Finance, Resources, Audit and Governance Committee

Agenda

Members of the Finance, Resources, Audit and Governance Committee:

Cllr P Hardy (Chairman)   Cllr S Ridley (Vice Chairman)
Cllr C Brown   Cllr A Dearnley
Cllr M Dewsbury   Cllr B Duffin
Cllr D Elmer   Cllr T Laidlaw
Cllr N Legg

Date & Time:

Friday 9 July 2021
9.30am

Place:

Council Chamber, South Norfolk House, Cygnet Court, Long Stratton, Norwich, NR15 2XE

Contact:

Jessica Hammond   tel (01508) 505298
Email: democracy@s-norfolk.gov.uk
Website: www.south-norfolk.gov.uk

PUBLIC ATTENDANCE:

If a member of the public would like to observe the meeting, or speak on an agenda item, please email your request to democracy@s-norfolk.gov.uk, no later than 5.00pm on Wednesday 7 July 2021. Please note that due to the current rules on social distancing, places will be limited. Please see further guidance on attending meetings at page 2 of this agenda

Large print version can be made available

If you have any special requirements in order to attend this meeting, please let us know in advance.

Public Speaking and Attendance at Meetings

All public wishing to attend to observe, or speak at a meeting, are required to register a request by the date / time stipulated on the relevant agenda. Requests should be sent to: democracy@s-norfolk.gov.uk

Public speaking can take place:

- Through a written representation (which will be read out at the meeting)
- In person at the Council offices

Please note that due to the current rules on social distancing, the Council cannot guarantee that you will be permitted to attend the meeting in person. There are limited places in the Council Chamber and the numbers of public speakers permitted in the room will vary for each meeting.

All those attending the meeting in person must, sign in on the QR code for the building and arrive/ leave the venue promptly. The hand sanitiser provided should be used and social distancing must be observed at all times. Further guidance on what to do on arrival will follow once your initial registration has been accepted.

AGENDA

1. **To report apologies for absence and to identify substitute members;**

2. **Any items of business which the Chairman decides should be considered as a matter of urgency pursuant to section 100B(4)(b) of the Local Government Act, 1972. Urgent business may only be taken if, "by reason of special circumstances" (which will be recorded in the minutes), the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency;**

3. **To receive Declarations of interest from Members;**

    (Please see guidance from and flow chart attached – page 9)

4. **Progress Report on Internal Audit Activity;**

    (attached – page 11)

5. **Follow Up Report on Internal Audit Recommendations;**

    (attached – page 44)

6. **Head of Internal Audit's Annual Report and Opinion for 2020/21;**

    (attached - page 48)

7. **Finance, Resources, Audit & Governance Committee Work Programme;**

    (attached – page 61)

Working Style of Cabinet Policy Committees

Member Leadership
Members of the Committees will take the lead in understanding the direction provided by Cabinet and delivering work to Cabinet requirements. Whilst recognising political allegiances, members will work in a collaborative manner with officers and cabinet portfolio holders to consider the relevant issues when developing Council policy.

Collaborative Working
All meetings of the Committees will be constructive and conducted in a spirit of mutual respect and trust. Officers will commit to supplying meetings with information relevant to making informed decisions on policies and matters. Members will commit to thoroughly reading and understanding papers, raising questions that are pertinent to the issues at stake. Members will, where feasible, agree definable actions to be taken forward by officers to develop policy, rather than having items for noting or simply to discuss.

Frequency and Nature of Meeting
Each Committee will have at least 3 formal, public meetings per year. In assessing items delegated by Cabinet for review, the Committee may decide that it wishes to meet on a more or less frequent basis.

The Committee may also hold informal meetings should it require in order to progress specific items in detail. However, if the Committee is meeting to determine whether to refer items for Cabinet approval, the meeting should follow the Council's Standing Orders and thus be subject to a formal agenda, be held in public and the meeting recorded.

Informal meetings may be held in any manner suitable for conducting business (e.g. via meeting, conference call, circulation of information via e-mail, or site visits); while relevant information will be supplied by officers where appropriate, these meetings will not be subject to a formal agenda or minutes. Where business of the Committee is undertaken through informal meeting, all members of the Committee will be provided opportunity to participate. Members will expect to be able to participate in a free and frank exchange of views when deliberating subjects.

Training
Members commit to undertaking development – for example, attending formal training sessions, or reading relevant background material, in order to properly equip themselves to deliver their expected role fully.

Accountability
The Policy Committees will be accountable to Cabinet. They will not be able to make decisions themselves but can recommend decisions to Cabinet. Cabinet may review whether the Committees are discharging their duties effectively and may receive progress reports on how the Policy Committee is working to discharge its duties.

Work Programmes
The Work Programmes for the Policy Committee will be established by Cabinet. Members of the Committee will not be able to raise items to be included in the work programme. Where topics have been identified for inclusion in the work programme, the Committee will work to identify how it will discharge its responsibilities, including the resources required to do so.

Managing Time
However, the Committee is meeting, it will attempt to conclude the business of each meeting in reasonable time. The Chairman will be responsible for ensuring the meeting stays focused on pertinent issue, and does not become side-tracked on issues that are not relevant to the policy under consideration, or those that should be discussed by a separate committee.

Glossary

General Terms

AGS – *Annual Governance Statement* – This is a statement prepared by the Council each year to summarise the governance and assurance framework, and highlight any significant weaknesses in that framework

BAD DEBT PROVISION - To take account of the amount of debt which the Council estimates it will not be able to collect.

Build Insight – The Council's Approved Inspector company, authorised under the Building Act 1984 to carry out building control work in England and Wales.

CIPFA – *the Chartered Institute of Public Finance and Accountancy* – the accountancy body for public services

CoCo - *Code of Connection* – a list of security controls that the Council has to have in place in order to undertake secure transactions with other government bodies

CNC - a joint venture established with Norwich City Council, Broadland Council and Kings Lynn and West Norfolk Borough Council to deliver the Council's building control functions, ensuring buildings and developments comply with building regulations

CNC CS – CNC consultancy services, the private company administered by CNC

CREDITOR - A person or organisation which the Council owes money to for a service or goods.

CSO – *Contract Standing Orders* – outline the Council's rules when entering into contracts and buying large value goods

GIG - Gaining Independence Grant – a small grant to support residents with adaptations to allow them to live independently

GNDP – *Greater Norwich Development Partnership* – a partnership with Norwich City and Broadland Councils that manages delivery of the Government's growth strategies

GNGB – *Greater Norwich Growth Board* – a partnership with Broadland Council, Norwich City Council, Norfolk County Council and New Anglia Local Enterprise Partnership providing strategic direction, monitoring and coordination of both the City Deal and the wider growth programme for the Greater Norwich area

JCS – *Joint Core Strategy* – sets out the general vision and objectives for delivering the local development framework

JOURNAL - The transfer of a transaction to either a different cost centre or a different categorisation within the finance system e.g. transfer of an item of expenditure between HR and Planning or the transfer of expenditure from electricity to water. These are used to correct input errors, share costs/income between cost centres or to record expenditure or income which has not yet been invoiced.

KPI - Key Performance Indicator

LASAAC – *Local Authority (Scotland) Accounts Advisory Committee* – this Committee develops proper accounting practice for Scottish Local Authorities

LDF – *Local Development Framework*- outlines the management of planning in the Council

LEDGER - A module within the finance system e.g. Sales Ledger, Purchase Ledger, General Ledger.

LGA – *Local Government Association* – a lobbying organisation for local councils

LGPS – *Local Government Pension Scheme*- Pension Scheme for all public-sector employees

LSVT - *Large Scale Voluntary Transfer* - the transfer of the Council's housing stock to Saffron Housing Trust

Moving Forward Together – The Council's internal programme to improve performance in a number of key areas

NFI – *National Fraud Initiative* – A national exercise to compare data across public sector organisation to aid identifying potential frauds

NHB – New Homes Bonus - grant paid by central government to local councils for increasing the number of homes and their use

NI – *National Indicator* – a measure used to identify how the Council is performing that is determined by central government

NNDR/NDR – *(National) Non-Domestic Rates* – commonly known as Business Rates

PI – *Performance Indicator* – measure used to identify how the Council is performing

PSN – *Public Services Network* - provides a secure private internet for organisations across Central Government and the Wider Public Sector and standardised ICT infrastructure

RAD - Rent Assisted Deposit scheme.

RFG – *Rules of Financial Governance* – the Council's rules governing the day-to-day financial activities undertaken

SLA – *Service Level Agreement* – an agreement that sets out the terms of reference for when one organisation provides a service to another

MTP – *Medium Term Plan* – sets out the future forecast financial position of the Council

SOLACE – *Society of Local Authority Chief Executives* – society promoting public sector management and development

SPARSE – *Sparsity Partnership for Authorities Delivering Rural Services* – an organisation that benchmarks and supports local rural councils

SUNDRY DEBTOR - A customer who owes the Council money for a service they have received prior to payment, this excludes Council Tax or NDR. The term can also refer to the system used to record money owed to the council e.g. the Sundry Debtors system which is a module within the financial system.

Audit Terminology

APB – *Auditing Practices Board* – the body that sets the standards for auditing in the UK

COUNT – *Count Once, Use Numerous Times* – a system used for data collection and analysing, which works to avoid duplication by assuming the principle that a piece of data should be recorded once but used several times in different ways

ISA – *International Auditing Standard* – Provides external auditors with a required framework that dictates work to be undertaken before awarding an opinion on the statement of accounts

VFM Conclusion – *Value for Money Conclusion* – the Audit Commission are required to give an annual conclusion on the Council's arrangements for providing value for money in addition to the opinion given on the statement of accounts.

