

# Title of report: Update on Internal Audit Recommendations

**Meeting: Audit and governance committee**

**Meeting date: Wednesday 24 November 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.

Fifty-seven percent of the 23 recommendations outstanding at the time of the last report to committee in May 2021 have since been completed. Sixty-six percent of recommendations due between April 2021 and September 2021 are reported as complete. Of all recommendations due in the future, 86% of these are on track for completion by their targeted completion dates, or have already been completed ahead of schedule.

## **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 actions 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 seeks to assure the committee that actions in response to audit recommendations are being suitably prioritised, in turn reducing 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 the Audit and Governance Committee in May 2021 provided an update on audit recommendations. At this meeting, it was reported that there were 23 recommendations that were overdue; a combination of recommendations which had been previously reported to the committee as overdue (6), and those which were due between October 2020 and March 2021 that hadn't been complete as planned (17). Updates have been sought on these remaining items from responsible owners identified at the point of finalising the audit. These updates identified that 13 recommendations have since completed and 10 remain outstanding. Further details on these recommendations can be found at appendix A, along with revised completion dates.
8. Between April 2021 and September 2021, a further 32 recommendations were due for completion. The table below provides an update status for these recommendations, split by priority and directorate.

		A&C	C&F	E&P	Corp. Centre
Priority 1	Complete	-	-	-	-
	Incomplete	-	-	-	-
Priority 2	Complete	1	-	-	5
	Incomplete	-	1	3	-
Priority 3	Complete	2	1	3	9
	Incomplete	1	-	2	4
Total	<b>Complete</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>14</b>
	<b>Incomplete</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>4</b>

9. Of all the audit recommendations which became due for completion since the last committee, 66% have been completed. Further details on the recommendations, and the update provided can 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 against recommendations due in the future.

	Priority 1	Priority 2	Priority 3	Total
Complete		1	3	4
On track		7	14	21
Delays possible			2	2
Delays likely			2	2

11. Of the future recommendations, 86% of these are on track to be completed within planned timescales, or have already been completed. This is a significant improvement on the last report to committee. A further narrative on these items can be found in appendix C.

#### External Audit Recommendations

12. Since the last report to committee, the council's 2019/20 annual accounts have been completed by Grant Thornton, our external auditor. The audit issued a limited qualification in relation to their Value For Money assessment, which Grant Thornton were unable to assure in capital spend and children's services. An Improvement Board for Children's Safeguarding is monitoring and regularly overseeing progress in relation to the Improvement Plan for children's safeguarding. The continued role out of the project management office, use of capital boards and a new major project improvement board are leading on managing the improvements required in relation to capital spend.
13. The unqualified statement of accounts opinion included the following formal recommendation in relation to the authorisation of journal postings:
- "We therefore recommend that management look to increase the priority of the authorisation process or put in place mitigating controls until this process can be implemented."
14. To date the chief finance officer is content that the restrictions and control processes in place adequately protect the council from inappropriate journals being processed. These include restrictions in system access and review of higher value journal postings outside of the ledger system.

## **Community impact**

15. 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**

16. 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**

17. 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.
18. 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**

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

## **Legal implications**

20. There are no legal implications arising from the recommendations in this report.

## **Risk management**

21. 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**

22. None

## **Appendices**

Appendix A Recommendations overdue at the last report to committee

Appendix B Recommendations due between April 2021 and September 2021

Appendix C Recommendations due in the future

## **Background papers**

None identified