

An Overview of Outstanding and Overdue Internal Audit recommendations

Cabinet Member for Finance and Commissioning

Date: 21st March 2024

Agenda Item:

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Key Decision? **NO**

Local Ward Full Council

Members



Lichfield
District Council

AUDIT COMMITTEE

1. Executive Summary

- 1.1 To provide the Committee with an overview concerning the currently outstanding and overdue audit recommendations.

2. Recommendations

- 2.1 Committee notes the report provides observations on the content.
- 2.2 Committee determines whether senior management are requested to attend Committee to provide assurance that audit recommendations are reviewed by all management and both prioritised and implemented accordingly in a timely and agreed manner.
- 2.3 To delegate the Audit Committee Chair to request attendance at Committee of managers where audit recommendations are outstanding to provide assurance that the recommendations are being prioritised and implementation is being progressed.

3. Background

- 3.1 At the conclusion of Internal Audit reviews, an assurance level (substantial, adequate, limited or no) related to the system that was subject to review is provided to management. In addition, where we report weaknesses in the control environment and/or improvements to systems we agree with management a set of recommendations. These include agreed implementation dates, that will achieve the services objectives and provide assurance over the systems of internal control. This is an essential part of the governance and assurance process by which both senior management and the Audit Committee can assure themselves over the operation of the Council's systems. It also provides a link into both the Council's Annual Governance Statement and ultimately the Audit Manager's ability to provide an annual audit opinion.
- 3.2 All recommendations are the under the ownership of service management and ultimately the Council's Leadership Team. Internal Audit, as part of our Audit Charter & Protocol will follow up on audit recommendations to ensure that they have been implemented. Additionally, Internal Audit will follow up all 'Limited Assurance' reviews gaining full evidence of recommendation implementation and provision, where appropriate, of a revised assurance level.
- 3.3 All internal audit and progress reports are reported to Audit Committee on a quarterly basis.

3.4 Internal Audit prioritises the audit recommendations as either high, medium or low priority. The definitions of audit recommendations are shown in the table below;

Definition
High priority recommendation representing a fundamental control weakness which exposes the organisation to a high degree of unnecessary risk.
Medium priority recommendation representing a significant control weakness which exposes the organisation to a moderate degree of unnecessary risk.
Low priority (housekeeping) recommendation highlighted opportunities to implement a good or better practice, to add value, improve efficiency or further reduce the organisation's exposure to risk.

3.5 On a monthly basis all high priority audit recommendations and the overall picture is reported to Council's Leadership Team as part of the Strategic Risk Update. At the Leadership Team meeting on 25th October 2023 it was agreed that a listing of all outstanding audit recommendations would be produced and management comments obtained. Further work has been subsequently been undertaken to rationalise and review those recommendations with management to ensure that we have definitive listing of outstanding recommendations. Leadership Team provided their responses by 29th February 2024.

3.6 Audit Committee, at its meeting on 1st February 2024 requested a report detailing the current position relating to outstanding audit recommendations, together with responses in terms of the length of time these recommendations have been outstanding. As at 12th March 2024 we have the following numbers of outstanding recommendations

	Number of Outstanding Recommendations pre-review	Number of Outstanding Audit Recommendation as at 12 March 2024	% currently outstanding by priority	Overall movement in recommendations (number)
High	28	16	15.09	-12
Medium	111 (5)	59 (5)	55.66	-52
Low	74 (4)	31 (4)	29.25	-43
Total	213 (9)	106 (9)	100.00	-107

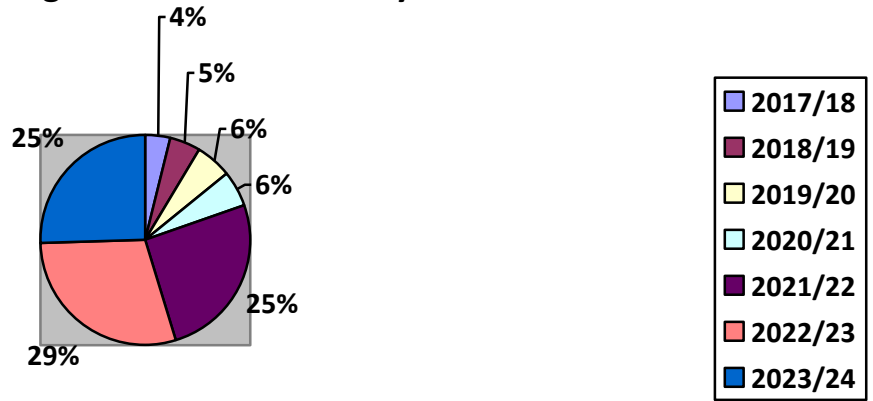
The work undertaken by senior management and Internal Audit between October 2023 and March 2024 has had an overall effect of reducing the number of outstanding audit recommendations by 107 (50.23% reduction) as outlined in the table above.

A listing of all high priority recommendations is contained within **Appendix 1** of this report with management responses where received.

3.7 Analysis of outstanding recommendations by audit year raised is outlined below and supported by **Appendix 2** which outlines the audits and the number of recommendations raised per audit area.