Accounting Terminology

BRRS – *Business Rates Retention Scheme* - provides a direct link between business rates growth and the amount of money councils have to spend on local people and local services (the Council retains a proportion of the income collected as well as growth generated in the area)

CFR – *Capital Financing Requirement* – a calculated figure that establishes the amount of money the Council needs to borrow

Collection Fund – a separate account statement that records the transactions relating to the collection and redistribution of council tax and business rates

GAAP – *Generally Accepted Accounting Practice* – this provides the overall framework for accounting principles prior to IFRS adoption in local government (also "UK GAAP" – specific to the United Kingdom)

IAS – *International Accounting Standards* – these were the precursors for international financial reporting standards (see below).

IFRS – *International Financial Reporting Standards* – the underlying standards for the Council's accounting policies and treatment of balances

IPSAS – *International Public-Sector Accounting Standards* – these set out the accounting standards for public sector bodies and are based on the international financial reporting standards.
MRP – *Minimum Revenue Provision* – the amount of money the Council needs to set aside each year to fund activities from revenue balances

Non-current assets – assets from which benefit can be derived by the Council for more than one year (formerly known as Fixed Assets)

RSG – *Revenue Support Grant* - one source of Council funding from Central Government

SeRCOP – *Service Reporting Code of Practice* – outlines how Council should classify income and expenditure across different services

SSAP – *Statement of Standard Accounting Practice* – preceded the financial reporting standards in the UK
The Code – *Code of Practice on Local Authority Accounting in the UK* – main guidance on accounting treatment required for the statement of accounts

Virement – The process of transferring a sum of money from one part of the Council's budget to another, subject to appropriate approval.

WGA – *Whole of Government Accounts* – an exercise undertaken to consolidate all the accounting records of government bodies

International Accounting and Financial Reporting Standards Reference Numbers

IAS1 – *Presentation of Financial Statements* – sets out the prescribed format for statements of accounts

IAS19 – *Employee Benefits* – essentially provides the basis for accounting for the pension fund

IAS20 – *Accounting for Government Grants* – establishes the accounting treatment for receiving government grants

IAS40 – *Investment Property* – how organisations should account for properties held as an investment

IPSAS16 – *Investment Property* – how public-sector organisations should account for properties held as an investment

IPSAS23 – *Revenue from non-exchange transactions (taxes and transfers)* – this determines how monies from taxes should be treated in the accounts

Council Systems

ALBACS CS – The Council's system to make payments to other organisations

AXIS - Income receiving system which interacts directly with Integra

Clubrunner – System used to manage bookings and activities at the leisure centres

eXpress – the electoral registration system

FAM – the system used by the accountancy team to record the Council's assets and associated transactions

IBS – the Revenues system, maintains all Council Tax, Business Rates and Benefits records

IDOX Uniform – IT platform covering Planning, Building Control, Environmental Services, Land Charges, Licensing, Estates, Street Naming and Numbering and Address Gazetteer.

Integra – general ledger used to record all accounting transactions, including purchases made by the Council and income received by the Council

LALPAC – system used to record licensing details
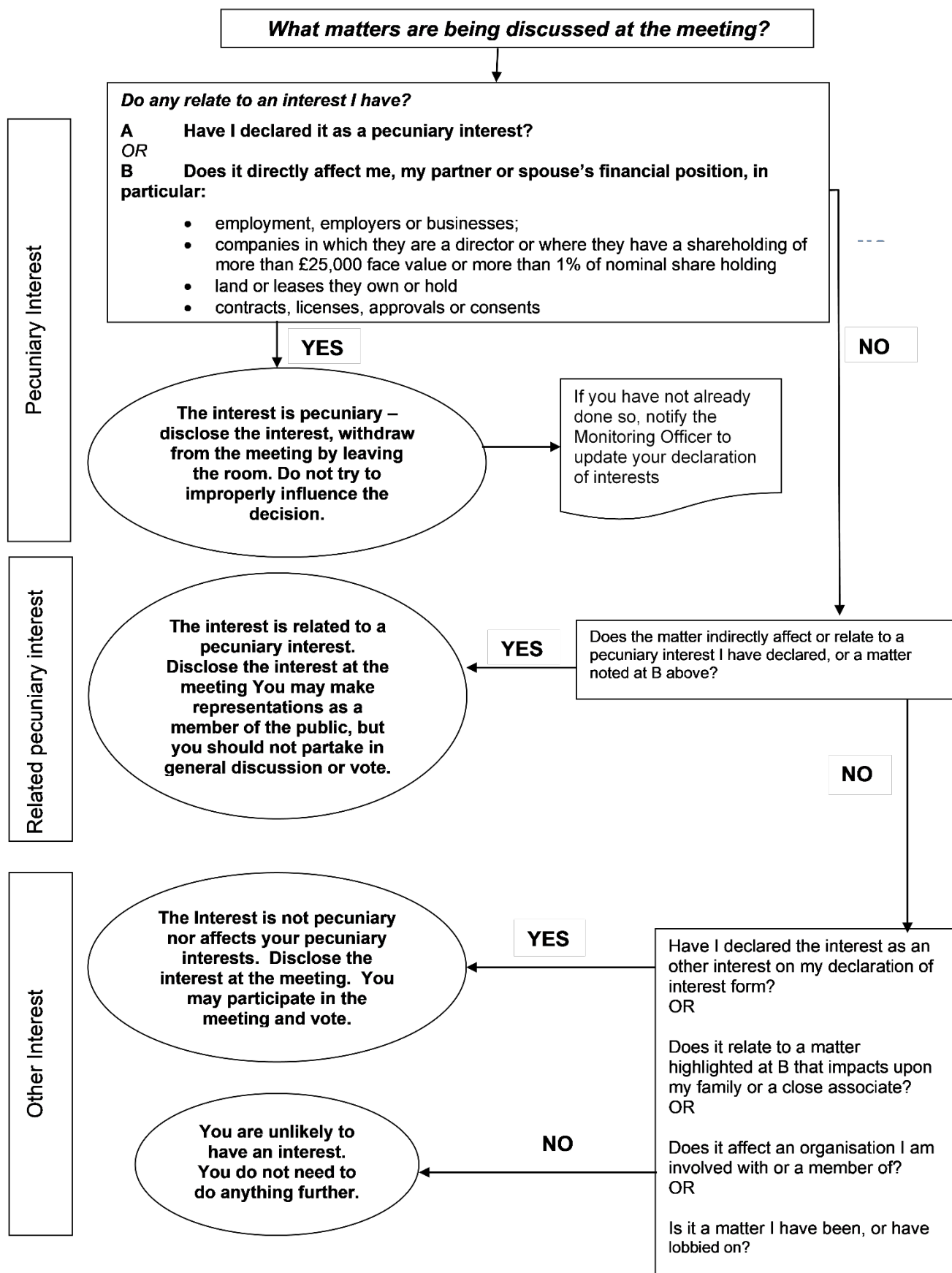
DECLARATIONS OF INTEREST AT MEETINGS

When declaring an interest at a meeting Members are asked to indicate whether their interest in the matter is pecuniary, or if the matter relates to, or affects a pecuniary interest they have, or if it is another type of interest. Members are required to identify the nature of the interest and the agenda item to which it relates. In the case of other interests, the member may speak and vote. If it is a pecuniary interest, the member must withdraw from the meeting when it is discussed. If it affects or relates to a pecuniary interest the member has, they have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting. Members are also requested when appropriate to make any declarations under the Code of Practice on Planning and Judicial matters.

Have you declared the interest in the register of interests as a pecuniary interest? If Yes, you will need to withdraw from the room when it is discussed.
Does the interest directly: 1. affect yours, or your spouse / partner's financial position? 2. relate to the determining of any approval, consent, licence, permission or registration in relation to you or your spouse / partner? 3. Relate to a contract you, or your spouse / partner have with the Council 4. Affect land you or your spouse / partner own 5. Affect a company that you or your partner own, or have a shareholding in If the answer is "yes" to any of the above, it is likely to be pecuniary. Please refer to the guidance given on declaring pecuniary interests in the register of interest forms. If you have a pecuniary interest, you will need to inform the meeting and then withdraw from the room when it is discussed. If it has not been previously declared, you will also need to notify the Monitoring Officer within 28 days.
Does the interest indirectly affect or relate any pecuniary interest you have already declared, or an interest you have identified at 1-5 above? If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public, but you should not partake in general discussion or vote.
Is the interest not related to any of the above? If so, it is likely to be an other interest. You will need to declare the interest, but may participate in discussion and voting on the item.
Have you made any statements or undertaken any actions that would indicate that you have a closed mind on a matter under discussion? If so, you may be predetermined on the issue; you will need to inform the meeting, and when it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.

FOR GUIDANCE REFER TO THE FLOWCHART OVERLEAF.

PLEASE REFER ANY QUERIES TO THE MONITORING OFFICER IN THE FIRST INSTANCE

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF

What matters are being discussed at the meeting?

Pecuniary Interest

Do any relate to an interest I have?

A   **Have I declared it as a pecuniary interest?**
OR
B   **Does it directly affect me, my partner or spouse's financial position, in particular:**

- employment, employers or businesses;
- companies in which they are a director or where they have a shareholding of more than £25,000 face value or more than 1% of nominal share holding
- land or leases they own or hold
- contracts, licenses, approvals or consents

YES

NO

The interest is pecuniary – disclose the interest, withdraw from the meeting by leaving the room. Do not try to improperly influence the decision.

