READING BOROUGH COUNCIL REPORT

REPORT BY DEPUTY CHIEF EXECUTIVE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	19TH JULY 2022		
TITLE:	IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER		
LEAD COUNCILLOR:	COUNCILLOR TERRY	PORTFOLIO:	CORPORATE & CONSUMER SERVICES
SERVICE:	AUDIT	WARDS:	BOROUGHWIDE
LEAD OFFICER:	JACQUELINE YATES	TEL:	x74710
JOB TITLE:	DEPUTY CHIEF EXECUTIVE	E-MAIL:	Jackie.Yates @reading.gov.uk

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 – June 2022.

3.   POLICY CONTEXT

3.1   This report supports the Council's Corporate Plan 2022-25, ensuring that the Council has fit for purpose processes and remains financially sustainable in order to deliver its service priorities.

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 unique tracker recommendation number is assigned to each recommendation.

4.2   As reported previously, the Audit Tracker has been cleansed to ensure it remains relevant and up-to-date and that recommendations are not duplicated as a result of follow up or subsequent audits. In addition, it has been agreed 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 of the Committee should be on the high to medium risk recommendations.

4.3   There is currently a total of 96 recommendations on the tracker, attached at Appendix 1, of which 18 are reporting as completed since the last meeting and will be removed prior to the next meeting. 17 recommendations have been added to the tracker since the last report.

4.4   The age of the recommendations is shown in the table below:

	Jan 22		April 22		June 22	
20/21	34	55.7%	28	27.7%	20	20.8%
21/22	27	44.3%	73	72.3%	59	61.5%
22/23	-	-	-	-	17	17.7%
Total	61	100%	101	100%	96	100%

4.5   Prior to reporting to Committee, officers responsible for implementing the specific recommendations are asked to update the Audit Tracker. Each recommendation is marked with a percentage complete which correlates to a red (up to 25%), amber (26%-75%), or green (76%+) rating. 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   The status of the recommendations detailed in Appendix 1 is as follows:

RAG Status	Percentage	Number
Complete	18.8%	18
Green (but not complete)	21.9%	21
Amber	42.7%	41
Red	16.7%	16

RAG Status	Audit & Governance Meetings				Trend since previous meeting
	Sept 21	Jan 22	April 22	June 22	
Green	35%	38%	42%	41%	Decreased
Amber	52%	52%	44%	43%	Decreased
Red	14%	10%	15%	17%	Increased

4.8   The percentage of red recommendations has increased from 15% to 17% (one additional red). The number of recommendations which are more than 12

months old has stayed stable since the last report in April at 28, as shown in the table below, although 6 of these are now complete.

Audit recommendations more than 12 months old				
RAG Status	*April 22*		*June 22*	
	Percentage	*Number*	*Percentage*	*Number*
Complete	28.6%	8	21.4%	6
Green (but not complete)	21.4%	6	28.6%	8
Amber	42.9%	12	46.4%	13
Red	7.1%	2	3.6%	1
Total	*100%*	*28*	*100%*	*28*

4.10 The graph below shows trends in status for recommendations presented to Audit & Governance Committee meetings over the period from Jan 20 – June 22.

Audit Tracker RAG status trends
Jan 20 - June 22
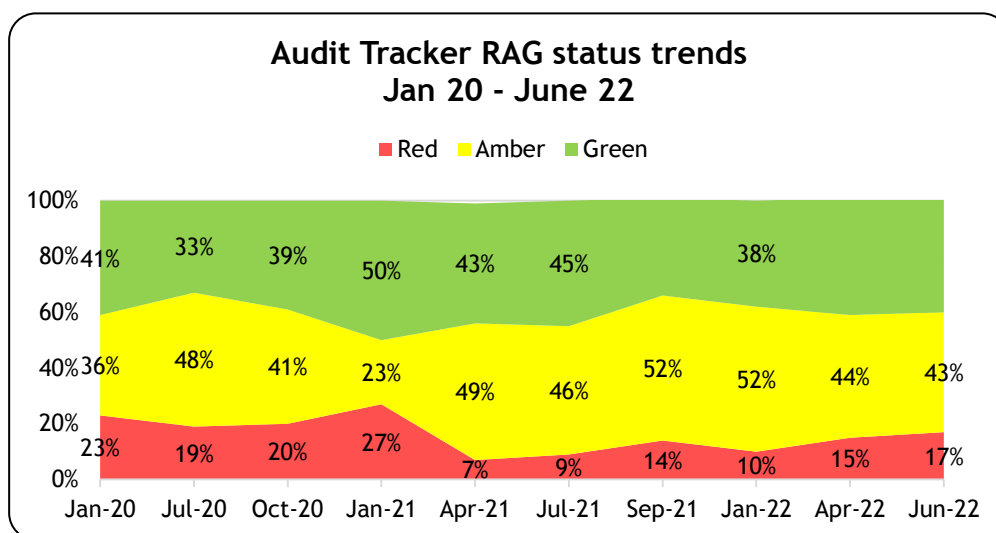
4.11 Further detail on how actions have progressed from the previous report is shown in the table below.

	April 22	Change between reporting periods	June 22 - new recommendations	June 22 – all recommendations
Complete	22	22 removed	4	18
Green	21	9 now complete	1	21
		12 still green		
Amber	43	4 now complete	5	41
		7 now green		
		32 still amber		
Red	15	1 now complete	7	16
		1 now green		
		4 now amber		
		9 still red		
Total	**101**	**101**	**17**	**96**

5. CONTRIBUTION TO STRATEGIC AIMS

5.1 The proposals contained in the report support the Council's Corporate Plan, ensuring that the Council remains financially sustainable in order 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.