

HEADING

QUARTERLY REPORT : ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE 1 APRIL TO 30 JUNE 2014

Submitted by: Audit Manager

Portfolio Finance and Resources

Ward(s) affected All

Purpose of the Report

To report on any outstanding high risk recommendations to the Audit and Risk Committee on a quarterly basis and where necessary to request Members' approval to the Executive Directors requested actions in respect of the recommendations and proposed target dates.

To provide Members with an assurance opinion on internal controls over Council Services.

Recommendations

That the action of your officers and levels of assurance be noted

Reasons

High risk recommendations are those agreed with management that are key controls in providing assurance as to the efficiency and effectiveness of the system, service or process under review. By agreeing to prolong target dates Members are accepting the risk of not implementing the control. Delayed implementation of such controls should be challenged to identify reasons behind this and solutions to the delay. Delays may be a result of external or internal influences, lack of resources or inertia. Such delays in the implementation of recommendations will affect the assurance opinion provided on each Service.

1. Background

1.1 High risk recommendations are those where action is considered imperative to ensure that the authority is not exposed to high risks and to do this it needs to be implemented within 1 month of the recommendation being agreed with managers.

1.2 Recommendations are reported to committee on an exception basis, i.e. reports where high risk recommendations have been followed up with Managers on more than two occasions are brought to the attention of Members. In addition the Chair and Vice Chair receive exception reports quarterly where high risk recommendations have been followed up with Managers after the initial implementation date has expired.

1.3 With the production of the Annual Governance Statement in conjunction with the Statement of Accounts the follow up and implementation of recommendations is increasingly important, since they provide both officers and Members with assurance as to the effectiveness of key internal controls.

1.4 Assurance is provided on an annual basis as part of the Annual Report on the Internal Audit Service. It is also provided to each Executive Director on a monthly basis, based on the number of recommendations that have been implemented, and where the target date has been changed more than twice on either medium or high risk recommendations.

2. **Issues**

- 2.1 At the end of quarter one there were two outstanding high risk recommendations. One was at its first review date and therefore does not need to be reported to the committee; however the other recommendation had already had one target date change. A report on this has been presented to the Chair and Vice Chair of this committee for their consideration.
- 2.2 A summary of the assurance levels for each of the 4 directorates during quarter 1 can be found at Appendix A.
- 2.3 Given these results at the end of the first quarter there are no issues or concerns in relation to any outstanding recommendations within any of the Directorates.

3. **Reasons for Preferred Solution**

- 3.1 Reasons for each Director proposal are specific to the actions required.

4. **Outcomes Linked to Corporate Priorities**

- 4.1 The systems, services and processes reviewed by Internal Audit link to and support the four priority themes of the Council, by reviewing these Audit is making the best use of the Council's resources and improving efficiency and this is further reinforced by managers as they implement the recommendations made.

5. **Legal and Statutory Implications**

- 5.1 The Accounts and Audit Regulations 2011 require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices'.

6. **Equality Impact Assessment**

- 6.1 There are no differential equality impact issues identified from this proposal.

7. **Financial and Resource Implications**

- 7.1 The majority of recommendations are met within existing resources; where additional resources are required these will form part of a separate report.

8. **Major Risks**

- 8.1 The role of Internal Audit is to provide management with an objective assessment of whether systems and controls are working properly. High Risk Recommendations identify areas where action is required in order to avoid exposure to risk. If managers fail to act upon fundamental audit recommendations assurance cannot be given on the adequacy of the systems of internal control.

9. **Key Decision Information**

- 9.1 Not applicable

10. **Earlier Cabinet/Committee Resolutions**

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10.1 Where fundamental recommendations show a target date change; this identifies the number of times the recommendation has been referred back to Executive Management Team and to members for consideration of the risks prior to agreeing an extended implementation date or other action.

11. **List of Appendices**

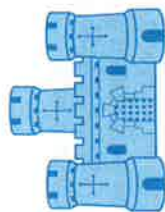
Appendix A Audit Recommendations Summary of Assurance for June 2014

12. **Background Papers**

Internal Audit PI and Assurances file

Classification: NULBC **UNCLASSIFIED**





**NEWCASTLE-UNDER-LYME
BOROUGH COUNCIL**

Summary of Outstanding Audit Recommendations and Levels of Assurance – Quarter 1 2014-15

	Chief Executives			Resources & Support Services			Regeneration & Development Services			Operational Services		
	April	May	June	April	May	June	April	May	June	April	May	June
Total number of Recommendations	33	33	33	95	114	121	38	34	44	73	73	73
Number of Recommendations Outstanding as at the end of month	3	5	8	13	20	28	10	3	3	7	7	13
% Implemented as at end of month	86	78	69	84	78	71	23	79	82	88	88	80
% Overdue for implementation as at the end of the month	14	22	31	16	22	29	77	21	18	12	12	20
No of recommendations with target date changed > 2	0	1	1	2	5	4	0	0	0	0	0	0
High Risk recommendations with target date changed > 2	0	0	0	0	0	0	0	0	0	0	0	0
Medium Risk recommendations with target date changed > 2	0	1	1	2	4	3	0	0	0	0	0	0

	Chief Executives			Resources & Support Services			Regeneration & Development Services			Operational Services		
	0	0	0	0	1	1	0	0	0	0	0	0
Low Risk recommendations with target date changed > 2												
Overall Assurance Level	Sub	Sub	Ltd	Sub	Sub	Sub	Little	Sub	Sub	Sub	Sub	Sub
Annual Audit Days for Directorate*	62			206			65			102		
Total number of audit reviews for the Directorate*	7			18			8			9		

* In addition to the audit days per directorate there are 99 days identified for Corporate Reviews – these being reviews that span across all services. There are 13 reviews that are undertaken corporately.

Opinions are classified as;

Full	The Internal Audit did not reveal any control weaknesses based on the samples at the time of the audit	94% - 100%
Substantial	The Internal Audit identified areas that required necessary action to avoid exposure to significant risk	70% - 93% or target changed > 2 on medium risk recommendations
Limited	The Internal Audit identified areas where it was imperative to act to avoid exposure to risk	50% - 69% or target changed > 2 on high risk recommendations
Little	The Internal Audit identified very little evidence of key controls being in place or a repetition of evidence that known action has not taken place to avoid exposure to high risk i.e.: as identified in previous audits. This exposes the Council to high risks that should have been managed.	Below 50%

Full assurance can be given where the Council achieves 94% of all recommendations implemented as the agreed performance measure for 2013-14. Where target dates for the implementation of recommendations are changed or renegotiated we cannot give our full assurance. If the ongoing risk was considered as; **High Risk:** (action that is considered imperative to ensure that the authority is not exposed to high risks; (Implemented within 1 month))

Medium Risk: (action that is considered necessary to avoid exposure to significant risks; (Implemented within 3 months))By changing the date the risk is not being managed and therefore you may wish to seek additional assurance as to the security of the controls in place.