

# ***Report to the Audit and Governance Committee***

***Date of meeting: 24 November 2008***



**Epping Forest  
District Council**

**Subject: Limited Assurance Audit Reports.**

**Responsible Officer: Joe Akerman (01992 564446).**

**Democratic Services: Gary Woodhall (01992 56 4470).**

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## **Recommendations/Decisions Required:**

**To consider the proposed method of monitoring limited assurance audits.**

### **Summary**

1. The purpose of the report is to provide a suggested method of monitoring the action plans for those audits receiving a limited assurance, as requested at the last meeting.

### **Background**

2. At the last meeting the Committee noted and commented upon the increased number of limited assurance audit reports, as well as the repeat nature of some of them. The Committee felt that the action plans for these audits should be monitored more closely.
3. The Committee has an established process, via the quarterly Internal Audit monitoring report, for monitoring the progress of priority 1 recommendations for all audit reports. By their nature most of these recommendations are made in relation to limited assurance audits. The Committee will be aware that all priority 1 issues are now being reviewed nearer to the implementation date, rather than awaiting a later follow up audit, to ensure that appropriate and timely action is being taken. This process has led to an improvement in the Authority's governance processes, by encouraging the timely implementation of agreed Audit recommendations.
4. The Committee also receives a schedule each quarter via the Audit monitoring report, which reports the number of actions remaining outstanding from the previous year's audit at the follow up stage, with any comments added. This schedule includes the limited assurance audits from the previous year.
5. All high risk areas that are given a limited assurance audit rating are normally followed up in the subsequent financial year, in addition to the interim check on priority 1 recommendations referred to in paragraph 3 above. Any audit concerns arising from the follow up review are referred to in the monitoring report.
6. By way of context, from the 13 limited assurance audit reports issued in the first half year 2008/09, there were 30 priority 1 recommendations and 42 priority 2 or 3 recommendations.

### **Options for Monitoring Limited Assurance Audits**

7. The options available to the Committee for monitoring the limited assurance audits in greater detail range from adjusting the existing monitoring arrangements (by making clear where they relate to such audits), through to attaching the full action plan for each audit and asking the relevant Director to attend the meeting to explain their

implementation plan. The latter approach would entail the Committee considering all of the priority 2 and 3 issues for these audits, which would greatly extend the amount of monitoring information on the Committee agenda.

8. An alternative to this approach would be to require Internal Audit to report by exception on the progress of all of the recommendations from limited assurance audits, not just the priority 1 issues as at present. Whilst this is clearly achievable, the evidence gathering process would divert audit resources away from current audits and other high priority tasks, and might not represent the best use of resources at a given time.
9. For this reason, it is proposed that, in the first instance, the existing monitoring report is adapted so that the monitoring schedules at Appendices 2 (Priority 1 Actions Status Report) and 3 (Audit follow up Status Report) highlight the limited assurance audits from the other audits. The commentary in the main body of the report will draw the Committee's attention to any failure to implement agreed recommendations in the required timescale. The schedules attached to the monitoring report for quarter 2 2008/09, elsewhere on this agenda, have been amended so that the Committee can assess whether the process meets the requirements.
10. It is also proposed that all limited assurance audits are followed up in the subsequent year's audit plan, and attention drawn in the relevant monitoring report to any failure to follow up any priority 1, 2 or 3 recommendations within the required timescale.
11. The proposals will provide the necessary level of assurance that timely attention is being given by Directors to matters of concern to the Committee. There will remain the option, as at present, to require senior managers to attend the Committee to provide any explanations.
12. Members' views are sought on the proposed method of monitoring limited assurance audits.

#### **Resource implications**

From existing resources

#### **Legal and Governance Implications**

No specific implications

#### **Safer, Cleaner and Greer Implications**

No specific implications

#### **Consultation Undertaken**

Corporate Executive Forum

#### **Background Papers**

None

#### **Impact Assessments**

The proposals in this report will support one of the objectives of the Committee's work, to provide an independent and objective opinion on the adequacy of the Council's control environment, including its governance and risk management arrangements. There are no equalities impacts.