

Eastern Internal Audit Services



NORTH NORFOLK DISTRICT COUNCIL

Strategic and Annual Internal Audit Plans 2023/24

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 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.
- 1.4 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;
 - The current level of assurance available for the highest scoring risks;
 - 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 for approval. The charter can be found at **Appendix 1**.
- 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 Internal Audit Trainee 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 (**see 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 and how these will be enhanced to deliver the strategy.

4. STRATEGIC INTERNAL AUDIT PLAN

4.1 The overarching objective of the Strategic Internal Audit Plan (**see Appendix 3**) is to provide a comprehensive programme of review work over the next four 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 four 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 2023/24 totals 174 days, encompassing 15 internal audit reviews, two of which cover IT processes.

5.3 Audit verification work concerning audit recommendations implemented to improve the Council's internal control environment will also be undertaken throughout the financial year.

5.4 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.

6. ASSURANCE MAPPING

6.1 The 2022/23 External Quality Assessment of the Internal Audit function has now concluded, and a report produced demonstrating the service is delivered in conformance with the Public Sector Internal Audit Standards. However, assurance mapping has been highlighted as an area requiring development.

6.2 Assurance mapping is an emerging area of internal audit practice which involves mapping a visual representation of assurance activities as they apply to a specific set of risks or compliance requirements facing an organisation.

6.3 This exercise is particularly useful to undertake as part of Internal Audit Planning as it allows Internal Audit to determine to what extent it can rely on and co-ordinate its activities with other assurance providers to enhance value and prevent duplication.

6.4 Following discussions with Senior Management, the Internal Audit team have been able to map the types of assurance available for the top two strategic risks facing the Council in each of the three assurance categories listed below.

6.5 **Three lines of defence**

<p>1. The first line of defence (functions that own and manage risks)</p> <p>Assurances in this area are provided by managers and staff who are responsible for identifying and managing risk as part of their accountability for achieving objectives.</p>	<p>2. The second line of defence (functions that oversee or who specialise in compliance or the management of risk)</p> <p>Assurances in this area are provided by those that monitor frameworks, enable risk and compliance to be managed in the first line. Second line assurance functions are often involved in monitoring the effectiveness in the first line ensuring risks are managed consistently.</p>	<p>3. The third line of defence (functions that provide independent assurance)</p> <p>Assurances at this level are typically provided by internal audit. Sitting outside the risk management processes of the first two lines of defence. The main role of this defence line is to provide an evaluation of the effectiveness of the organisations approach to governance, risk management and control.</p>
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6.6 The assurance map provided at **Appendix 5** of this report highlights what assurances are available in each of the three lines for the top two scoring strategic risks. This has been used to provide justification to the areas included within the strategic and annual internal audit plans.

APPENDIX 1 – INTERNAL AUDIT CHARTER



EASTERN INTERNAL AUDIT SERVICES

INTERNAL AUDIT CHARTER FOR 2023/24

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;
 - Norwich City 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 annually. The charter will be reviewed by the Chief Audit Executive to confirm its ongoing completeness and validity and presented to Senior Management and the Board.

2 Purpose, Authority and Responsibility

2.1 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.

2.2 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.

2.3 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 being responsible for ensuring the internal audit activity is undertaken in accordance with the definition of internal auditing, the code of ethics and the standards for all consortium members.

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 them. Any advice that is rejected will be formally reported to senior management and the respective Audit Committee.

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.

At South Norfolk Council, the Chief Audit Executive reports to the Chief of Staff who reports to the Managing Director of South Norfolk and Broadland.

- 3.2.2 The Head of Internal Audit 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 has a direct line of reporting and unfettered access to each 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 for all consortium members and any specified ad-hoc assignments is provided by an external contractor, TIAA Ltd from 1 April 2022. The Head of Internal Audit manages this 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 on an annual basis;
- 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 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 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 The Internal Audit Team at South Norfolk Council, consisting of the Head of Internal Audit and the Internal Audit Trainee do not have any responsibility or authority over any activities outside of Internal Audit.
- 6.3 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.
- 6.4 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 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 Trainee 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 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 Senior Management and 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.

11 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 Head of Internal Audit 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 Head of Internal Audit 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 October 2022 Eastern Internal Audit Services was fully assessed by the Chartered Institute of Internal Auditors. The conclusion of the review was:

"EIAS conforms with the vast majority of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the PSIAS and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard of quality in Internal Auditing".