Audit Year	High	Medium	Low	Total
2017/18	0	4	0	4
2018/19	0	5	0	5
2019/20	2	2	2	6
2020/21	0	4	2	6
2021/22	0	18	9	27
2022/23	3	16	12	31
2023/24	11	10 (5)	6 (4)	27 (9)
Total	16	59 (5)	31 (4)	106 (9)

Outstanding Recommendations by Audit Year



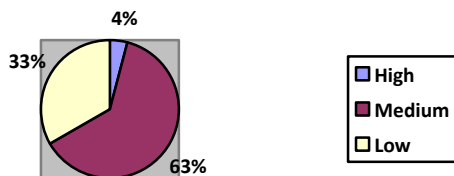
It is noted that a number of recommendations whilst outstanding are not currently overdue. The number of recommendations that are as yet to achieve their overdue date are shown in brackets in the table above.

3.8 To identify the areas where recommendations have been raised within directorates and the operational areas the table below shows the split by responsible officer.

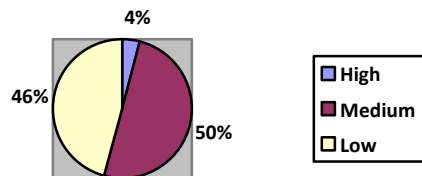
Area	High	Medium	Low	Total
Chief Operating Officer (COO)	2	30 (4)	16 (2)	48 (6)
Resident & Business Services	1	12	11	24
COO & Resident & Business Services	2	1		3
Property & Facilities	11	1		12
Finance & Commissioning		7 (1)	3 (2)	10 (3)
Operations, Regulation & Enforcement		8	1	9
Total	16	59 (5)	31 (4)	106 (9)

Note the number of recommendations in brackets are the number not currently overdue.

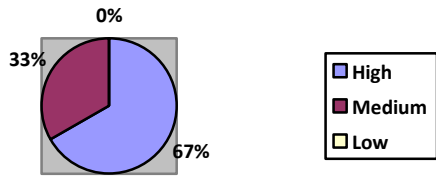
Chief Operating Officer



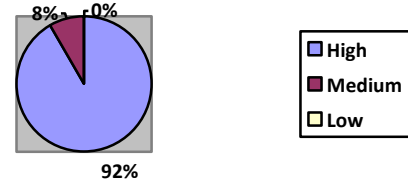
Resident & Business Services



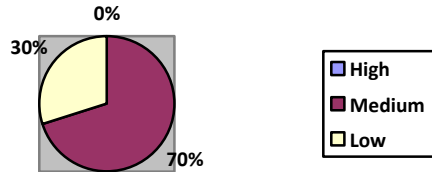
COO & Resident & Business Services



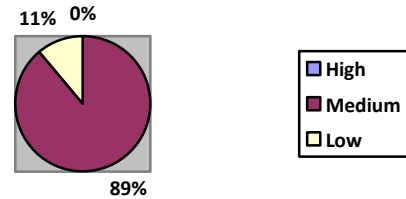
Property & Facilities



Finance & Commissioning



Operations, Regulations & Enforcement



3.9 As part of the review exercise Internal Audit have gained assurance from management that the respective recommendations have been implemented. The section is reviewing 100% of high priority recommendations and then a random 10% sample of both medium and low priority recommendations. Of the 107 closed audit recommendations we have full tested all high priority recommendations (12) and sample tested a further 11 medium and low priority recommendations. No issues have been found from the sample testing completed and we can take assurance that management are progressing the respective recommendations.

Alternative options	1. None.
Consultation	1. Discussed previously at Leadership Team and circulated for comment.
Financial implications	1. None.
Approved by Section 151 Officer	Yes
Legal implications	1. None.
Approved by Monitoring Officer	Yes
Contribution to the delivery of the strategic plan	1. The maintenance of an effective Internal Audit supports the Council’s Strategic Plan and contributes to the themes and objectives set out.
Equality, diversity and human rights implications	1. None identified
EIA logged by Equalities Officer	Yes/no* Equalities Officer confirmed not required.

Crime & safety Issues	1. Not Applicable
Data assessment	1. None.
Environmental impact (including climate change and biodiversity)	1. None.
GDPR / Privacy impact assessment	1. Not Applicable.

	Risk description & risk owner	Original score (RYG)	How we manage it	New score (RYG)
A	<p>Failure to implement audit recommendations leads to ineffective use of resources and contributes to a possible failure of the Council to meet its aims and objectives.</p> <p>Leadership Team & Service Managers</p>	<p>Likelihood: Yellow Impact: Yellow Severity: Yellow</p>	<p>Regular reporting to Leadership Team of outstanding audit recommendations and follow up by Internal Audit</p>	<p>Likelihood: Yellow Impact: Green Severity: Green</p>
B	<p>Failure to comply with legislative and operational standards.</p> <p>Service Managers</p>	<p>Likelihood: Yellow Impact: Yellow Severity: Yellow</p>	<p>Regular internal audit reviews together with management review under the 3 lines of defence model.</p>	<p>Likelihood: Yellow Impact: Green Severity: Green</p>

