

## **REPORT TO AUDIT & GOVERNANCE**

**Date of Meeting:** 28 September 2022

**Report of:** Audit Manager

**Title:** Internal Audit Progress Report 1st Quarter - 1<sup>st</sup> April TO 30<sup>th</sup> June 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> April to 30<sup>th</sup> June 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 first quarter of the year 2022/23 be noted; and

2.2 That the Committee consider what action if any should be taken in respect of the Internal Audit recommendation in paragraph 8.1.

#### **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 Members will note the additional recommendation in the report. It is the Committee's responsibility to determine whether it accepts management's response or whether it requires further consideration by management of the recommendation. The Committee has the right to call management before it to explain their reasoning if required.

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

6.1 None identified.

## 7. Monitoring Officer Comments:

7.1 Attention is drawn to the Section 151 Officer's comments above relating to the responsibilities of the Committee in determining the acceptability of management's responses to the results of internal audits.

John Street (Deputy Monitoring Officer)

## 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:

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

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 the majority of agreed actions from previous audit reports are being progressed satisfactorily. However, there is one high risk recommendation relating to the Business and Commercial follow up report where this has not been agreed. In accordance with the terms of reference of this committee, this committee is required to consider this matter. The details are as follows:

**Commercialisation Audit (July 2021) Follow-up report dated 18.05.22**

*Issue originally reported:*

*The strategy states that trading activity will be reviewed every 6 months. There is currently no formal regular monitoring process of commercial activity in place by the Senior Management Board or Members.*

**Manager's response (July 2021):**

*This will be actioned, with updates diarised for Scrutiny Update, which will also be shared with SMB*

- *Monday 18 October 2021*
- *Monday 11 April 2022*

**The follow-up found that:**

*Regular reports were scheduled to go to Strategic Scrutiny and a copy of the presentation that was provided to the Committee on 18<sup>th</sup> November 2021 was provided by the Commercial Manager. However, it has been noted that the January Strategic Scrutiny Committee was cancelled and the dates of the meetings have been changed. The updates appear to have been scheduled for 6 monthly basis. Consideration should be given to providing updates to the committee more frequently than twice a year.*

**It was further recommended that:**

*In view of the importance of the success of commercialisation to the Council in order to support the Council's future budget plans, the scrutiny and monitoring of Commercialisation could be improved further. Currently monitoring reports are scheduled to go to Strategic Scrutiny on a six monthly basis. Consideration should be given to reporting to Strategic Scrutiny more frequently. Consideration should also be given to including review of progress of commercialisation as a standing item on the SMB monthly agenda.*

*The recommendation for more frequent monitoring by Scrutiny and SMB was not agreed.*

Progress against the annual audit plan is on target.

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

During the first quarter of 2022-23, one 'high' risk issue was identified and remedial action agreed as follows:

## 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	This will be followed up prior to the November meeting.

### **8.3 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 Implications)**

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

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

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

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