

Internal Audit Recommendations: Performance Report
Report by Gerald Tait, Risk and Audit Manager

1. Purpose of the Report

This report presents progress with the implementation of Internal Audit recommendations agreed by management during the three years 2010-2012.

2. Background

Internal Audit recommendations of high, medium and low priority are regularly made to managers at the end of audit assignments. Internal Audit always makes sure that the recommendations will add value and improve the management of risk, close any gaps in internal control and enhance governance. No recommendations are made that management is not in agreement with. This is a robust starting-point.

Internal Audit periodically tests whether or not the recommendations, especially the high priority ones, have been implemented fully. This provides assurance to the Corporate Management Team and Audit Committee.

The appendix shows that 379 recommendations have been made in the last 3 years, 315 according to covalent are installed, 12 are being progressed and are within timescale and 52 are time expired.

To reach an optimum level of assurance, a sample of completed (315) recommendations is currently being audited, to confirm that they have been installed properly, and the findings of this audit will be reported to Corporate Management Team and then to the May Audit Committee.

Today, the committee is invited to focus on the 60 time expired recommendations, the reasons for the delay and the future for each one. The following is a brief summary arising from discussions with responsible officers:-

Data Protection	7	The 7 recommendations are in relation to the consolidation of governance in relation to data protection. There is an Internal Audit follow up exercise has commenced and the findings of the audit will be reported to the CMT and the May Audit Committee.
Housing Allocations	8	At the conclusion of Q3 12/13, the Head of Housing and Community Safety was recording that all 8 recommendations were at the 90% completion stage. 7 depended on the final bedding in of the revised Housing Allocations Policy while 1, which is about housing staff having IT resource in the field, is being developed. The Head has since informed Internal Audit that Melville Housing Association has requested it adopts the Council's policy, thus the two organisations working to the same policy. It is his opinion that recent action has moved the % completion target to its final stages.
Accounts Payable	2	The first recommendation concerns the

		<p>purging of the supplier database of inactive suppliers. It was found that 6,000 such suppliers existed and the software firm is being asked for a solution that could delete these suppliers in one action.</p> <p>The other recommendation concerns Accounts Payable staff having procedures that cover changes to existing standing data and this is being progressed.</p>
Accounts Receivable	18	<p>Corporate Management Team has acknowledged that the relatively low collection rate in the circa £14M pa AR system is a corporate issue and services with potentially bad debts have been instructed to take action. Internal Audit is currently carrying out a follow-up audit of all the 59 recommendations to support the CMT action.</p>
Income Control	3	<p>The first outstanding recommendation concerns the drafting of a new income payments method policy. This is at 60% stage.</p> <p>The second recommendation concerns the cash collection contract the Council has with a private firm and the optimum number of pick-ups and contract monitoring. This one is 90% complete.</p> <p>The third recommendation concerns the re-tendering of the cash collection contract and this is at the 70% stage.</p>
Property Maintenance	2	<p>The first one concerns Internal Audit carrying an extensive audit of some of the existing term contracts on trades, and the second one another Internal Audit exercise into the 'three quotes' system. This joint audit is nearing its closing stages and will be reported to the May Audit Committee.</p>
Schools ICT Assets	3	<p>The first two recommendations concern the visibility by school staff of the Council's authorised signatories database and ensuring that officers in schools are authorised to sign documents. Both recommendations are currently relying on a computerised solution.</p> <p>The third recommendation concerns the Council having a policy on pupils taking IT equipment home and it is at the 50% stage; awaiting the national picture.</p>
Housing Allocations Investigation	5	<p>All 5 recommendations are at an advanced stage and depend on the bedding in of the new Housing Allocations policy</p>
Property Maintenance Rechargeable Work	3	<p>The first recommendation concerns raising invoices on time and improvements are at the 50% stage. The second recommendation concerns a small error rate in non-rechargeable work being recharged. The action is at the 50% stage. The last recommendation concerns the very low income collection rate and the action is at a 70% stage.</p>
Strategic	1	<p>This recommendation was in relation to fully</p>

Environmental Assessment (SEA)		articulating details in official reports that involves a SEA and the recommendation is at the 75% stage.
TOTAL	52	Or 14%

Conclusion

The success rate in implementing Internal Audit's recommendation has shown positive signs with 86% completed or on target and only 14% time expired.

Of the 52 or 14% time expired, 13 are subsumed in the new Housing Allocations Policy, 18 in Accounts Receivable are under close scrutiny by CMT and the Data Protection recommendations are the subject of an audit follow up.

3. Report Implications

3.1 Resource

There are no direct resource implications in this report except that robust results from the close CMT scrutiny of the Accounts Receivable collection performance is likely to result in a higher collection rate.

3.2 Risk

Internal Audit recommendations reduce residual risk.

Internal Audit follow up of recommendations exposes any recommendations that have not been properly installed.

3.3 Policy

Strategy – this report addresses directly the council's policy to have a robust internal control environment, management of risk and effective governance.

Consultation – Discussions have taken place with managers responsible for the time expired recommendations and Internal Audit has received assurances that these will be completed as soon as possible.

Equalities – There are no equalities issues arising from this report.

Sustainability – Having a robust risk management system assists the Council in sustaining its services, projects and corporate aims.

4. Recommendations

The Audit Committee is invited to:-

- (1) Scrutinise the progress made with Internal Audit recommendations made in the years 2010-2012;
- (2) Note the measures taken regarding time expired recommendations; and
- (3) Note that a further report will be presented to the May Audit Committee.

28th February 2013

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