Background documents	Internal Audit Quarterly Progress Report to Audit Committee
Relevant web links	

APPENDIX 1

High Recommendations Outstanding (17)			
Audit	Year	Recommendation	Current Status
Property Leases and Charges Internal Audit currently underway	2019/20	It should be investigated whether the leases identified were finalised and if there is a signed copy.	<ul style="list-style-type: none"> - The Property Team are reviewing all leases to be completed April 2023 - Review of PPM compliance for tenants - Review of unsigned leases <p>Internal Audit to complete a full review of Property Leases and Charges during 2023/24.</p>
Property Leases and Charges Internal Audit currently underway	2019/20	Rent Reviews should be completed on time. The findings of the review should be communicated with the Corporate Debt Recovery team and evidence should be retained to support the change in rent charged.	<ul style="list-style-type: none"> - Rent Reviews dates are all marked on the asset register and take place on time - Scheduled reviews being undertaken - Liaison with debt recovery team on rent increases and outstanding debts <p>Internal Audit to complete a full review of Property Leases and Charges during 2023/24.</p>
IT System Security Completed, awaiting to confirmation	2022/23	A formal RAP should be developed and managed for the quarterly security vulnerability scans and the RAP for the current ITHC should be managed through to full implementation. Where a vulnerability cannot be addressed, the risk should be documented and signed off by the SIRO.	<p>31st January 2023</p> <p>Scheduled for follow up in 2023/24.</p> <p>Asked for further evidence to confirm implemented</p>
Climate Change Follow up undertaken	2022/23	<p>a) The Ecology & Climate Change Manager should contact the Finance team to obtain contact information for a member of the Finance team to support them on the management of the climate change budget.</p> <p>b) The Council should allocate funds from the climate change budget to specific projects. Where possible, these projects should measure the carbon emission reduction to demonstrate how the project will contribute to the achievement of the success measures in the Organisational Carbon Reduction Plan. Projects should be identified and discussed through a cross-departmental working group (see Finding 2).</p>	<p>31st July 2023</p> <p>Internal Audit to complete a full follow up review during 2023/24.</p>
Strategic Risk Register This will be removed when 2023/24 SRR audit finalised	2022/23	The Council is not PSN compliant. Action is being taken to address Payment Card Industry Compliance which when complete will progress the PSN certificate.	<p>31st August 2023</p> <p>Scheduled for follow up in 2023/24</p>

<p>LWMTS Searchlight</p> <p>Awaiting confirmation of status</p>	<p>2023/24</p>	<p>9 recommendations raised at the conclusion of the audit and circulated to all members of the Committee.</p>	<p>All recommendations with implementation date of 31 July 2023</p> <p>Internal Audit to complete a full follow up review during 2023/24.</p>
<p>PCI DSS</p> <p>Confirmation confirmed partially implemented</p>	<p>2022/23</p>	<p>The following compliance activities have not been performed:</p> <ul style="list-style-type: none"> • Completion of a PCI DSS Self-Assessment Questionnaire (SAQ) and Attestation of Compliance (AoC). There are a number of different SAQ's and the right one depends on merchant activities; • Confirmation that all third-party systems and services within the PCI scope are PCI compliant; and • All PIN Transaction Security (PTS) devices are compliant with the PCI PTS standard. <p>These activities are included on the PCI action plan.</p>	<p>31 January 2024</p> <p>Internal Audit to complete a full follow up review during 2023/24.</p>
<p>PCI DSS</p> <p>Completed, awaiting confirmation</p>	<p>2022/23</p>	<p>PCI requires annual security penetration testing and quarterly internal and external vulnerability scans by an Approved Scanning Vendor (ASV). The actual requirements are dependent on the relevant SAQ as per recommendation 4.</p>	<p>31 January 2024</p> <p>Internal Audit to complete a full follow up review during 2023/24.</p>

APPENDIX 2

Audit Year	Audit Area	High	Medium	Low
2017/2018	PR & Communications		4	
2018/2019	IT Application Controls		5	
2019/2020	CRM Application		2	2
	Property Leases & Charges	2		
2020/2021	Capital Strategy		1	
	ICT Remote Working			1
	Income Management		1	
	Beacon Park – Loss of Takings		1	
	ICT Back Up and Recovery		1	1
2021/2022	Shared Service – joint Waste		5	1
	Microsoft 365		1	
	IT Remote Access		1	
	Website Management & Security		4	6
	Assets & Inventory		2	
	Debtors		3	
	Beacon Park Investigation		2	
	Council Tax			2
2022/2023	IT System and Security	1	5	9
	GDPR		2	
	IT Disaster Recovery		2	
	NNDR		3	1
	Climate Change	1	1	
	Safeguarding		3	2
	Strategic Risk Register	1		
2023/2024	DWP Searchlight	9	1	
	PCI DSS	2		
	Civica		2	2 (1)
	IT Incident Management		4 (2)	2 (1)
	Budgetary Control & Accountancy		1 (1)	1 (1)
	IT Structure & Strategy		2 (2)	1 (1)
	Total	16	59 (5)	31 (4)

Note – the number of brackets (x) relates to the number of recommendations that are current NOT overdue.