

# Eastern Internal Audit Services



## NORTH NORFOLK DISTRICT COUNCIL

### Revised Strategic and Annual Internal Audit Plans 2020/21

Responsible Officer: Head of Internal Audit

#### CONTENTS

1. INTRODUCTION.....	2
2. INTERNAL AUDIT STRATEGY .....	2
3. REVISED STRATEGIC INTERNAL AUDIT PLAN .....	4
4. REVISED ANNUAL INTERNAL AUDIT PLAN 2020/21 .....	4
APPENDIX 1 – STRATEGIC INTERNAL AUDIT PLAN .....	6
APPENDIX 2 – ANNUAL INTERNAL AUDIT PLAN.....	10

## **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 2020/21 Internal Audit Plan was due to be approved by the Governance, Risk and Audit Committee on 24 March 2020, however due to the impact of the Coronavirus Pandemic this meeting did not go ahead. In line with the Public Sector Internal Audit Standards, the risk-based plan is required to be sufficiently flexible to reflect the changing risk and priorities of the organisation. It is therefore necessary to revise the 2020/21 Internal Audit Plan agreed with Management earlier in 2020 and seek approval from the Committee.
- 1.3 The Coronavirus Pandemic has impacted the Council in several ways, some of the significant impacts on the Council include:
  - Staff being re-deployed to front line services to ensure residents basic needs are met such as food and medicines whilst remaining mindful of safeguarding concerns.
  - The pausing of key Council projects whilst workforce and contractors are in lockdown impacting on deadlines and budgets.
  - Increased pressure on HR to monitor and manage large numbers of staff re-deployed, sickness and changes to working arrangements.
  - The issuing of business grants at short notice without pre-defined procedures or assurance over adequacy of data used or pre application checks for the prevention of fraud.
  - Additional pressure put upon the technological capabilities of the Council to allow staff to work from home during the pandemic.
  - Additional requirements from central government on Councils to temporarily house rough sleepers.
- 1.5 In response to the significant pressure placed on the Council to react effectively to the Pandemic, Internal Audit activity was paused in April 2020. In addition, the Internal Audit contractors TIAA took the decision to Furlough most of their workforce until 1 July 2020.
- 1.6 The Internal Audit Plan for 2020/21 will therefore be reconsidered to reflect to the changing risk profile of the Council and to ensure that Internal Audit and Officer resources are able to support the assurance work required to formulate an opinion on the governance, risk and control framework for 2020/21.
- 1.7 This report outlines our approach to Internal Audit for 2020/21 in response to the impact that the Coronavirus Pandemic has had on the Council.

## **2. INTERNAL AUDIT STRATEGY**

- 2.1 Due to the impact of the Coronavirus Pandemic the risk profile of the Council has changed significantly from the one used to formulate the 2020/21 Internal Audit Plan earlier this year. The risk register and Corporate Plan used to identify areas where assurance would need to be provided will in some cases no longer be appropriate.
- 2.2. We therefore determine that the most effective way to provide assurance over the current governance risk management and control framework for 2020/21, considering any significant changes, is to cover key themes. This will enable enough assurance to be provided throughout the year to support the Head of Internal Audit Opinion whilst ensuring that officers are not

placed under additional pressure to support internal audit if it is not deemed urgent or necessary at this time.

2.3 The 2020/21 Internal Audit Plan will now be split into five key themes providing assurance over key controls, changes to the control framework, current risks, and the Council's preparedness for recovery and ongoing disruptions.

2.4 The five key themes are as follows:

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

- 2.5 Internal Audit reviews that were included in the original plan for 2020/21 will be deferred to 2021/22. A risk assessment will be undertaken to establish whether each area is still required early in 2021 when the risk based internal audit plan for the year ahead is developed.

### **3. REVISED STRATEGIC INTERNAL AUDIT PLAN**

- 3.1 **Appendix 1** shows the internal audit reviews that have been deferred from the original 2020/21 Internal Audit plan and have now been deferred to the 2021/22 plan. The Strategic Internal Audit plan indicates the Council's assurance requirements for the next three years based on the current risk register and corporate plan.
- 3.2 Each area will be subject to a risk assessment during planning in early 2021 to determine if it is still required for 2021/22 based on the Council's requirements, at that time. We expect that the plan for the next three years will change considerably in response to the Coronavirus Pandemic.