11.4.4 The next External Quality Assessment is scheduled for October 2027.

APPENDIX 2 – INTERNAL AUDIT STRATEGY



EASTERN INTERNAL AUDIT SERVICES

INTERNAL AUDIT STRATEGY FOR 2023/24

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 define the objectives, function, the approach, resources and processes needed to achieve Internal audit service, providing a clear link between the Charter and the annual plan.

- 1.3 Throughout this strategy the term 'The Authority' or 'Authority' references any member of the Eastern Internal Audit Services Consortium. The term 'Audit Committee' is used throughout to refer to each Authorities Audit Committee or equivalent.

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 and South Norfolk District Councils, Great Yarmouth Borough Council, Norwich City 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 at South Norfolk Council. The internal audit work is delivered by an outsourced provider, TIAA Ltd. The contract for this service commenced from 1 April 2022 ending 31 March 2027 with the option to extend for a further term of two plus two.

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 Committee and the S151/S17 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 of 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 S151/S17 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 senior management prior to these being endorsed by the Audit 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 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 Public Sector Internal Audit 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 each Authorities 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.

4.4 Each Authorities risk profile will be evaluated throughout each year, and if required, amendments to the Internal Audit Plan will suggested for approval to ensure that Internal Audit coverage continues to focus on providing assurance over the Authorities key risks.

- 4.5 Coverage and testing plans for each audit are determined using the following principles:
- The number of days allocated to each review is considered based on the complexity of the area being audited factoring in audit scoping, testing time and quality assurance processes.
 - Key management assurance controls will be prioritised during testing to confirm that risks identified by the service area and internal audit during scoping are being monitored and managed.
 - Ordinarily, samples for each control tested will be selected to cover a 12-month period to ensure that internal audit coverage supports the annual internal audit opinion.
 - Testing sample sizes will ordinarily be based on the frequency of the control. By way of example; for each key financial control carried out weekly, a sample of four, one in each quarter across the year will be selected.
 - Testing samples will be selected randomly and objectively to provide a balanced view on the strength of the controls in place.
 - Where applicable data analytics will be used to test 100% of the available sample. The Internal Audit team will aim to increase the opportunities to adopt data analytics in their work to provide greater levels of assurance.

5. How internal audit resource requirements have been assessed

- 5.1 The in-house Internal Audit team at South Norfolk Council consists of the Head of Internal Audit who is a Chartered professional and an Internal Audit Trainee, currently training to become part qualified with the Chartered Institute of Internal Auditors.
- 5.2 These resources are used to contract manage the outsourced provider effectively, ensuring that the key performance measures of the service are met on behalf of consortium members. The team also provides Internal Audit management support to one other Council outside of the Consortium.
- 5.3 The Internal Audit Trainee has recently been appointed to enhance continuity arrangements and contribute towards building succession opportunities within the Consortium.
- 5.4 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.
- 5.5 A core team of staff is provided by the contractor 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.
- 5.6 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.

- 5.7 The recent External Quality Assessment has highlighted that that the internal audit service needs to invest in skills relating to Data Analytics to ensure audits are carried out to take full advantage of the benefits that can be realised from this audit technique.
- 5.8 In 2022/23, the team made the first steps to develop a data analytics strategy by undertaking training in this area. The contractor has also been developing data analytic capabilities within its auditing of financial key controls audits. A commitment has been made to ensure that by 2025/26 each internal audit review regardless of area will incorporate some data analytics testing. Where systems data is not available to support such tests, a recommendation will be highlighted with the aim of encouraging the development of data maturity.
- 5.9 In addition to the above, in order to support the internal audit function to deliver the service using the latest best practice from the internal auditing profession, subject matter leads have been assigned to each new subject area such as climate and sustainability, culture and AI Data Analytics. Each subject matter lead will proactively seek training and guidance for their assigned area and will be responsible for upskilling the rest of the team.
- 5.10 The above-mentioned arrangements ensure that the Internal Audit Service can respond effectively to the assurance needs of each Authority whilst ensuring that the core team used are sufficiently qualified and experienced.
and experience.

