

Audit and Governance Committee



Date of meeting:	27 September 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
Contact Email:	paul.looby@plymouth.gov.uk
Your Reference:	PL/AC
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

To provide the Committee with an update on the tracking of Audit recommendations from Grant Thornton and Devon Audit Partnership.

Recommendations and Reasons

Members of the Audit and Governance Committee to note the content of the report.

Alternative options considered and rejected

None as the Committee agreed to receive an update of all audit recommendations.

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:

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

Appendices

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If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.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
1	Grant Thornton Audit Recommendations							
2	Devon Audit Partnership Audit Recommendations							

Background papers:

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If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.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:

Fin	djn.21.2 2.106	Leg	lt/37223/3/1 30921	Mon Off	Click here to enter text.	HR	Click here to enter text.	Assets	Click here to enter text.	Strat Proc	Click here to enter text.
Originating Senior Leadership Team member Brendan Arnold, Service Director Finance & S151											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed September 16 September 2021											
Cabinet Member approval: Cllr Nick Kelly											
Date approved: 16/09/2021											

Audit Action Review

I. Introduction

- I.1 Audit Committee received a report at its last meeting setting out a process to track the completion of agreed recommendations to improve controls and minimise exposure to risk. This will provide ongoing assurance to Senior Management and Members (Audit & Governance Committee) that scheduled actions are taking place. As previously reported the 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).
- I.2 As agreed at the last Committee an update on the completion of audit recommendations are set out in the following appendices:
- Appendix one provides an update on recommendations from GT
 - Appendix two provides an update on recommendations from DAP.

Appendix I

External Audit Tracker

No.	Recommendation	Management Response	Responsible Officer	Target Date	Status
I.	<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 	<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 	Assistant Chief Executive	October 2021	Ongoing – nearing completion

	<p>effectively challenge and debate unusual transactions</p> <ul style="list-style-type: none"> Any questions raised by external advisors, including legal advice are formally closed and addressed by the Council 	<p>decisions, and the description of these decisions will be reviewed to ensure that it is sufficiently detailed for their proper consideration.</p>			
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. 	<p>Service Director for Finance</p>	<p>October 2021</p>	<p>Ongoing – nearing completion</p>
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 	<p>Assistant Chief Executive and Service Director for Finance</p>	<p>October 2021</p>	<p>Ongoing – nearing completion</p>

		mitigation of same.			
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"> a. Develop a training programme for the Audit and Governance Committee in consultation with the Chair. b. Introduce a tracking system for all audit recommendations. c. Invite Internal and External audit to participate in the training programme. 	Service Director for Finance	October 2021	Completed
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)	Ongoing – nearing completion

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	October 2021	Ongoing – nearing completion
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' 	<p><u>Accepted but with reservations</u></p> <p>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 	Service Director for Finance	October 2021	Ongoing – nearing completion

	<ul style="list-style-type: none"> 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>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. 			
8.	The Council should ensure that it consults with its external auditors before any unusual treasury management transactions are completed	<p><u>Accepted</u></p> <p>The Council will:</p> <ul style="list-style-type: none"> Consult with the External Auditor as indicated 	Service Director for Finance	With immediate effect	Completed
9.	The Council should formally record significant (innovate and unusual) treasury management decisions, as defined by the Council in	<p><u>Accepted but with reservations</u></p> <p>The Council will:</p> <ul style="list-style-type: none"> Consult further with the External Auditor on 	Service Director for Finance	October 2021	Ongoing – nearing completion

	<p>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 	<p>the definition of 'significant'</p> <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></p> <p>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>	<p>Assistant Chief Executive</p>	<p>October 2021</p>	<p>Accepted</p>
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></p> <p>The Council will:</p> <ul style="list-style-type: none"> • Adopt the recommendation as described 	<p>Service Director for Finance</p>	<p>August 2021</p>	<p>Accepted</p>

