

Internal Audit Recommendations Progress Report

Report by Chief Internal Auditor

1 Purpose of Report

The purpose of this report is to inform the Audit Committee of the number of recommendations raised by Internal Audit over the last 4 years and the Council's performance in addressing these issues by the agreed implementation dates.

2 Background

- 2.1 Internal Audit suggests recommendations for improving internal control and to assist the Council deliver best value. Where Management and the Audit Committee agree these recommendations, the issues are updated to Pentana Performance (the Council's performance management system) along with a date by which Management should have completed the agreed action.
- 2.2 Each year, Internal Audit undertakes two follow up reviews on recommendations raised. The first samples recommendations which have been reported as complete and reviews the adequacy of the actions taken (reported to the 25 September 2018 Audit Committee). The second reports on the progress Management have made in completing and closing the recommendations by the expected date (which is the subject of this report).
- 2.3 Part of the Audit Committee's role is to monitor progress in addressing risk-related issues reported to the Committee, and to consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

3 Performance

- 3.1 Over the period 2015/16 to October 2018, Internal Audit has raised a total of 457 recommendations. 395 of these are reported as having been completed (86%), 46 have not yet reached their due date (10%), and 16 are showing as overdue (4%).
- 3.2 The recommendations that have gone over their expected completion dates are detailed within Appendix 1 along with the current progress made against the action and the latest Management update.
- 3.3 Contrasting this performance to the previous Internal Audit report presented to the Audit Committee in December 2017 (covering the period 2014/15 to October 2017), Internal Audit had raised a total of 402 recommendations. 324 of these were reported as having been completed (81%), 36 had not reached their due date (9%) and 42 were showing as overdue (10%).

- 3.4 There is a reduction in overdue recommendations compared to the previous year's report. The majority of these recommendations are well underway and many are almost complete (refer to Appendix 1).
- 3.5 The results of this analysis have been discussed with the Corporate Management Team and the Strategic Leadership Group as part of their responsibility to design and maintain proper risk management, governance and internal control processes and checking that the arrangements and controls are operating effectively. These are known as the first and second lines of defence.

4 Report Implications

4.1 Resource

There are no direct resource implications arising from the report.

4.2 Risk

The recommendations made by Internal Audit are directly related to reducing the level of risk to which the Council is exposed through the strengthening of the control environment and management of risks.

4.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

4.4 Key Priorities within the Single Midlothian Plan

Internal Audit reports review internal controls across the Council including those that relate to the key priorities within the Single Midlothian Plan.

4.5 Impact on Performance and Outcomes

The report identifies the performance of the Council in closing Internal Audit recommendations by the agreed implementation date.

4.6 Adopting a Preventative Approach

Adoption of the Internal Audit recommendations assists in preventing the risks facing Midlothian Council materialising through the strengthening of the control environment and management of risks, therefore assisting the organisation in achieving its objectives.

4.7 Involving Communities and Other Stakeholders

The Council delivers its services through appropriate engagement with communities or other stakeholders.

4.8 Ensuring Equalities

There are no equalities issues with regard to this report.

4.9 Supporting Sustainable Development

There are no sustainability issues with regard to this report.

4.10 IT Issues

There are no IT issues with regard to this report.

5 Recommendations

The Audit Committee is asked to:

- note the content of the report;
- approve the revised implementation dates as shown in Appendix 1; and
- note that Internal Audit will continue to monitor for completion of the outstanding recommendations and will provide reports to the Audit Committee.

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Appendices:

Appendix 1 – Outstanding audit recommendations for Midlothian Council