APPENDIX 3 – STRATEGIC INTERNAL AUDIT PLAN

Audit Area	Last review & assurance	Associated Risk	Justification	2023/24	2024/25	2025/26	2026/27
Annual Opinion and Corporate audits							
Corporate Governance	2020/21 - Reasonable 2022/23 - TBC	CR 028 Governance failures - Low	Critical to annual internal audit opinion.		12		10
Data Protection	2018/19 - Substantial				10		
Complaints and FOI	Not audited recently.	SR 007 Reputation - Low	Not audited recently. Exposure to legal and reputational risks.	12			10
Risk Management	2019/20 - Reasonable 2022/23 - Deferred	Risk Maturity Assessment Faye Haywood	Critical to annual internal audit opinion	5		6	
Key Controls and Assurance	2021/22 - Reasonable 2022/23 - TBC	CR 027 Strategic financial and performance management - Medium	Critical to annual internal audit opinion	15	10	15	10
Annual Governance Statement	2021/22 - Reasonable						10
Procurement and Contract Management	2019/20 - Reasonable 2020/21 - Position Statement	CR 025 Contract failure - Medium CR 009 Poor Procurement - Low	Critical to annual internal audit opinion	15		12	
Performance Management, Corporate Policy and Business Planning (includes commercialisation strategy)	2017/18 - Substantial 2021/22 - Reasonable					12	
Project Management Framework	Position Statement Cromer Tennis Hub 2020/21 No Assurance 2021/22 - Reasonable Advisory assurance - 2022/23	SR 008 Corporate project related risks - Medium	Advisory assurance planned for 2022/23. Audit planned for 2024/25.		15		15
Corporate Health and Safety	2022/23 - Reasonable					12	
Counter Fraud and Corruption Framework	2021/2022 - Limited				8		
Elections and Electoral Registration	2014/15 - Substantial 2018/19 - Substantial					10	

Audit Area	Last review & assurance	Associated Risk	Justification	2023/24	2024/25	2025/26	2026/27
Fundamental Financial Systems							
Accountancy Services includes control accounts, banking, bank reconciliation, asset management / capital expenditure, budgetary control and treasury management	2019/20 - Substantial 2021/22 - Substantial	SR 001 Financial (including credit & counterparty) - Medium	Critical to annual internal audit opinion	16		16	
Accounts Payable (insurance)	2020/21 - Substantial 2022/23 - Deferred		Critical to annual internal audit opinion	10		10	
Accounts Receivable	2019/20 Reasonable 2021/22 - Substantial		Critical to annual internal audit opinion	10		10	
Income	2019/20 - Reasonable 2021/22 - Reasonable		Critical to annual internal audit opinion	8		8	
Council Tax and National Non-Domestic Rates	2020/21 - Substantial 2022/23 - TBC		Critical to annual internal audit opinion		15		15
Covid Business Grants	2021/22 - Reasonable						
Local Council Tax Support and Housing Benefits	2020/21 - Reasonable 2022/23 - TBC		Critical to annual internal audit opinion		15		15
Payroll and Human Resources	2020/21 - Substantial 2022/23 - TBC	CR 024 People Resources - Low	Critical to annual internal audit opinion		12		12
Service Area audits							
Finance Assets and Legal							
Democratic Services	2016/17 - Reasonable						10
Commercial Estates	2016/17 - Substantial 2019/20 - Reasonable	CR 001 Deteriorating/ underused property assets - Low			12		
Legal Services	2022/23 - Substantial						10
People Services							
Early Help Hub	New audit area				10		
Housing Strategy Homelessness and Housing Options	2015/16 - Reasonable 2018/19 - Reasonable	CR 026 Impact of economic fluctuations on the North Norfolk economy CR 010 Housing Delivery - Medium	Cost of living crisis exposes the Council to increased demand of housing services. Area not reviewed since 2018/19.	12			12
Enforcement Empty Homes	New Area						10
Private Sector Housing -includes DFGs and discretionary grants	2016/17 - Reasonable 2020/21 - Reasonable				12		

