

## **REPORT TO AUDIT & GOVERNANCE**

**Date of Meeting:** 30th NOVEMBER 2022

**Report of:** AUDIT MANAGERS

**Title:** INTERNAL AUDIT PROGRESS REPORT 2<sup>nd</sup> QUARTER 1<sup>st</sup> JULY TO 30<sup>th</sup> SEPTEMBER 2022

### **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> July to 30<sup>th</sup> September 2022, 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 second quarter of the year 2022/23 be noted.

#### **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:**

4.1 None

#### **5. Section 151 Officer Comments:**

5.1 Much of the report is positive, however, the weaknesses in the debtors system require addressing as the Council needs to ensure that all income due is raised and received. It is important to ensure that this is monitored and rectified going forwards.

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

6.1 None identified.

#### **7. Monitoring Officer Comments:**

7.1 It is gratifying to note tht the majoiry of the areas audited have been assessed as "satisfactory assurance". Having said that, there is always room for improvement.

#### **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 2022/23 Audit Plan was approved at this Committee on 9th March 2022.

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:

<b>Substantial Assurance</b>	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
<b>Satisfactory Assurance</b>	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
<b>Limited Assurance</b>	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.
<b>No assurance</b>	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

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 all of the agreed actions from previous audit reports are being progressed satisfactorily.

Progress against the annual audit plan is on target.

## 8.2 Progress report on 'high' risk issues and remedial action agreed

Progress of the high risk issue identified during the first quarter of 2022-23:

## Building Greater Exeter Partnership

Issue identified	Remedial Action agreed	Target Date	Notes on progress
The Terms of Reference does not specify the arrangements for allocating the assets and liabilities in the event of the termination of the partnership.	The Skills & City Inclusivity Manager will arrange for a termination 'clause' to be included in the ToR.	30.09.22	October 2022  The Terms of Reference have been updated to include the allocation of assets and liabilities in the event of the termination of the partnership.

During the second quarter of 2022-23, two 'high' risk issues were identified and remedial action agreed as follows:

### Sundry Debtors

Issue identified	Remedial Action agreed	Target Date	Notes on progress
Allotments  182 anomalies were identified relating to the collection of income from allotments, where plots are shown as live but invoices have either not been raised or not raised for some time.	The Commercial Services Support Manager is currently investigating the anomalies. All actions/updates arising from this are being recorded and will be actioned i.e. invoices raised, spreadsheet updated, ASH periodic customer accounts corrected, by the team	Oct 2022	
Visit Exeter  Income relating to Visit Exeter membership fees, business support, screen adverts etc. is collected via sundry debtor invoices. A review of the Visit Exeter database and the sundry debtors system identified 3 instances where the database recorded that invoices had been raised but there was no evidence of the invoice in the sundry debtors system.	Relevant invoices have now been raised.  Consideration is being given to raising membership invoices via the periodic system to ensure they are always raised annually.	March 2023	No further action required.  To follow-up next year.

### **8.3 Amendment to Audit Plan**

The annual audit plan included time for a review of the governance arrangements of Exeter City Living, however, following a recommendation by the Council's External Auditors, Grant Thornton an external independent review has been commissioned. Therefore, to avoid duplication assurance will be sought from this piece of work.

#### 8.4 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.

#### 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 Impactions)

12.1 No direct carbon/environmental impacts arising from the recommendations.

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

13.1 N/A

**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