

# Eastern Internal Audit Services



## NORTH NORFOLK DISTRICT COUNCIL

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

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

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## 1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high-level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities, this is set out in the Internal Audit Strategy.
- 1.3 Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).
- 1.4 The development of a risk-based plan takes into account the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.5 The 2020/21 Internal Audit plan was significantly revised in-year to respond to the Covid-19 Pandemic. The revised plan aimed to provide assurance over key themes that were identified as having an impact on the Council at that time and as a result of this exercise, it was identified that nine of the originally agreed internal audit areas would be replaced and deferred.
- 1.6 A total of eight areas have been carried over into the 2021/22 plan as they are considered to pose a risk to the achievement of the Council's objectives and pandemic recovery efforts. The remaining area, Cash Handling will continue to be assessed each year during internal audit planning. Testing of controls in this area will also be covered within the Income audit scheduled for 2021/22.
- 1.7 The following factors are also taken into account when developing the internal audit plan:
  - The risk profile and maturity of the Council;
  - Previous assurance gradings given in each area;
  - Any declarations to avoid conflicts of interest;
  - The requirements of the use of specialists e.g. IT auditors;
  - Striking the right balance over the range of reviews needing to be delivered, for example systems and risk-based reviews, specific key controls testing, value for money and added value reviews;
  - Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
  - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at Governance Risk and Audit Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.6 In accordance with best practice the Governance, Risk and Audit Committee should ‘*review and assess the annual internal audit work plan*’.

## 2. INTERNAL AUDIT CHARTER

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

## 3. INTERNAL AUDIT STRATEGY

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

## 4. STRATEGIC INTERNAL AUDIT PLAN

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

## 5. ANNUAL INTERNAL AUDIT PLAN

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

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

## APPENDIX 1 – INTERNAL AUDIT CHARTER



### EASTERN INTERNAL AUDIT SERVICES

#### INTERNAL AUDIT CHARTER FOR 2021/22

#### 1. Introduction

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

#### 1.6 Mission

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

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

#### 1.7 This charter:

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

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

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

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

### **Purpose**

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

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

### **Authority**

2.2.1 The Accounts and Audit Regulations (England) 2015, states that the relevant body must; *“undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”*. The statutory requirement for internal audit is recognised in the Constitution of each Local Authority and the internal auditing standards in this regard are the Public Sector Internal Audit Standards.

### **Responsibility**

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

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

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

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

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

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

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

### 3.2 Chief Audit Executive

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

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

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

### 3.3 Board

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

### 3.4 Senior Management

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

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

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

### 3.5 External Audit

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

### 3.6 Other Internal Audit Service Providers

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

## **4 Rights of Access**

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

## **5 Objective and Scope**

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



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

## **6 Independence and Objectivity**

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

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

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

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

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

## **7 Professional Standards**

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

## **8 Internal Audit Resources**

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

## **9 Audit Planning**

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

## **10 Audit Reporting**

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

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

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

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

### **11.3 Internal Assessment**

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

### **11.4 External Assessment**

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

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

11.4.2 An external assessment will:

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

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

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

## APPENDIX 2 – INTERNAL AUDIT STRATEGY



### EASTERN INTERNAL AUDIT SERVICES

#### INTERNAL AUDIT STRATEGY FOR 2021/22

## 1. Introduction

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

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

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

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

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

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

### 3.1 Internal Audit objective and outcomes

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

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

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

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

## 3.2 Internal Audit Planning

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

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

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

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

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

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

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

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

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

### 3.3 Internal Audit Annual Opinion

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

3.3.2 The opinion is based upon:

- The summary of the internal audit work carried out;
- The follow up of management action taken to ensure implementation of agreed action as at financial year end;
- Any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
- The Annual Review of the Effectiveness of Internal Audit, which includes;
  - A statement on conformance with the standards and the results of any quality assurance and improvement programme,
  - the outcomes of the performance indicators and
  - the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

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

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

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

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

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

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

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

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

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

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



### APPENDIX 3 – STRATEGIC INTERNAL AUDIT PLAN

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

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

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

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

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

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

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

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

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



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