



## Summary of Internal Audit Reports Issued to Date

**REPORT OF** DAP Audit Partnership  
**To:** Audit & Governance Committee  
**Subject:** Audit Reports Issued to Date  
**Date:** 8 July 2022

**PURPOSE OF REPORT:** To provide a summary of the internal audit reports issued since the last Audit and Governance Committee to enable members to discuss any matters they wish to raise.

### 1. INTRODUCTION

The Audit & Governance Committee have requested a regular summary of internal audit reports issued. This is to provide an opportunity for discussion and to raise queries related to the reports.

As members receive a full copy of the internal audit report upon release, they are encouraged to raise any significant concerns they may have with the Auditor at that time. This summary report gives an added opportunity for Members as a group to discuss related matters.

This report includes all final internal audit reports issued to date that have not been previously reported to the Committee.

### 2. REPORT

A summary of final reports issued to date and not included in previous committee reports is included at **Appendix A**.

There are two audit reports to note:

- Climate Change
- Treasury Management

We also provide an update on our work with Active Torridge to confirm appropriate controls are in place, and confirmation of two grants we have certified.

### 3. IMPLICATIONS

#### Legal Implications

None.

#### Financial Implications

None.

#### Human Resources Implications

None.

#### Sustainability Implications

None.

Equality/Diversity  
None.

Risk Management

The Risk Based Internal Audit Plan is designed to provide robust coverage of the key risks faced by the Council each year. It is developed in consultation with management and approved by members.

Each internal audit report provides the following key information:

Assurance level – providing an overall opinion on the audit area.

Action plan – including audit recommendations (where applicable) and management responses.

Reported issues are assigned a priority rating of high, medium, or low, based on the perceived impact and likelihood as established within the corporate risk matrix.

The report may also include ‘opportunity’ findings, which are suggested courses of action perceived to add value and included for consideration.

Low priority or housekeeping matters are reported separately to operational management during the draft audit stage.

Reporting of progress to the Audit & Governance Committee to implement internal audit actions is the responsibility of the Finance Director / S151.

Compliance with Policies and Strategies

This report complies with the Audit Committee terms of reference and the Audit Procedures Manual.

Ward Member and Leader Member Views

Councillor Philip Hackett, Chair of Audit & Governance, commented “*The Internal Audits Reports contribute to the Council’s robust governance arrangements.*”

**4. CONCLUSIONS**

The following is a summary of the four assurance levels currently used, along with the audits that have been awarded each level:

Opinion	Audit
<b>Substantial Assurance</b> <b>‘A sound system of Governance’</b>	Treasury Management
<b>Reasonable Assurance</b> <b>‘Some scope for improvement’</b>	Climate Change
<b>Limited Assurance</b> <b>‘Improvement is required’</b>	
<b>No Assurance</b> <b>‘Immediate action required’</b>	NA

### 5. RECOMMENDATIONS

Committee are asked to:

Note the reports issued in this reporting period and raise any queries, suggestions or proposals relating to the internal audits in this report.

### SUPPORTING INFORMATION

Consultations:	Steve Hearse, Chief Executive Officer Staci Dorey, Head of Legal and Governance and Monitoring Officer Councillor Philip Hackett, Audit and Governance Committee Chair
Contact Officer:	David Heyes, Finance Manager & S151 Officer Robert Hutchins – Head of Devon Audit Partnership Paul Middlemass – DAP Audit Manager
Background Papers:	Audit files

### Overview of Reports Issued not previously reported to Committee

#### Treasury Management

Overall Assurance Level – Substantial

No of management actions made / agreed: One Medium

#### **Summary**

The Annual Treasury Management and Investment Strategy was approved by Full Council. The Strategy clearly sets out the criteria when making investments as well as maximum values for individual transactions and overall investments in a single counterparty. Prudential indicators, including the operational boundary and authorised limit for external borrowing, are also set within the Strategy. The Strategy is a low risk one, and investments in place were with UK based counterparties with a high credit rating from Fitch (a credit rating agency) to minimise risk. Investment yields have been low for some years but may now be increasing given changes to interest rates. The Deputy Head of Finance has been undertaking this role for some years and has good knowledge and experience to support the activity.

A detailed cashflow forecasting spreadsheet is maintained by the TM Officer. We reviewed the document during discussions and found it to be accurate and reliable, to support retention of sufficient cash for operations. The TM officer told us that it has been challenging to maintain cashflow and stay within the agreed limits of the current account and investing as stated in the policy. This has been necessitated due to holding several million pounds of government funds to pay for grants that need to be paid, or refund back at short notice. This requirement has been referenced in the strategy, and we were told the full council has been informed when these limits have been exceeded.

There were appropriate controls over payments into and out of the current account and to move money into the investment accounts. This included segregation between those raising the bank account transfer request, and those authorising the transfer. There is also an audit trail that records the investments in counterparties. Home working has necessitated reduced use of paper records to store papers and the audit trail and more reliance on electronic records which should be maintained going forward. We re-state a management action from our last audit report that deposit confirmations should be independently checked and signed before or during the actual transaction.

#### Climate Change

Overall Assurance Level – Reasonable

No of management actions made / agreed: 7 Medium.

#### **Summary**

Since April 2021, the council has put significant increased focus on meeting the overall target of net zero, supported by the establishment of a governance and management framework to manage this work. Progress from 2019 has been slow due to the Covid-19 emergency, although initiatives have been undertaken over the last couple of years to improve energy efficiency, such as the Burrows refurbishment, Carbon surveys of assets and purchase of a first electric vehicle.

That said, over the last year there has been more focus and a systematic approach to meet the objective, including completing Carbon audits to provide a baseline. The work is actively led by the Public Health and Housing Manager supported by a Climate Change officer shared with North Devon council. They are supported by a dedicated Lead Member and an active Member Climate Change Working Group. This commitment will need to continue given the amount of work and resources

needed if the objective is to be substantially met.

We agreed management actions related to the following:

- Review of the Climate Change Working Group objectives.
- Consideration of the resources to achieve net zero and other environment targets.
- Include the need for offsets in the Carbon, Environment and Biodiversity Action Plan
- Ongoing requirement for a Climate Change officer.
- Systematic risk and opportunity management.
- Greater focus on Adaption related to council infrastructure and services, and the local community.
- Identify and agree Performance measures to monitor success and drive delivery.

### Active Torrige

Following creation of this new council owned company, we have started fieldwork to confirm to management that key controls are in place. For this first year, we will be looking at the following:

- Budget setting and budgetary control.
- Main Accounting System.
- Creditors.
- Safeguarding.
- Facilities Maintenance.
- Health and Safety.
- Training and Qualifications.
- Data Protection.
- Information Systems and Security.
- Contract Management and Monitoring (mainly related to the primary contractor: Active Nation)

We are working to provide a draft report on our findings by end of August 2022, and a final report by end of September. Significant issues will be raised for management action as they are identified during our fieldwork.

### Grant Certifications:

We checked and provided certification for the following grants:

Getting Building Fund – Northam Burrows (related to £827k received via the Heart of the Southwest LEP)

Contain Outbreak Management Fund (related to £104k received from the UK Health Security Agency).