

# Eastern Internal Audit Services



## NORTH NORFOLK DISTRICT COUNCIL

### Annual Report and Opinion 202/23

Responsible Officer: Faye Haywood – 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 2022/23, 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 Internal Audit plan was approved at the meeting held in March 2022.

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.

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.

In total, 14 audits have been carried out throughout 2022/23. This consisted of 11 assurance audits, two position statements and one piece of advisory work on the Council's project management framework. It is encouraging to note that of these, nine resulted in a positive assurance grading.

Substantial assurance was concluded in the following areas:

- Corporate Governance
- Council Tax and NNDR
- Local Council Tax Support and Housing Benefits
- Legal Services
- Payroll and HR.

Two limited assurance reports have been issued in 2022/23. The first for Pier Pavilion. A total of four urgent, three important and one needs attention recommendations were raised. Just one urgent recommendation remains outstanding at year end.

The Key Financial Controls report has also concluded with a limited assurance opinion. A total of 14 recommendations from this review were raised. Risks relating to uncompleted reconciliations, supplier and invoice management, aged debt management, the authorisation of investments, and the action plan within of the 2021/22 annual governance statement were raised.

We recommend that outstanding high or medium audit recommendations raised during 2022/23 limited assurance audit reports are referenced within the Council's Annual Governance Statement until completion can be verified. Details of these can be found at section 3.5 of this report.

We also recommend that the Council works on the suggested improvements identified during the position statement on Property Services (operational assets). Several Health and Safety compliance actions were raised for management attention. Internal Audit has scheduled a full assurance audit in this area for 2023/24.

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

The opinion has been shared 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 work is divided into 4 broad categories:

- Annual opinion audits;
- Fundamental financial systems that underpin the Council's financial processing and reporting;
- Service area audits identified as worthy of review by the risk assessment processes within internal audit;
- Significant information technology systems which provide the capability to administer and control the Council's main activities.

#### 3.3 **Summary of the internal audit work**

A total of 158 days of programmed internal audit work has been completed from 174 days originally agreed. Throughout the year, three audits have been deferred to 2023/24 to accommodate management requests and respond to resourcing changes and challenges. These were Risk Management; Accounts Payable; and the Finance System Upgrade.

In addition, Internal Audit has completed two position statements for Economic Growth and Property Services Operational Assets. Advisory work has also been completed for the Councils project management framework.

The Executive Summary for each report has 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.

#### 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 23 recommendations in total are overdue.

A total of 3 recommendations (one important, two needs attention) are outstanding from 2019/20.

One important priority recommendation is outstanding from 2020/21 in relation to Procurement Contract Management.

A total of nine recommendations (six important and three needs attention) are outstanding from 2021/22.

A total of 45 recommendations have been raised in 2022/23. 12 recommendations have been completed. 10 recommendations remain outstanding (one urgent; one important; and eight needs attention). A total of 23 recommendations are not yet due.

Please refer to the **Progress and Follow Up Report June 2023**, which shows the details of the progress made to date in relation to the implementation of the agreed recommendations and the updates from management regarding all outstanding urgent and important recommendations.

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

The following recommendations have been raised within limited assurance internal audit reports throughout 2022/23 and remain outstanding at year end. These recommendations represent unresolved risks and should therefore be included within the Councils Annual Governance Statement.

#### **Pier Pavilion**

The Pier Pavilion audit resulted in a limited assurance grading overall with four urgent, three important and one needs attention recommendations raised. One urgent recommendation remains outstanding and relates to ensuring that the Deed of Variation is signed between the Council and the Pier Pavilion Management Service Contractor.

#### **Key Controls and Assurance**

This audit resulted in a limited assurance opinion overall. Urgent priority recommendations relate to Creditor control, debtor control, bank and Council Tax general ledger reconciliations not having been completed in the new financial system. Internal Audit also identified that five short-term financial investments that had not been independently authorised. Important recommendations relate to clarifications within the annual governance statement, the monitoring of aged debt action, purchase orders being raised and authorised by the same officer, no evidence of supplier bank detail change verification and inability to reconcile car parking income. The new finance system implementation and finance staff resource challenges have been identified as a root cause of the weaknesses identified.

One urgent priority recommendation also remains outstanding from 2021/22. Details are provided below. We recommend that this recommendation is referenced within the Councils Annual Governance Statement until completion can be demonstrated.

#### **NN2204 Counter Fraud and Corruption**

- An annual action plan to carry out all required counter fraud work be put in place and agreed by GRAC. Completion is scheduled for June 2023 following the GRAC meeting.

