



## **Corporate Compliance & Governance Service**

### **Outstanding Audit Recommendations**

**October 2024**

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# 1. Background Information

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Under legislation the Council's Section 151 Officer, (Director of Finance & Corporate Resources (CFO)), has a duty to ensure that there is a continuous review of the Council's financial arrangements, ensuring that the appropriate records are maintained and that the Council acts legally. This is achieved by having an Internal Audit Service.

As detailed in the Council's Financial Regulations, (3.7 of the Councils Constitution), Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control and is a statutory requirement for Councils. It examines, evaluates, and reports on the adequacy of internal control as a contribution to the proper, economic, efficient, and effective use of resources.

The key controls for Internal audit are that it is independent in its planning and operation, the Internal Audit Manager (Corporate Compliance and Governance Manager) has direct access to management and elected Members and internal auditors comply with the United Kingdom Public Sector Internal Audit Standards.

The CFO is responsible for ensuring the independence of the internal audit function and that internal auditors have the authority to access records (including those of third parties), documentation, Council premises and assets and receive information and explanations deemed necessary for any matter under consideration.

The Internal Audit Service at West Lancashire Borough Council:

- Advises management on internal control.
- Assist the organisation to achieve its objectives by offering advice on operational processes and procedures.
- Alert management to any significant weaknesses or irregularities that have been brought to its attention or found during its work.
- Provide assurance on the reliability and integrity of systems, and the extent to which they are adequately and effectively controlled.
- Review and report on any irregularity.

Most of the above is achieved through the completion of Audit reviews, which are usually planned in advance and detailed in the Internal Audit Annual Plan. The reviews that are undertaken will result in the issuing of a formal Internal Audit Report and include recommendations that will have been discussed with management at the Internal Audit review exit meeting.

## 2. Monitoring of Internal Audit Recommendations

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Timely and appropriate management action to implementing audit recommendations ensures West Lancashire Borough Council demonstrates that it maintains high standards of internal control and governance in line with its vision and corporate priorities.

In accordance with Public Sector Internal Audit Standard 2500, it is important to monitor the implementation of Internal Audit recommendations, and at West Lancashire Borough Council this is achieved in several ways, primarily using the Council's Ideagen system. The use of Ideagen is a recent addition to the Internal Audit Services processes and is an efficient use of Internal Auditor time when monitoring audit recommendations. The Ideagen system:

- Records all recommendations made from 2023/24 onwards and any outstanding recommendations from previous years.
- Allocates owners to each recommendation as detailed in each Internal Audit Report Action Plan.
- Allocates a relevant Manager/Director/Assistant Director to each recommendation.
- Sets the implementation date as agreed at the Internal Audit exit meeting.
- Sends email reminders to recommendation owners and Managers periodically.
- Continues to send email reminders to recommendation owners and Managers who have overdue recommendations.
- Allows members of the Corporate Management Team to view all details held for all Internal Audit recommendations, for example, any notes from auditors/auditees, current recommendation status and any closure notes or evidence.
- Produces relevant and up to date reports.

In addition to the use of the Ideagen system, the Corporate Compliance and Governance Manager and Deputy Chief Executive will meet with CMT members on a quarterly basis to discuss audit recommendation implementation progress as part of their Corporate Compliance review meetings. These meetings include progress in relation to other areas of corporate compliance such as Insurance Claims, Risk Management, Information Governance and Procurement activity.

In instances where an Internal Audit review has resulted in an assurance opinion of Limited or Minimal, a follow-up audit review of the progress made in implementing recommendations agreed will be undertaken. The follow up review is usually undertaken within six months of the issuing of the final report or at a time the Corporate Compliance and Governance Manager considers appropriate. A follow up report will be issued, and an update will be provided to the Audit and Governance Committee in the Internal Audit Service - Progress Report.

Where there is continued delay in the implementation of Internal Audit Recommendations the Responsible Officer or Director/Assistant Director can be asked by elected members or the Corporate Compliance and Governance Manager to attend the Audit and Governance Committee to answer questions on the reasons for the non-completion of agreed Internal Audit recommendations or delay in implementation and be required to provide an update on the remedial action they will be taking.

The Audit and Governance Committee terms of reference item 6, states "To require the attendance at meetings of the Audit and Governance Committee, of any elected Member or Officer of the Authority in relation to internal audit reports." To date members of the Audit & Governance Committee have not exercised this course of action.

### 3. Current Status of Internal Audit Recommendations

#### 2021/22

From the 26 Internal Audit reviews undertaken during the 2021/22 financial year, that produced 317 audit recommendations, there are now four audit reviews with outstanding audit recommendations, which is a reduction of one review since the last update. The number of outstanding recommendations has reduced by nine since the last report to committee in July 2024.

Audit Review	Audit Assurance Opinion	Original Number of Recommendations made	Number of Open Audit Recommendations	Number of Overdue Recommendations	Priority Level of Overdue				Direction
					Critical	High	Medium	Low	
Business Continuity	Limited	52	15	2	0	1	1	0	↓
Corporate Land Allocations	Limited	23	10	0	0	0	0	0	↓
Council Tax	Moderate	15	4	0	0	0	0	0	↔
Markets	Limited	21	2	0	0	0	0	0	↔
		111	31	2	0	1	1	0	↓

Business Continuity - recommendations are being closely monitored by the Principal Auditor to ensure that progress stays on track. Although it is noted that two recommendations are now overdue, the remaining are within their agreed implementation dates.

