- 3.2 Children's Centres: There are 4 high priority and 1 medium priority outstanding and these are due to be completed by 1 April 2014. A number of recommendations had made good progress towards implementation but new OFSTED reporting requirements were introduced in April 2013 and these have re-set a number of recommendations. There has also been a review of the service provision and re-structure changes that have impacted on the delivery of recommendations.
- 3.3 Optalis Key Financial Systems: One recommendation has been addressed by other reporting means and verified and therefore we have concluded that the underlying risk has been mitigated and therefore implemented. Two medium priority recommendations relate to the expenses policy which forms part of staff terms and conditions and has not been implemented however compensating controls have been strengthened in this area to mitigate the existing risk. One medium risk related to Non-Executive Directors - the company has reviewed their financial experience and is content with their financial expertise but no training has been provided.
- 3.4 Frameworki Project Management: This recommendation concerned a terms of reference for the oversight group of the business as usual group responsible for co-ordinating the maintenance, performance and development of Frameworki between children's services, adult services and the support team. This has been drafted but the scheduled meeting to approve this was cancelled. It is planned that this will be approved in January.
- 3.5 Technology Futures Programme: Due to the major IT outage early in the year and the acceleration of the infrastructure element of the programme management have requested more time to implement two medium priority recommendations. (One has already been implemented).
- 3.6 Town Centre Regeneration Project: The implementation of two recommendations are dependent on passing the planning consent milestone. Therefore one high and one medium priority recommendations have not been implemented in accordance with the anticipated timeline. Once the planning consent is obtained then these recommendations will be implemented.
- 3.7 Information Governance: One high and one medium priority recommendation has not been implemented as a number of changes have impacted the work of the Information Governance Group (IGG). Most significantly the group is taking on a lead role in ensuring PSN compliance. This has resulted in the business as usual work of the group taking a back seat. The IGG is being re-launched in the new year with a view to further enhancing the work of this group.

4. CONCLUSIONS

- 4.1 The overall picture is that the majority of recommendations have been implemented by management. Evidence has been sought and independently verified by Internal Audit to confirm this.
- 4.2 The majority of the recommendations which have not been implemented relate to recommendations where management have requested more time to implement their agreed actions.
- 4.3 A detailed breakdown of the status of recommendations including the priority level assigned to the recommendation at the time of the audit is included at Appendix A.

5. AUDIT COMMITTEE OPTIONS

- 5.1 There are a number of options available to the Audit Committee on how to proceed:
 - Accept the residual risks identified by Internal Audit resulting from the non-implementation of some or all of the recommendations;
 - Request that management confirm the implementation of recommendations directly to the Audit Committee as soon as they have been implemented; or
 - Request that Internal Audit instigate full audits of the areas where significant numbers of recommendations have not been evidenced as implemented.

**Head of Business Assurance and Democratic Services
(and Head of Internal Audit)**

23 January 2014

APPENDIX A

SUMMARY OF RECOMMENDATIONS BY DIRECTORATE

All Recommendations

DIRECTORATE	IMPLEMENTED	NOT IMPLEMENTED	REPORT REFERENCE
Finance and Resources	25	14	3.1,3.3,3.5,& 3.7
Children's Services	5	5	3.2
Health & Wellbeing	8	0	
Environment	15	0	
Governance & Improvement	2	1	3.4
Town Centre Regeneration	3	2	3.6
Total	58	23	

High Priority Recommendations

DIRECTORATE	IMPLEMENTED	NOT IMPLEMENTED
Finance and Resources	7	4
Children's Services	4	4
Health & Wellbeing	1	0
Environment	2	0
Governance & Improvement	0	0
Town Centre Regeneration	2	1
Total	16	9