### **4. REVISED ANNUAL INTERNAL AUDIT PLAN 2020/21**

- 4.1 **Appendix 2** shows the revised Internal Audit Plan for 2020/21. The plan incorporates the five key themes mentioned in section 2, covering the key risks identified in relation to the impact the Coronavirus Pandemic has had on the Council. The revised plan aims to ensure that we can form an opinion on the governance, risk management and control framework whilst ensuring that we do not place increased pressure on officers to support Internal Audit work during the recovery phase.

- 4.2 The revised Internal Audit plan 2020/21 includes; the theme, Internal Audit area, key risk, number of days, quarter in which it will be undertaken, and a summary of the work proposed.

Theme 1 - Assurance Mapping and Theme 3 – Recovery, will be undertaken at all Council's within the Consortium within the same period. This will allow Internal Audit to compare each Council's response to the Pandemic, drawing out good practice where relevant and including it in our conclusions for consideration.

- 4.3 The revised Annual Internal Audit Plan for 2020/21 now totals 11 reviews over 129 days of which will be provided by Eastern Internal Audit Services.
- 4.4 Audit verification work concerning audit recommendations implemented to improve the Council's internal control environment will also be undertaken throughout the financial year but reduced to reflect the decrease in scheduled Governance, Risk and Audit Committee meetings to 5 days.
- 4.5 As a result of the proposed revisions the original 2020/21 Internal Audit Plan has been reduced by 59 days representing a decrease in the agreed Internal Audit budget for 2020/21. It is important to note that the decrease is in response to unprecedented circumstances and represents the absolute minimum assurance required to form a caveated opinion on the governance, risk management and control framework for 2020/21. We will aim to revert to our usual level of assurance coverage in the 2021/22 Internal Audit Plan.

### **5. RECOMMENDATIONS**

- 5.1 Senior Management and the Committee to consider the suggested revisions to the 2020/21 Internal Audit Plan to ensure that it provides the coverage required to meet the assurance needs of the Council.

## **6. CONCLUSION**

- 6.1 We are committed to remaining responsive to the needs of the Council throughout the year amending our approach as and when required.
- 6.2 The Internal Audit contractor TIAA will continue to be subject to the performance measures outlined within the contract and progress against the revised 2020/21 Internal Audit Plan will be reported to the Committee at the agreed intervals.

## APPENDIX 1 – STRATEGIC INTERNAL AUDIT PLAN

Audit Area	Last review & assurance	Associated Risk	2020/21	2021/22	2022/23
<b>Annual Opinion and Corporate audits</b>					
Theme 1 - Assurance Mapping	New area	Establish changes to key controls in response to Coronavirus Pandemic.	<b>8</b>		
Theme 2 - Corporate Governance	2016/17 - Reasonable 2018/19 - Reasonable	Critical to annual internal audit opinion	<b>4</b>		6
Risk Management	2017/18 - Substantial 2019/20 - Reasonable	High			6
Theme 2 - Key Controls and Assurance	2018/19 - Substantial 2019/20 - Substantial	Critical to annual internal audit opinion	<b>10</b>	15	10
Theme 3 Coronavirus Pandemic Recovery	New area	Council's ability to recover from impact of the Coronavirus Pandemic	<b>15</b>		
Performance Management, Corporate Policy and Business Planning (includes commercialisation strategy) - Deferred to 2021/22	2017/18 - Substantial	Medium		12	
Project Management Framework - Deferred to 2021/22	Position Statement	High		6	
Digital Transformation - benefits realisation	2018/19 Substantial	High 003			6
Elections and Electoral Registration	2014/15 - Substantial 2018/19 - Substantial	Medium			10