Audit Area	Last review & assurance	Associated Risk	Justification	2023/24	2024/25	2025/26	2026/27
Sustainable Growth							
Economic Growth	2013/14 - Reasonable 2022/23 - TBC	CR 026 Impact of economic fluctuations on the North Norfolk economy - High	Area audited in 2022/23 plan.				15
Coastal Management	2014/15 - Reasonable 2019/20 - Substantial	CR 002 Flooding, erosion and loss of assets and delivery of services - High	High scoring risk raised in CRR. Provide assurance on management of new projects in this area	12			
Environmental Charter	2021/22 - Reasonable	SR 005 Environment & Social – High	Environmental Charter reviewed recently.			10	
Affordable Housing and Housing Enabling	2019/20 - Reasonable	CR 010 Housing Delivery - Medium	Audit of council's strategy for housing planned in 2024/25		12		
Communities Environment and Leisure							
Waste Management including contract / agreement monitoring, income collection & monitoring, refuse collection, street cleansing, recycling, clinical waste, abandoned vehicles and grounds maintenance	2017/18 - Reasonable 2021/22 - Reasonable				12		
Leisure	2015/16 - Reasonable 2019/20 - Substantial					12	
Pier Pavilion	2018/19 - Reasonable 2022/23 - Limited				10		
Markets	2016/17 - Substantial						10
Parks and Open Spaces and Woodland Management	2015/16 - Reasonable					10	
Environmental Health includes emergency planning, food safety, environmental protection, pest control, dog warden, licensing and pollution control	2018/19 Reasonable 2021/22 - Reasonable					10	
Environmental Protection	New Area				12		
Civil Contingencies and Business Continuity	New Area	CR 013 Emergency event - Medium	Area not reviewed before.	12			
Planning							
Building Control from 2025/26 to include S106 Agreements	2017/18 - Substantial 2022/23 - Reasonable					15	
Land Charges	2017/18 - Reasonable		Area not reviewed since 2017/18. Service due to transfer to Land Registry in next two years.	12			
Development Management includes planning applications	2019/20 Reasonable 2022/23 - TBC						12
Section 106 Arrangements	2019/20 - Reasonable				10		

Audit Area	Last review & assurance	Associated Risk	Justification	2023/24	2024/25	2025/26	2026/27
Organisational Resources							
Car Parking	2017/18 - Reasonable 2019/20 - Reasonable		Car parking covered in income audit.		10		
Customer Services	2021/22 - Substantial					10	
Property Services - Operational	2019/20 - Reasonable 2022/23 - Position Statement	Risks identified during Internal Audit	Health and safety risks raised during position statement covering temporary accommodation. Follow up review required.	12			
ICT Audits							
Network Infrastructure and Security	2014/15 - Limited 2018/19 Reasonable						
Change and Patch Management	2021/22 - Reasonable						
Service Desk	Not recently reviewed			10			
Mobile devices					10		
Remote Access	2020/21 - Reasonable					10	
Business Support Arrangements	2018/19 Reasonable						
Disaster Recovery	2019/20 - Reasonable 2022/23 - TBC						
Information Management	New specific area						
Applications review: Finance system HR system, Revenues and Benefits	2022/23 - TBC (Finance System Upgrade)		Post implementation review	5			
Data Quality						10	
Cyber Security	2019/20 - Reasonable				10		
Audits to be confirmed				0	0	0	20
Follow Up of audit recommendations							
Follow up - internal audit recommendations				10	10	10	10
Total number of days				176	227	208	206

APPENDIX 4 – ANNUAL INTERNAL AUDIT PLAN 2023/24

Audit Area	No of days	Q1	Q2	Q3	Q4	Notes
Annual Opinion / Governance audits						
Risk Management	5	5				A risk maturity assessment will be carried out by the Head of Internal Audit to support the Director for Resources in the development of risk management at the Council.
Complaints and FOI	12		12			A strategic risk has been raised in the corporate risk register in relation to the councils reputation or public perception being adversely affected by its actions/interests. Our review will evaluate the controls in place to handle complaints and FOI requests in a timely manner to prevent non compliance with policy and the FOI Act.
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.
Procurement and Contract Management	15		15			Strategic risks have been raised relating to contract failure and poor procurement. An assurance audit in this area has not been carried out since 2019/20. This audit will evaluate compliance with the Council's Contract Standing Orders and the Public Contract Regulations. This audit will also provide assurance that contract management is effective for a sample of Council contracts.

Audit Area	No of days	Q1	Q2	Q3	Q4	Notes
Service area audits						
Housing Strategy Homelessness and Housing Options	12				12	A strategic risk has been raised in the corporate risk register regarding Housing Delivery and a number of other risks have been evaluated that relate to cost of living and the impact this could have on demand for council services. This area has not been audited since 2019/20. This audit will focus on the Councils management of homelessness and preparedness for an increase in demand for housing.
Coastal Management	12				12	A high scoring strategic risk has been raised relating to the impact of flooding, erosion resulting in loss of assets and impact on delivery of services. This area was last reviewed in 2019/20 where the Councils involvement in the sand scaping project was reviewed. This audit will focus on the management of the CTAP project and progress against the refurbishment of Mundesley sea defences.
Civil Contingencies and Business Continuity	12		12			Business Continuity and Civil Contingency have not been audited together recently. A strategic risk has been raised relating to the impact of emergency events. This audit will evaluate the Council's preparedness to carry out its duties as a category one responder in the event of a series of incidents.

