

Audit and Governance Committee



Date of meeting:	26 July 2021
Title of Report:	Audit Actions Review
Lead Member:	Cllr Nick Kelly (Leader)
Lead Strategic Director:	Brendan Arnold, Service Director for Finance
Author:	Paul Looby, Head of Financial Planning & Reporting
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Your Reference:	PL/AC
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

To set out the monitoring process for reviewing recommendations made by:

- Grant Thornton: the Council's external auditors;
- Devon Audit Partnership (DAP): the Council's internal auditors.

Recommendations and Reasons

Members of the Audit and Governance Committee to note the content of the report and the process for monitoring recommendations of the Council's external and internal auditors.

Alternative options considered and rejected

The existing arrangements are there is no formal reporting of recommendations to the Audit Committee. The current arrangements are no longer considered to be best practice if the Committee are to be fully updated of the status of recommendations that have been agreed by management.

Relevance to the Corporate Plan and/or the Plymouth Plan

The implementation of all agreed audit recommendations are fundamentally linked to delivering the priorities within the Council's Corporate Plan and assists with ensuring limited resources are allocated to priorities which will maximise the benefits to the residents of Plymouth.

Implications for the Medium Term Financial Plan and Resource Implications:

Delivery of the audit plan will assist the Council in delivering value for money services.

Carbon Footprint (Environmental) Implications:

No direct carbon/environmental impacts arising from the recommendations.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

Implementation of agreed audit recommendations is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7

Sign off:

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Originating Senior Leadership Team member Brendan Arnold, Service Director Finance & S151											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed 8 July 2021											
Cabinet Member approval: Cllr Nick Kelly											
Date approved: 08/07/2021											

Proposed process for the follow up of Audit (and related) agreed recommendations

1. Introduction

- 1.1 This Council recognises and responds promptly and effectively to the independent assurance work completed by our external auditors, Grant Thornton (GT) and our internal auditors, Devon Audit Partnership (DAP).
- 1.2 Once GT and DAP complete their audit reviews they issue a report which highlights risks and identify areas that may require improvement. This will be supported by a recommendation as to how to make that improvement. The recommendation will be graded, usually using a **High**, **Medium** and **Low** priority rating.
- 1.3 Management are required to respond to all recommendations and confirm that:-
 - a) the issue is 'recognised';
 - b) that the recommendation is agreed or not agreed;
 - c) that the recommendation is achievable or suggest a suitable alternative action (a **Scheduled Action**); and
 - d) provide a time and date for completion of the action.

2. The Reason for Tracking Recommendations

- 2.1 It is important that the Council are able to track the completion of agreed recommendations to improve controls and minimise exposure to risk. It is also important to provide ongoing assurance to Senior Management and Members (Audit & Governance Committee) that scheduled actions are taking place.

3. Tracking Recommendations

External Audit Recommendations

- 3.1 Future reports will provide an update of all recommendations. Appendix I shows recommendations from GT. All of these recommendations are being considered as a separate agenda item for this meeting.

Internal Audit Recommendations

- 3.2 Internal Audit recommendations which have been agreed by management will be rated as **High** or **Medium** priority. DAP recommend that management will introduce their own internal monitoring processes to confirm that **low** priority actions have been actioned.
- 3.3 It is important to note, and recognise, that in some instances a scheduled action may be delayed for "good reason"; for such reasons the Tracker will show where a "first extension" has been granted. In some case there may be a valid and appropriate need for a further, second, extension.

- 3.4 It is expected that all Scheduled Actions will be completed by the end of the second extension or further information on reason for the action remaining outstanding will be provided by the relevant service head.
- 3.5 The Tracker will be maintained by DAP. This update will be as follows:-
- For each Scheduled Action due in that period DAP will Email each “responsible officer” for confirmation that the Scheduled Action has been enacted. If not, a time extension (and reason for the extension) should be provided;
 - The Responsible Officer will provide “evidence” to support that change;
 - Where required, DAP officers may request further evidence to confirm the change has been effective;
 - The Scheduled Action will either be signed off as “complete” or an extension granted;
 - Where a second extension is requested, this will be forwarded to the Section 151 Officer For approval.
- 3.6 Appendix 2 shows a list of all existing recommendations made by DAP. The Committee will receive an updated report at the September Meeting which will set out the numbers of recommendations for each review, the number that have been actioned and those which are still outstanding.
- 3.7 Where recommendations remain outstanding for more than 6 months after the final report was issued, the relevant manager will be invited to the Committee to provide an update as to progress against the recommendation(s) and the expected completion date.

