

# Governance, Risk and Audit Committee



**Please contact:** Matt Stembrowicz

**Please email:** [matthew.stembrowicz@north-norfolk.gov.uk](mailto:matthew.stembrowicz@north-norfolk.gov.uk)

**Please direct dial on:** 01263 516047

7<sup>th</sup> June 2021

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in the **Council Chamber - Council Offices** on **Tuesday, 15 June 2021** at **2.00 pm**.

At the discretion of the Chairman, a short break will be taken after the meeting has been running for approximately one and a half hours

Members of the public who wish to ask a question or speak on an agenda item are requested to notify the committee clerk 24 hours in advance of the meeting and arrive at least 15 minutes before the start of the meeting. This is to allow time for the Committee Chair to rearrange the order of items on the agenda for the convenience of members of the public. Further information on the procedure for public speaking can be obtained from Democratic Services, Tel: 01263 516047, Email: [matthew.stembrowicz@north-norfolk.gov.uk](mailto:matthew.stembrowicz@north-norfolk.gov.uk).

Anyone attending this meeting may take photographs, film or audio-record the proceedings and report on the meeting. Anyone wishing to do so must inform the Chairman. If you are a member of the public and you wish to speak on an item on the agenda, please be aware that you may be filmed or photographed.

Please note that Committee members will be given priority to speak during the debate of agenda items

**Emma Denny**  
**Democratic Services Manager**

**To:** Mr J Rest, Mr S Penfold, Mr C Cushing, Mr H Blathwayt, Dr P Bütikofer and Mr P Fisher

All other Members of the Council for information.

Members of the Management Team, appropriate Officers, Press and Public



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

If you would like any document in large print, audio, Braille, alternative format or in a different language please contact us

**Chief Executive:** Steve Blatch

**Tel** 01263 513811 **Fax** 01263 515042 **Minicom** 01263 516005

**Email** [districtcouncil@north-norfolk.gov.uk](mailto:districtcouncil@north-norfolk.gov.uk) **Web site** [www.north-norfolk.gov.uk](http://www.north-norfolk.gov.uk)

## A G E N D A

**1. TO RECEIVE APOLOGIES FOR ABSENCE**

**2. SUBSTITUTES**

**3. PUBLIC QUESTIONS**

To receive public questions, if any.

**4. ITEMS OF URGENT BUSINESS**

To determine 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.

**5. DECLARATIONS OF INTEREST**

1 - 2

Members are asked at this stage to declare any interests that they may have in any of the following items on the agenda. The code of conduct for Members requires that declarations include the nature of the interest and whether it is a disclosable pecuniary interest.

**6. MINUTES**

3 - 18

To approve as a correct record, the minutes of the meetings of the Governance, Risk & Audit Committee held on 9<sup>th</sup> and 25<sup>th</sup> March 2021.

7. **PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 26 FEBRUARY 2021 TO 7 JUNE 2021** 19 - 52

**Summary:** This report examines the progress made between 26 February 2021 to 7 June 2021 in relation to delivery of the annual internal audit plan for 2020/21.

**Conclusions:** The revised Internal Audit plan for 2020/21 has been completed.

**Recommendations:** **It is recommended that the Committee notes the outcomes of the audits completed between 26 February 2021 to 7 June 2021.**

Cabinet member(s):  
All

Ward(s) affected:  
All

Contact Officer, telephone number,  
and e-mail:

Faye Haywood  
01508 533873,  
[fhaywood@s-norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk)

8. FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 21 53 - 64  
NOVEMBER 2020 TO 31 MARCH 2021

**Summary:** This report provides an overview of progress made in implementing agreed audit recommendations due for completion between 21 november 2020 to 31 march 2021.

**Conclusions:** Progress continues to be made in addressing audit recommendations.

**Recommendations:** **It is recommended that the Committee notes management action taken to date regarding the delivery of audit recommendations.**

Cabinet member(s):  
All

Ward(s) affected:  
All

Contact Officer, telephone number, and e-mail: Faye Haywood, Internal Audit Manager for North Norfolk DC  
01508 533873, [fhaywood@s-norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk)

**Summary:** This report concludes on the internal audit activity undertaken during 2020/21, it provides an annual opinion concerning the organisation's framework of governance, risk management and control and concludes on the effectiveness of internal audit and provides key information for the annual governance statement.

**Conclusions:** On the basis of Internal Audit work performed during 2020/21, the Head of Internal Audit is able to give a reasonable (positive) opinion on the framework of governance, risk management and control overall at North Norfolk District Council.

- Recommendations:**
1. **Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.**
  2. **Note that a reasonable audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2021.**
  3. **Note that the opinions expressed together with 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.**
  4. **Note the conclusions of the Review of the Effectiveness of Internal Audit.**

Cabinet member(s):  
All

Ward(s) affected:  
All

Contact Officer, telephone Emma Hodds, Head of Internal Audit  
number, and e-mail: 01508 533791,  
[ehodds@s-norfolk.gov.uk](mailto:ehodds@s-norfolk.gov.uk)

**Summary:** This report provides an overview of the stages followed prior to the formulation of the strategic internal audit plan for 2021/22 to 2024/25 and the annual internal audit plan for 2021/22. The annual internal audit plan will then serve as the work programme for the council's internal audit services contractor; ttaa ltd. It will also provide the basis for the annual audit opinion on the overall adequacy and effectiveness of North Norfolk District Council's framework of governance, risk management and control.

**Conclusions:** The attached report provides the Council with Internal Audit Plans that will ensure key business risks will be addressed by Internal Audit, thus ensuring that appropriate controls are in place to mitigate such risks and also ensure that the appropriate and proportionate level of action is taken.

**Recommendations:** It is recommended that the Committee notes and approves:

- a) the Internal Audit Charter
- b) the Internal Audit Strategy
- c) the Strategic Internal Audit Plans 2021/22 to 2024/25; and
- d) the Annual Internal Audit Plan 2021/22.

Cabinet member(s):  
All

Ward(s) affected:  
All

Contact Officer, telephone number, and e-mail: Emma Hodds, Head of Internal Audit for North Norfolk DC  
01508 533791,  
[ehodds@s-norfolk.gov.uk](mailto:ehodds@s-norfolk.gov.uk)

**11. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST 113 - 116**

To monitor progress on items requiring action from the previous meeting, including progress on implementation of audit recommendations.

**12. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME 117 - 118**

To review the Governance, Risk & Audit Committee Work Programme.

**13. EXCLUSION OF THE PRESS AND PUBLIC**

To pass the following resolution, if necessary:

“That under section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph \_ part 1 of schedule 12A (as amended) to the Act.”

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## 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.

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 to 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 must then withdraw from the meeting.

Is the interest not related to any of the above? If so, it is likely to be another 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.

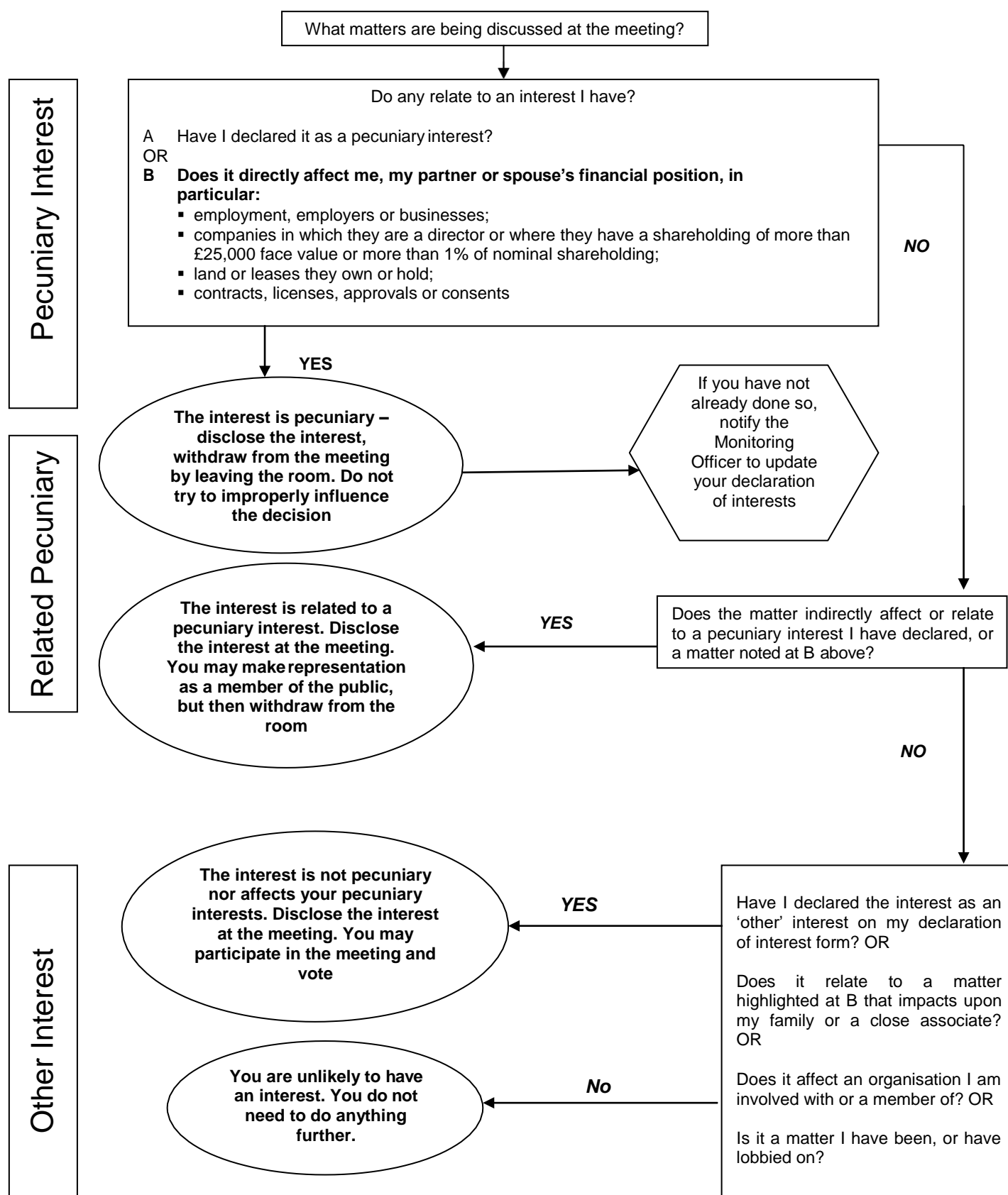
**FOR GUIDANCE REFER TO THE FLOWCHART OVERLEAF**

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

**DEVELOPMENT COMMITTEE MEMBERS SHOULD ALSO REFER TO THE PLANNING PROTOCOL**

# Declarations of Interest at Meetings

## DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



## GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 9 March 2021 at the Council Offices, Holt Road, Cromer, NR27 9EN at 2.00 pm

### Committee

#### Members Present:

Mr J Rest (Chairman)	Mr S Penfold (Vice-Chairman)
Mr C Cushing	Dr P Bütikofer
Mr P Fisher	Mr P Heinrich

#### Members also attending:

Mr T Adams (Observer)	Mr A Brown (Observer)
Mr N Dixon (Observer)	Mrs A Fitch-Tillett (Observer)
Mr T FitzPatrick (Observer)	Mr V FitzPatrick (Observer)
Mrs W Fredericks (Observer)	Ms V Gay (Observer)
Mrs P Grove-Jones (Observer)	Mr G Hayman (Observer)
Mr R Kershaw (Observer)	Mr E Seward (Observer)
Mrs E Spagnola (Observer)	Mr J Toye (Observer)
Mr A Varley (Observer)	Ms L Withington (Observer)

#### Officers in Attendance:

Democratic Services and Governance Officer (Scrutiny) (DSGOS), Internal Audit Manager (IAM), Chief Technical Accountant (CTA), Local Government Lawyer (LGL), Chief Executive (CE), HR Manager (HRM), Internal Auditor (IA), Democratic Services Manager (DSM), Director for Resources/Section 151 Officer (DFR) and Associate Partner - Ernst Young (EA)

### 58 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr H Blathwayt.

### 59 SUBSTITUTES

Cllr P Heinrich for Cllr H Blathwayt.

### 60 PUBLIC QUESTIONS

None received.

### 61 ITEMS OF URGENT BUSINESS

None received.

### 62 DECLARATIONS OF INTEREST

Cllr J Rest declared that he had an interest in item 12, as he had been a Member of the Cromer Tennis Hub Project Board from 2017-2019.

Cllr S Penfold declared that he had been a Member of the Cromer Tennis Hub Project Board from February 2018.

## **63 MINUTES**

The Chairman noted that Cllr C Cushing had asked to raise a question on the Monitoring Officer's report discussed at a previous meeting:

Cllr C Cushing referred to the Monitoring Officer's report presented to GRAC and the Standards Committee, and asked whether outstanding issues could be brought back to the Committee for discussion. The DSM replied that the report could not be revisited as it covered a specific period of time, and was to note only. The CE added that he had received a request for a written response on the matter that he was in the process of preparing, and would share with Members of the Standards Committee once complete.

The minutes of the meeting held on 8<sup>th</sup> December 2020 were approved as a correct record and signed by the Chairman.

## **64 EY ANNUAL AUDIT LETTER**

The EA introduced the item and informed Members that the Annual Audit Letter provided a summary of all work completed in the 2018/19 year. It was noted that it did not provide the same level of detail as the audit results report, and that no new issues had arisen that required further discussion. The EA reported that he was in the process of agreeing a timetable for the 2019/20 audit with the Director for Resources, in order to get the audit work back on track as soon as possible.

### Questions and Discussion

- i. It was confirmed following a question from the Chairman, that the EA was confident that external audit would return to its normal schedule in 2021/22.

### **RESOLVED**

**To receive and note the Annual Audit Letter.**

## **65 GOVERNANCE, RISK & AUDIT COMMITTEE SELF-ASSESSMENT**

The IAM introduced the report and informed Members that the self-assessment was an annual process undertaken as part of CIPFA best practice. She added that the Committee should review the previous answers and update them where appropriate.

### Questions and Discussion

- i. The IAM referred to the first question on whether the role and purpose of GRAC was understood and accepted across the authority, to which a partly answer had been given. It was recommended that the answer be changed to a yes, and Members were invited to comment.
- ii. Cllr C Cushing asked whether all Members had a clear understanding of the difference between GRAC and the Overview and Scrutiny Committee. The DSM noted that whilst both Committee's provided an oversight function, they

had different responsibilities outlined in the constitution with GRAC taking a more focused approach to governance and risk, whilst the Overview and Scrutiny had a broader remit to review all decisions and policies of the Council. It was suggested that it would be helpful to remind Members of the difference between the two Committees. Members agreed that the understanding and acceptance of the role of GRAC should change to a yes.

- iii. The IAM noted that questions 14 and 15 related to the skills of the Committee, and stated that a CIPFA skills and knowledge matrix had been circulated previously, and suggested that this could continue, to determine whether any training was required. Members were invited to raise any further comments to update the self-assessment.

## **RESOLVED**

**To review and comment on the scoring criteria outlined in the self-assessment.**

### **66      PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 27 NOVEMBER 2020 TO 26 FEBRUARY 2021**

The IAM introduced the report and referred Members to point 3.2 which outlined the 101 of days of audit work completed and accounted for 70% of the revised internal audit plan. She then referred to point 4.4 which outlined finalised audits, such as the corporate governance review that had been given a reasonable assurance rating with three priority 2 recommendations raised. It was reported that Council Tax and NNDR had been given a substantial assurance rating with no recommendations raised. Local Council Tax Support and Housing Benefit had been given a reasonable assurance rating with one important recommendation. The IAM reported that the Tennis Hub Audit had been given no assurance rating with six urgent and four important recommendations, and stated that the audit would be reviewed separately. The IAM referred to delays caused by the impact of Covid-19, and stated that most work was now completed and the Team remained on track to complete the audit plan on schedule. It was noted that an assurance mapping exercise had been completed when revising the audit plan to ensure that risks had not been overlooked. The IAM informed Members that all teams had been asked about the changes they had implemented in their Covid response, and whether they would require testing. It was suggested that this approach had highlighted areas of concern for the 2021/22 audit plan.

#### Questions and Discussion

- i. The IAM referred to the corporate governance arrangements audit and noted that there were three important recommendations. The first related to changes to Committee meetings, where it had been recommended that agenda items that would impact the governance of the meeting should be reviewed first. The second recommendation referred to adherence to the constitution, where it had been suggested that business continuity plans should be updated for longer disruption, such as that caused by Covid-19. The next recommendation required management to take stronger action to mitigate issues arising from conflicts of interest, such as including a guide on agendas to advise Members on how to raise an interest.
- ii. On the Council Tax and NNDR audit, the IAM noted that the audit had not covered the programme of grants to businesses from Central Government,

as this was seen as a wider piece of work to be considered as part of the 2021/22 audit.

- iii. On Council Tax and Housing Benefits, the IAM reported that a recommendation had been made that reconciliations be completed promptly at the end of each month, to avoid issues.
- iv. On procurement and management during the Covid period, the IAM stated that there were a number of actions that required implementation to mitigate risks, and a subsequent piece of work was being undertaken that would be brought to a future meeting for review.