Audit Area	No of days	Q1	Q2	Q3	Q4	Notes
Land Charges	12	12				This area has not been audited since 2017/18. The service must transfer to Land Registry in next two years. This audit will provide assurance that actions are progressing to ensure the accuracy of the local land charge register prior to its transfer to the Land Registry. The audit will evaluate the process for additions, amendments and deletions and will provide assurance on the management of income.
Property Services - Operational	12				12	A position statement was provided in 2022/23 to provide assurance over the Councils management of operational assets. Significant findings were raised relating to the management of Health and Safety related compliance and management of capital works for the Council's new temporary housing assets. This audit will follow up specifically on the actions raised relating to temporary accommodation and provide assurance that improvements have been progressed.
ICT Audits						
Service Desk	10			10		A review of service desk has not been carried out before. Our review will provide assurance that a consistent service is provided in line with a defined service level agreement. The audit will cover the management and resolution of incidents and will review the availability of performance data to demonstrate service levels.
Post Implementation - Finance System Review	5	5				A new finance system was implemented in December 2022. A review will be carried out to determine whether system benefits have been realised and provide assurance that any post implementation issues are being closed down.
Follow Up - Internal Audit recommendations						
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.
Total number of days	176	24.5	53.5	56.5	41.5	

APPENDIX 5 – ASSURANCE MAPPING - NNDC TOP TWO SCORING RISKS

Risk	First Line Assurance	Second Line Assurance	Third Line Assurance
<p>SR 003 Macroeconomic Status - high inflation and anticipated rising unemployment we have to expect that the challenging economic circumstances will have an impact on the performance of the North Norfolk economy and therefore on demand for many council services.</p>	<p>The Council held a cost of living summit on 3 November 2022 to understand across the public and voluntary sectors demand for services and support and will closely monitor service demand and implications for the Council's finances which will be reflected in preparation of the 2023/24 budget</p> <p>Preparing and analysing evidence relating to local economic context and business needs, including contextual data and that gathered through surveys and business engagement,</p>	<p>Fund management advice from Arlingclose for management of Councils finances allowing support for economic growth projects.</p> <p>Regular reporting to Department for Levelling Up, Housing & Communities in accordance with Memorandum of Understanding to provide assurance over spend and management of both UK Shared Prosperity Fund (UKSPF) and the Rural England fund allocated to the Council.</p>	<p>Economic Growth audit scheduled for Q4 of 2022/23 covering the management of £1.2m of UK SPF and the £1.45m worth of Rural England funding allocated to the Council.</p>
<p>SR 005 ENVIRONMENTAL AND SOCIAL - related to the environmental and social impact of the Council's strategy and interests. Council fails to take into account changing environmental and social needs. Resulting in strategic objectives not reflecting environmental and social issues.</p> <p>Natural England - Nutrient Neutrality. This will have a significant impact on the local construction industry, rates of housing growth and 5 year housing land supply issues.</p> <p>CR 002 Flooding, erosion and loss of assets and delivery of services</p>	<p>The Council has an Environmental Charter in place and approved the Net Zero Strategy and accompanying Climate Action Plan at Full Council on 23 February 2022.</p> <p>Nutrient Neutrality - Norfolk local authorities about working collaboratively through the Duty to Cooperate Framework to develop a shared response to this challenging issue.</p> <p>Coastal Erosion - DEFRA has selected NNDC to be involved in the Coastal Transition Accelerator Programme (CTAP) to investigate, develop, deliver and learn new approaches to support communities to transition away from coastal erosion.</p>	<p>Progress delivering the goals of the Climate strategy and the action plan will be reported to Cabinet every six months.</p> <p>Nutrient Neutrality - Regular updates on progress to mitigate the nutrient neutrality risk are discussed with Natural England through the partnership.</p> <p>Coastal Erosion - NNDC continues to work in partnership with Coastal Partnership East. Assurances to be provided to DEFRA regarding progress against the CTAP project.</p>	<p>An audit of the Councils Climate Strategy was undertaken in 2021/22 and was given a reasonable assurance grading.</p> <p>Internal audit will continue to evaluate the nutrient neutrality risk and provide assurance on intended outcomes when required.</p> <p>Coastal Erosion - Coastal management was audited in 2019/20 and given a substantial assurance grading. As the CTAP and Refurbishment of Mundesley sea defences projects get underway it is proposed this area is audited again in 2023/24.</p>