If you have not already done so, notify the Monitoring Officer to update your declaration of interests

Related pecuniary interest

The interest is related to a pecuniary interest. Disclose the interest at the meeting You may make representations as a member of the public, but you should not partake in general discussion or vote.

YES

Does the matter indirectly affect or relate to a pecuniary interest I have declared, or a matter noted at B above?

NO

Other Interest

The Interest is not pecuniary nor affects your pecuniary interests. Disclose the interest at the meeting. You may participate in the meeting and vote.

YES

Have I declared the interest as an other interest on my declaration of interest form?
OR

Does it relate to a matter highlighted at B that impacts upon my family or a close associate?
OR

Does it affect an organisation I am involved with or a member of?
OR

Is it a matter I have been, or have lobbied on?

You are unlikely to have an interest. You do not need to do anything further.

NO

Eastern Internal Audit Services

South Norfolk Council

Progress Report on Internal Audit Activity

Period Covered: 17 November 2020 to 29 June 2021

Responsible Officer: Faye Haywood – Internal Audit Manager for South Norfolk Council

CONTENTS

1. INTRODUCTION

1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.

1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.

1.3 To comply with the above this report includes:

- Any significant changes to the approved Audit Plan;
- Progress made in delivering the agreed audits for the year;
- Any significant outcomes arising from those audits; and
- Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

2.1 At the meeting on 17 July 2020, the revised Annual Internal Audit Plan for the year was presented to the Committee, to respond to the unprecedented circumstances surrounding the Coronavirus Pandemic. The Committee approved the revised plan which identified specific audits to be delivered. Since that meeting, there have been no further significant changes to that plan.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations.

3.2 In summary 129 days of programmed work has now been completed, equating to 100% of the (revised) Audit Plan for 2020/21.

4. THE OUTCOMES ARISING FROM OUR WORK

4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

Substantial Assurance: Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

Reasonable Assurance: Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

Limited Assurance: Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

No Assurance: Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage

risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

4.2   Recommendations made on completion of audit work are prioritised using the following definitions:

Urgent (priority one): Fundamental control issue on which action to implement should be taken within 1 month.

Important (priority two): Control issue on which action to implement should be taken within 3 months.

Needs attention (priority three): Control issue on which action to implement should be taken within 6 months.

4.3   In addition, on completion of audit work "Operational Effectiveness Matters" are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.

4.4   During the period covered by the report eight Internal Audit reports have been issued, one of these remains in draft awaiting management responses as detailed by the table below;

Audit	Assurance	P1	P2	P3
Corporate Governance	Reasonable	0	1	3
Accounts Payable	Reasonable	0	2	1
HR & Payroll	Reasonable	0	4	5
Council Tax and NNDR	Reasonable	0	1	7
Housing Benefit and CTS	Reasonable	0	1	4
Key Controls and Assurance (DRAFT)	Reasonable	0	2	4
Service Desk	Reasonable	0	1	2
Remote Access	Reasonable	0	2	2

The Executive Summary of these reports are attached at **Appendix 2**, full copies can be requested by Members

4.5   As can be seen in the table above as a result of these audits 42 recommendations have been raised for management attention.

4.6   In addition four operational effectiveness matters have been raised for management consideration.

4.7   Within this period; three position statements have been issued for Procurement and Contract Management, Economic Development and Coronavirus Response and Recovery. The Economic Development position statement is in draft at the time of writing this report. We have however provided the suggested improvements actions for all position statements below:

Procurement and Contract Management

The following actions have been suggested in relation to Economic Development at South Norfolk Council;

- Review and update the Business Continuity Plans, including reference to review of contracts, an expenditure report to be reviewed, to ascertain that contracts have been procured for items that exceed the contract thresholds, with details recorded on the contracts register.

- That waivers are approved by the Section 151 officer as well as the relevant Director, in accordance with the CPR.

- Waivers are approved prior to the contract commencing.

- The CPR be updated to include reasons or circumstances where a tender waiver can be used.

- Detailed reasons for waivers to be stated on the waiver form.

Economic Development

The following actions have been suggested in relation to Economic Development at South Norfolk Council;

- An Economic Development Plan/Strategy and delivery plan is to be developed.

- Council representatives are to attend monthly project management team meetings in order to ensure that direct input relating to the projects can be made on a timely basis.

- The project management methodology to be adopted across the Councils for all projects be agreed and implemented on a consistent basis.

- Processes be put in place to ensure that documents relating to projects are stored on a shared drive or system accessible by both Councils and the same storage facility used for storing hard documents relating to the projects.

Coronavirus Response and Recovery

The review has identified a number of positive findings in the Councils' response to Covid-19, including:

- An emergency command structure was enacted at the beginning of Covid-19 and these groups have continued to meet frequently throughout to lead on decision-making and implementation.

- The Councils have worked as part of the Norfolk Resilience Forum to ensure a consistent approach with other local authorities in Norfolk.

- The Councils have supported vulnerable residents through the Help Hub and with financial support from a Hardship Fund.

- Over £40m of grants has been administered by each Council to support local businesses affected by Covid-19.

- Many staff were redeployed to support key services during the peak stages of Covid-19.

- Members have been kept informed throughout of the actions that the Councils have taken in response to Covid-19 and of the financial impacts on the organisation.

- The Councils' Delivery Plan for 2020/21 and 2021/22 has been amended to take into account the effects of Covid-19.

One suggested action point was raised for management consideration;

- A lessons learnt exercise be undertaken and this, along with outcomes from the Norfolk Resilience Forum lessons learnt activity, be incorporated into the revised Business Continuity and Emergency Response Plans.

5.   PERFORMANCE MEASURES

5.1   The Internal Audit Services contract includes a suite of key performance measures against which the TIAA will be reviewed on a quarterly basis. There is a total of 11 indicators, over 4 areas.

5.2   There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows:

- 9-11 KPIs have met target = Green Status.
- 5-8 KPIs have met target = Amber Status.
- 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by TIAA and agreed with the Internal Audit Consortium Manager to ensure that appropriate action is taken.

5.3   Significant delays have been experienced in completing and finalising the work throughout 2020/21. This can be partly attributed to resourcing difficulties and staff sickness faced by the contractor and partly from delays in receiving information required to complete internal audits within the agreed timeframe. All audits assigned have now been completed, however, two reports (Economic Development and Key Controls) from 2020/21 remain in draft at the time of writing this report.

Whilst the delays have not caused performance to reach amber or red status, discussions have been held with the contractor with the aim of ensuring next year's plan can be delivered by year end for 2021/22 so as not to delay the Internal Audit Annual Opinion. We have had assurances that the contractor is committed to preventing the issues faced this year from reoccurring and we do recognise that 2020/21 has been a difficult year due to the pandemic, and late start of the revised Internal Audit Plan.

6   PROPOSAL

6.1   The Finance, Resources, Audit and Governance Committee are requested to receive and note the Progress Report. In doing so the Committee is ensuring that the Internal Audit Service remains compliant with professional auditing standards.

7.   RECOMMENDATIONS

7.1   That members note the outcomes of the completed internal audit plan for 2020/21.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 2											
Assurance Mapping	SNC2101	8	8	8	Final report issued 23 February 2021						
TOTAL		8	8	8							
Quarter 3											
Corporate Governance	SNC2102	4	4	4	Final report issued 8 June 2021	Reasonable	0	1	3	0	July 2021
Accounts Payable	SNC2103	12	12	12	Final report issued 23 February 2021	Reasonable	0	2	1	1	July 2021
Payroll and HR	SNC2104	10	10	10	Final report issued 28 June 2021	Reasonable	0	4	5	0	July 2021
Council Tax NNDR	SNC2105	15	15	15	Final report issued 28 June 2021	Reasonable	0	1	7	0	July 2021
Housing Benefit Local Council Tax Support	SNC2106	15	15	15	Final report issued 21 June 2021	Reasonable	0	1	4	1	July 2021
TOTAL		56	56	56							
Quarter 4											
Economic Development	SNC2107	10	10	10	Draft report issued 28 May 2021	Position Statement					July 2021
Key Controls and Assurance	SNC2108	10	10	10	Draft report issued 22 June 2021	Reasonable	0	2	4	0	July 2021
Coronavirus Response and Recovery	SNC2109	15	15	15	Final report issued 8 June 2021	Position Statement					July 2021
Procurement and Contract Management	SNC2110	10	10	10	Final report issued 23 June 2021	Position Statement					July 2021
TOTAL		45	45	45							
IT Audits											
Service Desk	SNC2111	7.5	7.5	7.5	Final report issued 30 April 2021	Reasonable	0	1	2	1	July 2021
Remote Access	SNC2112	7.5	7.5	7.5	Final report issued 12 May 2021	Reasonable	0	2	2	1	July 2021
TOTAL		15	15	15							
Follow Up											
Follow Up	NA	5	5	5							
TOTAL		5	5	5							
TOTAL		129	129	129			0	14	28	4	
Percentage of plan completed				100%							

APPENDIX 2 – EXECUTIVE SUMMARIES

Assurance Review of the Corporate Governance Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT

ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Adherence to the Constitution	0	0	1	0
Provisions for Emergency Powers	0	1	0	0
Decision making in a Pandemic	0	0	1	0
Changes to Committee Meetings	0	0	1	0
Total	0	1	3	0

SCOPE

This review is carried out annually to support the Head of Internal Audit Opinion. Supported by the assurance mapping exercise, we will provide assurance that any changes to the systems in place to control and manage the Council such as the utilisation of virtual meetings have been made in line with the constitution.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'important' and three 'needs attention' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

We found that the Council has demonstrated the following points of good practice as identified in this review and we will be sharing details of these operational provisions with other member authorities in the Consortium:

- The Councillor manages pecuniary conflicts of interest in virtual meetings by removing that member to the waiting room by the host of the meeting and then inviting them back in at the appropriate time.