## **RESOLVED**

**To note the outcomes of the audits completed between 27 November 2020 and 26 February 2021**

### **67 UPDATE ON STRATEGIC AND ANNUAL AUDIT PLANS**

The IAM informed Members that under normal circumstances the annual audit plans would have been agreed in January, but due to the ongoing impact of Covid-19, it had not been possible at that time. As a result, the audit plans for the year ahead would come to the June meeting, alongside the audit opinion. It was suggested that this would have a limited impact on the audit plan, as Q1 would have a light workload.

## **RESOLVED**

**To note the update.**

### **68 CORPORATE RISK REGISTER**

The DFR introduced the report and informed Members that it was the first risk register produced using the InPhase system. He added that the report covered all details of each risk, and noted that this could be changed in future to provide a more strategic overview. It was noted that the key corporate risks were identified on page 65 in a high level summary, and that an outline of how risks were reviewed was included on page 71. The DFR referred operational risks identified and noted that these had not changed. Members were invited to provide their thoughts on the new format and make suggestions for future reports.

## Questions and Discussion

- i. The Chairman noted that direction of change for each risk was a key aspect of the report, and suggested that any new risks added should be clearly identified.
- ii. Cllr C Cushing noted that the report did not outline when risks had last been reviewed, and asked whether deadlines for risk mitigation should be identified. The DFR replied that several risks would be mitigated by the actions taken in response to audit recommendations, and stated that he would review whether key dates could be added to the report. He added that he would also include any new risk mitigation actions in the covering report.
- iii. The Chairman suggested that it would be helpful to see the live risk register and asked whether this could be arranged for a future meeting.

## **RESOLVED**

**To review and note the Corporate Risk Register.**

### **69 CROMER SPORTS HUB PROJECT - AUDIT REPORT**

The IAM introduced the report and informed Members that the audit had been given no assurance rating, with six urgent and four important recommendations. She added that the audit was an independent and objective assurance review, that sought learning opportunities for future projects, as opposed to a formal investigation. It was noted that a number of the recommendations complimented previous audit work on project management, and progress on these recommendations would be reported back to the Committee in due course. The IAM reported that the recommendations had a completion deadline of May 2021, and it was expected that many would be addressed via changes to the project management framework and documentation, as well as the creation of the Corporate Delivery Unit (CDU), as a specific team devoted to project governance.

The IA stated that the purpose of the review was to identify gaps and weaknesses in process, and that she was supportive of the aims and creation of the CDU to address these issues.

The CE stated that the scope of the review was identified within the report, which identified the seven key areas that Internal Audit had been asked to review.

#### Questions and Discussion

- i. Cllr A Brown referred to historical public minutes and agendas relating to the Tennis Hub project, and asked whether it was relevant to refer to individuals identified within these documents. The LGL noted that it would be for the Committee to determine whether this was a matter of public interest. She advised that information relating to an individual, information that could reveal the identity of an individual, or information relating to the financial or business affairs of any particular person or the organisation holding that information would be a justifiable reason for the Committee to move the meeting into private business.
- ii. Cllr S Penfold asked whether Internal Audit were satisfied that the review was undertaken in a sound and objective manner, and whether they supported the report on this basis. The IA stated that it was an objective review, and that her limited involvement with the Council had ensured its independence. She added that any claims made within the report had been supported with evidence, and that the report itself had been subject to a rigorous quality assurance process. Cllr S Penfold referred to section 4.3 and noted that the report stated that “conflicts of interest are not robustly managed”, asked whether this should be changed to ‘were not robustly managed’. The IA referred to the summary of the corporate governance review, which had reviewed how conflicts of interest were managed, and it had been determined that there were areas where this could be improved. Cllr S Penfold referred to historical Cabinet minutes, and asked whether the document provided an example of a conflict of interest that had not been robustly managed. The IA replied that she had looked for mitigation actions to ensure that conflicts were appropriately managed. Cllr S Penfold asked whether an individual had continued to be involved in the project subsequent to declaring an interest,

and if so, in what capacity. The IA replied that the individual had continued to be involved in the project until they left the Council, as a member of the Project Board. The Chairman asked whether more action should have been taken to exclude the individual from Project Board meetings, to which the IA replied that she could only comment on the mitigation actions that had been recorded.

- iii. Cllr P Heinrich referred to section 4.2 and noted that the LTA funding had been withdrawn in December 2018, though the Council was not notified of this until February 2019, and asked to what extent the withdrawal of funding was influenced by the failure to agree a land swap. The IA replied that the rationale given for the withdrawal of the funding was that the LTA had changed their strategic direction, though it was noted that there were also two outstanding matters that required completion for funding. It was noted that that these had not been referenced as a reason for the withdrawal of funding. Cllr P Heinrich noted that there had been limited support for the project amongst Tennis Club members, though they had not expressed these concerns to the Council until early 2019. He asked whether this apparent lack of consultation with the Club was related to the withdrawal of funding, and whether this had been referenced at point 4.5, where it was suggested that better engagement may have addressed concerns. The IA replied that there was no evidence that this was the rationale for the withdrawal of LTA funding. She added that it had been noted that there was limited stakeholder engagement during the early stages of the project, and whilst better engagement may have addressed these concerns, it could not be confirmed. Cllr P Heinrich noted that when the project was approved in December 2017, none of the key stakeholders had agreed to any contractual arrangements, and asked whether the reasons for this were known. The IA replied that this had not been considered as part of the audit, but noted that the business case had been approved on the basis of the information identified in the report. She added that a key learning opportunity was for the Council to implement critical milestones on projects that should be met in order for projects to proceed.
- iv. Cllr A Brown referred to the disclosure of interests, and suggested that there had been little regard for the Nolan principles with no mitigation actions taken, and asked what actions would have been expected. The IA clarified that she had not said that no actions had been taken, but that no actions had been recorded. She added that she would have expected to see a discussion on what role would have been appropriate for the individual in the project, going forward. It was noted that a new code of conduct was expected in the coming months, and this would place greater emphasis on mitigation actions.
- v. Cllr P Fisher referred to contract procurement and stated that whilst he agreed with use of exemptions in urgent situations or for specialist skills, this project did not appear to be either. He then asked whether the use of exemption certificates was common, and whether they had been used to avoid the tendering process. The IA replied that there was no evidence of wrongdoing, and had any been found, it would have been a different investigation. She added that the rationale for the exemption was that the specialists used had expert and local knowledge, therefore the exemption was agreed in-line with the constitution. It was noted there was a separate piece of work underway to better manage contract standing orders and procurement exemptions.
- vi. Cllr P Butikofer referred to section 4.3 of the report where it was stated that project enabling works had been completed with financial risk to the Council,



and asked whether examples could be provided. The IA replied that an example of this was the car park, which had been completed prior to the land transfer and without funding in place. She added that without reaching these milestones, the work had been completed with associated risk. Cllr P Butikofer sought clarification on the role of the SRO on this matter, and it was confirmed that they would have held joint responsibility for signing off these works.

- vii. Cllr C Cushing noted that whilst he was not a Member of the Council at the time, he had made some observations, and asked why the Committee had only been given an executive summary of the report, given the importance of the issue. He added that the report had not clearly outlined who held responsibility for the full duration of the project, and stated that a change in administration in November 2018, meant that the Liberal Democrat Group had held responsibility from this point onwards. Cllr C Cushing suggested that the report was therefore slightly misleading, in that it appeared to suggest that several decisions were taken by the previous administration, although this was not the case. He referred to the original business case, and stated that with LTA funding, NNDC were required to fund 53% of the project, but if the LTA had not proposed to fund the other 47%, then the project wouldn't have gone ahead. Cllr C Cushing stated that the report overlooked the improved facilities that the project sought to bring to the wider district, and noted that whilst he was not a Councillor at the time, it was his understanding that at the point of initiation, the project was supported by all Members of the Council. He added that when the LTA withdrew funding in December 2018, the business case became unviable, and asked why the project was not put on hold at this point, and why was a contract signed after the Council became liable for 100% of the funding. The IA replied that there were three reports to Cabinet and Council, which included the original business case in December 2017, an update in November 2018, and a final report in February 2019 that confirmed that LTA funding had been withdrawn, and requested a review of the business case. She added that the subsequent review had deemed that the project still represented value for money, and on that basis the project continued. It was noted that it was standard practice to only provide the executive summary of audit reports, though more information had been provided in this case, and the full report was available on request.
- viii. Cllr V Gay asked to place on record her thanks to Internal Audit, and stated that from its inception, she had supported the release of the audit report in full. She added that a report on the Council's project governance framework was scheduled for Cabinet, which would reform project management. Cllr V Gay stated that in her experience, the vast majority of Councillors were alert to the Nolan principles and their obligation to declare interests. For clarification, she added that the Council moved into a situation of no overall control in November 2018.
- ix. Cllr S Penfold noted that wide support remained for the continuation of the project across all groups following the February 2019 report, and said he agreed that the full report should be shared with the Committee.
- x. Cllr C Cushing noted that he did not believe there was a missing business case, but that the executive summary made no reference to the business case. He added that following the change in administration, there would have been enough votes to stop or pause the project, but this was not the approach taken. Cllr C Cushing asked whether the Council had made efforts to pursue

the agreement of the contract with the trustees of the Tennis Club, and who had taken the decision to end the project. The IA replied that Cabinet had taken the decision to end the project in August 2019. The LGL advised that discussion of contract enforcement information would require the meeting to exclude the press and public for matters relating to legal professional privilege.

- xi. Cllr N Dixon supported calls to see the full audit report, then referred to the conclusion and noted that until April 2019, an expectation remained that the project would be completed. He added that shortly after this time, a viability review of the project had deemed that it was not deliverable, and stated that the reasons for this required further clarification. Cllr N Dixon noted that the first issue related to efforts made to resolve the land swap impasse, and the second to the legal advice given on the enforcement options available to ensure the transfer deed was enacted, and whether this advice was sound, given the cost implications. He added that the third issue was for clarification of who agreed to end the project, which had been confirmed as Cabinet.
- xii. Cllr E Seward asked to place on record his thanks to Internal Audit, and stated that changes in political administration had taken place a long way in to the project, and it was not known until January 2019 that the LTA had withdrawn its funding. He added that at this point, a request was made to reconsider the business case to determine whether the project was still viable, and the advice from officers at the time was that a viable business case remained. It was noted that this advice was given to Council, and that Members continued to support the project at this time, though from February 2019 Tennis Club members had begun to raise concerns about the project that threatened the land swap agreement. Cllr E Seward stated that by April 2019, the members of the Tennis Club had made it clear that they would not agree to the land swap, which was the final reason the project could not proceed, without the need for legal action, which would not have been supported. He added that there were clear lessons that must be learnt from the project, and that it should not have been able to go as far as it had.
- xiii. The IAM reminded Members that recommendations to management included in the report were due for completion in May, and progress on these would be reported to the Committee in due course.
- xiv. Cllr A Brown asked the auditors whether they would agree that there had been a lack of openness and transparency in the reporting of the project, and whether there had been a lack of engagement from Cabinet Members on the original Project Board. The IA replied that she saw no evidence of any lack of openness or transparency and noted that Full Council had been kept updated on reviews, with accompanying decisions taken in December 2017, November 2018 and February 2019. She added that the decision to end the project had been taken in full consultation with senior officers, with a separate report provided to explain this, hence there was no evidence of any lack of openness or transparency.
- xv. The Chairman asked whether any Members of the original Project Board had been contacted, to which the IA replied that this had not been the case, as the audit was not an investigation. She added that she had spoken to the Leader, the CE, the MO, the S151 officer and several other officers involved in the project. The Chairman asked for clarification on whether there had been any instruction to pause the project, to allow time for discussions to take place.

The IA replied that there was evidence of a request to pause work on the project in late spring, following the change in management at the Tennis Club, to allow clarification of issues relating to the land swap.

- xvi. Cllr S Penfold stated that it was clear at the start of the project that with support from the LTA, the project would have provided significant benefits, but given the issues raised, there was a clear need for Members to see the full audit report to determine whether the recommendations were adequate. He added that the no assurance grading caused significant concerns, and it was the duty of Committee to ensure that these had been adequately addressed. Cllr S Penfold suggested that the Committee should be provided with the full unredacted report under the need to know principle. The Chairman suggested that the Overview and Scrutiny Chairman should also be given access to the report, and noted that wider Members could make a request to see the report if they could demonstrate a need to know basis. The DSM confirmed that any further Members would be required to submit an individual request with a need to know basis.
- xvii. The CE stated that the project had involved the authority spending a large amount of money and it was important that adequate lessons were learned. He added that separate work on improving project governance at the Council had taken place, and was in the process of being implemented. The CE stated that he was confident that the recommendations would be fully implemented by the end of the municipal year.
- xviii. Cllr J Rest proposed that Members of the Governance, Risk And Audit Committee, and the Overview and Scrutiny Committee Chairman be provided with the full audit report. Cllr S Penfold seconded the recommendation.

## **RESOLVED**

**To recommend to the Monitoring Officer that Members of the Governance, Risk and Audit Committee, and the Overview and Scrutiny Committee Chairman be provided with the full audit report.**

## **70 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST**

The DSGOS referred to the outcomes and actions list from the previous meeting and noted that officers would be invited to attend the June meeting, in order to respond to outstanding audit recommendations of two years or more. He added that the review of the Council's assets would also be scheduled for the June or July meeting.

## **RESOLVED**

**To note the update.**

## **71 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME**

The CTA referred to the audit deadlines and noted that these had been pushed back to September for 2020/21 and 2021/22, subject to review. She added that the Finance Team were still working to a May deadline to complete the draft statement of accounts, and that she would report to the Committee if this became unachievable. The DSGOS stated that there were a number of outstanding items that had to be fit into the Work Programme, such as the external audit plan, and noted that these would be scheduled as and when the reports became available.

**RESOLVED**

**To note the Work Programme.**

**72 EXCLUSION OF THE PRESS AND PUBLIC**

The meeting ended at 3.55 pm.

---

Chairman

## **GOVERNANCE, RISK AND AUDIT COMMITTEE**

**Minutes of the meeting of the Governance, Risk and Audit Committee held on Thursday, 25 March 2021 at the remotely via Zoom at 3.00 pm**

### **Committee**

#### **Members Present:**

Mr J Rest (Chairman)	Mr S Penfold (Vice-Chairman)
Mr C Cushing	Mr H Blathwayt
Dr P Bütikofer	Mr P Fisher

#### **Members also attending:**

Mr P Heinrich (Observer)	Mr N Dixon (Observer)
Ms V Gay (Observer)	Mr R Kershaw (Observer)
Mr E Seward (Observer)	Mrs E Spagnola (Observer)
Mr T FitzPatrick (Observer)	Ms L Withington (Observer)

#### **Officers in Attendance:**

Democratic Services and Governance Officer - Scrutiny (DSGOS), Internal Audit Manager (IAM), Chief Technical Accountant (CTA), Chief Executive (CE), Assistant Director for Finance, Assets, Legal & Monitoring Officer (MO), Internal Auditor (IA), HR Manager (HRM) and Democratic Services Manager (DSM)

### **73 TO RECEIVE APOLOGIES FOR ABSENCE**

None received.

### **74 SUBSTITUTES**

None.

### **75 DECLARATIONS OF INTEREST**

Cllr S Penfold declared that he had been a Member of the Cromer Tennis Hub Project Board from February 2018.

Cllr J Rest declared that he had been a Member of the Cromer Tennis Hub Project Board.

### **76 EXCLUSION OF THE PRESS AND PUBLIC**

The Chairman noted that discussion of the full audit report would require that the meeting be moved into private business.

It was proposed by Cllr J Rest and seconded by Cllr P Fisher to exclude the press and public.

**RESOLVED**

**That under section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1, 2 and 3 of part 1 of schedule 12A (as amended) to the Act.**

## **77 CROMER SPORTS HUB PROJECT - AUDIT REPORT**

The Chairman noted that the Committee had met on 9<sup>th</sup> March to discuss and note the non-exempt appendices of the full report in public, and had now received the full exempt report for discussion. He stated that the loss of public money was a serious concern and he hoped that Members could now be confident of the lessons learnt, and that recommendations could be made, if necessary, to avoid similar occurrences in the future.