External Audit Tracker

Appendix I

No.	Recommendation	Management Response	Responsible Officer	Target Date	Status
1.	<p>The Council Should further improve its governance arrangements so that the number of key decisions are made outside of formal elected member meetings is limited, thereby enhancing openness and transparency:</p> <ul style="list-style-type: none"> • Formal guidance should be developed for decision makers setting out when discretion could be exercised and their delegated powers not used, ensuring consideration is given to identifying the most appropriate place to make a decision on an innovative and unusual transactions • Decision makers should be provided with documents that clearly assess and accept or reject all potential relevant options and key issues • Processes are put in place to ensure Chairs o Scrutiny Committees are given every opportunity to effectively challenge and debate unusual transactions • Any questions raised by external advisors, including legal advice are formally closed and addressed by the Council 	<p><u>Accepted</u> The Council will:</p> <ol style="list-style-type: none"> a. Develop guidance in consultation with stakeholders for decision makers to inform discretion over decision making through delegated decisions or at Cabinet. b. Review and update guidance covering documentation for decision makers which addresses alternative options and reasons for rejection. c. Scrutiny chairs will receive and will be briefed on the content of the Council's Forward Plan for key decisions, and the description of these decisions will be reviewed to ensure that it is sufficiently detailed for their proper consideration. 	Assistant Chief Executive	September 2021	

2.	<p>The Council should further improve its processes for the production of business cases to ensure:</p> <ul style="list-style-type: none"> • A detailed options appraisal is undertaken where appropriate • Material business cases fully appraise all the options • An agreed and consistent approach for the approval of business cases is developed and adopted 	<p><u>Accepted</u> The Council will:</p> <ol style="list-style-type: none"> Produce a standard business case format for unusual and innovative financial transactions. Set down a working procedure for the passage of such cases through the governance path. 	Service Director for Finance	September 2021	
3.	<p>The Council should improve its financial risk management arrangements to ensure that all the key risks are identified, appraised and clearly reported to the decision maker</p>	<p><u>Accepted</u> The Council will:</p> <ul style="list-style-type: none"> • Adjust proformas used for CMT, Cabinet reports and delegated decisions to ensure that a section is added to record (a) financial risks and (b) the mitigation of same. 	Assistant Chief Executive and Service Director for Finance	September 2021	
4.	<p>The Council should ensure the Audit Committee is effective by ensuring members understand their roles and responsibilities. This should include:</p> <ul style="list-style-type: none"> • Reviewing and updating members' role and responsibilities, ensuring these are reviewed annually by the committee • Introducing a mechanism to ensure all recommendations by External Audit and Internal Audit are actioned • Regular training for all members 	<p><u>Accepted</u> The Council will:</p> <ol style="list-style-type: none"> Develop a training programme for the Audit and Governance Committee in consultation with the Chair. Introduce a tracking system for all audit recommendations. Invite Internal and External audit to participate in the training programme. 	Service Director for Finance	September 2021	

5.	<p>The Council should minimise the potential for conflicts of interest to occur and should:</p> <ul style="list-style-type: none"> • Enhance the existing conflicts of interest policies, guidance and codes of conduct to ensure a wider range of potential conflicts are identified and managed appropriately • Ensure the existing training for officers and elected members addresses the revised guidance and includes identifying and managing conflicts of interest. 	<p><u>Accepted</u> The Council will:</p> <ul style="list-style-type: none"> • Review and update existing conflicts of interest policies, guidance and codes of conduct in line with best practice and ensure the appropriate training is in place to support the revised approach. 	Assistant Chief Executive	October 2021 (Note: any changes to the constitution in respect of the management of interests will need to be agreed at a meeting of the Council)	
6.	<p>The Council should ensure that where a decision relies upon internal legal advice, that the legal advice is formally documented, and the outcome and rationale for relying upon the advice is recorded.</p>	<p>Where a council decision relies on internal legal advice the legal service will continue to and assure that its advice is formally documented on the legal department's case management system.</p> <p>The legal service will update its work instructions for general legal advice in line with this recommendation and include the new work instructions in its quality assurance system for monitoring and review purposes.</p> <p>The Council will ensure that the existing process for securing legal sign off is reviewed and updated in line with this recommendation.</p>	Assistant Chief Executive	September 2021	