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Decisions taken during the COVID-19 pandemic were in accordance with the Local Authorities and Police and Crime Panels Regulations 2020 and in accordance with the Constitution.
- The Constitutions were amended to reflect the regulations, and allow for virtual meetings and decision making.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where one 'important' recommendation has been made.

Provision of Emergency Powers

- Agendas to be updated. Where agenda items impact on the governance of the meeting they are considered first on the agenda.

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Adhere to the Constitution

- Management of conflicts of interest is enhanced, issuing reminders to Members annually to request they confirm that their register of interest declaration is accurate and up to date, to ensure that Members comply with the Code of Conduct and provide assurance that conflicts are fully managed in meetings.

Decision making in the Pandemic

- The Council agree a date by which the Emergency Response and Business Continuity Plans are reviewed and updated.

Changes to Committee Meetings

- The draft minutes of the last Emergency Committee (05.06.20) are reviewed by members for accuracy, and presented to the successor meeting for recording as finalised and approved.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The audit reviewed the previous internal audit for Corporate Governance (SNC2006 and BRD2002), which raised two important and two needs attention recommendations, of which one important and one needs attention recommendations remain outstanding, in relation to the South Norfolk record of processing activities and the openness of Local Government Bodies. These were discussed with management and revised deadline dates agreed. No recommendations have been superseded by the recommendations raised within this audit, the control issues are still present but the recommendations have been expanded and modified to reflect the testing results and current situation.

Assurance Review of Accounts Payable

Executive Summary

OVERALL ASSURANCE ASSESSMENT

ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
New and changes to suppliers	0	1	0	1
Payment of invoices	0	1	0	0
Reconciliations	0	0	1	0
Total	**0**	**2**	**1**	**1**

No recommendations have been raised in respect of policies and procedures, purchase orders, receipting of goods and authorisation of invoices.

SCOPE

These key financial systems feed into the Head of Internal Audit Opinion and Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls. The scope of the audit included policies and procedures, supplier maintenance, purchase orders and receipting of goods, authorisation of invoices, payment of invoices and reconciliations.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.

- The audit has also raised one 'operational effectiveness matter', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

- The previous audits of Accounts Payable at both Councils, completed during 2018/19, also concluded in a 'Reasonable' assurance opinion, indicating that the level of control is unchanged.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Access to the purchasing system is set up so that permissions are based on the needs of a user's role, with key tasks such as creating suppliers and making payments restricted to staff in the Financial Transactions team, to reduce the risk of fraudulent payments being made.

- System controls prevent users from raising purchase orders to suppliers not already on the system. The system also alerts users if there is insufficient budget for a purchase order, to help manage the Council's budget.

- Purchase orders are raised and authorised in accordance with the Council's policies and delegated authority limits, to ensure that expenditure is appropriate and necessary for delivering Council functions.

- BACS payment runs are independently reviewed and authorised prior to transmission, to ensure payments are made accurately.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'important' recommendations have been made.

New and changes to supplier

- Changes to supplier bank details be verified with the supplier, to reduce the risk of inaccurate changes and payments being made.

Payment of invoices

- Data on payments to suppliers be published on both Council's websites, in accordance with the Public Contracts Regulations 2015.

The audit has also highlighted the following areas where one 'needs attention' recommendation has been made.

Reconciliations

- Creditor control account reconciliations be independently reviewed, to reduce the risk of errors going unidentified or uncorrected.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

- Consideration be given to using 'new supplier forms' at Broadland District Council, to ensure that all necessary information about new suppliers is received and to align with the process at South Norfolk Council.

Previous audit recommendations

The previous audit of Accounts Payable at Broadland District Council (BRD/19/06) was undertaken in February 2019 with a 'Reasonable' assurance opinion, as a result of one 'needs attention' recommendation being raised upon the conclusion of our work, along with one 'important' recommendation that was outstanding from the key controls audit (BRD/18/09) in relation to Accounts Payable. Two further 'important' recommendations were raised in the Key Controls audit in March 2020 (BRD/20/08). One of these recommendations remains outstanding, relating to the use of purchase orders for all purchases.

At South Norfolk Council, the previous review audit of Accounts Payable (SNC/19/11) was undertaken in December 2018 with a 'Reasonable' assurance opinion, as a result of two 'important' and two 'needs attention' recommendations being raised. All four of these have been confirmed as implemented through internal audit's cyclical follow up checks. No recommendations relating to Accounts Payable were raised in the most recent Key Controls audit (SNC/20/10) in March 2020.

Other points noted

During the audit it was identified that the Councils have not had an up to date Authorised Signatory List for the first half of 2020/21. A new Authorised Signatory List was approved by the Corporate Management Leadership Team on 13th October 2020 and, in addition, power was delegated to the S151 Officer to make amendments to the list, such as adding and removing officers. As such, no recommendation has been raised.

Assurance Review of Human Resources (HR) and Payroll

Executive Summary

OVERALL ASSURANCE ASSESSMENT

ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and procedures	0	0	1	0
Legislative requirements	0	0	2	0
Starters and leavers	0	0	1	0
Payroll processing	0	1	0	0
Reconciliations	0	1	0	0
Officers' expenses	0	2	0	0
Sickness absence	0	0	1	0
Total	**0**	**4**	**5**	**0**

SCOPE

Payroll review of new processes and controls in place, efficiency and accuracy of processing, security of data, management information and the interaction with HR processes.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of four 'important' and five 'needs attention' recommendations being raised upon the conclusion of our work.

- This area has not been subject to previous audit review since the joining of the two Councils' workforces. The previous audit of this area was completed for South Norfolk Council in April 2019 (SNC/19/12) with a 'Substantial' assurance opinion being awarded. The report included two 'needs attention' recommendations. The previous audit of this area was completed for Broadland District Council in February 2019 (BRD/19/07) with a 'Reasonable' assurance opinion being awarded. The report included one 'important', three 'needs attention' recommendations and one 'operational effectiveness matter'.

POSITIVE FINDINGS

We found that the Council has demonstrated the following points of good practice as identified in this review and we will be sharing details of these operational provisions with other member authorities in the Consortium:

- The Councils offer two different methods of flexible working, structured and unstructured, to give officers greater autonomy and flexibility to manage their own workloads.

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The Councils have up to date policies on absence management, parental leave and flexible working, to ensure that employee's time away from work is managed appropriately.

- Starters and leaver checklists are used to confirm all necessary tasks have been completed, to ensure that all starters and leavers and set up accurately and in a timely manner.

- Changes to payroll reviewed as part of the monthly payroll process and payments are authorised by the Director of Resources, to ensure that all changes to payroll are authorised and legitimate.

- Checks were applied as part of the transfer of the Broadland payroll on 1st April 2020, to ensure that all employees were transferred correctly.

- Reports on sickness absence are provided to managers on a monthly basis, to ensure that they are aware of absence issues within their team and can address these appropriately.

ISSUES TO BE ADDRESSED

The audit has also highlighted the following areas where four 'important' recommendations have been made.

Payroll processing

- Pre- and post-payroll checklists be completed each month, to reduce the risk of tasks not being carried out at the necessary time.

Reconciliations

- Payroll control account reconciliations be independently reviewed on a monthly basis, to reduce the risk of inaccuracies in the process not being identified.

Officers' expenses

- The audit trail within the iTrent system be improved, to reduce the risk of claims for additional payments being authorised inappropriately.

Sickness absence

- Return to work meetings be held for all periods of sickness absence, to reduce the risk of issues relating to attendance at work not being resolved effectively.

The audit has also highlighted the following areas where five 'needs attention' recommendations have been made.

Policies and procedures

- Procedure notes be updated to include dates and version control, to reduce the risk of outdated procedures being followed.

Legislative requirements

- The Council publish its gender pay data on its own website, to reduce the risk of non-compliance with transparency requirements.

- Written agreement be obtained from all staff joining salary sacrifice schemes, to reduce the risk of dispute over the terms of the scheme.

Starters and leavers

- Employment contracts be signed by both parties for all new starters, to reduce the risk of dispute over the terms of employment.

Officers' expenses

- Confirmation of employees' eligibility to drive be obtained for all officers who drive at work, to reduce the risk of unsafe driving practices.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

Two 'needs attention' recommendations were raised in the previous audit at South Norfolk (SNC/19/12), which have both been confirmed as completed. One 'important' and three 'needs attention' recommendations were raised in the previous Broadland audit (BRD/19/07), which have also been confirmed as completed. No recommendations relating to Payroll were raised in the most recent audit of Key Controls at Broadland (BRD/20/08). One 'needs attention' recommendation from the most recent Key Controls audit at South Norfolk (SNC/20/10) was outstanding at the beginning of this audit. This related to staff dating the payroll starter and leaver checklist when completed and it has been confirmed as implemented during this audit.

Assurance Review of Council Tax and NNDR

Executive Summary

OVERALL ASSURANCE ASSESSMENT

Adequate & effective governance, risk and control processes

REASONABLE ASSURANCE

- SUBSTANTIAL ASSURANCE
- REASONABLE ASSURANCE
- LIMITED ASSURANCE
- NO ASSURANCE

ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and Procedures	0	0	2	0
Reconciliations	0	0	4	0
Discounts, Exemptions and Reliefs	0	1	1	0
Total	0	1	7	0

*No recommendations were raised in the areas of security of information & data, system parameters & modules, refunds and transfers.