### Questions and Discussion

- i. Cllr S Penfold referred to project governance and inception, noted his concerns and asked what the auditors would have expected at this stage of the project. The IA replied that in terms of governance, she would have expected a clear project lead and terms of reference to be identified, as well as clarity on how the project would be reported to Committees, and who had responsibility for project related decisions. She added that the Project Board also required greater clarity of its role in relation to the oversight and management of the project. The IA referred to project inception, and stated that she would have expected minutes to outline the clear benefits of the project over alternate projects that could have been considered. She added that the initial report would have also benefitted from greater scrutiny.
- ii. Cllr S Penfold asked Cllr T FitzPatrick whether he had regrets regarding the project's inception. Cllr T Fitzpatrick replied that at the outset there had been a project initiation document prepared by officers, as well as a report prepared by external consultants, which had been reviewed by the Overview and Scrutiny Committee, prior to Cabinet approval. He added that the project also sought to provide benefits for the wider District, beyond Cromer. It was noted that following Cabinet's recommendation for approval, the project had been approved by Full Council, at which point it progressed to the Project Board, and at this time, both the Tennis Club and Cromer Academy were supportive. Cllr T FitzPatrick stated that whilst he ceased to be Leader of the Council as the project progressed, he did regret that the Project Board's Terms of Reference had not been more clearly defined, which could have helped when issues began arise. He added that he also regretted that concerns regarding the Tennis Club's growing disapproval of the project had not been raised earlier with the Project Board. Cllr T FitzPatrick stated that despite the withdrawal of LTA funding, the project had continued, though there had been a breakdown in communication between the Project Board, Cabinet and Council.
- iii. Cllr S Penfold noted that during the project's inception, there was no record of a full discussion on the feasibility study at Cabinet, and he did not therefore feel it was fair to place full blame on the Project Board. Cllr T Fitzpatrick replied that he was not placing full blame on the Project Board, and noted his recollection that a presentation was provided to Councillors, which had caused the majority of discussion to take place as pre-scrutiny, outside of Cabinet. He added that the withdrawal of LTA funding and issues

with the Tennis Club took place well into the project, and could not have been foreseen during its inception.

- iv. Cllr S Penfold referred to significant conflicts of interest and asked why these were not detailed within the report. The IA replied that these were not included as full details were available in public minutes, and provided an overview of the interests declared. Cllr S Penfold asked whether there was a record of any concerns raised regarding the conflicts of interest, to which the IA replied that there was no record of mitigation actions, or concern raised.
- v. Cllr C Cushing referred to funds spent in February and August 2019, and noted that significant expenditure had continued after the withdrawal of LTA funding, and asked why this was not addressed in the business case. The IA replied that the decision to continue the project with NNDC providing full funding was taken in February 2019. She added that Members had agreed that if the Council Leader, relevant Portfolio Holder, S151 Officer, and Chief Executive still agreed that the project represented good value for money, then it should continue. Cllr C Cushing stated that the report contained little information on why the project had been stopped, and asked what advice had been provided by officers to influence this decision. The IA replied that a report had gone to Cabinet which raised concerns that the land swap agreement could not be completed. She added that the report suggested that continuing the project would have required legal action, and was therefore not advisable. Cllr C Cushing noted that concerns had been raised by the Tennis Club in November 2018, though the project was still considered good value for money in February 2019, and asked whether any there was any evidence of concerns raised by Cabinet. The IA replied that at the February Cabinet meeting, officers had asked whether the project could be paused to allow time for further consideration, though Members had proceeded on the basis that the project still represented good value for money.
- vi. Cllr C Cushing noted that the decision to stop the project had been taken by Cabinet on 23<sup>rd</sup> August 2019, and asked whether there had been any request for external advice on the matter. The IA replied that external advice had been taken on several options, which included an option to pursue the signing of the land swap agreement, that would likely have resulted in legal action. The Chairman asked whether there was evidence of this, to which the IA replied there was evidence that external legal advice had been taken, though this evidence was not contained within the audit report.
- vii. Cllr H Blathwayt referred to the placement of the steelwork order, and asked whether this had taken place before or after the 15<sup>th</sup> April 2019. The IA replied that she was unsure of the exact date but would confirm via a written reply. Cllr H Blathwayt requested that emails regarding the steelworks be shared with Members, and asked whether the Council was still paying for storage of the steelworks. The IA confirmed that the Council had paid for storage until July 2019. Cllr H Blathwayt whether the steelworks order had been carried out in consultation with Members, to which the IA stated that she would provide a written answer. The CE added that in principal, once a project had been approved by Members, officers would have the authority to approve expenditure.
- viii. Cllr P Butikofer referred to enabling works completed at financial risk to the Council, and asked if there were any examples. The IA replied that the demolition of the school swimming pool to create a car park was a primary

example, with timings given as justification when the decision to proceed was made by the Project Board. She added that trees had also been felled without the land swap in place. The approval process of these actions was discussed.

- ix. Cllr P Fisher referred to the Sustainable Communities Fund, and noted that a lack of consultation and supporting information often resulted in bids being unsuccessful. He noted that the Council's application for LTA funding had also lacked necessary information, and asked whether there was any evidence that the withdrawal of funding could have been attributed to this. The IA replied that the reason the LTA gave for withdrawal of funding, was that they had reconsidered their national priorities. She added that the bid being incomplete was not referenced, and that there was no evidence that the Project Board Members had been made aware that the bid was incomplete. The IA stated that this was why completion of critical milestones had been suggested as a recommendation.
- x. The Chairman referred to the limited number of contractors used, and asked whether there was any evidence to explain this. The IA replied that exemption forms were completed and signed off in accordance with the constitution, which suggested that the contractor used had experience of working with the Council, and the necessary experience required. In response to a question from the Chairman, the IA outlined the concerns raised in relation to the exemptions and explained how they presented a risk to the Council.
- xi. Cllr V Gay referred to a statement in the report regarding the nature of Project Board meetings, and asked whether the auditors had concluded that there was little opportunity to check and challenge concerns at the meetings. The IA replied that she had been told that this was the case, and that the minutes supported these comments.
- xii. Cllr E Seward referred to an email from the Council Leader that stated ongoing support for the project despite concerns, as a result of it being agreed by Full Council. He then sought clarification on whether the auditors has seen this email, and whether his recollection was correct. The IA confirmed that they did have a copy of the email, and that the Leader had noted their authority to continue the project following the decision made by Full Council, so long as it continued to provide value for money. Cllr E Seward asked for the date of the first email that requested the project be placed on hold, to which the IA confirmed was the 31<sup>st</sup> May. Cllr E Seward referred to the nature of Project Board meetings and stated it was clear that there needed to be more robust discussion at these meetings, to which the IA replied that she fully supported recommendations to clarify the role of Project Boards and their Members. She added that she was glad to see that the CDU had been established to oversee project governance.
- xiii. Cllr N Dixon referred to the advice given in advance of the decision to cancel the project, and asked whether this advice had been shared with wider Cabinet Members. The IA replied that in her recollection the advice had been shared with all Cabinet Members, though this would be confirmed by written reply.
- xiv. Cllr T FitzPatrick stated that the project initiation document had been prepared in October 2017 following discussions with the LTA, followed by an



independent feasibility report that was pre-scrutinised, prior to approval by Cabinet and Full Council. He added that the Council was right to take the opportunity to develop the project at the time, though it was unfortunate that issues had arisen that could not be resolved.

- xv. The CE stated that the report was a learning opportunity for the Council, and asked whether Committee Members were satisfied that the management recommendations contained within were robust enough to address the findings and concerns. He added that it was right for the Council to remain ambitious, so long as the correct checks and balances were in place to ensure that projects could be completed with minimal risk.
- xvi. Cllr C Cushing noted that he had worked in project management for considerable time, and stated that the implementation of the gating procedure was of fundamental importance, to ensure that funds were not spent in advance of milestones being met.
- xvii. Cllr H Blathwayt stated that the business case for the project had always had issues, such as the unrealistic usage levels. He added that it was important to address the fact that circumstances could change throughout a project, and the implementation of a gating procedure should address this.
- xviii. Cllr P Fisher stated that issues had been raised with engagement, and noted that this also appeared to be an issue within the Tennis Club.
- xix. Cllr S Penfold asked to place on record his thanks to the auditors, then sought to improve the existing management recommendations with three suggestions. The first requested that the Constitution Working Party (CWP) review the use of procurement exemption certificates, and the second was to request that the CWP widen the definition for conflicts of interest. The third suggestion requested that Cabinet review its new project governance framework, to consider whether its checks and balances were robust enough to mitigate the concerns raised, or whether they needed strengthening.
- xx. It was confirmed following a question from Cllr N Dixon, that once written replies had been received, it would be for the Committee to decide whether further discussion of the report was necessary.
- xxi. The DSM noted that the first two suggestions from Cllr S Penfold to improve the existing recommendations were already being progressed with the CWP and Standards Committee, respectively. Cllr S Penfold accepted that the first two proposals had already been addressed, and suggested that the final proposal for Cabinet to reconsider its project governance framework should remain as a potential recommendation. It was noted that the project governance framework had been reviewed in draft form by GRAC, though could be considered again, if necessary.
- xxii. The IAM highlighted the assurances that would be given going forward, and noted that GRAC would receive updates on the implementation of recommendations at future meetings, until they had been completed. She added that future audit work could also be arranged to seek assurances that processes had been changed to adequately address the concerns raised.
- xxiii. Cllr E Seward referred to the potential recommendation for Cabinet to review the project governance framework, and suggested that if all Cabinet

Members were given the opportunity to review the full audit report, it would aid this process.

- xxiv. Cllr S Penfold proposed that all Cabinet Members be given the opportunity to review the full audit report, then consider whether the project governance framework needed to be strengthened. Cllr H Blathwayt seconded the proposal.

**RESOLVED**

- 1. To recommend that all members of Cabinet receive a copy of the final report.**
- 2. To recommend that Cabinet reviews the Council's project governance framework to ensure that it is robust enough to address the concerns raised by the assurance review and by the Governance, Risk & Audit Committee.**

The meeting ended at 4.23 pm.

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Chairman

## **Progress Report on Internal Audit Activity: 26 February 2021 to 7 June 2021**

**Summary:** This report examines the progress made between 26 February 2021 to 7 June 2021 in relation to delivery of the Annual Internal Audit Plan for 2020/21.

**Conclusions:** The revised Internal Audit plan for 2020/21 has been completed.

**Recommendations:** **It is recommended that the Committee notes the outcomes of the audits completed between 26 February 2021 to 7 June 2021.**

Cabinet member(s): Ward(s) affected:

All All

Contact Officer, telephone number, and e-mail: Faye Haywood  
01508 533873, fhaywood@s-norfolk.gov.uk

### **1. Background**

- 1.1. This report reflects progress made regarding assignments featuring in the revised Annual Internal Audit Plan for 2020/21 which was approved by the Audit Committee on 4 August 2020.

### **2. Overall Position**

- 2.1. The overall position in relation to the completion of the Internal Audit Plan is within the attached report.

### **3. Conclusion**

- 3.1 The 2020/21 Internal Audit Plan of work is now complete. All reports have now been issued.

### **4. Recommendation**

- 4.1 It is recommended that the Committee note the outcomes of the assurance audit completed between 26 February 2021 and 7 June 2021.

### ***Appendices attached to this report:***

Progress Report on Internal Audit Activity

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# Eastern Internal Audit Services



North Norfolk District Council

Progress Report on Internal Audit Activity

Period Covered: 26 February 2021 to 7 June 2021

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

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## 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 to date.

## 2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 4 August 2020 the revised Internal Audit Plan 2020/21 for the year was approved due to unprecedented circumstances surrounding the Covid-19 Pandemic. Since the plan was approved at the August Committee meeting there has been no further changes made to the revised internal audit 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**.
- 3.2 In summary 145 days of programmed work has now been completed, equating to 100% of the revised Internal Audit Plan for 2020/21.
- 3.3 The Executive Summary of all reports issued in this period can be found at **Appendix 2**.

## 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 five Internal Audit reports have been issued, two of these are in draft awaiting management responses as details by the table below;

Audit	Assurance	P1	P2	P3
Accounts Payable	Substantial	0	0	1
Payroll and HR	Substantial	0	0	2
Key Controls and Assurance	Reasonable	0	3	0
Private Sector Housing	Reasonable	0	1	2
Remote Access (DRAFT)	Reasonable	0	5	3

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 17 recommendations have been raised for management attention.
- 4.6 In addition two operational effectiveness matters have been raised for management consideration.
- 4.7 Two position statements have been issued for Contract Standing Orders (exemptions) and Coronavirus Response and Recovery. The Coronavirus Response and Recovery report remains in draft at the time of writing however, the suggested improvements actions are summarised below: The full final Contract Standing Orders report is provided at **Appendix 3** of this report.

### **Coronavirus Response and Recovery**

- Members be kept informed of progress against recovery plans.
- 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.

- Service area operating manuals and impact assessments be updated and used to feed into the recovery planning.
- Review the changes that have been made to how residents interact with the Council and consider which of them should be retained going forward. This should include consideration of the resource implications of different options.
- Review staff working arrangements, in terms of remote working, office working and flexibility around this, to ensure ongoing service provision. This should consider the knock-on resource implications, such as for IT equipment and office space, to ensure that adequate resources are available and that they are used efficiently.
- Review options for potential savings or increased income that have been identified, to help balance the budget in future years.
- As part of its strategic planning, the Council considers:
  - The implications for moving out of lockdown and how this will develop.
  - The resources required for the ongoing Covid-19 response, and for how long. For example, Covid-19 marshals, Track and Trace and Community Testing.
  - What the medium- to long-term new normal will look like.
- Consider what changes will need to be made to committee meetings to ensure ongoing compliance with regulations along with opportunities to agile working, once the current regulations cease on 7<sup>th</sup> May 2021.

## **5. PERFORMANCE MEASURES**

- 5.1 The Internal Audit Services contract includes a suite of key performance measures against which TIAA is 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 Manager to ensure that appropriate action is taken.

- 5.3 A report on the performance measures has been provided to the Head of Internal Audit showing significant delays have been experienced in finalising the work throughout 2020/21. All audits assigned have now been completed. However, delays have been experienced in finalising report with two in draft and issued to management at the time of writing. We have included these audits with our report to the Committee to give an early indication of the findings and overall assurance gradings where applicable.



## 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	
<b>Quarter 2</b>											
Assurance Mapping	NN2101	8	8	8	Final report issued 26 February 2021						Mar-21
<b>TOTAL</b>		<b>8</b>	<b>8</b>	<b>8</b>							
<b>Quarter 3</b>											
Corporate Governance	NN2102	4	4	4	Final report issued 6 January 2021	Reasonable	0	3	2	0	Mar-21
Accounts Payable	NN2103	12	12	12	Final report issued 13 April 2021	Substantial	0	0	1	0	June 21
Council Tax and NNDR	NN2104	15	15	15	Final report issued 16 February 2021	Substantial	0	0	0	0	Mar-21
Local Council Tax Support and Housing Benefit	NN2105	15	15	15	Final report issued 3 February 2021	Reasonable	0	1	2	0	Mar-21
Payroll and HR	NN2106	15	15	15	Final report issued 26 May 2021	Substantial	0	0	2	1	Jun-21
Procurement Contract Management	NN2107	10	10	10	Final report issued 10 February 2021	Position Statement					Mar-21
Addition Cromer Sports Hub	NN2112		8	12	Final report issued 26 February 2021	No Assurance	6	4	0	0	Mar-21
<b>TOTAL</b>		<b>71</b>	<b>79</b>	<b>83</b>							
<b>Quarter 4</b>											
Key Controls and Assurance	NN2108	10	10	10	Final report issued 13 May 2021	Reasonable	0	3	0	0	June 21
Coronavirus Response and Recovery	NN2109	15	15	15	Draft report issued 5 May 2021	Position Statement					June 21
Private Sector Housing DFG	NN2110	10	10	10	Final report issued 4 June 2021	Reasonable	0	1	2	1	June 21
CSO Exemptions - Addition	NN2113		8	8	Final report issued 13 May 2021	Position					June 21
<b>TOTAL</b>		<b>35</b>	<b>43</b>	<b>43</b>							
<b>IT Audits</b>											
Remote Access	NN2111	10	10	10	Draft report issued 11 May 2021	Reasonable	0	5	3	0	June 21
<b>TOTAL</b>		<b>10</b>	<b>10</b>	<b>10</b>							
<b>Follow Up</b>											
Follow Up	NA	5	5	5							
<b>TOTAL</b>		<b>5</b>	<b>5</b>	<b>5</b>							
<b>TOTAL</b>		<b>129</b>	<b>145</b>	<b>149</b>			<b>6</b>	<b>17</b>	<b>12</b>	<b>2</b>	
<b>Percentage of plan completed</b>				<b>103%</b>							

## APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

### Assurance Review of the Accounts Payable Arrangements

#### Executive Summary

##### OVERALL ASSURANCE ASSESSMENT



##### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies, procedures and systems	0	0	1	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>

No recommendations have been raised in respect of suppliers, purchase orders, payment of invoices, reconciliations or credit cards.

##### SCOPE

These key financial systems feed into the Statement of Accounts and require periodic full service reviews to confirm the adequacy and effectiveness of controls in these areas. The scope of the audit included policies, procedures and systems; new suppliers and changes to details; raising purchase orders; authorisation and payment of invoices; reconciliations; and use of credit cards.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'needs attention' recommendation being raised upon the conclusion of our work and one outstanding 'needs attention' recommendation from a previous audit.
- 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 audit of Accounts Payable (NN/19/06), issued in March 2019, concluded in a 'Reasonable' assurance opinion, with two 'important' and three 'needs attention' recommendations being raised, indicating that there has been an improvement in the level of control.