7.	<p>In order to enable innovative and unusual treasury management decisions to be formally scrutinised, debated and as appropriate made by elected members the Council should update the Constitution and Treasury Management Principles to:</p> <ul style="list-style-type: none"> • Enable treasury management decision to be made by elected members • Define significant delegated decisions, such as 'innovate and unusual' • Ensure the following are made aware of unusual treasury management activity before a decision is made: <ul style="list-style-type: none"> - Chair of the Audit and Governance Committee - Portfolio Lead - Chair of Scrutiny Committee 	<p><u>Accepted but with reservations</u> The Council will:</p> <ol style="list-style-type: none"> a. Define 'innovate and unusual' within the Treasury Management Strategy when next updated b. Consult with the External Auditor on these changes <p>The Council has reservations about part of this Action Point because:</p> <ul style="list-style-type: none"> • Treasury Operations are highly technical in nature and often requiring a rapid decision path. This is why the treasury function is delegated to the Section 151 Officer as a general principle across the sector. Accordingly the Council is concerned that insofar as this recommendation requires member decision making it is out of step with national practice within the sector. 	Service Director for Finance	October 2021	
8.	The Council should ensure that it consults with its external auditors before any unusual treasury management transactions are completed	<p><u>Accepted</u> The Council will:</p> <ul style="list-style-type: none"> • Consult with the External Auditor as indicated 	Service Director for Finance	With immediate effect	
9.	The Council should formally record significant (innovate and unusual) treasury management decisions, as defined by the	<p><u>Accepted but with reservations</u> The Council will:</p>	Service Director for Finance	October 2021	

	<p>Council in recommendation 7. As a minimum this should include:</p> <ul style="list-style-type: none"> • Decision taker, why the decision is a delegated decision • Date of decision • Reasons for the decision • Risk considered/mitigated • Alternative options considered and rejected • Financial and legal implications • Supporting documents/information considered to inform the decision 	<ul style="list-style-type: none"> • Consult further with the External Auditor on the definition of 'significant' <p>The Council has reservations about this Action Point because:</p> <ul style="list-style-type: none"> • High volume and high value transactions can occur at short notice for transactions that are not innovative and unusual which may fall within this definition 			
10.	<p>Consider if the Monitoring Officer should attend all CMT meetings, along with all the Council's other Statutory officers.</p>	<p><u>Accepted</u> The Council notes that this recommendation is to give the matter consideration, which will take place in consultation with the Monitoring Officer and the rest of the Corporate Management Team.</p>	Assistant Chief Executive	September 2021	
11.	<p>To Ensure the Council achieves best value for all its treasury management transactions the Council should:</p> <ul style="list-style-type: none"> • Consider testing the market for unusual one off transactions • Document procurement decisions and supporting judgements 	<p><u>Accepted</u> The Council will:</p> <ul style="list-style-type: none"> • Adopt the recommendation as described 	Service Director for Finance	August 2021	

Appendix 2**Internal Audit Recommendations**

Listed in the table below are audit reviews where management responses in responses of recommendations made have been obtained and in some cases the recommendations were immediately implemented on receipt of the draft report. Target implementations dates are in place for those recommendations not yet actioned and progress will be tracked and reported to future meetings of the Audit and Governance Committee

Audits	Total Number of Recommendations	Number of Recommendations Implemented	Number of Recommendations Agreed but not yet Implemented
Business Rates	3	3	0
Council Tax	9	0	9
Housing Benefits	3	1	3
Creditors	7	1	6
Sundry Debtors	9	1	8
Main Accounting System	5	5	0
Capital Programme	13	0	13
Purchasing Cards	13	2	11
Information Asset Management	8	0	8
Data Quality	20	1	19
Electoral Registration	10	4	6
Special Guardianship Orders	37	0	37
Empty Homes Scheme	16	0	16
Street Lighting	16	2	14