SCOPE

A review of the systems and controls in place to help confirm that controls on these areas are operating adequately, effectively and efficiently: Policies and procedures, security of information and data, systems parameters and modules, collection of income, reconciliations, refunds and transfers, discounts, exemptions and reliefs, quality checks, arrears and write offs.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'Important' and seven 'Needs Attention recommendations being raised upon the conclusion of our work.

- The previous audits of Council Tax and NNDR during 2018/19, concluded in a 'Reasonable' assurance opinion at South Norfolk Council and a 'Substantial' assurance opinion at Broadland District Council.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Access to the systems at both Councils is restricted to authorised staff members via username and password (two factor identification). User passwords are changed on a periodic basis and all staff members are required to read and sign an IT policy. Staff access to programmes within the system is restricted by users' roles.

- Due to the impact of COVID, the Council Tax and NNDR collection rates went down however, reminders and final notices were and it was noted that as March 2021, the collection rate has improved in both Councils.

- At both Councils, Council Tax and NNDR parameters and modules were uploaded and independently checked, prior to the commencement of the financial year.

- Credit balances on customer accounts are investigated and reviewed on a regular basis at both Councils.

- Refund and transfers were checked, processed and appropriately authorised by relevant staff members at both Councils.

- Quality assurance sample checking is undertaken on all officers' work across Council Tax and NNDR processes at both Councils.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where one 'Important' recommendation has been made.

Exemptions, Discounts and Reliefs

- Broadland District Council - The Small Business rate reliefs were last reviewed in 2018 and was due for review in 2020.

The audit has also highlighted the following areas where seven 'Needs attention' recommendations has been made.

Policies and procedures

- South Norfolk Council - The Non-Domestic Rates Mandatory and Discretionary Rate Relief policy is not dated to verify when subject to review.
- Broadland District Council - The credit balances procedure is dated May 2017 while the Class E exemptions and the Class F exemptions procedures are both dated November 2014. These procedures are due for review.

Reconciliations

- Broadland District Council - Monthly reconciliation of income is carried out however the preparer and reviewer are not included in the reconciliation and reconciling entries were noted to date back to March 2020.
- Broadland District Council - Monthly income reconciliations included unposted balances dating back to March 2020 were part of the entries in the reconciliation.
- Broadland District Council - Weekly reconciliation of Council tax and NNDR income balances on FMS ledger and Academy is not always evidenced as reviewed by the Senior Systems & Controls Officer.
- South Norfolk Council - The Council Tax and NNDR system balances are currently not reconciled to the general ledger on a monthly.

Exemptions, Discounts and Reliefs

- South Norfolk Council - The average number of days taken to change customer addresses is 18 days, exceeding the target of 11 - 15 days

Operational Effectiveness Matters

- No Operational effectiveness matters have been raised in this review.

Previous audit recommendations

Broadland District Council – One important and one needs attention recommendations relating to Council Tax and NNDR were raised in the Key Controls assurance audit undertaken in 2019/2020. One was on reconciliations of General ledger to Academy and the other on writing a Refunds policy and procedure. Both have now been implemented.

South Norfolk Council – One needs attention recommendation was made on Council Tax and NNDR in the key controls audit undertaken in 2019/2020 and this has been confirmed as implemented.

Assurance Review of the Housing Benefit and Local Council Tax Support Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT

- SUBSTANTIAL ASSURANCE
- REASONABLE ASSURANCE
- LIMITED ASSURANCE
- NO ASSURANCE

ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policy and Legislation	0	0	2	0
Systems Access	0	0	1	0
Payments	0	0	1	0
Overpayments, Arrears and Write Offs	0	0	0*	1
Quality Checks	0	1	0	0
Total	0	1	4	1

*Recommendation raised in BRD2106 and SNC2106 CTAX and NNDR regarding overpayments arrears and write offs

SCOPE

The key areas within this service have been risk assessed and appropriate attention given to those areas, along with a review of the key controls. The audit areas included; policy and legislations, receipt and assessment of applications, payments, overpayments, arrears, write offs, discretionary payments, reconciliations, the quality checking process, system access and updates.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'important' and four 'needs attention' recommendations being raised upon the conclusion of our work.

- The audit has also raised one 'operational effectiveness matter', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

- The previous audits of Housing Benefits and Council Tax Support at both South Norfolk and Broadland, during 2018/19, also concluded in a 'Reasonable' assurance opinion, indicating that the level of control is unchanged.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Evidence relating to new claims and changes of circumstances is obtained prior to processing and retained on the document management system, to ensure that decisions are justified.

- The time taken to process the assessment of new claims for both Broadland and South Norfolk is below the national average.

- Overpayments are classified by reason, including splitting where necessary, to ensure that the Council is recovering debts as much as possible and that they are accurately reflected in the subsidy claim.

- Backdated claims were supported by request forms, reasons for good cause and decisions recorded, they are included in the quality checks undertaken.

- The benefits systems are reconciled to the Council Tax systems, debtors systems and general ledgers, to ensure that the data held in each area is consistent.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where one 'important' recommendation has been made.

Quality Checks

- Quality checks should be completely documented with notes and reasons to explain why a claim needs attention.

The audit has also highlighted the following areas where four 'needs attention' recommendations have been made.

Procedures and Legislation

- The Performance Recording Procedure dated 2017 should be reviewed and updated.

- Annual uplifts to be independently checked and signed off and retained with the electronic audit trail.

System Access

- User access reviews for the Civica and Capita systems to be recommenced in accordance with plans.

Payments

- Monitoring of errors in payment processing to include identifying the error rate, underlying causes and action taken to rectify future recurrences.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

- Broadland should consider writing off the three long outstanding debts with terminated agreement, totalling £8,747.66.

Other Issues

South Norfolk has a contract in place with their debt collection agency ARP Enforcement Agency, however, the document is not signed or dated by anyone from the council or the agency. A recommendation has been raised in the BRD2106 and SNC2106 Council Tax and NNDR audit. This affects the recovery of housing benefit overpayments and recovery.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations from BRD1904 and SNC1910 Housing Benefit and Council Tax Support, of which none remain outstanding.

Assurance Review of Service Desk Management

Executive Summary

OVERALL ASSURANCE ASSESSMENT

REASONABLE ASSURANCE

- SUBSTANTIAL ASSURANCE
- REASONABLE ASSURANCE
- LIMITED ASSURANCE
- NO ASSURANCE

ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Management Intent	0	1	0	0
Process Capability	0	0	1	0
Products	0	0	1	1
Total	**0**	**1**	**2**	**1**

No recommendations were raised in the areas of: Internal Integration, Quality Control, Management Information, External Integration and Customer Interface. .

SCOPE

This area has not been reviewed at Broadland before and was last reviewed with Change Management at South Norfolk in the 2017/18 audit year (SNC1816) attracting a Limited Assurance on that occasion. The joint ICT & Digital Service is working on developing a consistent service and joint platform this year. Our review has provided assurance on the progress of this work, focusing on the adherence with an SLA and performance of the service. The review used the ITIL Framework covering Service Desk Management as the basis for its testing.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.

- The audit has also raised one 'operational effectiveness matter', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The joint ICT & Digital Service uses the "House on the Hill" (HOTH) Service Desk Application, which is well known in the market.

- We have observed that the services being offered by the service desk operation have been set out on the Councils' intranet, with dedicated content being present there. This content includes a rationale for having a service desk operation.

- The intranet content includes guidance for staff as to how to use the service, raising calls and so on. The scope of the service in terms of what it does is also shown in the content.

- There is a newly-documented Service Level Agreement in place. It covers the expected service levels and standards to be delivered across the Council and is designed to deliver a consistent level of service across the Councils.

- We note that the service desk receives the majority of its incidents by email or online via the intranet, with telephone calls being the least used option. Incidents and requests are triaged and updated in the system as required, which includes resource allocations, the nature of the request/incident and other related data.

- Examples of incidents recorded in HOTH confirm that all incidents are allocated a reference number and are used to provide updates to staff as required. Any updates are also sent as an automated email to the relevant staff member raising the call. The automated emails include a closure email confirming the nature of the resolution.

- HOTH is synchronised to Active Directory at both Councils, which means it has a record of all staff. Calls raised by staff are linked to those records. Hardware issued to staff is recorded in a separate application called "Lansweeper", which periodically detects all hardware connected to the network so that it keeps pace with changes.

- We have observed that the service desk function naturally interacts with all other parts of the IT service, both in person and via the Service Desk Application.

- There is a process in place whereby planned changes are communicated as needed, although this is not necessarily going to be something that the Service Desk function is responsible for on every occasion. This is primarily due to the way that the ICT service is organised in terms of both its structure and its overall size.

ISSUES TO BE ADDRESSED

The audit has highlighted the following area where one 'important' recommendation has been made.

Management Intent

- There is a need to develop and implement a periodic Service Desk Management Information pack for Senior Management scrutiny. We suggest that a quarterly frequency be adopted and revised as appropriate in the longer term.

The audit has also highlighted the following areas where two 'needs attention' recommendations have been made.

Process Capability

- There is a need to develop and implement a periodic Customer Satisfaction survey, with the results being fed back into the management information pack discussed elsewhere in this report.

Products

- There is a need to implement a process whereby ICT management meetings are recorded in an appropriate manner.