## POSITIVE FINDINGS

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

- The supplier set-up and amendment form has been developed to capture Construction Industry Scheme (CIS), procurement and consultant information, thereby ensuring all the requisite information is captured.
- Controls within the system prevent the same invoice number being entered to the same supplier twice, thereby ensuring the same invoice is only paid once. Data was analysed during the audit to identify suspected duplicate invoices, and a review of a sample of these found they had already been identified and acted upon.
- Purchase orders are independently authorised in accordance with delegated levels of authority and goods receipted prior to payment. This ensures control is exercised over expenditure and purchases.
- Creditor control accounts reconciliations are promptly completed and independently checked with evidence retained of remedial action for any discrepancies identified.

## ISSUES TO BE ADDRESSED

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

### **Policies, procedures and systems**

- A full review of procedures be undertaken, given the recent changes to working practices, to reduce the risk of outdated processes being followed.

### **Operational Effectiveness Matters**

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

- Consideration be given to using the invoice register within eFinancials system.

### **Previous audit recommendations**

The previous audit report on Accounts Payable (NN/19/06), issued in March 2019, contained two 'important' and three 'needs attention' recommendations. Four of these recommendations have been confirmed as implemented. The 'needs attention' recommendation that remains outstanding relates to the verification of purchase order authorisation levels in the Concerto estates system to ensure they remain compliant with the Council's delegation limits.

### **Other issues noted**

An action point to review and update business continuity plans across the Council has been raised in the NN/21/09 Coronavirus Response and Recovery audit. The Finance team will need to review its own plans to ensure it is best prepared for future emergencies.

# Assurance Review of the Payroll and Human Resources

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and Procedures	0	0	0	1
Establishment	0	0	1	0
Training Agreements	0	0	1	0
Total	0	0	2	1

No recommendations were raised in relation to the following areas: legislative requirements, starters and leavers, pension contributions, payroll processing, changes to payroll records, reconciliations, officer and member expenses and turnover reporting.

### SCOPE

The audit consisted of a regular review of payroll controls and additional testing relating to HR. Payroll controls tested included policies and procedures, legislative requirements, starters and leavers, changes to payroll records, pension contributions, reconciliations and payroll processing. HR testing focused on officer and members expenses, establishment training agreements and turnover reporting.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of 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.
- The previous report (NN/19/12) was issued in April 2019, with a 'Reasonable' assurance having raised three 'important' and five 'needs attention' recommendations. This report therefore represents a positive direction of travel.

## POSITIVE FINDINGS

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

- Monthly returns are submitted to HMRC to ensure compliance with legislative requirements.
- Starters, leavers and changes are updated on the payroll in a timely manner and independently reviewed, to ensure accuracy of payroll data.
- Various reports, including errors and exceptions and net pay variance, are run and checked as part of the monthly pay run.

## ISSUES TO BE ADDRESSED

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

### Establishment

- Assistant Directors to review the establishment report for their service on a quarterly basis, to reduce the risk of incorrect data remaining on the payroll system.

### Training Agreements

- The Training Indemnity List and Learning and Development Guide to be kept updated, to reduce the risk that training agreements may not be set up correctly or enforced.

#### Operational Effectiveness Matters

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

- Consideration be given to completing the Payroll Check List Procedure and Payroll Processing Miscellaneous notes as time allows.

#### Previous audit recommendations

The audit reviewed the previous internal audit recommendations, all of which have been confirmed as implemented.

# Assurance Review of Key Controls and Assurance Arrangements

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Treasury Management	0	1	0	0
Accounts Receivable	0	1	0	0
Cash Income and Receipts	0	1	0	0
<b>Total</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>

\*No recommendations have been raised in respect of budgetary control, general ledger, budgetary control, control accounts, car parking and assurance framework.

### SCOPE

An annual review of key controls that feed into the Statement of Accounts, for those systems not subject to an audit review within year, has been completed. This covered Accountancy Services (Asset Management, General Ledger, Control Accounts, Treasury Management, Budgetary Control and General Ledger), Accounts Receivable, Income and Receipt (Remittances), Car Parking Income and the Assurance Framework.



## RATIONALE

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- 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 three 'important' recommendations being raised upon the conclusion of our work.
- The previous review of Key Controls and Assurance (NN/20/11), completed in March 2020, with the Final report issued in September 2020, concluded in a 'Substantial' assurance having raised one recommendation. This demonstrates a deterioration in the direction of travel compared to the previous review although in part can be attributed to the problems of remote working and increased workload engendered by Covid-19. We expect the level of control to recover once the pandemic has passed.

## KEY FINDINGS

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### 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 (AGS) and the Head of Internal Audit's Annual Report and Opinion.

The following audits 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)
- Car Parking Income
- 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 (NN/21/03) – Draft report issued 7<sup>th</sup> April 2021
- Council Tax and National Non-Domestic Rates (NN/21/04) – Final Report issued 16<sup>th</sup> February 2021
- Housing Benefit and Council Tax Support (NN/21/05) – Final Report issued 2<sup>nd</sup> February 2021
- Payroll and Human Resources (NN/21/06) – Draft Report to be issued in April 2021

## ISSUES TO BE ADDRESSED

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

### Treasury Management

- Evidence of review of treasury management reconciliations needs to be retained.

### Sundry Debtors

- The decision to formally suspension normal debt recovery processes should be formally documented and reported to Members including timescales for reintroduction.

### Cash Income and Receipts

- Bank reconciliations need to be completed promptly after month end.

No operational effectiveness matters have been raised.

### Other points noted

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.

The Council (Accountancy) post journals with a value of less than £100k to the ledger without independent authorisation. The Council is happy to continue to accept the risk associated with this policy.

Journals over £100,000 are recorded on a spreadsheet and authorised retrospectively at month-end. During Covid-19, with remote working, the authorisation process is via e-mail.

### Outstanding Previous Recommendations

There are no recommendations outstanding from previous financial years relating to key controls.

# Assurance Review of Private Sector Housing - Disabled Facility Grant Arrangements

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and Procedures	0	0	0	1
Processing of Applications	0	1	0	0
Financial Management and Budget Monitoring	0	0	2	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>1</b>

### SCOPE

Internal Audit last reviewed this area in 2016/17 where a reasonable assurance grading was given. We are required to periodically review this area to support the annual Head of Internal Audit grant certification.

## RATIONALE

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- 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.
- The previous audit raised four 'needs attention' recommendations. The overall assurance opinion remains unchanged.

## POSITIVE FINDINGS

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

- Local guidance exists for processing Disabled Facilities Grant (DFG) applications that support national guidance, thus ensuring staff are aware of correct procedure.
- DFG applications are means tested and supporting evidence is retained. This helps ensure the completeness and accuracy of the application process.
- Annual invoices have been correctly raised and approved with supporting documentation evidenced.
- Budget monitoring was shown to be comprehensive and detailed.

## ISSUES TO BE ADDRESSED

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

### Processing of Applications

Targets should be designed to evaluate the performance of the DFG process and reported quarterly. This recommendation has been rejected by management.

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

## **Policies and Procedures**

### **Financial management and Budget Monitoring**

- Reconciliation of DFG expenditure between Housing records and the general ledger to be completed on a quarterly basis. This recommendation has been rejected by management. A reconciliation will continue to be carried out annually.
- The reconciliation of this expenditure to the General Ledger should be reviewed promptly after completion and signed and dated.

### **Operational Effectiveness Matters**

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

- To update the Council's website for improved information on DFGs, including eligibility criteria and consider an on-line application process.

### **Previous audit recommendations**

Internal Audit last reviewed this area in 2016/17 where a reasonable assurance grading was given. Four needs attention recommendations were raised during this review which have been confirmed as completed through our follow up process.

### **Other points noted**

- The Council is required to submit an annual return to Norfolk County Council on DFG activity within the year, which is signed off by the Head of Internal Audit and the Chief Executive. The annual return for 2019/20 was duly completed. Sample testing was completed on activity for 2018/19 by the Internal Audit Manager (South Norfolk DC) although the annual return was not signed due to an unexplained discrepancy of £1,106,387. Subsequently, the former Corporate Director and Head of Paid Service, e-mailed the Chief Internal Auditor/Head of FCE Audit Authority for Norwich County Council on 31<sup>st</sup> October 2019 stating *'Internal Audit have carried out a review of our case files and are content with the appropriateness of all spend tested. In all material aspects, the attached Appendix is correct. To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Disabled Facilities Capital Grant Determination 2018/19 [number 31/3337] have been complied with in relation to the financial year beginning on 1st April 2018'. As joint Head of Paid Service, I am satisfied that the Council can therefore sign off the document, and I have attached my digital signature to the Appendix C above'*.
- Earlier on 31<sup>st</sup> October 2019, the Chief Technical Accountant had e-mailed the Chief Internal Auditor/Head of FCE Audit Authority for Norwich County Council advising of the discrepancy and that trying to resolve it was holding up formal sign-off / submission of the annual return.

- Throughout the course of the pandemic the Council had difficulties being able to maintain their usual procedure of acquiring at least two quotations before contracting the works. It was explained by the Assistant Director People Services that in some cases due to lockdown and furlough of contractors, a single quotation had to be used. Of the sample testing completed, one out of ten applications were shown to be processed with only one quotation. Although not usual practice, this is considered acceptable given the impact and knock-on effect during the Covid pandemic although should revert back to business as usual as the Covid restrictions are eased.
- Works have not been able to be inspected as usual during the pandemic. The Council has not been able to undertake any in-person inspections and has changed procedure to use phone calls to confirm satisfactory works completion. In all cases tested, a telephone call to confirm the completed works was shown to be recorded. This too is considered acceptable and may be implemented longer term with a sample of in-person inspections being undertaken on a risk basis.

## DRAFT Assurance Review of Remote Access

### Executive Summary

#### OVERALL ASSURANCE ASSESSMENT



#### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and Procedures	0	3	0	0
Remote Access Change Controls	0	1	0	0
Access Controls	0	1	3	0
<b>Total</b>	<b>0</b>	<b>5</b>	<b>3</b>	<b>0</b>

No recommendations were raised in the areas of Remote Access Monitoring and Network Protection.

#### SCOPE

An audit of the infrastructure and management of remote access has been carried out to provide assurance that IT systems are able to support the additional pressure placed on them from the Coronavirus Pandemic and provide assurance that continuous disruptions to BAU could be supported.

## RATIONALE

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- 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 three 'important' and four 'needs attention' recommendations being raised upon the conclusion of our work.

## POSITIVE FINDINGS

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

- It was noted that users are required to acknowledge they have read the IT Security Policy on first logon to the network and to confirm they will comply with the terms of the policy each time they log on.
- Monitoring tools are in place and are used to provide real-time and historical reports of monitored network activity including reporting on gateways and tunnels, remote users, and network performance.
- Remote access connections are automatically logged and logs are retained for audit purposes.
- There are currently two main remote access solutions used by the Council. Access to the network is provided primarily via Council issued devices using the Check Point VPN solution. There is also some use of personal devices with access provided using Barracuda/ CudaLaunch. The intention is to ultimately move the majority of users to Check Point and council issued devices to consolidate remote access processes and controls.
- It was noted that the Check Point VPN system features load balancing and high availability functions that distribute network traffic between clusters of redundant security gateways providing resilience and failover in case of failures.
- The Kaspersky Antivirus tool was found to be in use to protect the Council network from viruses and malware and this is kept regularly updated.
- An Intrusion Prevention System (IPS) is in place to detect and prevent attempts to exploit any vulnerabilities in the Council network.
- Penetration testing is performed on an annual basis as part of the annual IT Health Check exercise completed as a requirement of the Public Services Network (PSN) certification process.
- A monthly starters and leavers report is generated by HR and provided to ICT to ensure that all leaver accounts are disabled. Sample testing of leavers suggested that controls to disable a leaver's Active Directory (network) account are operating adequately and effectively.
- Remote users are required to authenticate to the network via the use of two factor authentication i.e. a valid AD password and the use of a token generated one time password.



## ISSUES TO BE ADDRESSED

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

### Policies and Procedures

- There is a need to ensure that the ICT Security Policy is updated to reflect current process and controls around remote working.
- The Information Security Incident Management Policy and Procedure requires review and updating to reflect current processes and controls.
- A communications exercise is required on completion of the revised Information Security Incident Management Policy and Procedure to ensure all staff are aware of the correct process.

### Remote Access Change Controls

- There is a recognised need to document the change control process and to perform retrospective change requests for major changes made as a result of the Covid-19 pandemic.

### Access Controls

- A higher degree of activity logging should also be implemented for system administrators and other high privilege accounts that have levels of access to the IT systems beyond those of a normal user.

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

### Access Controls

- It was noted during the audit that there is no document detailing the end-to-end starters and leavers process.
- There is no documented requirement that third party/ contractor network accounts are automatically disabled to prevent the potential for misuse.
- Review of Active Directory user accounts identified the existence of an active default "Administrator" account.

### Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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## **FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 21 NOVEMBER 2020 TO 31 MARCH 2021**

**Summary:** This report provides an overview of progress made in implementing agreed audit recommendations due for completion between 21 November 2020 to 31 March 2021.

**Conclusions:** Progress continues to be made in addressing audit recommendations.

**Recommendations:** **It is recommended that the Committee notes management action taken to date regarding the delivery of audit recommendations.**

Cabinet member(s): Ward(s) affected:  
All All

Contact Officer, telephone number, and e-mail: Faye Haywood, Internal Audit Manager for North Norfolk DC  
01508 533873, [fhaywood@s-norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk)

### **1. Background**

- 1.1. In accordance with agreed internal audit review and reporting cycles, we revisit the status of audit recommendations on a 6-monthly basis and last presented our findings in this area to the Audit Committee in December 2020.
- 1.2. This report now seeks to provide an update on the status of audit recommendations following recent verification work performed by the Contractor, which examined the level of activity concerning the delivery of audit recommendations.

### **2. Overall Position**

- 2.1. The overall position in relation to the implementation of Internal Audit Recommendations is within the attached report.

### **3. Conclusion**

- 3.1 We recommend that officers now focus on completing recommendations raised during 2017/18 and 2018/19 & 2019/20 as these are now significantly overdue.

### **4. Recommendation**

- 4.1 It is recommended that the Committee notes management action taken to date regarding the delivery of audit recommendations.

**Appendices attached to this report:** Page 53

Follow Up Report on Internal Audit Recommendations

# Eastern Internal Audit Services



## NORTH NORFOLK DISTRICT COUNCIL

### Follow Up Report on Internal Audit Recommendations

Period Covered: 21 September 2020 to 31 March 2021

Responsible Officer: Faye Haywood –Internal Audit Manager for North Norfolk DC

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## 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 In 2017/18 internal audit raised 50 recommendations; 46 of which have now been implemented. Four important recommendations remain outstanding and can be seen at **Appendix 3** to the report.

Number raised to date	50	
Complete	46	92%
Outstanding	4	8%

- 2.4 A total of 40 recommendations were raised during 2018/19. 37 have been completed. Three recommendations are now outstanding (one important, two needs attention).

Number raised to date	40	
Complete	37	93%
Outstanding	3	7%



- 2.5 A total of 56 recommendations were agreed in 2019/20. 33 have been completed. A total of 14 important and nine needs attention recommendations are now outstanding. The 14 outstanding important recommendations can be seen at **Appendix 5** to the report.

Number raised to date	56	
Complete	33	59%
Outstanding	23	41%

- 2.6 A total of 27 recommendations have been raised in 2020/21. Six have been completed. No recommendations are outstanding, 19 are within deadline and two have been rejected by management.

Number raised to date	27	
Complete	6	23%
Outstanding	0	0%
Within Deadline	19	70%
Rejected	2	7%

- 2.7 We recommend that officers focus on completing historical recommendations relating to prior financial years. A total of 30 remain outstanding from 2017/18, 2018/19 and 2019/20.

## APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 27 November 2020 and 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
Audit Ref	Audit Area	Assurance Level													
2010/11 Internal Audit Reviews															
NN1112	Development Management	Adequate		1								0			
2017/18 Internal Audit Reviews															
NN1803	Land Charges	Reasonable					1					1			
NN1807	Environmental Health	Reasonable			1		2					2			
NN1816	Procurement	Reasonable					1					1			
NN1817	Waste Management	Reasonable		1								0			
2018/19 Internal Audit Reviews															
NN1905	Homelessness and Housing Options	Reasonable			1							0			
NN1906	Accounts Payable	Reasonable						1				1			
NN1910	Corporate Governance	Substantial			1							0			
NN1914	Environmental Health	Reasonable		1	1		1	1				2			
2019/20 Internal Audit Reviews															
NN2004	S106 Agreements	Reasonable					5					5			
NN2005	Accountancy Services	Substantial			2			1				1			
NN2006	Accounts Recievable	Reasonable						2				2			
NN2007	Income	Reasonable			5							0			
NN2009	Planning and Development	Reasonable		2	1		2					2			
NN2014	Affordable Housing and Enabling	Reasonable		1								0			
NN2016	Cyber Security	Reasonable			3							0			
NN2012	Procurement	Reasonable		1	1					1		1			
NN2010	Risk Management	Reasonable		1								0			
NN2015	Business Continuity and Disaster Recovery	Reasonable						2				2			
NN2011	Key Controls and Assurance	Substantial									1	1			
NN2001	Project Management Framework	Position Statement		5						5		5			
NN2003	Leisure	Substantial			1							0			
NN2017	GIS Application	Reasonable		1	2					1	3	4		1	
2020/21 Internal Audit Reviews															
NN2102	Corporate Governance	Reasonable		2	2							0		1	
NN2103	Accounts Payable	Substantial										0			1
NN2110	Private Sector Housing DFGs	Reasonable										0			1
NN2106	Payroll and Human Resources	Substantial										0			2
NN2105	Council Tax Support and Housing Benefit	Reasonable		1	1							0			1
NN2112	Cromer Tennis Hub	No Assurance										0	6	4	
NN2108	Key Controls and Assurance	Reasonable										0		3	
TOTALS			0	17	22	0	12	7	0	7	4	30	6	9	5

### APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18 AUDIT REVIEWS

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1803 Land Charges	Recommendation 1: Procedure notes be produced for all aspects of the local land charge service. These notes to be version controlled and reviewed on a regular basis. Rationale & risk: Ensuring procedure notes are in place and up to date for all aspects of the service will provide assurance to management that staff are following correct practices. This reduces the risk of errors being made within the process where staff follow incorrect practice, leading to reputational damage and financial loss for the Council.	2	The service accept that the current procedural manual is incomplete and could be improved to include version control and recent changes that have occurred within the service.	Property Information Team Leader	31/12/2017	30/06/2021	Outstanding	The new system was implemented in December 2020. There is a backlog of local land search applications that is currently being worked through, as such a revised deadline for the manual is required.
NN1807 Environmental Health	Recommendation 1: All the Environmental Health procedures, policies and guidance, including those related to the scope of the audit, be reviewed and updated to ensure that current statutory and non-statutory requirements, where applicable, are included.	2	The BPR and IT implementation are scheduled to continue until April 2018. Therefore, not all processes will have been completed within the timescale recommended. BPR will tackle the largest volume work first and so processes which deal with the most workload will be addressed first.	Head of EH	30/04/2018	31/10/2021	Outstanding	The procedures and processes are now driven through the IT system - work needs to be done to remove outdated processes.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1807 Environmental Health	Recommendation 2: A process for sharing data relevant to the Environmental Health Team which can be used for identifying businesses requiring licences be agreed with other Council departments including Planning and Revenues (CTAX/NNDR).	2	Agreed.	Head of EH	31/01/2018	New date required	Outstanding	Partly in place, but reliant on a corporate data sharing position
NN1816 Procurement	Recommendation 4: A new Procurement Strategy be produced, approved and communicated to staff. Rationale and risk: Clear communication of a strategy will provide officers responsible for procurement with the most up to date guidance when procuring goods and services on behalf of the Council. This will also help to confirm that the Council complies with its regulatory responsibilities.	2	The current Procurement Strategy will be reviewed and updated in time for the new 2019/20 financial year.	Procurement Officer	31/03/2019	30/06/2021	Outstanding	This is being produced at the moment and is expected to be complete by June 2021.

#### APPENDIX 4 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2018/19 AUDIT REVIEWS

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1914 Environmental Health	Recommendation 2: An updated version of the licence register is published on the Council's website, using the method used prior to Assure implementation if necessary.	2	Agreed	Environmental Protection Manager	30/05/2019	31/07/2021	Outstanding	We are awaiting the software provider to develop the functionality for on-line registers will be available in the next release which goes live July 2021

## APPENDIX 5 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2019/20 AUDIT REVIEWS

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN2001 Project Management Framework	Action Point 4: Regular updates to senior management on project progress to be provided, including details of issues arising and remedial actions required. This should include updates on projects within the Digital Transformation Programme, although not at the same level of detail. Updates need to be at a frequency which allows the information presented to be meaningful/informative and allow queries/challenge.	2	Agreed. Progress will be monitored by Internal Audit.	Kate Rawlings/Maxine Collis		31/07/2021	Outstanding	The new management structure is now in place and the new Management Team will be discussing in the coming weeks their need for project data, and how they intend to query/challenge where appropriate
NN2001 Project Management Framework	Action Point 7: Funding requests to Cabinet/Council should be robust and have input from Finance, to reduce the risk of budget overspend and to more accurately control the Council's budgets	2	Agreed. Progress will be monitored by Internal Audit.	Kate Rawlings/Maxine Collis		31/07/2021	Outstanding	The new processes allow for this to happen, but there currently aren't sufficient examples to evidence that this is in place. Capital projects require consultation with the Chief Technical Accountant and Technical Accountant, and revenue projects require consultation with the relevant Group Accountant.
NN2001 Project Management Framework	Action Point 8: Initial risk assessments be completed consistently between projects, using a standard template and methodology. Risk assessments are subject to regular review and update including those in respect of the DTP projects.	2	Agreed. Progress will be monitored by Internal Audit.	Kate Rawlings/Maxine Collis		31/07/2021	Outstanding	Standard methodology is in place, but we are currently lacking examples to effectively evidence.
NN2001 Project Management Framework	Action point 9. Project objectives and milestones are defined at the beginning of the project and progress against these is regularly reported on.	2	Agreed. Progress will be monitored by Internal Audit.	Kate Rawlings/Maxine Collis		31/07/2021	Outstanding	Standard methodology is in place, but we are currently lacking examples to effectively evidence.
NN2001 Project Management Framework	Action point 10. post-implementation reviews to be completed for all major projects to identify areas of success and lessons learnt for future projects.	2	Agreed. Progress will be monitored by Internal Audit.	Kate Rawlings/Maxine Collis		31/07/2021	Outstanding	There are good examples of this being implemented - the best being the post project review and evaluation of the Bacton & Walcott Landscaping Project - where an independent post-completion evaluation was undertaken by a department of the UEA and have project team meetings proposed to review performance of the scheme annually. However, this still needs to be implemented across the board.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN2004 - Section 106 Agreements	Recommendation 1: Individual obligations and triggers from S106 agreements are recorded and monitored on a systematic basis, by a designated officer.	2	Agreed, but requires a single officer to be designated for monitoring of S106.	Head of Planning	30/04/2020	01/11/2021	Outstanding	Delay caused by requirement to deliver and urgently update Planning software system. Updating completed 31/05/21. Structural review of planning service underway with provision of S106 Monitoring Officer a key proviso.
NN2004 - Section 106 Agreements	Recommendation 2: Deadlines for spending financial contributions be recorded with each sum received. Deadlines to be routinely monitored and decisions made in respect of the use of monies at agreed intervals prior to deadlines approaching, including the two cases found where the deadlines had passed.	2	Agreed. Short term pre Q2 2020 meetings to be held on with group accountant quarterly to risk assess upcoming spend deadlines.	Head of Planning	30/04/2020	01/11/2021	Outstanding	Restructuring is being undertaken within which a S106 Monitoring Officer will be a key requirement. Uniform project moving to completion.
NN2004 - Section 106 Agreements	Recommendation 4: Parish and town councils are regularly informed of money from S106 agreements that is available for them to spend and be required to submit expenditure commitments within given deadlines, giving explanations for monies held for extended periods with no commitments, through a quarterly statement of existing and new receipts that is updated and returned to the Councils designated officer.	2	Agreed. Short term – pre 30/04/2020 lead by quarterly meeting with group accountant. Mid / longer term Post 30/04/2020 software is publically viewable and monitoring officer will be tasked with contacting PC/ TC.	Head of Planning	31/01/2020	01/11/2021	Outstanding	Delay caused by requirement to deliver and urgently update Planning software system. Updating completed 31/05/21. Structural review of planning service underway with provision of S106 Monitoring Officer a key proviso.
NN2004 - Section 106 Agreements	Recommendation 5: The process for approving the expenditure of S106 funds and ensuring that it is in accordance with the agreement be formally agreed and consistently applied, with evidence retained.	2	Agreed. Process map to be agreed by the Major Projects Manager, or the Head of Planning and group accountant.	Head of Planning	31/01/2020	01/11/2021	Outstanding	Process map complete. S106 email inbox available but requires completion of web page to update publicly available funds.
NN2004 - Section 106 Agreements	Recommendation 3: Legal advice is to be sought for S106 agreements where contributions are not spent within the given timeframe. The advice should include whether the Council must repay the monies should be refunded to the developer, with interest, or whether the developer has legal right to request a refund on monies spent after the deadline.	2	Agreed. This will be on a bespoke case by case basis legal consultation will be undertaken where triggers are missed.	Head of Planning	30/11/2019	01/11/2021	Outstanding	Monitoring complete and legal advice is received. Regular meetings with Finance and Legal. Final resolution requires delivery of S106 software system.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN2009 - Planning Applications and Development Management	Recommendation 2: Response time targets and fees for pre-application work be reviewed, to ensure that they enable good quality, timely responses to be provided to applicants.	2	Agreed, but to be actioned post go-live of UNiform system. NNDC customer satisfaction survey to correlate with review of Pre-application advice service. This will commence on 1st July 2020, to complete by 31st October 2020.	Head of Planning	31/10/2020	01/11/2021	Outstanding	Delayed for urgent updating of Uniform system which was completed end of May 2021. To run to 1 September 2021 for completion of Customer Satisfaction Survey. Review of staff structure being undertaken following departure of Development Manager.
NN2009 - Planning Applications and Development Management	Recommendation 4: Monthly reconciliations of planning fee income be reinstated and subject to independent review.	2	Agreed.	Head of Planning / Head of Finance	01/04/2020	30/09/2021	Outstanding	This is ongoing. At the moment reconciliations have been difficult while working across systems and without a clear process of referencing. This is being addressed as part of the ongoing implementation of the new Planning system. The current intention is to return to monthly reconciliations in the future.
NN2017 – Cadcorp SIS (GIS) Application Audit	Recommendation 2: The Council to ensure that the formally documented operational Cadcorp policies and procedures are reviewed on a regular basis.	2	Agreed. We have documentation but it does need reviewing and updating and with a new member for the team to be recruited it will be ideal timing to bring them up to speed too	ICT Applications Manager	31/07/2020	30/11/2021	Outstanding	This work is in progress, but Covid-19 has had the impact of an increased workload initially. Also, the Council has not been able to recruit a replacement for its GIS Support Officer currently, due to a change in funding this year, so the resources needed to complete this task have not been available.
NN2012 Procurement	Recommendation 1: Analysis of off-contract spend be carried out on a regular basis, and be expanded to identify suppliers where aggregate spend in a year exceeds, or is likely to exceed, the procurement threshold.	2	The off contract spend analysis will be undertaken as at 31st March each year for the preceding financial year in future. The analysis will include both individual and cumulative payments for completeness. For the 2019/20 financial year, this process will be completed by 31st December 2020.	Procurement Officer	31/12/2020	30/06/2021	Outstanding	The review date was moved to 30 June 2021 due to Finance not being able to retrieve the information in April due to year end.



## Annual Report and Opinion 2020/21

**Summary:** This report concludes on the Internal Audit Activity undertaken during 2020/21, it provides an Annual Opinion concerning the organisation's framework of governance, risk management and control and concludes on the Effectiveness of Internal Audit and provides key information for the Annual Governance Statement.

**Conclusions:** On the basis of Internal Audit work performed during 2020/21, the Head of Internal Audit is able to give a reasonable (positive) opinion on the framework of governance, risk management and control overall at North Norfolk District Council.

**Recommendations:**

- 1. Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.**
- 2. Note that a reasonable audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2021.**
- 3. Note that the opinions expressed together with 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.**
- 4. Note the conclusions of the Review of the Effectiveness of Internal Audit.**

Cabinet member(s):

All

Ward(s) affected:

All

Contact Officer, telephone number, and e-mail:

Emma Hodds, Head of Internal Audit  
01508 533791, [ehodds@s-norfolk.gov.uk](mailto:ehodds@s-norfolk.gov.uk)

## 1. Background

- 1.1. In line with the Public Sector Internal Audit Standards, which came into force from 1 April 2013; an annual opinion should be generated which concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
- A summary of the work that supports the opinion should be submitted;
  - Reliance placed on other assurance providers should be recognised;
  - Any qualifications to that opinion, together with the reason for qualification must be provided;
  - There should be disclosure of any impairments or restriction to the scope of the opinion;
  - There should be a comparison of actual audit work undertaken with planned work;
  - The performance of internal audit against its performance measures and targets should be summarised; and,
  - Any other issues considered relevant to the Annual Governance Statement should be recorded.
- 1.2. This report also contains conclusions on the Review of the Effectiveness of Internal Audit, which includes;
- The degree of conformance 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.

## 2. Overall Position

- 2.1 The Annual Report and Opinion and the Review of the Effectiveness of Internal Audit are shown in the report attached.

## 3. Conclusion

- 3.1 On the basis of Internal Audit work performed during 2020/21, the Head of Internal Audit is able to give a **reasonable** opinion on the framework of governance, risk management and control at North Norfolk District Council.
- 3.2 The outcomes of the Effectiveness Review confirm that Internal Audit:
- Is compliant with the Public Sector Internal Audit Standards;
  - Is continually monitoring performance and looking for ways to improve; and,
  - Is compliant with CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.
- 3.3 These findings therefore indicate that reliance can be placed on the opinions expressed by the Head of Internal Audit, which can then be used to inform the Council's Annual Governance Statement.

## 4. Recommendation

- 4.1 Consider and note the contents of the Annual Report and Opinion of the Head of Internal Audit.
- 4.2 Note that a **reasonable** audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2021.

- 4.3 Note that the opinions expressed together with 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.
- 4.4 Note the conclusions of the Review of the Effectiveness of Internal Audit.

***Appendices attached to this report:***

Annual Report and Opinion 2020/21.

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# Eastern Internal Audit Services



## NORTH NORFOLK DISTRICT COUNCIL

### Annual Report and Opinion 2020/21

Responsible Officer: Emma Hodds – Head of Internal Audit for North Norfolk DC

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## 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 - require the Chief Audit Executive to provide a written report to those charged with governance (known in this context as the Governance, Risk and Audit Committee) 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 2019/20, 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 Annual Governance Statement (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 Annual Governance Statement, but there are also a number of other important sources to which the Governance, Risk and Audit 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 Chief Executive 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 Leadership Team and key stakeholders and then approved by the Governance, Risk and Audit Committee.

The original Internal Audit plan was approved at the meeting held 24 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 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 Governance Risk and Audit Committee on 4 August 2020. A reduction of 59 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 aim to revert to our usual levels of audit coverage in the 2021/22 Internal Audit Plan.

The Governance Risk and Audit 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 **The opinion itself**

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

It is encouraging to note that of the nine assurance audits completed within the year, eight resulted in a positive assurance grading.

Substantial assurance was concluded in the following areas:

- Accounts Payable
- Council Tax and NNDR
- Payroll and HR

A total of two reports; Coronavirus Response and Recovery (position statement) and Remote Access 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 for Remote Access 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 key areas to suggest improvements. These are for Contract Standing Order Exemptions, Coronavirus Response and Recovery Review and Procurement and Contract Management. Suggested actions have been raised in each for management consideration.

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 2020/21.

A 'No Assurance' grading was raised within the Cromer Sports Hub assurance report. At the request of the Governance, Risk and Audit Committee, an audit was carried out to evaluate this project in depth and provide recommendations to assist with the lessons learnt process, ultimately feeding into the new risk management framework and approach. A total of six urgent and four important recommendations were raised and due for completion by 31 May 2021.

The Council has set up a Corporate Delivery Unit (CDU) designed to provide oversight and advice on projects carried out at NNDC. They are responsible for ensuring the recommendations raised within the Cromer Sports Hub report are addressed and have been working on the following in response to the findings raised.

- The project management framework has been revised to take audit recommendations into account and is now agreed.
- Project governance arrangements have been strengthened with the CDU providing Assistant Directors with support in setting up or maintaining Project Boards.
- A Business Case template has been designed. Project Initiation Documents and Business Cases are to be scrutinised by the CDU.
- Project risks are being uploaded to the inPhase system by project managers for reporting.

The risks raised within the 'No Assurance' report for Cromer Sports Hub have been prioritised to improve the control framework in this area with good progress already made in redesigning the project management framework. We are therefore satisfied that a reasonable assurance grading overall can be supported.

We do however recommend that the findings raised within this report are referenced within the Council's Annual Governance Statement, until such time that verification work to demonstrate that improvements are embedded is undertaken across the Council. A follow up Internal Audit assurance review has been planned for 2020/21 to evaluate the effectiveness of new project management arrangements.

We would also like to draw attention to 30 historical audit recommendations that remain overdue at year end. We do not feel that it is necessary to reference any of these in the Council's Annual Governance Statement, however Internal Audit will be working with management in 2021/22 to improve the position and to fully utilise the 'inPhase' system for monitoring progress against internal audit recommendations.

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 therefrom have been taken into account.

The opinion has been discussed with the Section 151 Officer 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;



<b>Theme</b>	<b>Audit</b>
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 nine assurance opinion reports being completed. Eight of these have been given a positive 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 Contract Standing Orders Exemptions.

The Executive Summary of all reports have been presented to the Governance Risk and Audit Committee, ensuring open and transparent reporting and enabling the Committee to review key service area controls and the conclusions reached.

A total of 129 days were included within the revised plan, however 149 days were delivered overall. The additional 20 days were delivered at the request of the Committee resulting in an assurance review of Cromer Sports Hub and position statement review of CSO Exemptions.

### 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 30 historical recommendations remain overdue.

A total of 50 recommendations were raised in 2017/18 and 46 have now been complete. Four important recommendations remain outstanding.