### **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 The Internal Audit team maintain a QAIP covering actions for service development, standards conformance, risk management, training and skills and performance monitoring. Throughout the year, progress against the QAIP is monitored and success is measured by completing the Internal Assessment, the External Assessment when applicable and in evaluating performance against our suite of KPIs.

#### **5.1.2 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.

### 5.1.3 External Assessment

In relation to the Attribute Standards, it is recognised that to achieve full conformance an external assessment is needed. An external assessment was carried out in October 2022 by the Chartered Institute of Internal Auditors (IIA). We are pleased to report that EIAS received a 'generally conforms' result, with conformance in 60 out of 64 areas (two areas were not applicable, and two resulted in 'partially conforms'). An extract from the report is provided at **Appendix 4**. A full copy of the report can be provided to members upon request.

It was highlighted, that EIAS are particularly good at: reflection of the standards; focus on performance, risk and adding value; and QAIP. Positive feedback received from key stakeholders highlights that 'reports are the right length and the right format', and that EIAS are 'professional and have an excellent reputation'.

One area of partial conformance was highlighted in coordinating and maximising assurance. Since October, this area has been improved as part of annual internal audit planning. Within the Strategic and Annual Plans report 2023/24 presented in March 2023, an Assurance Map was provided, outlining the top risks, along with first, second and third lines of assurance.

The second area of partial conformance was raised to ensure that all EIAS clients receive an External Quality Assessment as it falls due on the five-year anniversary.

## 5.2 **Performance Indicator outcomes**

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

| Area / Indicator  | Frequency  | Target         | Actual         | Comments                                       |
|---|------------|----------------|----------------|--|
| <u>Audit Committee / Senior Management</u>  |            |                |                |  |
| 1. Chief Finance Officer Satisfaction   | Annual     | Good           | TBC            | Awaiting response                              |
| <u>Internal Audit Process</u>   |            |                |                |  |
| 2. APM issued minimum 20 working days before agreed start date  | Quarterly  | 90%            | 38%            | KPI not achieved (5 out of 13 issued in time)  |
| 3. Quarterly draft reports issued within 10 working days of the end of the quarter                              | Quarterly  | 95%            | 77%            | KPI not achieved (10 out of 13 issued in time) |
| 4. Quarterly final reports issued within 20 working days of the end of the quarter                              | Quarterly  | 95%            | 38%            | KPI not achieved (5 out of 13 issued in time)  |
| 5. Quarterly performance pack reported to the contract manager within 15 working days of the end of the quarter | Quarterly  | 100%           | 75%            | KPI partially achieved (3 out of 4 quarters)   |
| 6. Respond to the contract manager within 3 working days where unsatisfactory feedback has been received        | Continuous | 3 working days | 3 working days | KPI achieved                                   |
| 7. PSIAS compliance – deep dive file review of files indicates good evidence saved on file                      | Quarterly  | 100%           | 100%           | KPI achieved                                   |
| <u>Clients</u>  |            |                |                |  |
| 8. Average feedback score received from key clients (auditees)  | Continuous | Adequate       | Good           | KPI exceeded (8 surveys returned)              |
| 9. Percentage of recommendations accepted by management   | Quarterly  | 90%            | 95%            | KPI exceeded                                   |
| <u>Innovations and Capabilities</u>   |            |                |                |  |
| 10. Percentage of qualified (including experienced) staff working on the contract each quarter                  | Quarterly  | 60%            | 94%            | KPI exceeded                                   |
| 11. Number of training hours per member of staff completed per quarter  | Quarterly  | 1 day          | 1 day          | KPI achieved                                   |

5.2.2 As demonstrated by the above, the Internal Audit Contractor has struggled to meet our targets relating to timeliness throughout 2022/23.

There is room for improvement in the issuing of Audit Planning Memorandum's 20 working days before audit start date, the issuing of draft reports 10 working days after quarter end and the finalisation of draft reports 20 working days after issue.

The Head of Internal Audit and Audit Director TIAA meet weekly to discuss progress against the plan and an action plan has been developed to tackle these issues for the 2023/24 year ahead.

It is reassuring to note however that our KPIs relating to quality have been exceeded in all cases with satisfaction surveys providing good feedback about the work undertaken.