Audit Area	Last review & assurance	Associated Risk	2020/21	2021/22	2022/23
<b>Fundamental Financial Systems</b>					
Accountancy Services includes control accounts, banking, bank reconciliation, asset management / capital expenditure, budgetary control and treasury management	2017/18 - Substantial 2019/20 - Substantial	<b>High 015</b>		16	
Theme 2 - Accounts Payable (insurance)	2016/17 - Reasonable 2018/19 - Reasonable	Assurance to support annual internal audit opinion	<b>12</b>		12
Accounts Receivable	2017/18 - Reasonable 2019/20 Reasonable	High		10	
Income	2017/18 - Substantial 2019/20 - Reasonable	High		7	
Theme 2 - Council Tax and National Non-Domestic Rates	2016/17 - Substantial 2018/19 - Substantial	Assurance to support annual internal audit opinion	<b>15</b>		15
Theme 2 - Local Council Tax Support and Housing Benefits	2016/17 - Substantial 2018/19 - Substantial	Assurance to support annual internal audit opinion	<b>15</b>		15
Theme 2 - Payroll and Human Resources	2016/17 - Reasonable	Assurance to support annual internal audit opinion	<b>15</b>		15

Audit Area	Last review & assurance	Associated Risk	2020/21	2021/22	2022/23
<b>Service Area audits</b>					
Theme 4 - Procurement and Contract Management	2017/18 - Reasonable 2019/20 - Reasonable	Position statement - Theme 4 Partnership Impact of Coronavirus	<b>10</b>		
Customer Services - Deferred to 2021/22	New Area	Medium		10	
Cash Handling - Deferred to 2020/21	New Area	Medium		8	
Property Services	2016/17 - Substantial 2019/20 - Reasonable	<b>Medium 001</b>			
Economic Growth - Deferred to 2021/22	2013/14 - Reasonable	Medium		10	
Early Help Hub	New audit area	Medium			10
Coastal Management	2014/15 - Reasonable 2019/20 - Substantial	High 002			
Housing Strategy Homelessness and Housing Options	2015/16 - Reasonable 2018/19 - Reasonable	Medium			10
Affordable Housing and Housing Enabling	2019/20 - Reasonable	<b>Medium 010</b>			
Theme 5 - Private Sector Housing -includes DFGs and discretionary grants	2016/17 - Reasonable	Essential assurance to support annual IA opinion	<b>10</b>		
Sports Halls	2014/15 - Reasonable	Medium			
Leisure	2015/16 - Reasonable 2019/20 - Substantial	Medium			
Pier Pavilion	2015/16 - Reasonable 2018/19 - Reasonable	Medium			
Car Parking	2017/18 - Reasonable 2019/20 - Reasonable	Medium			10
Markets	2016/17 - Substantial	Medium			6
Parks and Open Spaces and Woodland Management	2015/16 - Reasonable	Medium			10
Beach Huts	2017/18 - Reasonable	Medium			
Democratic Services	2016/17 - Reasonable	Low			
Legal Services	New specific area	Medium			10
Waste Management including contract / agreement monitoring, income collection & monitoring, refuse collection, street cleansing, recycling, clinical waste, abandoned vehicles and grounds maintenance - Deferred 2021/22.	2017/18 - Reasonable	High 002		10	
Environmental Health includes emergency planning, food safety, environmental protection, pest control, dog warden, licensing and pollution control - Deferred to 2021/22	2017/18 - Reasonable 2018/19 Reasonable	High 002		12	
Building Control - Deferred 2020/21	2017/18 - Substantial	High		7	
Land Charges	2017/18 - Reasonable	Medium			7
Development Management includes planning applications	2017/18 - Reasonable 2019/20 Reasonable	High			10
Section 106 Arrangements	2019/20 - Reasonable	Medium			



Audit Area	Last review & assurance	Associated Risk	2020/21	2021/22	2022/23
<b>ICT Audits</b>					
Network Infrastructure and Security	2014/15 - Limited 2018/19 Reasonable	High			
Remote Access	New specific area	Essential assurance to support annual IA opinion	<b>10</b>		
Business Support Arrangements	2018/19 Reasonable	Medium			
Business Continuity & Disaster Recovery	2017-18 Reasonable 2019/20 - Reasonable	Medium 013			
<b>Information Management - Deferred to 2021/22</b>	New specific area	<b>High 008</b>		10	
Applications review: HR system, Revenues and Benefits	New specific area	Medium			10
Cyber Security	2019/20 - Reasonable	High			
Audits to be confirmed				20	20
<b>Follow Up of audit recommendations</b>					
Follow up - internal audit recommendations			5	10	10
<b>Total number of days</b>			<b>129</b>	<b>163</b>	<b>208</b>