A total of 40 recommendations were raised in 2018/19 and 37 have now been completed. A total of three recommendations (one important and two needs attention) remain outstanding.

Of the 44 recommendations agreed by TIAA Ltd in 2019/20 a total of 33 have been implemented. A total of 14 important and 9 needs attention recommendations are overdue.

A total of 27 recommendations have been raised so far in 2020/21. Of these, six are complete and 19 are within deadline and two have been rejected.

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

A 'No Assurance' grading was given for the internal audit review of the Cromer Sports Hub project. As a result, six urgent and four important recommendations were raised. Urgent recommendations are as follows; defining terms of reference for all project groups, completing key project documentation, ensuring all work is tendered in accordance with the constitution, guidance provided on raising declarations of interest, the Chief Executive to remain independent from managing major projects at the Council, business cases provide expected financial and non-financial benefits and are shared with all relevant stakeholders for comment.

Progress has been made on implementing the recommendations due for 31 May 2021. The Corporate Delivery Unit has been established and the revised Project Management Framework has now been approved. However, until progress can be independently verified and changes to the project management framework demonstrated, we recommend that the above recommendations are referenced within the Council's Annual Governance Statement.

A follow up Internal Audit assurance review has been planned for 2020/21 to evaluate the effectiveness of new project management arrangements.

## 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.

Through completion of the checklist, we can confirm that the service conforms with Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

#### 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.

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.

The external assessment report has previously been provided to the Section 151 Officer and the Committee.

### 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 August 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 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
<u>Audit Committee / Senior Management</u>				
1. Audit Committee Satisfaction – measured annually	Annual	Adequate	Good	Achieved
2. Chief Finance Officer Satisfaction – measured quarterly	Annual	Good	Good	Achieved
<u>Internal Audit Process</u>				
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	Quarterly	100%	8%	1 report. On average 9 days over the target overall.
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%	100%	Achieved
<u>Clients</u>				
8. Average feedback score received from key clients (auditees)		Adequate	Good	Achieved, 5 responses received.
9. Percentage of recommendations accepted by management		90%	93%	Achieved
<u>Innovations and Capabilities</u>				
10. Percentage of qualified (including experienced) staff working on the contract each quarter		60%	70%	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 Section 151 Officer for independent scrutiny and verification.

## APPENDIX1 – AUDIT WORK UNDERTAKEN DURING 2020/21

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
Assurance Mapping							
Corporate Governance	Reasonable	5	4	0	0	0	1
Accounts Payable	Substantial	1	0	0	0	0	1
Council Tax and NNDR	Substantial	0	0	0	0	0	0
Local Council Tax Support and Housing Benefit	Reasonable	3	2	0	0	0	1
Payroll and HR	Substantial	2	0	0	0	0	2
Procurement Contract Management	Position Statement						
Cromer Sports Hub	No Assurance	10	0	0	0	0	10
Key Controls and Assurance	Reasonable	3	0	0	0	0	3
Coronavirus Response and Recovery	Position Statement						
Private Sector Housing DFG	Reasonable	1	0	0	0	0	1
CSO Exemptions - Addition	Position Statement						
<b>IT Audits</b>							
Remote Access (DRAFT)	Reasonable	8					8
<b>Totals</b>		<b>33</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27</b>

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.	3
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.	5
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.	1

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

	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Annual Opinion and Governance Audits</b>					
Corporate Governance	Reasonable		Substantial		Reasonable
Risk Management		Substantial		Reasonable	
Digital Transformation			Substantial		
Key Controls and Assurance	Substantial	Reasonable	Substantial	Substantial	Reasonable
Project Management Framework				Position Statement	
Coronavirus Response and Recovery					Position Statement
Cromer Sports Hub					No Assurance
<b>Fundamental Financial Systems</b>					
Accounts Receivable		Reasonable		Reasonable	
Income		Substantial		Reasonable	
Accountancy Services		Substantial		Substantial	
Local Council Tax Support and Housing Benefits	Substantial		Substantial		Reasonable
Council Tax / NNDR	Substantial		Substantial		Substantial
Accounts Payable	Reasonable		Reasonable		Substantial
Payroll / HR	Reasonable		Reasonable		Substantial
<b>Service Area Audits</b>					
Procurement		Reasonable		Reasonable	Position Statement
CSO Exemptions					Position Statement
Economic Growth					



	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Service Area Audits</b>					
Coastal Management				Substantial	
Housing Strategy and Affordable Housing				Reasonable	
Private Sector Housing and Disabled Facilities Grants	Reasonable				Reasonable
Homelessness and Housing Options			Reasonable		
Development Management, Planning, s106 Agreements, Community Infrastructure Levy and Land Charges				Reasonable	
Building Control		Substantial			
Land Charges		Reasonable			
Development Management		Reasonable			
Waste Management		Reasonable			
Environmental Health		Reasonable	Reasonable		
Business Continuity	Reasonable			Reasonable	
Sports Halls/Centres					
Leisure and Pier Pavilion				Substantial	
Property Services	Substantial			Reasonable	
Parks and Open Spaces					
Car Parking		Reasonable		Reasonable	
Markets	Substantial				
Beach Huts		Substantial			
Elections / Electoral Registration			Substantial		

	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Service Area Audits</b>					
Performance Management, Corporate Policy and Business Planning, inc Annual Action Plans		Substantial			
Democratic Services	Reasonable				
Pier Pavilion			Reasonable		
Legal Services					
<b>IT Audits</b>					
Remote Access					Reasonable
Revenues and Benefits Application		Substantial			
Network Infrastructure			Reasonable		
Network Security			Reasonable		
Disaster Recovery		Reasonable		Reasonable	
Software Licensing					
Social Media	Reasonable				
e-financials Application	Reasonable				
Share Point	n/a				
Cyber Security				Reasonable	
IT Hardware Asset Disposal	Limited				
Business Support Arrangements			Position Statement		
CIS Application				Reasonable	
Contact Management System		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 North Norfolk District 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.

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## STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2021/22

### Summary:

This report provides an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2021/22 to 2024/25 and the Annual Internal Audit Plan for 2021/22. The Annual Internal Audit Plan will then serve as the work programme for the Council's Internal Audit Services Contractor; TIAA Ltd. It will also provide the basis for the Annual Audit Opinion on the overall adequacy and effectiveness of North Norfolk District Council's framework of governance, risk management and control.

### Conclusions:

The attached report provides the Council with Internal Audit Plans that will ensure key business risks will be addressed by Internal Audit, thus ensuring that appropriate controls are in place to mitigate such risks and also ensure that the appropriate and proportionate level of action is taken.

### Recommendations:

**It is recommended that the Committee notes and approves:**

**a) the Internal Audit Charter**

**b) the Internal Audit Strategy**

**c) the Strategic Internal Audit Plans 2021/22 to 2024/25; and**

**d) the Annual Internal Audit Plan 2021/22.**

Cabinet member(s):

All

Contact Officer, telephone number, and e-mail:

Ward(s) affected:

All

Emma Hodds, Head of Internal Audit for North Norfolk DC  
01508 533791, [ehodds@s-norfolk.gov.uk](mailto:ehodds@s-norfolk.gov.uk)

## 1. Background

- 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 are set out in the Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013

## **2. Overall Position**

### **2.1** The attached report contains;

- The Internal audit charter, providing details of the Internal Audit, purpose authority and responsibilities;
- the Internal Audit Strategy, which is a strategic high level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities;
- the Strategic Internal Audit Plan, which details the plan of work for the next 3 financial years;
- the Annual Internal Audit Plan, which details the timing and the purpose of each audit agreed for inclusion in 2021/22.

## **3. Conclusion**

- 3.1 The attached report provides the Council with Internal Audit Plans that will ensure key business risks will be addressed by Internal Audit, thus ensuring that appropriate controls are in place to mitigate such risks and also ensure that the appropriate and proportionate level of action is taken.

## **4. Recommendation**

- 4.1 It is recommended that the Committee notes and approves:
- a) the Internal Audit Charter
  - b) the Internal Audit Strategy
  - c) the Strategic Internal Audit Plans 2021/22 to 2024/25; and
  - d) the Annual Internal Audit Plan 2021/22.

### ***Appendices attached to this report:***

Strategic and Annual Internal Audit Plans 2021/22.

# Eastern Internal Audit Services



## NORTH NORFOLK DISTRICT COUNCIL

### Strategic and Annual Internal Audit Plans 2021/22

Responsible Officer: Head of Internal Audit for North Norfolk District Council

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## 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 The Public Sector Internal Audit Standards (PSIAS) mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high-level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities, this is set out in the Internal Audit Strategy.
- 1.3 Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).
- 1.4 The development of a risk-based plan takes into account the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.5 The 2020/21 Internal Audit plan was significantly revised in-year to respond to the Covid-19 Pandemic. The revised plan aimed to provide assurance over key themes that were identified as having an impact on the Council at that time and as a result of this exercise, it was identified that nine of the originally agreed internal audit areas would be replaced and deferred.
- 1.6 A total of eight areas have been carried over into the 2021/22 plan as they are considered to pose a risk to the achievement of the Council's objectives and pandemic recovery efforts. The remaining area, Cash Handling will continue to be assessed each year during internal audit planning. Testing of controls in this area will also be covered within the Income audit scheduled for 2021/22.
- 1.7 The following factors are also taken into account when developing the internal audit plan:
  - The risk profile and maturity of the Council;
  - Previous assurance gradings given in each area;
  - Any declarations to avoid conflicts of interest;
  - The requirements of the use of specialists e.g. IT auditors;
  - Striking the right balance over the range of reviews needing to be delivered, for example systems and risk-based reviews, specific key controls testing, value for money and added value reviews;
  - Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
  - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at Governance Risk and Audit Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.6 In accordance with best practice the Governance, Risk and Audit Committee should ‘*review and assess the annual internal audit work plan*’.



## 2. INTERNAL AUDIT CHARTER

- 2.1 There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is therefore reviewed annually by the Head of Internal Audit to confirm its ongoing validity and completeness, and presented to the Section 151 Officer, Senior Management and the Governance Risk and Audit Committee every two years, or as required for review. The Charter was approved in 2019 and is therefore provided as part of this report for approval at **Appendix 1**. Please note that no significant changes have been made to the Charter since its approval in 2019.
- 2.2 As part of the review of the Audit Charter the Code of Ethics are also reviewed by the Head of Internal Audit, and it is ensured that the Internal Audit Services contractor staff, as well as the Head of Internal Audit and Audit Manager adhere to these, specifically with regard to; integrity, objectivity, confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Eastern Internal Audit Services.

## 3. INTERNAL AUDIT STRATEGY

- 3.1 The purpose of the Internal Audit Strategy **Appendix 2** is to confirm:
- How internal audit services will be delivered;
  - How internal audit services will be developed in accordance with the internal audit charter;
  - How internal audit services links to organisational objectives and priorities; and
  - How the internal audit resource requirements have been assessed.
- 3.2 The Internal Audit Strategy has been amended this year to reference the required procurement of the Internal Audit services contract in consultation with all Councils across the Consortium.

## 4. STRATEGIC INTERNAL AUDIT PLAN

- 4.1 The overarching objective of the Strategic Internal Audit Plan **Appendix 3** is to provide a comprehensive programme of review work over the next three years, with each year providing sufficient audit coverage to give annual opinions, which can be used to inform the organisation's Annual Governance Statement.
- 4.2 The coverage over the forthcoming three years has been discussed with the Corporate Leadership Team to ensure audits are undertaken at the right time, at a time where value can be added, as well as ensuring sufficient coverage for an Annual Opinion on the framework of governance, risk management and control. The discussions also went into greater detail in relation to the scope of the audits for the forthcoming financial year.

## 5. ANNUAL INTERNAL AUDIT PLAN

- 5.1 Having developed the Strategic Internal Audit Plan, the Annual Internal Audit Plan is an extract of this for the forthcoming financial year (**see Appendix 4**). The plan includes the areas being reviewed by Internal Audit, the number of days for each review, the quarter during which the audit will take place and a summary and purpose of the review.
- 5.2 The Annual Internal Audit Plan for 2021/22 totals 170 days, encompassing 16 internal audit reviews, two of which cover IT processes.

- 5.3 For 2021/22, the Internal Audit team intend to provide cross cutting reviews of high-risk areas to compare controls against best practice and the approach taken at other Council's in the consortium for added value. These areas are as follows:
- Business Strategy and Performance Management – In response to the Covid-19 Pandemic, Strategy and Performance of the Council will need to adapt to local needs, increasing pressures on resources and potentially continued outbreaks of the virus. This consortium wide review will evaluate how the Council plans to adapt and measure success.
  - Counter Fraud and Corruption – The new Fighting Fraud and Corruption Locally strategy has been launched highlighting the increasing risks faced by Local Authorities in tackling and staying ahead of successful fraud attempts the cost of which is estimated to be around 7.8bn - *Annual Fraud Indicator – Crowe Clark Whitehill 2017*.
  - Covid relief grants – Post award assurance will be provided over the Council's handling of national and discretionary Covid-19 grants and compare its approach to local Councils in the consortium drawing out lessons and best practice suggestions where appropriate.
  - Annual Governance Statement – A consortium wide review will be undertaken to evaluate each Councils interpretation of the Delivering Good Governance in Local Government Framework in relation to the preparation of an Annual Governance Statement sharing best practice where identified.
- 5.4 Audit verification work concerning audit recommendations implemented to improve the Council's internal control environment will also be undertaken throughout the financial year.
- 5.5 Depending on any changes to the control environment over the year, the annual internal audit plan may need to be revised to respond to emerging risks. The Head of Internal Audit will regularly review the Corporate Risk Register and report through to the Committee any necessary changes to the plan of work.

## APPENDIX 1 – INTERNAL AUDIT CHARTER



### EASTERN INTERNAL AUDIT SERVICES

#### INTERNAL AUDIT CHARTER FOR 2021/22

##### 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013, these provide a consolidated approach across the public sector encouraging continuity, sound corporate governance and transparency.
- 1.2 The Standards require all internal audit services to implement, monitor and review an internal audit charter; this formally defines the internal audit's purpose, authority and responsibility, and is a mandatory document.
- 1.3 The charter also displays formal commitment to and recognises the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Standards, i.e. the International Professional Practices Framework (IPPF).
- 1.4 This Internal Audit Charter is applicable to each of the following internal audit consortium members covered by Eastern Internal Audit Services (EIAS).
- Breckland District Council;
  - Broadland District Council;
  - Great Yarmouth Borough Council;
  - North Norfolk District Council
  - South Holland District Council;
  - South Norfolk Council; and
  - Broads Authority.
- 1.5 The term Local Authority will be used to describe the above consortium members throughout the Charter.

##### 1.6 Mission

Standards require the Internal Audit Function to articulate its overall purpose and summarise the way it will provide value to the organisation. The mission statement for EIAS is as follows:

*“Protecting each of our consortium members ability to enhance value through the provision of independent risk-based assurance and advice”*

##### 1.7 This charter:

- Establishes the position and reporting lines of internal audit;
- Outlines provision for unrestricted access to information, officers, management and members as appropriate;
- Sets the tone for internal audit activities;

- Defines the nature and scope of internal audit services, in particular assurance and consultancy services; and
- Sets out the nature and scope of assurance provided to other parties.

1.8 The charter is to be periodically reviewed and presented to Senior Management and the Board for approval. The charter will be reviewed annually by the Chief Audit Executive and Internal Audit Manager to confirm its ongoing completeness and validity and presented to Senior Management and the Board every 2 years for review.

## **2 Purpose, Authority and Responsibility**

### **Purpose**

2.1.1 Internal auditing is best summarised through its definition with the Standards, *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”*.

2.1.2 Internal audit will provide reasonable assurance to each member of the Internal Audit Consortium, that necessary arrangements are in place and operating effectively, and to identify risk exposures and areas where improvements can be made.

### **Authority**

2.2.1 The Accounts and Audit Regulations (England) 2015, states that the relevant body 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”*. The statutory requirement for internal audit is recognised in the Constitution of each Local Authority and the internal auditing standards in this regard are the Public Sector Internal Audit Standards.

### **Responsibility**

2.3.1 The responsibility for maintaining an adequate and effective internal audit to evaluate risk management, control and governance processes lies with each Local Authority’s Chief Finance Officer (the Section 151 Officer or Section 17 Officer).

2.3.2 The Local Authority and its Members must be satisfied about the adequacy of the advice and support it receives from internal audit.

2.3.3 Internal audit is provided by Eastern Internal Audit Services, with the Chief Audit Executive and Internal Audit Manager responsible for ensuring the internal audit activity is undertaken in accordance with the definition of internal auditing, the code of ethics and the standards.

2.3.4 Senior management are responsible for ensuring that internal control, risk management and governance arrangements are sufficient to address the risks facing the Local Authority. Accountability for responding to internal audit rests with senior management who either accept and implement the recommendations, or formally reject it. Any advice that is rejected will be formally reported.

## **3 Key Relationships and Position in the Organisation**

3.1 The standards require the terms ‘Chief Audit Executive’, ‘Board’ and ‘Senior Management’ to be defined in the context of the governance arrangements in each public sector organisation

in order to safeguard the independence and objectivity of internal audit. The following interpretations are applied within Eastern Internal Audit Services.