Corporate Land Allocations – all recommendations are within their agreed implementation dates.

Council Tax - recommendations were reassigned to another officer and new implementation dates agreed.

Markets – The implementation date for these recommendations are March 2025 due to a review having to be undertaken first.

#### 2022/23

From the 24 Internal Audit reviews undertaken during the year, that produced 208 audit recommendations, there are currently four audit reviews with outstanding audit recommendations. Two reviews, Debtors and Rents, have seen all their recommendations implemented and are no longer listed below. All recommendations, apart from one are within their implementation date.

Audit Review	Audit Assurance Opinion	Original Number of Recommendations made	Number of Open Audit Recommendations	Number of Overdue Recommendations	Priority Level of Overdue				Direction
					Critical	High	Medium	Low	
Property Management - Electric	Moderate	7	1	0	0	0	0	0	↔
Environmental Protection - Response to Complaints	Limited	19	17	0	0	0	0	0	↔
Creditors	Moderate	12	1	1	0	1	0	0	↓
Commercial Property - Compliance Leisure	Limited	26	12	0	0	0	0	0	↓
		64	31	1	0	1	0	0	↓

Outstanding recommendations for Environmental Protection – Response to Complaints will be addressed by a new system that is in the final stages of implementation.

Implementation of the Commercial Property - Compliance Leisure recommendations are on hold while the Council awaits a response to external legal advice given in relation to a separate matter which will impact the recommendations made in this audit review.

### **2023/24**

From the 22 audit reviews undertaken during 2023/24, 283 recommendations have been made. Good progress is being made on implementation; however, it is acknowledged that there are currently 20 that are overdue and the CCGM has been provided reasons for the majority of these.

Audit Review	Audit Assurance Opinion	Original Number of Recommendations made	Number of Open Audit Recommendations	Number of Overdue Recommendations	Priority Level of Overdue				Direction
					Critical	High	Medium	Low	
Parking Services	Limited	50	11	5	0	3	2	0	↔
Community Infrastructure Levy	Moderate	44	25	1	0	0	1	0	↓
West Lancashire Gift Card	Moderate	6	0	0	0	0	0	0	
Aids & Adaptations - Private Sector Housing	Limited	22	5	0	0	0	0	0	↔
Money Advice Service	Moderate	8	0	0	0	0	0	0	
Council Tax	Limited	4	1	0	0	0	0	0	↔
Procurement	Moderate	4	2	2	0	0	0	0	↔
Rate Revaluation - Commercial Properties	Moderate	14	0	0	0	0	3	1	
Grant Management	Limited	22	21	0	0	0	0	0	↔
Agency Staffing	Minimal	17	17	0	0	0	0	0	↑
Housing Benefits and CTRS	Substantial	2	0	0	0	0	0	0	
Creditors - D100	Limited	1	1	1	0	1	0	0	↔
Creditors	Moderate	3	1	0	0	0	0	0	↔
Business Rates	Moderate	5	0	0	0	0	0	0	
Payroll	Minimal	25	11	5	4	1	0	0	↔
Rents	Moderate	7	1	0	0	0	0	0	↔
Cheque Control Process	Substantial	1	0	0	0	0	0	0	
Petty Cash Imprest	Moderate	8	6	6	0	3	3	0	↔
Tenancy Fraud	Limited	13	13	0	0	0	0	0	↑
Tenancy Fraud – Right to Buy	Limited	17	6	0	0	0	0	0	↓
Drainage & Watercourses Follow Up	Moderate	1	0	0	0	0	0	0	
Voids Follow Up	Limited	9	2	0	0	0	0	0	↔
		283	123	20	4	8	9	1	↔

## 4. Priority Levels for Internal Audit Recommendations

For information, the Internal Audit Service refreshed the Internal Audit Recommendation priority levels and definitions following the Public Sector Internal Audit Standards external assessment by CIPFA and are detailed below.

Priorities for Recommendations	
<b>Critical</b>	<p>Recommendation concerning the absence/failure of fundamental control/s which is critical to the success of the system. Major weakness which significantly impairs the overall control framework.</p> <p>Risk Exposure - <b>Very High</b></p> <p><b><i>Action must be taken immediately.</i></b></p>
<b>High</b>	<p>Recommendation concerning absence or non-compliance with key control/s which creates significant risks within the organisation. Substantial weakness identified.</p> <p>Risk Exposure - <b>High</b></p> <p><b><i>Action must be taken within one month.</i></b></p>
<b>Medium</b>	<p>Recommendation concerning absence or non-compliance with lower-level control, or an isolated instance of non-compliance with a key control. The weakness identified is not necessarily great, but controls would be strengthened, and the risks reduced if it were rectified.</p> <p>Risk Exposure - <b>Moderate</b></p> <p><b><i>Action should be taken with six months.</i></b></p>
<b>Low</b>	<p>Recommendation concerning minor issue, which is not critical, but implementation would improve the system and/or strengthen controls.</p> <p>Risk Exposure - <b>Low</b></p> <p><b><i>Action should be taken with twelve months.</i></b></p>
<b>Advisory</b>	<p>These are issues identified during the review that do not adversely impact the service but include areas of enhancement to existing operations and the adoption of best practice.</p>