

<b>29 September 2016</b>		<b>ITEM: 12</b>
<b>Standards and Audit Committee</b>		
<b>Update on outstanding Internal Audit Recommendations to be implemented.</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Non-key	
<b>Report of:</b> Gary Clifford – Chief Internal Auditor		
<b>Accountable Head of Service:</b> N/A		
<b>Accountable Director:</b> Sean Clark – Director of Finance & IT		
<b>This report is public</b>		

## **Executive Summary**

The Head of Internal Audit's Annual Report 2015/16 was presented to, and discussed by, the Standards & Audit Committee at their meeting of 14<sup>th</sup> June 2016. As part of the reporting process and to support the Head of Audit's annual opinion on assurance around internal controls, the follow up of issues identified during the audit process is commented on to show how management have responded to implementing the recommendations by the agreed timeframe. The report identified that there were no high level but 8 medium recommendations which had not been implemented. The Standards & Audit Committee requested that these be followed up and the results reported back to this meeting.

### **1. Recommendation(s)**

#### **1.1 That the Standards & Audit Committee:**

**Consider responses to the outstanding recommendations and agree that the follow up process provides an additional level of assurance around the internal control framework.**

### **2. Introduction and Background**

- 2.1 The Internal Audit Protocol was agreed by members of the Standards & Audit Committee at its meeting of the 8<sup>th</sup> December 2015. The relevant section on the follow up of audit recommendations states that "*Management assurances will be sought on the status of recommendations within 1 month of their implementation date. Evidence will be sought for all recommendations categorised as high risk. For medium and low risk recommendations, management responses will be accepted without the need to provide further*

*evidence. If high risk recommendations relating to key controls have not been implemented within the agreed timescale, this will be reported, in the first instance, to the Section 151 Officer who will raise their concerns with the relevant Director”.*

2.2 The Standards & Audit Committee has a responsibility for reviewing the Council’s corporate governance arrangements, including internal control and formally approving the Annual Governance Statement. The follow up of audit recommendations is a key source of assurance to the Standards & Audit Committee about the operation of the internal control environment.

### **3. Issues, Options and Analysis of Options**

3.1 The Head of Internal Audit’s Annual Report identified 8 medium recommendations that had not been implemented within the agreed timeframes. These were broken down as follows:

- 1 related to Accounts Payable around the raising of purchase orders.
- 1 related to the reconciliation of the adult social care payments system to Oracle.
- 6 related to school visits covering 4 schools.

3.2 The relevant officers within the Accounts Payable team and Corporate Finance confirmed that they have addressed the issues identified within the audit review process and action has been taken to implement them.

3.3 In respect of the outstanding recommendations identified within the schools, 1 of the recommendations has been deferred whilst a decision is made on when the school will become an academy. In the case of the other 5 recommendations, we have received positive email responses from the relevant staff within the school confirming that all recommendations have been actioned.

3.4 The key findings of these reports and updated responses are shown at Appendix 1.

### **4. Reasons for Recommendation**

4.1 To assist the Standards & Audit Committee in satisfying itself that management react positively to internal audit recommendations and provide additional assurance around the internal control environment.

### **5. Consultation (including Overview and Scrutiny, if applicable)**

5.1 The follow up of audit recommendations is discussed with relevant management and reported as part of the internal audit progress report presented periodically to the Standards & Audit Committee. They are also reported annually as part of the process for forming an opinion on internal control through the Head of Internal Audit’s Annual Report.

## **6. Impact on corporate policies, priorities, performance and community impact**

6.1 The Council's corporate priorities were used to inform the annual audit plan 2015-16. Recommendations made are designed to further the implementation of these corporate priorities.

## **7. Implications**

### **7.1 Financial**

Implications verified by: **Laura Last**  
**Senior Finance Officer**

As this report is an update for information purposes only, there are no direct financial implications arising from this report. However, it is important that the authority maintains adequate internal controls to safeguard the authority's assets. This is not to say that audit recommendations do not have financial implications but these are for management to identify and contain within existing budgets.

### **7.2 Legal**

Implications verified by: **David Lawson**  
**Deputy Head of Law & Governance**

As this report is an update for information purposes only, there are no adverse legal implications relating to this progress report.

### **7.3 Diversity and Equality**

Implications verified by: **Rebecca Price**  
**Community Development Officer**

As this report is an update for information purposes only, there are no adverse diversity implications relating to this progress report.

### **7.4 Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

None.

## **8. Background papers used in preparing the report:**

- Internal Audit Reports issued in 2015/16 where there are outstanding medium recommendations.

## **9. Appendices to the report**

- Appendix 1 – Update for members of the Standards & Audit Committee on the follow up of the 8 medium recommendations which were highlighted in the Head of Internal Audit Annual Report 2015/16 presented to the Committee on 14<sup>th</sup> June 2016.

**Report Author:**

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