Operational Effectiveness Matters

The operational effectiveness matter, for management to consider relates to the following:

- Consideration to be given to understanding the feasibility of including supplier details within HOTH. The ability to include these details would allow incidents to be linked to suppliers, where that is relevant to the incident.

Assurance Review of Remote Access South Norfolk and Broadland

Executive Summary

OVERALL ASSURANCE ASSESSMENT

- SUBSTANTIAL ASSURANCE
- REASONABLE ASSURANCE
- LIMITED ASSURANCE
- NO ASSURANCE

ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and Procedures	0	0	1	0
Remote Access Monitoring	0	0	1	0
Remote Access Change Controls	0	1	0	0
Network Security	0	0	0	1
Access Controls	0	1	0	0
Total	**0**	**2**	**2**	**1**

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SCOPE

A review of remote access has not been carried out at Broadland before. This area was last reviewed at South Norfolk in 2018/19 and given a Reasonable Assurance grading. Both Councils are investing in infrastructure that will enable each Council to work seamlessly at each site and from home if required in line with newly encouraged working practices. Our review will provide assurance that improvements and increased capacity support these objectives.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Relevant remote access policies are incorporated into the range of newly developed ICT & Digital policies.
- All users are agreeing to comply with relevant remote access policies when presented with an on-screen warning that must be cleared before logging on to the network.
- The audit noted that there are systems in place that log all remote access connections. These systems can be queried for current figures at any time.
- There are systems in place that monitor remote access connections.
- There are current PSN certificates in place at both Councils, confirming that the required annual penetration tests that PSN compliance requires are taking place.
- There is a joint process for managing joiners and leavers where service desk incidents are raised. These incidents include relevant forms that are completed by relevant Council Management.
- We have noted that there is resilience in the Broadland and South Norfolk remote access services in that both Councils operate two access points each. Hence, if an access point fails, the others continue to work. Peak usage of the remote access service has been about 300 connections across both Councils. The remote access infrastructure can support up to 350 concurrent connections and there is licencing capacity up to 500 users. The current infrastructure can be increased to support more than 350 concurrent users by deploying additional server capacity if required.
- Both Councils utilise Multi-Factor Authentication as part of their remote access login process.
- There are adequate controls in place for restricting administrator access to the remote access systems at both Councils.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'important' recommendations have been made.

Remote Access Change Controls

- There is a need to ensure that the SPARK Transformation Programme adopt the newly developed ICT & Digital Change Management Policy as a basis for the wider Corporate Change Management Strategy.

Access Controls

- There is a need to ensure that all 3rd party user accounts are disabled by default, unless required to be activated for relevant external support to be provided.

The audit has also highlighted the following areas where two 'needs attention' recommendations have been made.

Policies & Procedures

- When complete, there is a need to have all of the newly-developed ICT & Digital Policies and Procedures formally approved and communicated.

Remote Access Monitoring

- There is a need to ensure that a formal incident management review of the response to the pandemic where remote working facilities are concerned is conducted as soon as it becomes feasible to do so.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

Consideration to be given to the implementation of appropriate automated security posture checking of relevant devices before being allowed remote access to the network. Posture checking is a process whereby the state of a device is checked before it is permitted to access a network. Aspects such as the currency of Anti-Virus signature files and the level of patch compliance are typical of such checks.

DRAFT Assurance Review of Key Controls and Assurance

Executive Summary

OVERALL ASSURANCE ASSESSMENT

ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
General Ledger	0	2*	0	0
Control Accounts	0	0	1	0
Accounts Receivable	0	0	1	0
Cash Income and Receipt (Remittances)	0	0	1	0
Budgetary Control	**0**	**0**	**1**	**0**
Total	**0**	**2**	**4**	**0**

No recommendations have been raised in respect of Asset Management, Treasury Management, Accounts Payable, Housing Benefits and CTS, Council Tax, NNDR, HR and Payroll and Assurance Framework.*Links to control accounts across a number of review areas.

SCOPE

This annual review is essential to support the Annual Governance Statement and the Head of Internal Audit's Annual Report and Opinion. Supported by the assurance mapping exercise, our review will be extended to cover all key controls in depth, identifying areas for additional testing where risks have been identified. Accountancy Services, Human Resources (HR) & Payroll, Accounts Payable, Accounts Receivable, Council Tax, NNDR, Housing Benefit and Council Tax Support, Budgetary Control, Treasury Management and Remittances will all be subject to testing.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'important' and four 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audits of Key Controls for both Councils in 2020 (BRD/20/08 and SNC/20/10) also concluded in a 'Reasonable' assurance opinion, indicating that the level of control has not changed.

KEY FINDINGS

Key Controls Testing

There are a number of key controls within the fundamental financial systems that are required to be covered by Internal Audit each year, in order to support the Annual Governance Statement and the Head of Internal Audit's Annual Report and Opinion.

The following areas were subject to full sample testing as part of this key controls audit:

- Accountancy Services (Asset Management, General Ledger, Control Accounts, Treasury Management and Budgetary Control)

- Accounts Receivable

- Income and Receipt (Remittances)

- Assurance Framework

This audit will refer to the conclusions drawn from the following systems, where full year testing was applied in separate audits:

- Accounts Payable (BRD/21/03 & SNC/21/03) – Final report issued 23rd February 2021

- Council Tax and National Non-Domestic Rates (NNDR) (BRD/21/06 & SNC/21/06) – Draft Report due to be issued shortly

- Housing Benefit and Council Tax Support (BRD/21/05 & SNC/21/05) – Draft Report shortly

- Payroll and Human Resources (BRD/21/04 & SNC/21/04) – Draft Report issued 4th March 2021

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'important' recommendations have been made.

General Ledger

- All journals with a value over £10,000 be appropriately authorised before being actioned in line with Council policy. This will reduce the risk of errors in journals that may go unnoticed and be actioned incorrectly. (South Norfolk)
- All reconciliations be reviewed promptly after being completed, and signed and dated by both members of staff. This will reduce the risk of errors in a reconciliation that may go unnoticed and not rectified for a prolonged period of time. (South Norfolk)

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Control Accounts

- The Creditor and Debtor control account reconciliations be signed and dated by a preparer and reviewer. Without this control, it is not possible to confirm when the reconciliation took place and when it was reviewed and there is an increased risk that errors in reconciliations cannot be rectified. (Broadland)

Accounts Receivable

- The Aged Debt reports that are produced monthly be promptly reviewed in full. Without full review there is a risk that outstanding debts become unattended and ignored and may become harder to recover. This may lead to financial loss for the Council. (Broadland)

Cash Income and Receipt (Remittances)

- The bank reconciliation should be completed and reviewed promptly, and signed and dated by the preparer and reviewer. This will reduce the risk of errors in a reconciliation that may go unnoticed and not rectified for a prolonged period of time. Without this control in place, reconciliations may be completed incorrectly, un-timely, or there may be errors. This may result in financial loss to the council. (Broadland)

Budgetary Control

- Virements to be approved prior to processing.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The previous audit of Key Controls at Broadland District Council (BRD/20/08) was undertaken in February 2020, providing a Reasonable assurance rating. The audit raised five important and one needs attention priority recommendations relating to accounts payable, council tax, NNDR and control accounts. All have been confirmed as implemented.

The previous audit of Key Controls at South Norfolk Council (SNC/20/10) was undertaken in February 2020, providing a Reasonable assurance rating. The audit raised one needs attention priority recommendation relating to payroll. This recommendation was confirmed as implemented.

Other Points Noted

Testing for Daily income Cash rejection reports for Broadland District Council showed that of a sample of 25, in seven cases the report was unable to be produced due to the server being down. This is 28%, which suggests that the Broadland District Council server is down almost a third of the time. It was explained at the debrief meeting by the Finance Manager that this is an ongoing issue and that there is now an automatic reboot feature as part of the system. It was also explained that the Council are looking into a new finance system which would replace the current one, however it was explained that this would only happen around April 2022.

Debt Recovery for South Norfolk Council was suspended between March 2020 and December 2020 due to Covid, debt recovery has now restarted. As a result of this, aged debt and individual debt testing is not reflective of the whole year, testing covers all points in the year when debt recovery was active.

In addition to the points raised in this review, management need to consider referring to the outcomes of the reviews completed during the year, as part of the revised audits plans, and the impact of Covid-19 on key financial and non-financial controls, when preparing the Annual Governance Statement for 2020/21.

Eastern Internal Audit Services

SOUTH NORFOLK COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 13 October 2020 to 31 March 2021

Responsible Officer: Head of Internal Audit for South Norfolk Council

CONTENTS

1. INTRODUCTION

1.1 This report is being issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.

1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting and the specific content are for the Authority to determine.

1.3 To comply with the above this report includes the status of agreed actions.

2. STATUS OF AGREED ACTIONS

2.1 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to this Committee. Verification work is also undertaken for those recommendations that are reported as closed.

2.2 **Appendix 1** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round.

2.3 A total of 47 recommendations were raised in 2019/20, 42 have been completed, 5 needs attention recommendations are outstanding.

Number raised to date	47	
Complete	42	89%
Outstanding	5	11%

2.4 For 2020/21 a total of 36 recommendations have been agreed with management so far. Of these 12 are complete. One needs attention recommendation is outstanding and 23 are within deadline.

Number raised	36	
Complete	12	33%
Outstanding	1	3%
Within deadline	23	64%

2.5   This report contains no outstanding urgent or important recommendations and demonstrates that management are swiftly acting to resolve risks raised by internal audit work. Regular CMLT review and support has positively influenced the number of outstanding audit recommendations. We would like to thank officers and FRAG members for their assistance and engagement.

