

Audit and Governance Committee



Date of meeting:	29 November 2021
Title of Report:	Audit Actions Review
Lead Member:	Councillor 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.

Reason: To update members on audit recommendations.

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If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.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If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.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. 22.176	Leg	LS/37679/ AC/18/1/21	Mon Off		HR		Assets		Strat Proc	
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 18 November 2021											
Cabinet Member approval: Cllr Nick Kelly											
Date approved: 19/11/2021											

Audit Action Review

I. Introduction

- I.1 Audit Committee has agreed to receive regular reports which set 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 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
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> <p style="padding-left: 40px;">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.</p> <p style="padding-left: 40px;">Processes are put in place to ensure Chairs of Scrutiny Committees are given every opportunity to effectively challenge and debate unusual</p>	<p><u>Accepted</u></p> <p>The Council will:</p> <ul style="list-style-type: none"> a. Develop guidance in consultation with stakeholders for decisionmakers 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 	Assistant Chief Executive	October 2021	<p>AWAITING DECISION</p> <ul style="list-style-type: none"> a. A paper was considered by the Corporate Management Team on 14/09/21 setting out the guidance. There has been engagement with a number of key stakeholders including Cabinet Members, Service Directors and Senior Managers. A report has been considered by Audit & Governance Committee and will be further reviewed at the next meeting of the Committee on 29 November. If approved the Action may be regarded as complete. <p>COMPLETED</p>

	<p>transactions. Any questions raised by external advisors, including legal advice are formally closed and addressed by the Council.</p>	<p>decisions will be reviewed to ensure that it is sufficiently detailed for their proper consideration.</p>			<p>b. Corporate templates have been amended and are live on the website. Report writers have been briefed regarding revised guidance.</p> <p>COMPLETED</p> <p>c. Scrutiny chairs now receive and are briefed on the content of the Council's Forward Plan for key decisions. The description of these decisions has been reviewed to ensure that it is sufficiently detailed to allow proper consideration in advance of publication.</p>
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<p>2.</p>	<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. <p>An agreed and consistent approach for the approval of business cases is developed and adopted.</p>	<p><u>Accepted</u></p> <p>The Council will:</p> <ol style="list-style-type: none"> a. Produce a standard business case format for unusual and innovative financial transactions. b. 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>COMPLETED</p> <ol style="list-style-type: none"> a. A business case format and process has been produced and will be used for all innovative and unusual financial transactions. b. The council's existing governance path will be used for all innovative and unusual transactions. Decision makers will have available the new business case format for innovative and unusual transactions and the guidance on decision making prepared by Democratic Services.

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>Accepted</p> <p>The Council will:</p> <p>Adjust proformas used for CMT, Cabinet reports and delegated decisions to ensure that a section is added to record:</p> <p>(a) financial risks; and</p> <p>(b) the mitigation of same.</p>	<p>Assistant Chief Executive and Service Director for Finance</p>	<p>October 2021</p>	<p>COMPLETED</p> <p>A financial risk section has been incorporated on the corporate template, and financial risk assessment and mitigation trainings being developed for writers and contributors to key financial decisions.</p>
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></p> <p>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. 	<p>Service Director for Finance</p>	<p>October 2021</p>	<p>COMPLETED</p> <ol style="list-style-type: none"> a. The development of a training programme was approved by the Audit and Governance Committee on 26 July 2021. The delivery of this programme has commenced and training has already been undertaken by the external auditors. b. A tracking system is now in place for recommendations, actions and review of the tracking system is a standing item on Audit and Governance Committee agendas. c. External audit have completed training. Internal audit will be

					<p>delivering training in the coming year. The programme will be developed and refreshed moving forward.</p>
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<p>5.</p>	<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 wide 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></p> <p>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. 	<p>Assistant Chief Executive</p>	<p>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)</p>	<p>COMPLETED</p> <p>Updated guidance on the council's existing conflicts of interest policies based on its current code of conduct has been produced by the Monitoring Officer. Training has been provided to all new members of the council and the new cabinet in line with their specific roles. A wider review of the code of conduct, conflict of interest policies and training will take place as part of the development of a new code of conduct based on the LGA's new recommended model code of conduct, which forms part of this year's work programme. Enhanced guidance for officers is available and further detailed guidance is in development in line with enhancements to the council's online HR management systems.</p>
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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	<p>COMPLETED</p> <p>Work instructions have been updated, briefed to lawyers and included in the legal services accredited quality assurance system.</p>
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<p>7.</p>	<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></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. 	<p>Service Director for Finance</p>	<p>October 2021</p>	<p>COMPLETED</p> <p>The Service Director for Finance has produced a definition for "innovative and unusual" financial decisions. This is:</p> <p>"An innovative and unusual transaction is defined as one that provides improved or changed services, outputs or outcomes in the delivery of Council services through the use of new and previously untested management techniques, approaches and legal entities or financial instruments".</p> <p>Council's external auditors have confirmed they are satisfied with the definition as at 29 September 2021.</p>
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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> <p>Consult with the External Auditor as indicated.</p>	Service Director for Finance	With immediate effect	<p>COMPLETED</p> <p>The approach to consultation with external auditors has been communicated and agreed with Grant Thornton for future decisions of this nature.</p>
9.	<p>The Council should formally record significant (innovative and unusual) treasury management decisions, as defined by the 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; 	<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 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 	Service Director for Finance	October 2021	<p>COMPLETED</p> <p>The Service Director for Finance will proceed as agreed in the case of 'innovative and unusual' transactions and in line with other action points in this document will consult with the external auditor on all such matters as needed.</p>

