## READING BOROUGH COUNCIL REPORT

## BY DEPUTY CHIEF EXECUTIVE

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| **TO:** | **AUDIT & GOVERNANCE COMMITTEE** | | |
| **DATE:** | **30th Sept 2021** | | |
| **TITLE:** | **IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER** | | |
| **LEAD COUNCILLOR:** | **COUNCILLOR MCEWAN** | **PORTFOLIO:** | **CORPORATE & CONSUMER SERVICES** |
| **SERVICE:** | **AUDIT** | **WARDS:** | **BOROUGHWIDE** |
| **LEAD OFFICER:** | **JACQUELINE YATES** | **TEL:** | **x74710** |
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## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 The outcomes of all internal and external audit reports are reported to this Committee.

1.2 The April 2018 Audit and Governance Committee agreed that, to provide a greater focus on the importance of implementation of agreed audit recommendations, an implementation tracker report would be reported to all future meetings of this Committee.

1.3 Appendix 1 attached sets out all audit recommendations, the status of each recommendation, the officer responsible for implementation and progress with delivery.

## 2. RECOMMENDED ACTION

2.1 **The Committee are asked to consider the report.**

**Appendix 1** - Implementation of Audit Recommendations Tracker – Sept 2021.

## 3. POLICY CONTEXT

3.1 This report supports the 'our foundations' theme of the Council's Corporate Plan 2021/22.
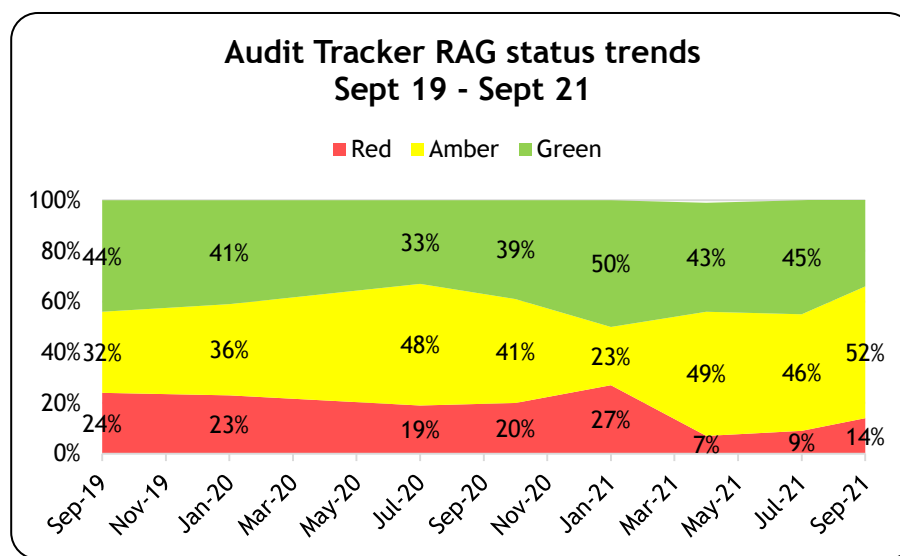
## 4. THE PROPOSAL

4.1 A summary of Internal Audit recommendations and updated management responses since the last Committee are provided in Appendix 1 attached. For continuity, and ease of monitoring, a column has been added for a unique tracker recommendation number.

4.2 The Audit tracker has been cleansed to ensure it remains relevant and up-to-date. The tracker was becoming unwieldly, with some of the historic recommendations not necessarily reflecting what is needed now or they had been duplicated in subsequent audits. Recommendations have now been removed that had been repeated and added as a result of follow up audits, which was especially applicable to finance systems. A further sense check was undertaken to remove recommendations which were felt to be no longer relevant due to changes in services delivery and/or system processes. In addition, it was agreed by the Director of Finance and Chief Auditor that priority 3 recommendations would not be added to the tracker going forward, as these are advisory points made by the Auditor. Whilst it is important that all agreed audit recommendations are implemented, the focus on the Committee should be on the high to medium risk recommendations.