### 3.2 Chief Audit Executive

- 3.2.1 The Chief Audit Executive is based at South Norfolk Council and provides the Head of Internal Audit role to all consortium members except for South Norfolk Council and Broadland District Council.

At South Norfolk Council, the Chief Audit Executive undertakes the Chief of Staff role, administratively reporting to the Managing Director of South Norfolk and Broadland Council. Due to responsibilities undertaken as part of the Chief of Staff role and the Internal Audit Manager currently finalising qualifications, the Head of Internal Audit role for South Norfolk Council and Broadland District Council is undertaken by a contractor to ensure that independence is safeguarded.

- 3.2.2 The Head of Internal Audit and the Internal Audit Manager also report functionally to each Section 151 Officer or Section 17 Officer at all other members of the consortium.
- 3.2.3 The Head of Internal Audit and the Internal Audit Manager also have a direct line of reporting and unfettered access to the Chief Executive, the Senior Management Team at each Local Authority and the Chair of the Board at each Local Authority.
- 3.2.4 The delivery of the Annual Audit Plans and any specified ad-hoc assignments is provided by an external contractor, TIAA Ltd from 1 April 2015. The Internal Audit Manager manages the contract.

### 3.3 Board

- 3.3.1 In the context of overseeing the work of Internal Audit at each Local Authority, the 'Board' will be the Audit Committee (or equivalent) of the Local Authority, which has been established as part of the governance arrangements. The Audit Committee's responsibilities are discharged through each of the Local Authority's Constitution's and explicitly referred to in each terms of reference.
- 3.3.2 This functional reporting includes;
- Approving the audit charter, audit strategy and risk based annual plans;
  - Receiving regular reports on the outcomes of internal audit activity and performance;
  - Receiving regular reports on management action in relation to agreed internal audit recommendations;
  - Receiving the Annual Report and Opinion of the Head of Internal Audit, alongside a conclusion as to the effectiveness of internal audit;
  - Overseeing External Assessments of the Internal Audit Service, at least once every 5 years.
- 3.3.3 Internal Audit work closely with the chair and members of the Audit Committee to facilitate and support their activities, part of which includes facilitating a self- assessment and providing training.

### 3.4 Senior Management

- 3.4.1 'Senior Management' is those individuals responsible for the leadership and direction of the organisation, and are responsible for specific aspects of internal control, risk management and

governance arrangements. There is effective liaison between internal audit and senior management to ensure that independence remains, and provides for a critical challenge.

- 3.4.2 The Internal Audit Manager meets regularly with the Section 151 Officer or Section 17 Officer to ensure organisational awareness is maintained, to discuss progress with the agreed Internal Audit Plan and to maintain a good working relationship. These arrangements facilitate discussions in relation to the current and emerging risks and issues to ensure that the internal audit plan of work remains reflective and also responds as required.

### 3.5 External Audit

- 3.5.1 Regular liaison is maintained with External Audit to consult on audit plans, and to discuss matters of mutual interest. The external auditors have the opportunity to take account of the work of internal audit where appropriate.

### 3.6 Other Internal Audit Service Providers

- 3.6.1 Where appropriate internal audit will liaise with other internal audit providers, where shared arrangements exist. In such cases, a dialogue will be opened with the Chief Audit Executive to agree a way forward regarding the auditing of such shared services. This is to ensure an efficient and effective approach, and enable reliance on each other's outcomes. Where formal arrangements are entered into a protocol will be determined and agreed by both Chief Audit Executives.
- 3.6.2 Internal audit will also co-operate with all external review and inspection bodies that are authorised to access and evaluate the activities of the Local Authority, to determine compliance with regulations and standards. Assurances arising from this work will be taken into account where applicable.

## **4 Rights of Access**

- 4.1 Internal audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have the right of access to all records, assets, personnel and premises and has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This access is full, free and unrestricted and is set out in each Local Authority's Constitution.
- 4.2 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

## **5 Objective and Scope**

- 5.1 The provision of assurance services is the primary role of Eastern Internal Audit Services, thus allowing the Head of Internal Audit to provide an annual audit opinion on the adequacy and effectiveness of the Local Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.
- 5.2 Internal audit will also provide consultancy services, at the request of management. These reviews are advisory in nature and generally performed to facilitate improved governance, risk management and control. This work may contribute to the annual audit opinion.

- 5.3 Whichever role / remit is carried out by internal audit the scope is to be determined by internal audit, through discussions with senior management, however this scope will not be unduly bias nor shall it be restricted.
- 5.4 A risk based Strategic Internal Audit Plan will be developed each year to determine an appropriate level of risk based audit coverage required to generate an annual audit opinion. The plan will be derived from risk assessments, discussions with Senior Management and Audit Committee taking prior year's assurance results into account.
- 5.5 Each audit review will be designed to provide evidence based assurance over the management of risk and controls within that area. The results of each review will be shared with management so that any required improvements can be actioned to restore satisfactory systems of internal control.
- 5.6 It is management's responsibility to control the risk of fraud and corruption; however internal audit will be alert to such risks in all the work that is undertaken. In addition, the Head of Internal Audit and Internal Audit Manager are either responsible for, or is consulted on, related policy and strategy. These include for example; Counter Fraud, Corruption, Anti-Bribery, Whistleblowing, Anti-Money Laundering and includes the related promotion and training for officers and councillors.
- 5.7 Through the contract in place with TIAA Ltd there are other services that can be provided, these include: fraud investigations, grant certification and digital forensics.

## **6 Independence and Objectivity**

- 6.1 Internal Audit must be sufficiently independent of the activities that are audited to enable an impartial, unbiased and effective professional judgement. All internal auditors working within Eastern Internal Audit Services, annually confirm their adherence the Code of Ethics, which sets out the minimum standards for performance and conduct. The four core principles are integrity, objectivity, confidentiality and competency.
- 6.2 As contractors the TIAA Internal auditors have no operational responsibility or authority over any of the activities which they are required to review. They do not engage in any other activity, which would impair their judgement, objectivity or independence.
- 6.3 The Head of Internal Audit and Internal Audit Manager have responsibility for the strategic direction of the Internal Audit Service. At South Norfolk and Broadland District Council where a shared service arrangement is in place the Chief of Staff carries out additional responsibilities that fall outside of internal auditing. These include;
- Monitoring Officer
  - Democratic Services
  - Legal Services
  - Freedom of Information
  - General Data Protection Regulation
  - Human Resources
  - Communications and Marketing

Safeguards exist to limit any impairments that may occur to the independence and objectivity at Broadland and South Norfolk Council. The Internal Audit Manager assumes responsibility for the daily management, progress reporting and quality assurance of any internal audit work

carried out by the contractor and does not have any involvement in the above-mentioned activities.

In line with the PSIAS requirements, until the Internal Audit Manager is CMIIA qualified, the Head of Internal Audit role at South Norfolk and Broadland District Council will be carried out by a fully qualified contractor responsible for overseeing the Annual Audit Opinion. The Head of Internal Audit will continue to provide the Annual Audit Opinion for all other consortium members.

- 6.4 If the independence or objectivity of the Head of Internal Audit is impaired, or appears to be, the details of the impairment will be disclosed to the Internal Audit Manager and / or senior management. The nature of the disclosure will depend upon the impairment.

## **7 Professional Standards**

- 7.1 The Internal Audit Service and all Internal Audit staff operate in accordance with all mandatory guidance within the PSIAS including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and Definition of Internal Auditing. Internal Auditors also have regard for the principles contained within the Standards of Public Life.

## **8 Internal Audit Resources**

- 8.1 The Head of Internal Audit will be professionally qualified (CMIIA, CCAB or equivalent) and have wide ranging internal audit management experience to enable them to deliver the responsibilities of the role.
- 8.2 The Head of Internal Audit is supported by the Internal Audit Manager in ensuring the Internal Audit Service has access through the contract to a team of staff who have the appropriate range of knowledge, skills and experience to deliver the audit service.

## **9 Audit Planning**

- 9.1 The Internal Audit Manager overseen by the Head of Internal Audit develops a strategy, alongside a strategic and annual internal audit plan, using a risk-based approach.
- 9.2 The Internal Audit Strategy provides a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.
- 9.3 The annual internal audit plan of work, developed as per the Internal Audit Strategy, is derived using a risk-based approach, discussed with Senior Management and approved by the Audit Committee. The Internal Audit Manager is responsible for the delivery of the internal audit plan, which will be kept under regular review and reported to the Audit Committee.

## **10 Audit Reporting**

- 10.1 On conclusion of each assurance review included within the annual internal audit plan, a report will be provided to management giving an opinion on the adequacy of controls in place to manage risk. This report will provide an assurance level and associated recommendations to ensure that risks are appropriately addressed.
- 10.2 Management can choose not to accept / implement the recommendations raised, in all instances this will be reported through to the Audit Committee, especially in instances whereby there are no compensating controls justifying the course of action.



- 10.3 A Progress Report is periodically presented to the Audit Committee which includes the Executive Summary of all final reports, any significant changes to the approved plan and the performance of the contractor relative to completing the agreed plan.
- 10.4 A Follow Up Report is also periodically produced for the Audit Committee showing management progress against the implementation of agreed recommendations arising from internal audit assurance reports. The Internal Audit Team will verify and obtain evidence to demonstrate recommendation completion from responsible officers.
- 10.5 An Internal Audit Annual Report and Opinion is produced for Senior Management and the Audit Committee following the completion of the annual audit plan each financial year.
- 10.6 This report includes a summary of all Internal Audit work carried out, details of recommendations that have been implemented by management and the Annual Opinion.
- 10.7 The Annual Opinion is based on the overall adequacy and effectiveness of the Local Authority's framework of governance, risk management and control during the financial year, together with reasons if the opinion is unfavourable. This opinion is reached by considering the results from assurance reviews undertaken throughout the year.
- 10.8 The report also highlights any issues that are deemed particularly relevant to the Annual Governance Statement (AGS) and the results of the review of the effectiveness of internal audit.

## **10 Quality Assurance and Improvement Programme**

- 11.1 The standards require a quality assurance and improvement programme to be developed that covers all aspects of internal audit; including both internal and external assessments.
- 11.2 If an improvement plan is required as a result of the internal or external assessment, the Internal Audit Manager will coordinate appropriate action and report this to Senior Management and the Audit Committee, as part of the annual report and opinion.

### **11.3 Internal Assessment**

- 11.3.1 Internal assessment includes the ongoing monitoring of the performance of the contractor through the performance measures. These form a key part of service management of the contract and are subject to quarterly reporting to the Internal Audit Manager for review.
- 11.3.2 On conclusion of audit reviews a feedback form is provided to the key officer identified during the audit process. Outcomes are reviewed and relevant improvements discussed with the contractor.
- 11.3.3 The standards also require periodic self-assessment in relation to the effectiveness of internal audit, the detail and outcomes of which are then forwarded to the Section 151 Officer or Section 17 Officer for their independent scrutiny, before the summary of which is provided to the Audit Committee as part of the annual report and opinion. This information enables the Committee to be assured that the internal audit service is operating in accordance with best practice.

### **11.4 External Assessment**

- 11.4.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Organisation. This can be in the form of a full external quality assessment that involves interviews with relevant stakeholders,

supported by examination of the internal audit approach and methodology leading to the completion of an independent report, or a validated self-assessment, which the Internal Audit Manager compiles against the PSIAS assessment tool, which is then validated by an external assessor/team. The full external quality assessment is the chosen option for Eastern Internal Audit Services.

11.4.2 An external assessment will:

- Provide an assessment on the internal audit function's conformance to the standards;
- Assess the performance of the internal audit activity in light of its charter, the expectations of the various boards and executive management;
- Identify opportunities and offer ideas and counsel for improving the performance of the internal audit activity, raising the value that internal audit provides to the organisation; and
- Benchmark the activities of the internal audit function against best practice.

11.4.3 In January 2017 Eastern Internal Audit Services was fully assessed by the Institute of Internal Auditors. The conclusion of the review was:

*The internal audit team fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as "Generally Conforms". It means that the internal audit team may state in its audit reports that the work "has been performed in accordance with the IPPF"*

## APPENDIX 2 – INTERNAL AUDIT STRATEGY



### EASTERN INTERNAL AUDIT SERVICES

#### INTERNAL AUDIT STRATEGY FOR 2021/22

## 1. Introduction

- 1.1 The Internal Audit Strategy is a high-level statement of;
- how the internal audit service will be delivered;
  - how internal audit services will be developed in accordance with the internal audit charter;
  - how internal audit services links to the organisational objectives and priorities; and
  - how the internal audit resource requirements have been assessed.

The provision of such a strategy is set out in the Public Sector Internal Audit Standards (the standards).

- 1.2 The purpose of the strategy is to provide a clear direction for internal audit services and creates a link between the Charter and the annual plan.

## 2. How the internal audit service will be delivered

- 2.1 The Role of the Head of Internal Audit and contract management is provided by South Norfolk Council to; Breckland, Broadland, North Norfolk, South Holland and South Norfolk District Councils, Great Yarmouth Borough Council and the Broads Authority. All Authorities are bound by a Partnership Agreement.
- 2.2 The delivery of the internal audit plans for each Authority is provided by an external audit contractor, who reports directly to the Head of Internal Audit. The current contract is with TIAA Ltd, and commenced on 1 April 2015, for an initial period of 5 years ending 31 March 2020. In line with the terms of this contract an extension has been agreed which will allow the contract to run for a further year terminating on 31 March 2022. The Head of Internal Audit and Internal Audit Manager in consultation with all consortium members will be procuring the internal audit contract during 2021.

## 3. How internal audit services will be developed in accordance with the internal audit charter

### 3.1 Internal Audit objective and outcomes

- 3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.1.2 The outcomes of the internal audit service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk based audit plan in a professional, independent manner, to provide the Authority with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements,

and to make recommendations to improve these provisions, where further development would be beneficial.

3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report. The Audit and Risk Committee and the Section 17 Officer also receive:

- The Audit Plans Report, which is risk based and forms the next financial year's plan of work; and
- The Annual Report and Opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

## 3.2 Internal Audit Planning

3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.

3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority considering:

- Stakeholder expectations, and feedback from senior and operational managers;
- Objectives set in the strategic plan and business plans;
- Risk maturity in the organisation to provide an indication of the reliability of risk registers;
- Management's identification and response to risk, including risk mitigation strategies and levels of residual risk;
- Legal and regulatory requirements;
- The audit universe – all the audits that could be performed; and
- Previous Internal Audit plans and the results of audit engagements.

3.2.3 In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.

3.2.4 Risk based internal audit planning starts with the Authority's Business Plan, linking through to the priority areas and the related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the objectives. The approach also focuses on the upcoming projects and developments for the Authority.

3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Authority's priorities; an opportunity to engage with stakeholders; the Committee and Senior Management better understand how the internal audit service helps to accomplish its objectives; and this ensures that best practice is followed.

3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.

3.2.7 Consultation with the Section 17 Officer and Senior Management takes place through discussion during which current and future developments, changes, risks and areas of concern are considered and the plan amended accordingly to take these into account.

3.2.8 The outcome of this populates the annual internal audit plan, which is discussed with and approved by Management Team prior to these being brought to the Audit and Risk Committee. In addition, External Audit is also provided with details of the plans.

### 3.3 Internal Audit Annual Opinion

3.3.1 The annual opinion provides Senior Management and the Audit and Risk Committee with an assessment of the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.3.2 The opinion is based upon:

- The summary of the internal audit work carried out;
- The follow up of management action taken to ensure implementation of agreed action as at financial year end;
- Any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
- The Annual Review of the Effectiveness of Internal Audit, which includes;
  - A statement on conformance with the standards 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.

3.3.3 In order to achieve the above internal audit operates within the standards and uses a risk based approach to audit planning and to each audit assignment undertaken. The control environment for each audit area reviewed is assessed for its adequacy and effectiveness of the controls and an assurance rating applied.

## **4. How internal audit services links to the organisational objectives and priorities**

4.1 In addition to the approach taken as outlined in section 3.2 (Internal Audit Planning), which ensures that the service links to the organisations objectives and priorities and thereby through the risk based approach adds value, internal audit also ensure an awareness is maintained of local and national issues and risks.

4.2 The annual audit planning process ensures that new or emerging risks are identified and considered at a local level. This strategy ensures that the planning process is all encompassing and reviews the records held by the Authority in respect of risks and issue logs and registers, reports that are taken through the Authority Committee meetings, and through extensive discussions with senior management.

4.3 Awareness of national issues is maintained through the contract in place with the external internal audit provider through regular "horizon scanning" updates, and annually a particular focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Institute of Internal Auditors and the CIPFA on-line query service, liaison with External Audit, and networking, all help to ensure developments are noted and incorporated where appropriate.

## **5. How internal audit resource requirements have been assessed**

5.1 Through utilising a contractor the risk based internal audit plan can be developed without having to take into account the existing resources, as you would with an in-house team, thus ensuring that audit coverage for the year is appropriate to the Authority's needs and not tied to a particular resource.

5.2 That said a core team of staff is provided to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be

supplemented with additional staff should the audit plan require it, and in addition specialists, e.g. information technology auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.