10.	Consider if the Monitoring Officer should attend all CMT meetings, along with all the Council's other Statutory officers.	<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.	Assistant Chief Executive	October 2021	COMPLETED The Monitoring Officer (MO) has a standing invitation to any meeting of the Corporate Management Team. Decisions are now reviewed on a weekly basis, and the MO will attend where deemed appropriate based on the review.
11.	To Ensure the Council achieves best value for all its treasury management transactions the Council should: <ul style="list-style-type: none"> Consider testing the market for unusual one off transactions; Document procurement decisions and supporting judgements. 	<u>Accepted</u> The Council will: Adopt the recommendation as described	Service Director for Finance	August 2021	COMPLETED The Service Director for Finance has committed to ensuring this approach is taken on future treasury management decisions.

Appendix 2

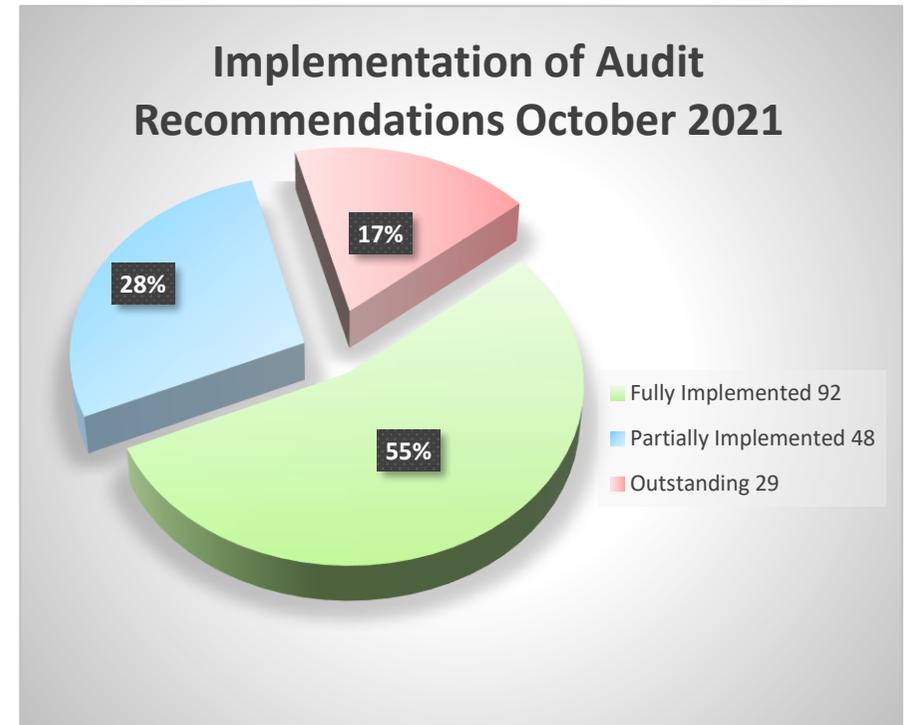
Internal Audit Recommendations**Status of Internal Audit Recommendations October 2021**

The chart to the right provides an overall breakdown of progress made by management in implementing audit recommendations. The pie chart 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 92 recommendations showing as fully implemented, management responses received indicate that a further 48 recommendations are currently work in progress (partially implemented). See table 1 below for breakdown across audits.

Of the 29 recommendations not yet implemented, it should be noted that a number have target implementation dates in the future. Table 2 below provides a brief summary of the recommendations which are now overdue, based on the target date provided by management when the draft report was finalised.

Table 1

Audits	Total Number of Recommendations	Fully Implemented	No Further Action	Partially Implemented	Not Yet Implemented
Business Rates	3	All Recommendations Fully Implemented			
Council Tax	11	8		2	1
Housing Benefits	3	All Recommendations Fully Implemented			
Creditors	6	4		2	
Sundry Debtors	9	4		3	2
Capital Programme	11	4			7
Main Accounting System	5	All Recommendations Fully Implemented			
Purchasing Cards	13	8		2	3
Information Asset Management	9	2		3	4
Data Quality	22	1		15	6
Electoral Registration	10	7		3	
Special Guardianship Orders	37	23		13	1
Empty Homes Scheme	14	13			1
Street Lighting	16	7		5	4
TOTAL	169	92		87	29

Table 2

Audits	Overdue Recommendations	Summary Update
Council Tax	1	Not yet implemented due to pandemic and pressure on resources
Capital Programme	7	The review of the capital programme governance arrangements is underway, and it is anticipated that it will be implemented by the end of 2021. The recommendations outstanding are all low priority with one opportunity.
Special Guardianship Orders	1	Meeting with management to discuss Special Guardianship Orders scheduled for 8 th November.
Empty Homes Scheme	1	Work continues with the Portfolio Holder to develop Plan for Homes 4 with Empty Homes Plan being integral to it. These discussions will continue between now and May 2022.
Street Lighting	4	Dependent on revised structure and new technical solution.
TOTAL	14	