3.   PROPOSAL

3.1   The Finance, Resources, Audit and Governance Committee are asked to receive and note the year end position in relation to the completion of agreed audit recommendations.

4.   RECOMMENDATION

4.1   That members note the position in relation to the completion of agreed internal audit recommendations as at 31 March 2021.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

Audit Ref	Audit Area	Assurance Level	Completed bt 13 October 2020 to 31 March 2021			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
2017/18 Internal Audit Reviews															
SNC1816	Service Desk	Limited			2							0			
2018/19 Internal Audit Reviews															
SNC1904	Car Parks	Reasonable			1							0			
SNC1913	Building Control	Reasonable		1								0			
SNC1914	Cyber Crime	Limited			1							0			
2019/20 Internal Audit Reviews															
SNC2001	Big Sky	Reasonable						3				3			
SNC2003	Waste Management	Reasonable		1	1							0			
SNC2006	Corporate Governance	Reasonable		1				1				1			
SNC2007	Accountancy Services	Reasonable		1	1							0			
SNC2012	Planning and Development	Reasonable		2	1							0			
SNC 2008/9	Income and Accounts Receivable	Reasonable									1	1			
SNC2013	Disaster Recovery	Limited			1							0			
2020/21 Internal Audit Reviews															
SNC2102	Corporate Governance	Reasonable		1	1							0			2
SNC2103	Accounts Payable	Reasonable		1							1	1		1	
SNC2105	Housing Benefit and Ctax Support	Reasonable										0		1	4
SNC2104	HR and Payroll	Reasonable		4	5							0			
SNC2106	Council Tax and NNDR	Reasonable										0		1	7
SNC2111	Service Desk	Reasonable										0		1	2
SNC2112	Remote Access	Reasonable										0		2	2
TOTALS			0	12	14	0	0	4	0	0	2	6	0	6	17

Eastern Internal Audit Services

SOUTH NORFOLK COUNCIL

Annual Report and Opinion 2020/21

Responsible Officer: Head of Internal Audit for South Norfolk Council

CONTENTS

1. **INTRODUCTION**

1.1 The Accounts and Audit Regulations 2015 require that "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

1.2 Those standards – the Public Sector Internal Audit Standards (PSIAS) - require the Head of Internal Audit to provide a written report to those charged with governance (known in this context as the Finance, Resources, Audit and Governance Committee (FRAG)) to support the Annual Governance Statement (AGS). This report must set out:

- The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control during 2020/21, together with reasons if the opinion is unfavourable;
- A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the AGS.
- The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the PSIAS and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation's AGS, but there are also a number of other important sources to which the FRAG Committee and statutory officers of the Council should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 3**.

2. **ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT**

2.1 Roles and responsibilities

- The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Leader of the Council and the Managing Director that records and publishes the Council's governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with the Corporate Management and Leadership Team and key stakeholders and then approved by FRAG Committee.

The original Internal Audit plan was approved at the meeting held 6 March 2020. As the Covid-19 pandemic forced the UK into lockdown at the end of March 2020, the Internal Audit Team revised the Internal Audit plan with senior management to ensure that the coverage more

accurately reflected the key risks facing the Council at that time and that Officers were able to focus on the immediate response to the Covid-19 pandemic.

The revised 2020/21 Internal Audit Plan was approved by the FRAG Committee on 17 July 2020. A reduction of 9.5 days was agreed, and the plan split into five key themes to provide adequate coverage over the Governance, Risk Management and Control framework informing this opinion.

This opinion does not imply that internal audit has reviewed all risks and assurances, but it is one component to be considered during the preparation of the AGS. It is important to note that the decrease in days is in response to unprecedented circumstances and represents the absolute minimum assurance required to form an opinion on the governance, risk management and control framework for 2020/21. We have been able to revert to our usual levels of audit coverage in the 2021/22 Internal Audit Plan.

FRAG Committee should consider this opinion, together with any assurances from management, its own knowledge of the Council and any assurances received throughout the year from other review bodies such as the external auditor.

2.2   <u>The opinion itself</u>

The overall opinion in relation to the framework of governance, risk management and controls at South Norfolk Council is **reasonable**.

It is encouraging to note that all eight assurance audits completed within the year concluded in a positive assurance grading.

A total of two reports; Economic Development (position statement), Key Controls have been completed but are in draft awaiting management comment at the time of writing this report. Findings from these reviews have been discussed with management and an overall grading indicated which can be relied upon to inform our opinion of the Governance, Risk and Control framework for 2020/21.

Three position statements have been provided in 2020/21 in key areas suggesting improvement actions for management consideration. These are for Economic Development, Coronavirus Response and Recovery and Procurement and Contract Management.

In none of the areas reviewed as part of the revised 2020/21 Internal Audit Plan did the findings indicate that the Covid-19 pandemic had severely impacted the Council's ability to deliver core services to its residents.

This opinion does not provide assurance over the issuing of business grants by the Council during the Covid-19 pandemic. A post award review of this area has been planned for early 2021/22.

In providing the opinion the Council's risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year and management's progress in addressing any control weaknesses identified have been taken into account.

The opinion has been discussed with the Corporate Management and Leadership Team prior to publication.

3.   AUDIT WORK UNDERTAKEN DURING THE YEAR

3.1   **Appendix 1** records the internal audit work delivered during the year on which the opinion is based. In addition, **Appendix 2** is attached which shows the assurances provided over previous financial years to provide an overall picture of the control environment.

3.2   Internal audit was divided into five broad themes for the revised 2020/21 plan in response to the risks facing the Council from the Covid-19 pandemic;

Theme	Audit
Theme 1: Assurance Mapping	A questionnaire style enquiry was carried out to gather information and determine any changes to the control environment and document any available assurance showing that controls are working effectively. One area of focus was to evaluate the strength of controls for the prevention of fraud and support staff with remote working.
Theme 2: Key Controls	In order to provide an opinion over the key financial and governance controls of the Council, the annual key controls testing regime was enhanced, and the assurance mapping exercise mentioned above used to develop testing for new controls. This review provides independent assurance to Senior Management and the Committee that governance and financial risks have been appropriately mitigated during the Pandemic period.
Theme 3: Response and Recovery	Assurance in this area evaluates whether the Council has where possible reacted sufficiently to the pandemic and considered its response to recovery. The Response and Recovery review was carried out across the Consortium comparing the approaches taken by each of our members in areas such as: Supporting the Local Economy, staff reintegration, financial modelling and business plan revision and preparedness for ongoing disruptions.
Theme 4: Partnerships	The Procurement and Contract Management position statement evaluates the impact of the Pandemic on the Council's ability to deliver key projects and services through third party contracts during and in the recovery phase of the pandemic.
Theme 5: Essential Assurance	Work in this theme has provided assurances in areas from the originally agreed 2020/21 Internal Audit Plan that are integral to forming an opinion on the governance, risk and control framework for 2020/21. This included audits where limited assurance or no assurance has been given in previous years and where control weaknesses remain or have increased due to the Coronavirus Pandemic.

3.3   **Summary of the internal audit work**

The work undertaken by Eastern Internal Audit Services (TIAA Ltd) in 2020/21 has resulted in all eight internal audit reviews receiving a reasonable assurance grading.

An Assurance Mapping exercise was undertaken this year to confirm through senior management surveys that all key risk areas relating to the Covid-19 response had been considered within the revised Internal Audit Plan. The Internal Audit team has also provided position statements in Coronavirus Response and Recovery, Procurement and Contract Management and Economic Development.

A total of 129 days was included within the revised 2020/21 plan and delivered.

The Executive Summaries of all assurance reports have been presented to FRAG, ensuring open and transparent reporting, and enabling the Committee to review key service area controls and the conclusions reached.

3.4   **Follow up of management action**

In relation to the follow up of management actions, to ensure that they have been effectively implemented, the position at year end is that of the 36 recommendations raised and agreed by management so far for 2020/21, one needs attention recommendation is outstanding, 12 have been implemented 23 are within deadline.

Five needs attention recommendation remain outstanding from 2019/20.

A total of 93% of all audit recommendations raised since 2019/20 are now complete with no urgent or important recommendations outstanding at the end of 2020/21.

3.5   **Issues for inclusion in the Annual Governance Statement**

Looking back over the issues raised during the 2019/20 Internal Audit Opinion, we recommended that findings relating to the limited assurance report on Disaster Recovery were raised in the Council's AGS until complete. We can confirm that the urgent, two important and two needs attention recommendations have now been confirmed as complete.

In 2019/20 the Internal Audit Manager also concluded that the risk maturity level of the Council was at the lower end of the scale at 'risk aware' during assessment. Since this assessment, improvements in the following areas have been made; a risk appetite for the Council has been defined, a strategic risk register has been created, a policy approved by Council and FRAG now receives a copy of the strategic risk register for review. The Internal Audit team and the Strategy and Programmes Manager continue to work together to make further improvements to the framework and training of staff and members will be a key objective for the year ahead.

As stated in the opinion itself; it is encouraging that all eight assurance reviews carried out in 2020/21 received a positive assurance grading.

Considering all the above, we do not have any significant concerns to raise that we feel should be referenced within the Council's Annual Governance Statement for 2020/21.

4.   THIRD PARTY ASSURANCES

4.1   In arriving at the overall opinion reliance has not been placed on any third-party assurances.

5.   ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

5.1   Quality Assurance and Improvement Programme (QAIP)

5.1.1   Internal Assessment

A checklist for conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note has been completed for 2020/21. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

The Attribute Standards address the characteristics of organisations and parties performing Internal Audit activities, in particular; Purpose, Authority and Responsibility, Independence and Objectivity, Proficiency and Due Professional Care, and Quality Assurance and Improvement Programme.