### **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.



## APPENDIX 1 – AUDIT WORK UNDERTAKEN DURING 2022/23

| Audit Area  | Assurance          | No of Recs | Implemented | P1 OS    | P2 OS    | P3 OS    | Not yet due |
|---|--------------------|------------|-------------|----------|----------|----------|-------------|
| NN2301 Corporate Governance                           | Substantial        | 2          | 0           | 0        | 0        | 2        | 0           |
| NN2302 Key Controls and Assurance                     | Limited            | 14         | 0           | 0        | 0        | 0        | 14          |
| NN2303 Corporate Health and Safety                    | Reasonable         | 6          | 0           | 0        | 1        | 5        | 0           |
| NN2306 Council Tax and NNDR                           | Substantial        | 1          | 0           | 0        | 0        | 0        | 1           |
| NN2307 Local Council Tax Support and Housing Benefits | Substantial        | 2          | 2           | 0        | 0        | 0        | 0           |
| NN2308 Payroll and HR                                 | Substantial        | 3          | 0           | 0        | 0        | 0        | 3           |
| NN2309 Legal Services                                 | Substantial        | 0          | 0           | 0        | 0        | 0        | 0           |
| NN2310 Property Services Operational                  | Position Statement |            |             |          |          |          |             |
| NN2311 Pier Pavilion                                  | Limited            | 8          | 7           | 1        | 0        | 0        | 0           |
| NN2312 Economic Growth                                | Position Statement |            |             |          |          |          |             |
| NN2313 Building Control                               | Reasonable         | 3          | 2           | 0        | 0        | 1        | 0           |
| NN2317 Project Management                             | Advisory           |            |             |          |          |          |             |
| NN2314 Development Management                         | Reasonable         | 2          | 1           | 0        | 0        | 0        | 1           |
| <b>IT Audits</b>                                      |                    |            |             |          |          |          |             |
| NN2316 Disaster Recovery                              | Reasonable         | 4          | 0           | 0        | 0        | 0        | 4           |
| <b>Totals</b>   |                    | <b>45</b>  | <b>12</b>   | <b>1</b> | <b>1</b> | <b>8</b> | <b>23</b>   |

| <b>Assurance level definitions</b> |   | <b>Number</b> |
|------------------------------------|---|---------------|
| 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.                                      | 5             |
| 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.                    | 4             |
| 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. | 2             |
| No Assurance                       | Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.           | 0             |

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

## APPENDIX 2 - ASSURANCE CHART

|  | 2018-19            | 2019-20     | 2020-21            | 2021-22     | 2022-23     | 2023-24 |
|--|--------------------|-------------|--------------------|-------------|-------------|---------|
| <b>Annual Opinion and Governance Audits</b>                    |                    |             |                    |             |             |         |
| Corporate Governance   | Substantial        |             | Reasonable         |             | Substantial |         |
| Risk Management  |                    | Reasonable  |                    |             |             | X       |
| Digital Transformation   | Substantial        |             |                    |             |             |         |
| Key Controls and Assurance                                     | Substantial        | Substantial | Reasonable         | Reasonable  | Limited     | X       |
| Project Management Framework                                   | Position Statement |             |                    | Reasonable  |             |         |
| Coronavirus Response and Recovery                              |                    |             | Position Statement |             |             |         |
| Performance Management, Corporate Policy and Business Planning |                    |             |                    | Reasonable  |             |         |
| Complaints and FOIs  |                    |             |                    |             |             | X       |
| Counter Fraud and Corruption                                   |                    |             |                    | Limited     |             |         |
| Corporate Health and Safety                                    |                    |             |                    |             | Reasonable  |         |
| Annual Governance Statement                                    |                    |             |                    | Reasonable  |             |         |
| Cromer Sports Hub  |                    |             | No Assurance       |             |             |         |
| <b>Fundamental Financial Systems</b>                           |                    |             |                    |             |             |         |
| Accounts Receivable  |                    | Reasonable  |                    | Substantial |             | X       |
| Income   |                    | Reasonable  |                    | Reasonable  |             | X       |
| Accountancy Services   |                    | Substantial |                    | Substantial |             | X       |
| Local Council Tax Support and Housing Benefits                 | Substantial        |             | Reasonable         |             | Substantial |         |
| Council Tax / NNDR   | Substantial        |             | Substantial        |             | Substantial |         |
| Accounts Payable   | Reasonable         |             | Substantial        |             |             | X       |
| Covid-19 Business Grants                                       |                    |             |                    | Reasonable  |             |         |
| Payroll / HR   | Reasonable         |             | Substantial        |             | Substantial |         |

