

**REPORT TO AUDIT & GOVERNANCE****Date of Meeting: 16th SEPTEMBER 2020****Report of: AUDIT MANAGERS****Title: INTERNAL AUDIT PROGRESS REPORT 1<sup>ST</sup> QUARTER 1<sup>ST</sup> APRIL TO 30<sup>TH</sup> JUNE 2020****Is this a Key Decision?**

No

**Is this an Executive or Council Function?****COUNCIL****1. What is the report about?**

- 1.1 To report on internal audit work carried out during the period 1<sup>st</sup> April to 30th June 2020, to advise on overall progress against the Audit Plan and to report any emerging issues requiring consideration.

**2. Recommendations:**

- 2.1 That the Internal Audit Progress Report for the first quarter of the year 2020/21 be noted.
- 2.2 That the amendments to the 20/21 Internal Audit Plan be approved.

**3. Reasons for the recommendation:**

- 3.1 One of the roles of this committee is to review quarterly internal audit reports and the main issues arising and seek assurance from management that action has been taken, where necessary.

**4. What are the resource implications including non financial resources:**

None

**5. Section 151 Officer comments:**

- 5.1 The work of Internal Audit has been affected by the restrictions put in place to protect the public from Covid-19. The impact has been twofold with additional work being undertaken to support and protect the Council in respect of grants awarded to businesses and reduced capacity to deliver the audit plan. Members should note the proposals to amend the plan for this year and be satisfied that the proposed changes will not unduly impact on the assurance level members require from Internal Audit. The team have worked extremely hard to deliver assurance within the Grant framework and provided significant support to the Business Rates team.

- 5.2 In respect of the report on Pinhoe Community Hub, Members should note that the decision to award the grant was taken by Full Council and not in a meeting attended by the Chief Finance Officer. Only Full Council can approve funding and that was the case in this instance.

**6. What are the legal aspects?**

The legal issues have been aptly covered elsewhere within this report.

**7. Monitoring Officer Comments:**

Internal Audit's objectives appear to have been satisfactorily addressed.

**8. Report details:**

This Committee is responsible for the implementation and active monitoring of audit processes and actions, which includes performance against the annual audit plan, reviewing quarterly internal audit progress reports and seeking responses and assurance from management where remedial action has not been agreed or implemented within a reasonable timescale. The 2020/21 Audit Plan was approved at this Committee on 11th March 2020.

The purpose of internal audit is to provide an independent, objective assurance and consulting service designed to add value and improve the Council's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit Service helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. Each of the activities we audit are given an assurance rating as follows:

Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met
Satisfactory Assurance	Whilst there is a basically sound system of internal control there are weaknesses which put some of the objectives at risk or there is evidence that the level of non-compliance with some of the controls may put some of the objectives at risk
Limited Assurance	Weaknesses in the system of internal controls are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No assurance	Control is generally weak leaving the system open to error or abuse or significant non-compliance with basic control processes leaves the processes/systems open to error or abuse

**8.1 Work Undertaken and Amendment to the Audit Plan**

Internal Audit's objective is to examine the Council's financial and non-financial systems to check that there are adequate internal controls in place to prevent loss due to frauds, errors and inefficiency, and due attention is paid to corporate governance and risk management.

A summary of progress against the annual audit plan to date is shown at Appendix A, together with the current status of each area for review and the outcomes of the review, where completed.

I am pleased to report that agreed actions from previous audit reports are being progressed satisfactorily and that there are no instances where remedial action was not agreed by management during this quarter.

Progress against the annual audit plan is good, however, due to the current Covid19 Pandemic we will need to make some amendments to the plan as we will not be able to complete the plan within the year. This is due to the following:

- Internal Audit assisting with a significant amount of unplanned work, for example, Government Business Grants and assisting with the inventory checks at the Leisure facilities to assist with bringing this service back in-house.
- 2 members of the audit team being re-deployed to the Exeter Community Hub for 12 hours per week for a period of 9 weeks
- One member of the audit team being furloughed for 6 weeks
- During the lock-down we were also unable to carry on with regular audit work due to the impact of the pandemic on the Council services as we did not want to add additional pressures of an audit.

As a result, we need to postpone some of the planned audits until 2021/22 and some current areas will require some additional time due to changes to the control environment with staff working from home. Details of the changes are highlighted in the progress table at Appendix A. We have consulted with the Strategic Management Board on these amendments. It should be noted that we may need to make further amendments to the plan as the year goes on, the Audit Managers will continue to closely monitor the plan.

## **8.2 Governance Issues**

The Council's annual governance statement (AGS) includes some significant governance issues and an action plan has been compiled which will be subject to regular monitoring by the Audit and Governance Committee.

The action plan of the issues identified has been included in Appendix B.

## **8.3 Pinhoe Community Hub Internal Audit Report**

Further to a decision notice, dated 8 June 2020, from the Information Commissioners Office, Exeter City Council has been ordered to disclose the Internal Audit Report relating to Pinhoe Community Hub, in accordance with the notice. A copy of the report is attached at Appendix C.

### **9. How does the decision contribute to the Council's Corporate Plan?**

9.1 Good governance contributes to the Council's purpose of a "Well Run Council".

### **10. What risks are there and how can they be reduced?**

N/A

### **11. Equality Act 2010 (The Act)**

- 11.1 Under the Act's Public Sector Equality Duty, decision makers are required to consider the need to:
- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
  - advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
  - foster good relations between people by tackling prejudice and promoting understanding.
- 11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.
- 11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.
- 11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 The report is for information only

**12. Carbon Footprint (Environmental) Implications:**

12.1 Not applicable

**13. Are there any other options?**

13.1 Not applicable.

**Helen Kelvey/Helen Putt  
Audit Manager**

**Local Government (Access to Information) Act 1972 (as amended)  
Background papers used in compiling this report:**

None

Contact for enquiries:  
Democratic Services (Committees)  
Room 2.3  
01392 265115