Appendix 2

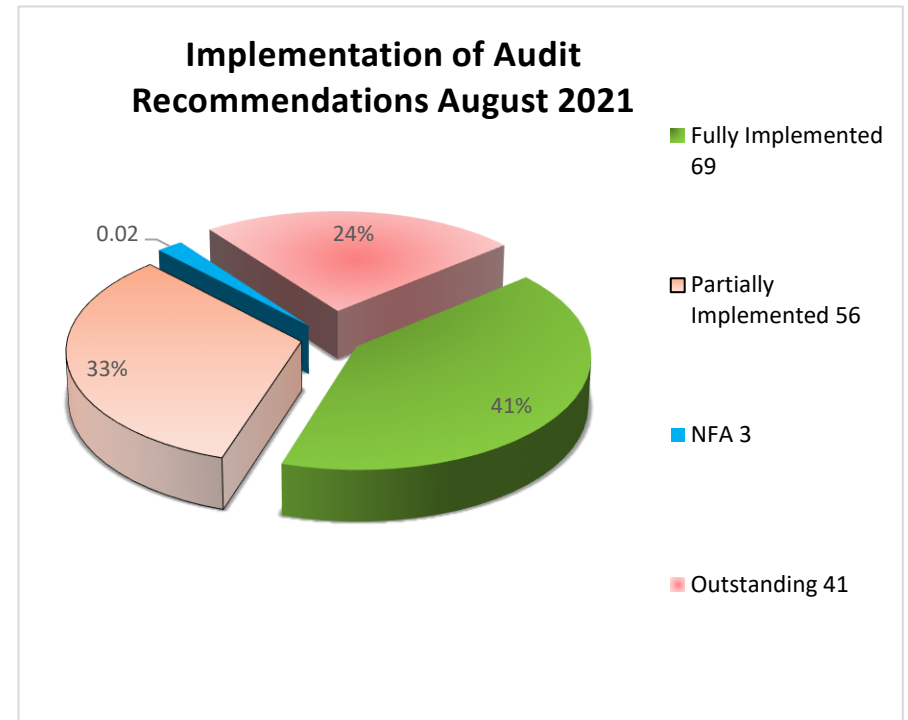
Status of Internal Audit Recommendations August 2021

The pie chart to the right provides an overall breakdown of progress made by management in implementing audit recommendations. It also shows the figures in percentage format and the legend details the actual numbers.

Not all recommendations can be quickly and easily implemented with some having other, longer dependencies which have to be addressed before the recommendation can be actioned.

In addition to the 69 recommendations showing as fully implemented, management responses received indicate that a further 56 recommendations are currently work in progress (partially implemented).

There are three recommendations showing as no further action (NFA). These recommendations were potential opportunities which the audit team considered may be helpful to the business and highlighted them in the audit report. Management agreed to consider these recommendations but have subsequently provided a satisfactory explanation as to why it will not be possible to implement them. It should be noted that the recommendations did not relate to control weaknesses.



The table below lists the various areas the reports relate to and provides a line-by-line breakdown on the status of audit recommendations.

Recommendations made in respect of Business Rates and the Main Accounting System have been fully implemented, for Housing Benefits and Electoral Registration, all have either been implemented or are work in progress.

Audits	Total Number of Recommendations	Fully Implemented	No Further Action	Partially Implemented	Not Yet Implemented
Business Rates	3	All Recommendations Fully Implemented			
Council Tax	9	3		5	1
Housing Benefits	3	1		2	0
Creditors	7	2		1	4
Sundry Debtors	9	4			5
Capital Programme	13	4	2		7
Main Accounting System	5	All Recommendations Fully Implemented			
Purchasing Cards	13	8		3	2
Information Asset Management	8	2		3	3
Data Quality	20	2		6	12
Electoral Registration	10	7		3	0
Special Guardianship Orders	37	14		22	1
Empty Homes Scheme	16	8	1	5	2
Street Lighting	16	6		6	4
TOTAL	169	69	3	56	41