- 5.3 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract with TIAA Ltd the contractor needs to ensure that each member of staff completes a day's training per quarter.

### APPENDIX 3 – STRATEGIC INTERNAL AUDIT PLAN

Audit Area	Last review & assurance	Associated Risk	2021/22	2022/23	2023/24	2024/25
<b>Annual Opinion and Corporate audits</b>						
Corporate Governance	2018/19 - Reasonable 2020/21 - Reasonable	Critical to annual internal audit opinion		6		
Risk Management	2017/18 - Substantial 2019/20 - Reasonable	Critical to annual internal audit opinion		6		
Key Controls and Assurance	2019/20 - Substantial 2020/21 Reasonable	Critical to annual internal audit opinion	15	10	15	10
Annual Governance Statement	New Area	Critical to annual internal audit opinion	8			
Coronavirus Pandemic Recovery	2020/21 - Position Statement	Operational High Risk CR013				
Performance Management, Corporate Policy and Business Planning (includes commercialisation strategy) - Deferred from 2020-21	2017/18 - Substantial	Operational High CR013 Medium SR004	10		12	
Project Management Framework - Deferred from 2020-21	Position Statement Cromer Tennis Hub 2020/21 No Assurance	SR008 Medium risk raised	8			
Digital Transformation - benefits realisation	2018/19 Substantial				6	
Counter Fraud and Corruption Framework	New Area	Significant External Risk	8			
Elections and Electoral Registration	2014/15 - Substantial 2018/19 - Substantial				10	

Audit Area	Last review & assurance	Associated Risk	2021/22	2022/23	2023/24	2024/25
<b>Fundamental Financial Systems</b>						
Accountancy Services includes control accounts, banking, bank reconciliation, asset management / capital expenditure, budgetary control and treasury management	2017/18 - Substantial 2019/20 - Substantial	High SR001	16		16	
Accounts Payable (insurance)	2018/19 - Reasonable 2020/21 - Substantial	Assurance to support annual internal audit opinion		12		12
Accounts Receivable	2017/18 - Reasonable 2019/20 Reasonable	Assurance to support annual internal audit opinion	10		10	
Income	2017/18 - Substantial 2019/20 - Reasonable	Assurance to support annual internal audit opinion	7		7	
Council Tax and National Non-Domestic Rates	2018/19 - Substantial 2020/21 - Substantial	Assurance to support annual internal audit opinion		15		15
Covid Business Grants	New Area	Significant External Risk	8			
Local Council Tax Support and Housing Benefits	2018/19 - Substantial 2020/21 - Reasonable	Assurance to support annual internal audit opinion		15		15
Payroll and Human Resources	2016/17 - Reasonable 2020/21 - Substantial	Assurance to support annual internal audit opinion		15		15



Audit Area	Last review & assurance	Associated Risk	2021/22	2022/23	2023/24	2024/25
<b>Service Area audits</b>						
Procurement and Contract Management	2019/20 - Reasonable 2020/21 - Position Statement	Operational High CR025		10		10
Customer Services - Deferred to 2021/22	New Area	Medium Risk SR007 Reputation	10			10
Property Services	2016/17 - Substantial 2019/20 - Reasonable			10		10
Economic Growth - Deferred to 2021/22	2013/14 - Reasonable	High CR026	10			10
Early Help Hub	New audit area				10	
Coastal Management	2014/15 - Reasonable 2019/20 - Substantial	SR005 High			10	
Environmental Charter	New Area	SR005 High	8			8
Housing Strategy Homelessness and Housing Options	2015/16 - Reasonable 2018/19 - Reasonable	CR10 Medium			12	
Affordable Housing and Housing Enabling	2019/20 - Reasonable	CR10 Medium		10		
Private Sector Housing -includes DFGs and discretionary grants	2016/17 - Reasonable 2020/21 - Reasonable				10	
Sports Halls	2014/15 - Reasonable					
Leisure	2015/16 - Reasonable 2019/20 - Substantial	CR025 High				12
Pier Pavilion	2015/16 - Reasonable 2018/19 - Reasonable	CR025 High		10		
Car Parking	2017/18 - Reasonable 2019/20 - Reasonable				10	
Markets	2016/17 - Substantial				6	

Audit Area	Last review & assurance	Associated Risk	2021/22	2022/23	2023/24	2024/25
<b>Service Area audits</b>						
Parks and Open Spaces and Woodland Management	2015/16 - Reasonable				10	
Beach Huts	2017/18 - Reasonable					10
Democratic Services	2016/17 - Reasonable			8		
Legal Services	New specific area			10		
Waste Management including contract / agreement monitoring, income collection & monitoring, refuse collection, street cleansing, recycling, clinical waste, abandoned vehicles and grounds maintenance - Deferred from 2020/21	2017/18 - Reasonable		10			
Environmental Health includes emergency planning, food safety, environmental protection, pest control, dog warden, licensing and pollution control - Deferred from 2020/21	2017/18 - Reasonable 2018/19 Reasonable		12			
Building Control - Deferred 2020/21	2017/18 - Substantial			7		
Land Charges	2017/18 - Reasonable				7	
Development Management includes planning applications	2017/18 - Reasonable 2019/20 Reasonable			10		
Section 106 Arrangements	2019/20 - Reasonable			10		

Audit Area	Last review & assurance	Associated Risk	2021/22	2022/23	2023/24	2024/25
<b>ICT Audits</b>						
Network Infrastructure and Security	2014/15 - Limited 2018/19 Reasonable					
Change and Patch Management	New Area		10			
Remote Access	2020/21 - Reasonable					
Business Support Arrangements	2018/19 Reasonable					
Business Continuity & Disaster Recovery	2017-18 Reasonable 2019/20 - Reasonable					
Information Management - Deferred to 2021/22	New specific area	002 Operational Medium	10			
Applications review: HR system, Revenues and Benefits	New specific area			10		
Cyber Security	2019/20 - Reasonable					
Audits to be confirmed			0	20	20	20
<b>Follow Up of audit recommendations</b>						
Follow up - internal audit recommendations			10	10	10	10
<b>Total number of days</b>			<b>170</b>	<b>204</b>	<b>181</b>	<b>167</b>

#### APPENDIX 4 – ANNUAL INTERNAL AUDIT PLAN 2021/22

Audit Area	No of days	Q1	Q2	Q3	Q4	Notes
<b>Annual Opinion / Governance audits</b>						
Annual Governance Statement	8			8		A deep dive review will be undertaken to provide assurance that compliance with the Councils governance code can be evidenced and that Annual Governance Statement is compiled following the CIPFA and Solace Delivering Good Governance in Local Government. This review is to be carried out consortium wide to draw on similarities and relevant good practice interpretations.
Key Controls and Assurance	15				15	This is an annual review of key controls and feeds into the Statement of Accounts, for those systems not subject to an audit review within the year more coverage will be provided in those areas. This year we will cover; Accounts Payable, Council Tax and NNDR, Housing Benefit and Council Tax and HR and Payroll in more detail.
Performance Management, Corporate Policy and Business Planning	10		10			Due to the significance of the Covid-19 Pandemic, the Corporate Plan for the Council will be reviewed taking lessons learnt, new ways of working and changes to local needs into account. Our review will provide assurance that the new strategy reflects the environment, that reliable information has been used to inform the process, that risks to delivery have been considered and that performance measures have been revised that are achievable yet challenging. This review will be undertaken consortium wide to draw on similarities and good practice where relevant.

Audit Area	No of days	Q1	Q2	Q3	Q4	Notes
<b>Annual Opinion / Governance audits</b>						
Counter Fraud and Corruption	8		8			The latest Fighting Fraud and Corruption Strategy has highlighted an increasing threat of fraud related risks for local authorities. Our review will examine the Council's approach to Fraud in line with the checklist provided as part of this new strategy and suggest practical recommendations for improvement where required. This review will be carried out consortium wide to examine areas of best practice.
Project Management Framework	8			8		The internal audit team carried out three position statements on the project management framework at the Council in 2019/20 and a review of the Cromer Tennis Hub Project which resulted in a no assurance grading and 10 recommendations which will need to be followed up with assurance given to the Governance Risk and Audit Committee. The project management framework has been revised as a result of our work, we will therefore provide assurance that this is being used to effectively manage projects at the Council.
<b>Fundamental Financial Systems</b>						
Accountancy Services	16			16		These key financial systems feed into the Statement of Accounts and requires periodic full service reviews to confirm the adequacy and effectiveness of controls in these areas.
Accounts Receivable	10			10		
Income	7		7			
Covid-19 Business Grants	8		8			Post award assurance will be provided on relief payments and discretionary based payments administered by the Council during Covid-19. The end to end process will be examined and evidence of due diligence requested to provide assurance that grants have been paid correctly. Consortium wide review.

Audit Area	No of days	Q1	Q2	Q3	Q4	Notes
<b>Service area audits</b>						
Customer Services	10			10		The Council has committed to improving customer access and customer service standards in its Corporate Plan. This work will involve setting a Customer Charter and Engagement Strategy. We have not reviewed this area before at the Council. The audit will evaluate customer accessibility plans, progress against commitments in this area and the effectiveness of customer query resolution processes ensuring that the reporting of performance in this area is adequate.
Economic Growth	10				10	A high scoring risk has been raised in the Corporate Risk Register in relation to the impact of Covid-19 on local businesses and the wider economy. The Council has committed to boosting business sustainability and growth in the corporate plan. Due to Covid-19 some objectives have been delayed. This audit will review the progress against developing and implementing a new Economic Growth Strategy and provide assurance that opportunities for economic growth are being adequately evaluated, that existing projects are being well managed and that local businesses are being provided with the support required.
Environmental Charter	8				8	A key strategic theme for NNDC is Climate Coast and the Environment. An environmental charter has been developed and a series of targets and objectives agreed. This audit will evaluate progress against the targets and provide assurance on the reliability of data to demonstrate performance in this area.
Waste Management	10		10			The Council has entered into a new waste management partnership with Breckland Council and Kings Lynn. This review was deferred from 2020/21 due to revision of the plan in response to Covid-19. A joint review will provide assurance that the governance and performance arrangements are being used to monitor the contract are effective. Procedures for receiving income from the contractor for bulky waste will also be evaluated.

Audit Area	No of days	Q1	Q2	Q3	Q4	Notes
<b>Service area audits</b>						
Environmental Health	12		12			Environmental Health was last reviewed in 2018/19 and was given a reasonable in areas such as Licencing, Commercial, waste and public space protection orders. Our 2020/21 review was deferred due to Covid-19 plan revisions. Our audit of this area will focus on evaluating controls for licencing renewals and Food Safety inspections.
<b>ICT Audits</b>						
Information Management	10				10	A high risk has been raised in the strategic register in relation to the loss of information. This is not an area the Internal Audit team has evaluated before. Our review will not cover the effectiveness of GDPR arrangements as assurance has already been provided in this regard. Instead this review will focus on the Council's ability to manage business critical information ensuring that it has been categorised, is accessible to the right people, that information the Council is using can be relied upon for making decisions and that information is discarded as appropriate when it is no longer of use to the Council freeing up valuable storage capacity.
Change Control and Patch Management	10				10	This area has not been reviewed at the Council before and will provide assurance that security/performance patches and any system changes are approved and executed in line with an appropriate policy.
Follow Up - Internal Audit recommendations	10	2.5	2.5	2.5	2.5	Follow up of agreed internal audit recommendations to ensure that these have been appropriately addressed by management and the risks mitigated.
<b>Total number of days</b>	<b>170</b>	<b>2.5</b>	<b>57.5</b>	<b>54.5</b>	<b>55.5</b>	

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## GOVERNANCE, RISK & AUDIT COMMITTEE ON 9<sup>th</sup> MARCH 2021 – OUTCOMES & ACTIONS LIST

Minute No.	Agenda item and action	Action By
64	EY ANNUAL AUDIT LETTER	
	RESOLVED To receive and note the Annual Audit Letter.	GRAC
65	GOVERNANCE, RISK & AUDIT COMMITTEE SELF-ASSESSMENT	
	RESOLVED To review and comment on the scoring criteria outlined in the self-assessment.	GRAC
66	PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 27 NOVEMBER 2020 TO 26 FEBRUARY 2021	
	RESOLVED To note the outcomes of the audits completed between 27 November 2020 and 26 February 2021	GRAC
67	UPDATE ON STRATEGIC AND ANNUAL AUDIT PLANS	
	RESOLVED To note the update.	GRAC
68	CORPORATE RISK REGISTER	
	RESOLVED To review and note the Corporate Risk Register.	GRAC
69	CROMER SPORTS HUB PROJECT - AUDIT REPORT	
	RESOLVED To recommend to the Monitoring Officer that Members of the Governance, Risk and Audit Committee, and the Overview and Scrutiny Committee Chairman be provided with the full audit report.	Monitoring Officer

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**GOVERNANCE, RISK & AUDIT COMMITTEE ON 25<sup>th</sup> MARCH 2021 – OUTCOMES & ACTIONS LIST**

<b>Minute No.</b>	<b>Agenda item and action</b>	<b>Action By</b>
<b>76</b>	<b>EXCLUSION OF THE PRESS AND PUBLIC</b>	
	<p><b>RESOLVED</b></p> <p>That under section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1, 2 and 3 of part 1 of schedule 12A (as amended) to the Act.</p>	<b>GRAC</b>
<b>77</b>	<b>CROMER SPORTS HUB PROJECT - AUDIT REPORT</b>	
	<p><b>RESOLVED</b></p> <ol style="list-style-type: none"> <li>1. To recommend that all members of Cabinet receive a copy of the final report.</li> <li>2. To recommend that Cabinet reviews the Council's project governance framework to ensure that it is robust enough to address the concerns raised by the assurance review and by the Governance, Risk &amp; Audit Committee.</li> </ol>	<p><b>Monitoring Officer</b></p> <p><b>Cabinet</b></p>

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## GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2021/2022

Date	Topic	Lead Officer	Comments	Cycle
<b>15<sup>th</sup> June 2021</b>				
	Strategic and annual plans internal audit plan 2021/22	Internal Auditors – Emma Hodds/Faye Haywood		Annual
	Progress report on Internal Audit Activity	Internal Auditors – Emma Hodds/Faye Haywood		Quarterly
	Follow up on Internal Audit Recommendations	Internal Auditors – Emma Hodds/Faye Haywood	To include update on historical recommendations	Six Monthly
	Annual Report/Opinion & Review of the Effectiveness of Internal Audit	Internal Auditors – Emma Hodds/Faye Haywood		Annual
	Whistle Blowing Policy <b>TBC</b>		To review the Whistleblowing Policy	Tri-annual (June 2021)
<b>13<sup>th</sup> July 2021</b>				
	Audit Results Report	External Auditors - EY		Annual
	Letter of Representation	Director for Resources – Duncan Ellis		Annual
	Final Statement of Accounts	Chief Technical Accountant – Lucy Hume		
	GRAC Annual Report 2019-20 & 2020-21	Committee Officer – Matt Stembrowicz		Annual
	Annual Governance Statement 2020/21 & Local Code of Corporate Governance	Director for Resources – Duncan Ellis		Annual
	Corporate Risk Register	Director for Resources – Duncan Ellis		Quarterly
<b>28<sup>th</sup> Sept 2021</b>				
	Monitoring Officer's Report	Monitoring Officer – Cara Jordan		Annual
	EY Annual Audit Letter	External Auditors - EY		Annual
	Progress Report on Internal Audit Activity	Internal Auditors – Emma Hodds/Faye Haywood		Quarterly
	Corporate Risk Register	Director for Resources – Duncan Ellis	To review the corporate risk register	Quarterly
	Draft Statement of Accounts	Chief Technical Accountant – Lucy Hume		Annual
	Review of Council's Asset Register	Chief Technical Accountant – Lucy Hume	To review the number and value of Council assets	<b>Committee Request</b>
<b>7<sup>th</sup> Dec 2021</b>				
	Corporate Risk Register	Director for Resources – Duncan Ellis		Quarterly
	Progress Report on Internal Audit Activity	Internal Auditors – Emma Hodds/Faye Haywood		Quarterly
	Follow Up Report on Internal Audit Recommendations	Internal Auditors – Emma Hodds/Faye Haywood	To include update on historical recommendations	Six Monthly
	Anti-money laundering policy	Internal Auditors – Emma Hodds/Faye Haywood		3 years – Due 2021
	Civil Contingencies Update	Resilience Manager – Alison Sayer		Annual

## GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2021/2022

Date	Topic	Lead Officer	Comments	Cycle
8 <sup>th</sup> March 2022				
	EY Audit Plan & Annual Grant Certification report	External Auditors - EY		Annual
	Progress Report on Internal Audit Activity	Internal Auditors – Emma Hodds/Faye Haywood		Quarterly
	Undertake self-assessment	Internal Auditors – Emma Hodds/Faye Haywood		Annual
	Strategic and Annual Audit Plans	Internal Auditors – Emma Hodds/Faye Haywood		Annual
	Corporate Risk Register	Director for Resources – Duncan Ellis	To review the corporate risk register	Quarterly
	Risk Management Framework	Director for Resources – Duncan Ellis	To review the Council's risk management framework	Annual