|  | 2018-19     | 2019-20     | 2020-21            | 2021-22     | 2022-23            | 2023-24 |
|--|-------------|-------------|--------------------|-------------|--------------------|---------|
| <b>Service Area Audits</b>   |             |             |                    |             |                    |         |
| Procurement and Contract Management                                |             | Reasonable  | Position Statement |             |                    | X       |
| CSO Exemptions   |             |             | Position Statement |             |                    |         |
| Economic Growth  |             |             |                    |             | Position Statement |         |
| Coastal Management   |             | Substantial |                    |             |                    | X       |
| Affordable Housing   |             | Reasonable  |                    |             |                    |         |
| Private Sector Housing and Disabled Facilities Grants              |             |             | Reasonable         |             |                    |         |
| Housing Strategy, Homelessness and Housing Options                 | Reasonable  |             |                    |             |                    | X       |
| Development Management, Planning, s106 Agreements and Land Charges |             | Reasonable  |                    |             |                    |         |
| Building Control   |             |             |                    |             | Reasonable         |         |
| Land Charges   |             |             |                    |             |                    | X       |
| Development Management includes planning applications              |             |             |                    |             | Reasonable         |         |
| Waste Management   |             |             |                    | Reasonable  |                    |         |
| Environmental Health   | Reasonable  |             |                    | Reasonable  |                    |         |
| Civil Contingencies and Business Continuity                        |             | Reasonable  |                    |             |                    | X       |
| Leisure  |             | Substantial |                    |             |                    |         |
| Property Services Operational                                      |             | Reasonable  |                    |             | Position Statement | X       |
| Car Parking  |             | Reasonable  |                    |             |                    |         |
| Markets  |             |             |                    |             |                    |         |
| Beach Huts   |             |             |                    |             |                    |         |
| Elections / Electoral Registration                                 | Substantial |             |                    |             |                    |         |
| Customer Services  |             |             |                    | Substantial |                    |         |
| Environmental Charter  |             |             |                    | Reasonable  |                    |         |
| Pier Pavilion  | Reasonable  |             |                    |             | Limited            |         |
| Legal Services   |             |             |                    |             | Substantial        |         |

|   | 2018-19            | 2019-20    | 2020-21    | 2021-22    | 2022-23    | 2023-24 |
|---|--------------------|------------|------------|------------|------------|---------|
| <b>IT Audits</b>                            |                    |            |            |            |            |         |
| Remote Access                               |                    |            | Reasonable |            |            |         |
| Network Infrastructure                      | Reasonable         |            |            |            |            |         |
| Network Security                            | Reasonable         |            |            |            |            |         |
| Disaster Recovery                           |                    | Reasonable |            |            | Reasonable |         |
| Software Licensing                          |                    |            |            |            |            |         |
| Cyber Security                              |                    | Reasonable |            |            |            |         |
| Business Support Arrangements               | Position Statement |            |            |            |            |         |
| Service Desk                                |                    |            |            |            |            | X       |
| Information Management                      |                    |            |            |            |            |         |
| Change Control and Patch Management         |                    |            |            | Reasonable |            |         |
| Post Implementation - Finance System Review |                    |            |            |            |            | X       |
| CIS Application                             |                    | 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 2022/23 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 2023. 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.

## APPENDIX 4 – EXTERNAL QUALITY ASSESSMENT REPORT EXTRACT

### Conformance Opinion

The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards.

There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that internal audit activity conforms to 60 of the 64 relevant principles, with partial conformance on two principles. Two of the principles were not relevant to EIAS as they relate to situations that have not occurred to date.

This is summarised in the table below.

| Summary of conformance                         | Standards        | Generally conforms | Partially conforms | Does not conform | Not relevant         | Total     |
|--|------------------|--------------------|--------------------|------------------|----------------------|-----------|
| Definition of IA and Code of Ethics            | Rules of conduct | 12                 |                    |                  |                      | <b>12</b> |
| Purpose  | 1000 - 1130      | 8                  |                    |                  |                      | <b>8</b>  |
| Proficiency and Due Professional Care (People) | 1200 - 1230      | 4                  |                    |                  |                      | <b>4</b>  |
| Quality Assurance and Improvement Programme    | 1300 - 1322      | 5                  | 1                  |                  | 1                    | <b>7</b>  |
| Managing the Internal Audit Activity           | 2000 - 2130      | 11                 | 1                  |                  |                      | <b>12</b> |
| Performance and Delivery                       | 2200 - 2600      | 20                 |                    |                  | 1                    | <b>21</b> |
| <b>Total</b>                                   |                  | <b>60</b>          | <b>2</b>           | <b>0</b>         | <b>2<sup>1</sup></b> | <b>64</b> |

<sup>1</sup> These relate to circumstances which prior to the external quality assessment were deemed not relevant, namely the Disclosure of Non-conformance and Engagement Disclosure of Non-conformance, which have not been necessary to date.