4.3 Going forward, we now have a more focused and manageable audit tracker, but it is important that we do not allow a build-up of recommendations over a prolonged period to happen again. Audit recommendations should be implemented within the timescale agreed.

4.4 There is currently a total of 66 recommendations on the tracker. 16 new recommendations have been added to the report since the last meeting in July.

4.5 Prior to reporting to Committee, officers responsible for implementing the specific recommendations are asked to update the 'Audit implementation tracker'. Each recommendation is marked with a percentage complete which correlates to a red/amber/green rating. Up to 25% complete is marked red, between 26% and 75% complete is amber and over 75% complete is green. However, any recommendations that are less than 50% complete but have exceeded their agreed completion date are also marked red.

4.6 Where there is a lack of progress with implementation, e.g. successive missing of implementation dates etc., the Director/Assistant Director and responsible officer (if they are different) can be asked to attend a meeting of the Committee to explain the difficulties with implementation and the steps they are taking to address them.

4.7 There are 66 Internal Audit recommendations on the tracker attached at Appendix 1.

4.8 Of those rated red, one relates to new recommendations added to the tracker since the last report.

4.9 The status of the recommendations detailed in Appendix 1 is as follows:

| RAG Status | Percentage | Number |
|---|---|---|
| Complete | 14% | 9 |
| Green (but not complete) | 21% | 14 |
| Amber | 52% | 34 |
| Red | 14% | 9 |

| RAG Status | Audit & Governance Meetings | | | | Trend since previous meeting |
|---|---|---|---|---|---|
| | Jan 21 | April 21 | July 21 | Sept 21 | |
| Green | 50% | 43% | 45% | 35% | Decreased |
| Amber | 23% | 49% | 46% | 52% | Increased |
| Red | 27% | 7% | 9% | 14% | Increased |

4.8 There has been a 10% decrease in those rated green, a 6% increase in those which are amber, and 5% increase in the proportion rated red.

4.9 The graph overleaf shows trends in status for recommendations presented to Audit & Governance meetings over the period from Sept 19 – Sept 21.



**Audit Tracker RAG status trends Sept 19 - Sept 21**

## 5. CONTRIBUTION TO STRATEGIC AIMS

5.1 The proposals contained in the report support the Council's Corporate Plan priority of "Ensuring the Council is Fit for the Future" and therefore remains financially sustainable to deliver its service priorities.

## 6. COMMUNITY ENGAGEMENT AND INFORMATION

6.1. Audit plans and the implementation of recommendations tracker will continue to be a reported to this Committee.

## 7. ENVIRONMENTAL IMPACT

7.1 The Council declared a Climate Emergency at its meeting on 26 February 2019. There are no specific environmental and climate implications to report in relation to the recommendations set out in this report.

## 8. EQUALITY IMPACT ASSESSMENT

8.1 The equality duty is relevant to the implementation of Audit recommendations. Specific recommendations are subject to consultation and equality impact assessments where required and are progressed as appropriate.

## 9. LEGAL IMPLICATIONS

9.1 The Council has a duty under the Accounts and Audit Regulations to ensure it has in place a financial control framework which is fit for purpose. It also has a duty to ensure Value for Money in the provision of services.

## 10. FINANCIAL IMPLICATIONS

10.1 Whilst there are no specific financial implications arising directly from this report, the timely implementation of audit recommendations is critical in strengthening the Council's internal control and governance arrangements.

10.2 The Council's Chief Internal Auditor's reports have over several years repeatedly reported that audit recommendations made in previous audits have not been implemented. This does not represent value for money from either an audit or wider organisational perspective.

10.3 Poor systems of internal control and financial governance potentially leave the Council exposed to loss and will result in higher external audit costs due to the lack of assurance they provide, and the consequential higher testing thresholds required by the Council's external auditors.

10.4 Whilst there are still recommendations that are RAG rated red, there has been positive engagement with the arrangements and significant improvement since implementing the new tracking and reporting process and the number of red recommendations has reduced year on year

## 11. BACKGROUND PAPERS

11.1 Internal Audit Reports presented to Audit and Governance Committee, Chief Internal Auditors Annual Reports.