## APPENDIX 2 – ANNUAL INTERNAL AUDIT PLAN

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Description
<b>Theme 1 - Assurance Mapping</b>							
Assurance Mapping Exercise	Some of the Council's Key and service area controls will be revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	8		8			We will conduct a questionnaire style enquiry to document and risk assess any changes in controls that have taken place in response to the Pandemic. We will gather information on any available assurances that these controls are working effectively and will focus on the strength of controls for the prevention of Fraud and supporting staff to work remotely. This will allow us to ensure that testing is focused in these areas and independent assurance is provided over the adequacy of the internal control framework for the annual opinion.
<b>Theme 2 - Key Controls</b>							
Corporate Governance	The processes for decision making may have changed in some areas in response to the Pandemic.	4			4		This review is carried out annually to support the Head of Internal Audit Opinion. Supported by the above assurance mapping exercise, we will provide assurance that any changes to the systems in place to control and manage the Council such as the utilisation of virtual meetings have been made in line with the constitution.
Key Controls & Assurance	Some of the Council's Key Controls will be revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	10				10	This annual review is essential to support the Head of Internal Audit Opinion. Supported by the above assurance mapping exercise, our review will be extended to cover all key controls in depth, identifying areas for additional testing where risks have been identified. Accountancy Services, HR & Payroll, Accounts Payable, Accounts Receivable and Income will all be subject to testing.

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Description
<b>Theme 2 - Key Controls - Financials</b>							
Accounts Payable	Some of the Council's Key Controls will be revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	12			12		These key financial systems feed into the Statement of Accounts and requires periodic full service reviews to confirm the adequacy and effectiveness of controls in these areas. The assurance mapping exercise in Q2 will be used to determine any changes to key controls in these areas to identify areas of additional testing.
Council Tax and NNDR		15			15		
Local Council Tax Support and Housing Benefit		15			15		
Payroll and Human Resources including staff and member expenses, training agreements, turnover reporting and establishment reconciliation.		15			15		
<b>Theme 3 - Recovery</b>							
Coronavirus Pandemic - Council's Response and Recovery Plan	<p>Services disrupted to focus on statutory and to ensure residents basic needs are met. The increased costs of these changes.</p> <p>The Council's Corporate Plan, Medium Term Financial Plan, planned projects may need to be revised to ensure effective recovery from the Coronavirus Pandemic.</p> <p>Staff working arrangements and the Council's technological capacity may have to support continued disruptions.</p>	15				15	We will provide assurance that the Council has where possible considered its response to recovery following the Pandemic. This review will be carried out across the Consortium comparing the approaches taken by each of our members in areas such as: Supporting the Local Economy, reverting of resources to statutory services, staff reintegration, financial modelling, business plan revision and preparedness for ongoing disruptions. If appropriate we will suggest areas for lessons learnt in the Councils response to the Pandemic.

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Description
<b>Theme 4 - Partnerships</b>							
Procurement Contract Management	The pausing of key Council projects whilst workforce and contractors are in lockdown impacting on deadlines, budgets and ability to monitor contracts.	10			10		Our review will evaluate the Council's ability to monitor contracts in place during the Pandemic and during recovery. We will seek to provide assurance that the Council has reviewed the impact that the pandemic may have had on third parties ability to deliver services for the Council and key projects.
<b>Theme 5 - Essential Assurance</b>							
Private Sector Housing inc DFGs and discretionary grants	Essential assurance to support annual IA opinion	10				10	Internal Audit last reviewed this area in 2016/17 where a reasonable assurance grading was given. We are required to periodically review this area to support the annual Head of Internal Audit grant certification.
Remote Access	Additional pressure put upon the technological capabilities of the Council to allow staff to work from home during the pandemic.	10				10	An audit of the infrastructure and management of remote access will be carried out to provide assurance that IT systems are able to support the additional pressure placed on them from the Coronavirus Pandemic and provide assurance that continuous disruptions could be supported.
<b>Follow Up of audit recommendations</b>							
All previous audits NNDC	Risks identified in previous internal audit reviews remain unless mitigated through the completion of recommendations.	5	0	1.66	1.66	1.66	Follow up of recommendations. Evidence will be obtained from management to support completion of recommendations.
<b>Total number of days</b>		<b>129</b>	<b>0</b>	<b>9.66</b>	<b>82.7</b>	<b>36.66</b>	