

## **Title of report: Update on Internal Audit Recommendations**

**Meeting: Audit and governance committee**

**Meeting date: Tuesday 4 May 2021**

**Report by: Head of Corporate Performance**

### **Classification**

Open

### **Decision type**

This is not an executive decision

### **Wards affected**

(All Wards);

### **Purpose**

To review the progress of audit recommendations implementation.

The committee receives periodic reports on progress made in implementing audit recommendations to enable it to fulfil its role of monitoring the effective development and operation of risk management and corporate governance in the council. Six of the ten recommendations outstanding at the time of the last report in November 2020 have yet to be completed. 71% of recommendations due between October 2020 and March 2021 are reported as complete.

### **Recommendation(s)**

That:

- a) **The status of current audit recommendations be reviewed and the committee determine any recommendations it wishes to make in order to provide further assurance that risks identified by audit activity are being actively managed.**

### **Alternative options**

1. The committee could choose not to monitor the progress made on audit recommendations; however this would not be recommended as it is a function of the

committee to monitor the effective development and operation of risk management and corporate governance in the council, and this report enables the committee to gain assurance that actions in response to recommendations are being suitably prioritised which reduces the risk to the council.

## Key considerations

2. South West Audit Partnership (SWAP) provides the internal audit services for Herefordshire Council. SWAP is required to deliver an annual audit plan, which is scoped using a risk-based assessment of the council's activities. Additional audits are added to the plans as necessary to address any emerging risks and issues identified during the year.
3. Upon completion of each audit review, a formal report is drafted for discussion with service managers. These reports include the main conclusions of the review and the overarching opinion, individual findings and the potential associated risk exposure.
4. Management responses to each audit recommendation are obtained and recorded, identifying any actions required, the person responsible and an agreed target implementation date.
5. Recommendations are each scored to indicate their severity. The scoring matrix is shown below:

	Priority
Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of the management	Priority 1
Important findings that need to be resolved by management	Priority 2
Finding that requires attention	Priority 3

6. All staff responsible for audit recommendations are asked to review progress on the implementation of recommendations. Managers were asked to self-report on the action which had been taken in respect of the SWAP recommendation and the overarching status.
7. The last report to Audit & Governance Committee in November 2020 provided an update on audit recommendations. At this meeting, it was reported that there were 10 recommendations that were overdue. Updates have been sought on these remaining items. These updates identified that 3 cases have been completed and 7 remain outstanding. Further details on these recommendations can be found at appendix A.
8. Between October 2020 and March 2021, a further 42 recommendations were due for completion. The table below provides an update status for these recommendations, split by priority and directorate. Further details on the recommendations can be found in appendix B.

		A&C	C&F	E&P	Corp. Sup
Priority 1	Complete	-	-	-	-
	Incomplete	-	-	-	-

Priority 2	Complete	2	-	3	1
	Incomplete	-	-	-	4
Priority 3	Complete	2	-	17	5
	Incomplete	-	-	4	4
Total	<b>Complete</b>	<b>4</b>	<b>-</b>	<b>20</b>	<b>6</b>
	<b>Incomplete</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>8</b>

9. Of all the audit recommendations which became due for completion since the last committee, 71% have been completed. Further details on those actions with delays can also be found in appendix B.
10. In addition to recommendations due for completion before this meeting, an update is provided below giving an indication of progress being made again recommendations due in the future.

	Priority 1	Priority 2	Priority 3	Total
Complete			1	1
On track		3	2	5
Delays possible		1	2	3
Delays likely		1		1

11. Of the future recommendations, 60% of these are on track to be completed within planned timescales, or have already been completed. A further narrative on these items can be found in appendix C.

### External Audit Recommendations

12. The last report to committee saw the confirmation of the completion of an outstanding recommendation made in the 2018/19 annual report.
13. Recommendations made in future reports by the external auditor will continue to be monitored in this report to committee.

### Community impact

14. In accordance with the principles of the council's adopted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective service planning, financial management, risk management and internal controls are important components of this performance management system. By monitoring the implementation of audit recommendations, assurance is given that risks are being effectively managed and that the council is taking action to meet its corporate plan priorities to secure better services, quality of life and value for money.

### Environmental Impact

15. This report is based on internal audit and the response of the council to its recommendation, as such there are minimal environmental impacts.

## **Equality duty**

9. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
16. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

## **Resource implications**

17. There are no resource implications arising from this report.

## **Legal implications**

18. There are no specific legal implications with regard to this point.

## **Risk management**

19. There are no risks associated with the recommendations of this paper and visibility of the progress being made against audit recommendations promotes good governance. However, internal audit recommendations are raised as a result of gaps in our controls or deficiencies identified within processes reviewed, therefore incomplete and overdue items inherently increase the council's exposure to risk.

## **Consultees**

20. None

## **Appendices**

Appendix A	Update on overdue recommendations
Appendix B	Update on recommendations due between October 2020 and March 2021
Appendix C	Status of recommendation due after April 2021

## **Background papers**

None