

## **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 makes recommendations for improving internal control and to assist the Council deliver its objectives. Where Management agree these recommendations, the actions are updated to Pentana Risk (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 24 September 2019 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.
- 2.4 A new Protocol for agreeing extensions to due dates for Internal Audit recommendations made was implemented in August 2019 to ensure that Internal Audit has oversight of this and to provide a visible audit trail in Pentana Risk system.

#### **3 Performance**

- 3.1 Over the period 2016/17 to October 2019, Internal Audit has raised a total of 391 recommendations. 339 of these are reported as having been completed (87%), 43 have not yet reached their due date (11%), and 9 are showing as overdue (2%).
- 3.2 Contrasting this performance to the previous Internal Audit report presented to the Audit Committee in January 2019 (covering the period 2015/16 to October 2018), Internal Audit had raised a total of 457 recommendations. 395 of these were reported as having been completed (86%), 46 had not reached their due date (10%) and 16 were showing as overdue (4%).

- 3.3 There is a reduction in overdue recommendations compared to the previous year's report.
- 3.4 The progress on implementation of Internal Audit recommendations has been discussed with the Corporate Management Team (CMT) on 13 November 2019 as part of their responsibility to design and maintain adequate 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.
- 3.5 CMT had a discussion on the overdue actions, the reasons why they were not completed by the original due date, and risk mitigations in place in the interim. In accordance with the new Protocol, revised due dates for completion of the overdue Internal Audit recommendations have been proposed by relevant Management, were discussed at CMT, and have been agreed by Internal Audit based on the further work required to implement these recommendations in full. These are summarised in Appendix 1.

## **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 designed to reduce 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:

- a) Acknowledge the progress made by Management in implementing Internal Audit recommendations to improve internal controls and governance, and mitigate risks;
- b) Consider whether it is satisfied with the progress made by Management or whether any further action is required; and
- c) Note that Internal Audit will continue to monitor for completion the outstanding recommendations and will provide update reports to the Audit Committee.

**Date: 14 November 2019**

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#### **Appendices:**

**Appendix 1** – Overdue Internal Audit recommendations for Midlothian Council