Audit & Governance Committee

15 March 2023

Addendum to Agenda Item 5

Management Responses to Audit Completion Report 2020/21 Recommendations

Background
As part of their audit of the Statement of Accounts 2020/21 Mazars, the Council's external auditors, identified 2 internal control recommendations. These are set out in Item 5 – Updated Appendix A, Audit Completion Report (Page 18). The management responses to each of these recommendations are set out below.

Recommendation 1: Related Party Disclosure

Matters Arising
As part of our Related Parties testing we identified that the Council's procedure is to only disclose related party transactions that are in excess of £60k. We identified three transactions that had not been disclosed in the accounts due to being under the £60k limit however this is not in line with the applicable standards. The standards stipulate that all related party transactions should be disclosed if the amount is material to either party. We are satisfied that the three transactions in question would not have to have been disclosed based on this criteria but transactions may be missed if future years if the £60k limited is retained.

Potential Effects
Disclosures within the financial statements could be incomplete and not correctly reflect said interests because there is a risk that the Council are not aware of transactions between the two parties.

Recommendation
The Council need to ensure that all related party transactions are identified and then should determine which transactions are material and hence should be disclosed.

Management Response
Recommendation accepted. The Council will review its process, and implement the findings, for identifying and reporting on related party transactions for the closure of its 2022/23 Accounts. It will also seek to retrospectively apply the new approach to its 2021/22 Accounts.

Officer Responsible: Head of Finance

Implementation/Review Date: June 2023

Recommendation 2: Starters & Leavers

<u>Matters Arising</u>
From our review of starters & leavers documentation it was noted that; 1) Some of the starters & leavers documentation were not signed by either employee or manager, 2) For two starters that no starter checklist had been completed due to these employees being processed at the start of the pandemic, 3) Due to the delay in completion of the leavers form, one employee was not marked as a leaver within iTrent until a year after officially leaving.

<u>Potential Effects</u>
Individuals salary payments are incorrect and there may be GDPR breaches if individuals system access is not removed from the system in a timely manner.

<u>Recommendation</u>
All contractual documents and starter / leaver forms are signed by employees as required; Starter checklists are completed and retained on file; Leavers are removed from the system in a timely manner.

<u>Management Response</u>
Recommendation accepted. During the COVID-19 pandemic, particularly in the early months, it was obviously very challenging to obtain managers and employees signatures on leaver, starter and other forms due to remote working and Government enforced lockdowns.

The processes have been strengthened both during and since the end of the pandemic and all new starters are required to attend in person on their first day to finalise employment checks and to sign and complete the relevant forms and induction arrangements with their manager. Similarly, the leaver process requires the signature of both the departing employee and the direct line manager. The leaver form when complete triggers the removal of the employee from the payroll and HR systems. We will further remind managers of the importance of these processes and ensure signed scanned copies of these records are retained electronically on employee files.

As part of the on-going programme of testing the control environment and providing management assurance the Internal Audit Plan 2022/23 included an audit of the Council's establishment and a full payroll audit is included in the Internal Audit Plan for 2023/24.

Officer Responsible: Head of Human Resources

Implementation/Review Date: June 2023