The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular; Managing the Internal Audit Activity, Nature of Work, Engagement Planning, Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks.

On conclusion of completion of the checklist conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

The detailed internal assessment checklist will be forwarded to the Director of Resources for independent scrutiny and verification.

5.1.2   External Assessment

In relation to the Attribute Standards it is recognised that to achieve full conformance an external assessment is needed. This is required to be completed every five years, with the first review having been completed in January 2017 and the next due for 2022.

The external assessment was undertaken by the Institute of Internal Auditors and it has concluded that ***"the internal audit service conforms to the professional standards and the work has been performed in accordance with the Internal Professional Practices Framework"***. Thus, confirming conformance to the required standards.

5.2   Performance Indicator outcomes

5.2.1   Actual performance against these targets is outlined within the following table:

5.2.2   Performance has been significantly impacted in 2020/21 by the Covid-19 pandemic. The Internal Audit contractor took the decision to furlough most of its workforce during the first lockdown as each Council prioritised front-line response over Internal Audit work. Following revision and approval of the revised Internal Audit plan in July 2020, the Internal Audit team have experienced further delays to delivery from audit staff sickness and in obtaining information from officers as they understandably prioritised urgent response and recovery efforts.

5.2.3   Performance has not been in line within the boundaries of our agreed targets or in line with our expectations in some areas during 2020/21 such as the issuing of draft reports 10 day after quarter end. Discussions and a lessons learnt exercise will be undertaken in Q1 of 2021/22 to determine the root cause of delays and ensure that these issues are resolved for the year ahead.

Area / Indicator	Frequency	Target	Actual	Comments
Audit Committee / Senior Management				
1. Audit Committee Satisfaction – measured annually	Annual	Adequate	TBC	TBC
2. Chief Finance Officer Satisfaction – measured quarterly	Annual	Good	TBC	TBC
Internal Audit Process				
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	Quarterly	100%	12%	Not achieved. One report issued within target.
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	Quarterly	100%	0%	Not achieved
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)		100%	100%	Achieved
6. Compliance with Public Sector Internal Audit Standards		Generally conforms	Generally conforms	Achieved
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.		100%	n/a	None raised
Clients				
8. Average feedback score received from key clients (auditees)		Adequate	No data	No responses received.
9. Percentage of recommendations accepted by management		90%	100%	Achieved.
Innovations and Capabilities				
10. Percentage of qualified (including experienced) staff working on the contract each quarter		60%	60%	Achieved
11. Number of training hours per member of staff completed per quarter		1 day	1 day	Achieved

5.3   Effectiveness of the Head of Internal Audit (HIA) arrangements as measured against the CIPFA Role of the HIA

5.3.1   This Statement sets out the 5 principles that define the core activities and behaviours that apply to the role of the Head of Internal Audit, and the organisational arrangements to support them. The Principles are:

- Champion best practice in governance, objectively assessing the adequacy of governance and management of risks;
- Give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Undertake regular and open engagement across the Authority, particularly with the Management Team and the Audit Committee;
- Lead and direct an Internal Audit Service that is resourced to be fit for purpose; and
- Head of Internal Audit to be professionally qualified and suitably experienced.

Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit in relation to the 5 principles set out within.

The detailed checklist has been forwarded to the Director of Resources for independent scrutiny and verification.

6.   PROPOSAL

6.1   The Finance, Resources, Audit and Governance Committee, in maintaining an overview as to the quality of systems of internal control in operation at the Council, is being requested to note this report, and the reasonable assurance opinion awarded, and confirms that key information provided is carried across to the Council's Annual Governance Statement, which is also considered on the agenda.

7.   RECOMMENDATIONS

7.1   a) Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.
b) Note that a reasonable audit opinion has been given in relation to the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2021.
c) Note that the opinions expressed together with any significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2020/21.
d) Note the conclusions of the Review of the Effectiveness of Internal Audit.

APPENDIX 1 – AUDIT WORK UNDERTAKEN DURING 2020/21

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
Annual Opinion Audits							
Assurance Mapping							
Corporate Governance	Reasonable	4	2	0	0	0	2
Accounts Payable	Reasonable	3	1	0	0	1	1
Payroll and Human Resources	Reasonable	9	9	0	0	0	0
Council Tax and NNDR	Reasonable	8	0	0	0	0	8
Housing Benefit Council Tax Support	Reasonable	5	0	0	0	0	5
Economic Development DRAFT	Position Statement						
Key Controls and Assurance DRAFT	Reasonable	6	0	0	0	0	6
Procurement and Contract Management	Position statement						
Coronavirus Response and Recovery	Position Statement						
IT audits							
Service Desk	Reasonable	3	0	0	0	0	3
Remote Access	Reasonable	4	0	0	0	0	4
Total		**42**	**12**	**0**	**0**	**1**	**29**

Assurance level definitions		Number
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our audit review were being consistently applied.	0
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.	8
Limited Assurance	Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.	0
No Assurance	Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.	0

Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
Important Priority 2	Control issue on which action to implement should be taken within 3 months.
Needs Attention – Priority 3	Control issue on which action to implement should be taken within 6 months.

APPENDIX 2 - ASSURANCE CHART

	Current Contract					
	2015-16	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020/21**
Annual Opinion Audits						
Corporate Governance			Reasonable		Reasonable	Reasonable
Risk Management		Substantial			Maturity Assessment	
Corporate Governance - Big Sky		Reasonable			Reasonable	
Key Controls and Assurance	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
Corporate Health and Safety			Reasonable			
Fundamental Financial Systems						
Local Council Tax Support and Housing Benefit		Reasonable		Reasonable		Reasonable
Council Tax and National Non Domestic Rates		Reasonable		Reasonable		Reasonable
Accounts Receivable & Income	Reasonable		Reasonable		Reasonable	
Accountancy Services	Reasonable		Reasonable		Reasonable	
Budgetary Control						
Accounts Payable		Reasonable		Reasonable		Reasonable
Income / Remittances	Reasonable		Reasonable			
Payroll and Human Resources		Substantial		Substantial		Reasonable
Service Area Reviews						
Performance Management			Reasonable			
Economic Development						Position Statement
FOI and Data Protection						
Committee Services	Reasonable					
Elections and Electoral Registration				Substantial		
GDPR				Reasonable		
Procurement		Reasonable		Reasonable		Position Statement
Leisure		Reasonable	Reasonable		Reasonable	
Building Control		Reasonable		Reasonable		

	Current Contract					
	2015-16	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020/21**
Housing Strategy and Affordable Housing		Reasonable				
Home Options		Reasonable				
Car Parks	Reasonable			Reasonable		
Waste Management		Reasonable			Reasonable	
Environmental Health	Reasonable					
Licensing, Food Safety and Health and Safety		Reasonable				
Housing Standards including Disabled Facilities Grants & Discretionary grants	Reasonable		Reasonable		Reasonable	
Early Help Hub		Limited				
Community Grants	Reasonable					
Development Management					Reasonable	
Localism and Communities / Asset of Community Value	Reasonable					
Homelessness			Reasonable		Reasonable	
IT Audits						
Network Security and Infrastructure						
Cyber Crime				Limited		
Remote Access (Supplier and User)				Reasonable		Reasonable
Disaster Recovery			Reasonable		Limited	
Revenues and Benefits Application	Reasonable					
Exchange 2010 & Ancillary Services	Reasonable					
Storage Area Network (SAN)	Reasonable					
Integra 2		Reasonable				
EZRunner		Reasonable				
Cash Receipting Application			Reasonable			
Data Centre					Position Statement	
Service Desk			Limited			Reasonable

APPENDIX 3 – LIMITATIONS AND RESPONSIBILITIES

Limitations inherent to the Internal Auditor's work

The Internal Audit Annual Report has been prepared and TIAA Ltd (the Internal Audit Services contractor) were engaged to undertake the agreed programme of work as approved by management and the Audit Committee, subject to the limitations outlined below.

Opinions

The opinions expressed are based solely on the work undertaken in delivering the approved 2020/21 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit planning memorandums (terms of reference) and reports.

Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation's policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future Periods

Internal Audit's assessment of controls relating to Council is for the year ended 31 March 2021. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:
- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Head of Internal Audit, has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and TIAA's examinations as the Council's internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

FRAG Committee Work Programme

9 July	Progress Report on Internal Audit Activity	Faye Haywood
	Internal Audit Follow Up Report	Faye Haywood
	Head of Internal Audit's Annual Report and Opinion for 2020/21	Faye Haywood
24 September	Final Statement of Accounts 2020-21	Rodney Fincham/Julie Brown
	Progress Report on Internal Audit Activity	Faye Haywood
	Internal Audit Follow Up Report	Faye Haywood
	Audit Results Report 2020-21	External Audit
	Strategic Risk Register	Sinead Carey
	Rules of Financial Governance	Rodney Fincham
	Review of Local Government Ombudsman 2021	Chrissie Baldwin
4 February	Progress Report on Internal Audit Activity	Faye Haywood
	Internal Audit Follow Up Report	Faye Haywood
	Annual Report of FRAG Committee	Emma Hodds
	Self Assessment of the FRAG Committee	Faye Haywood
	Strategic Risk Register Update	Sinead Carey
25 March	Strategic and Annual Internal Audit Plans 2022/23	Faye Haywood
	External Audit Plan 2022/23	External Audit