

# Eastern Internal Audit Services



South Norfolk Council

Progress Report on Internal Audit Activity

Period Covered: 1 April 2022 to 26 September 2022

Responsible Officer: Faye Haywood – Head of Internal Audit for South Norfolk Council

## CONTENTS

1. INTRODUCTION .....	2
2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN .....	2
3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK .....	2
4. THE OUTCOMES ARISING FROM OUR WORK .....	2
5. UPDATE REGARDING OUTSTANDING INTERNAL AUDIT WORK FROM 2021/22.....	3
7. PROPOSAL .....	4
7. RECOMMENDATIONS .....	4
APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK.....	5
APPENDIX 2 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS .....	6
APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2020/21.....	7
APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2021/22.....	8

## 1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards requires the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues.
- 1.3 To comply with the above this report includes:
  - Any significant changes to the approved Audit Plan;
  - Progress made in delivering the agreed audits for the year;
  - Any significant outcomes arising from audits; and
  - Performance Indicator outcomes to date.

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

- 2.1 Since the plan's approval in March 2022, no significant changes to the plan have been made.

## 3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1**.
- 3.2 In summary 27.5 days of programmed work have now been completed, equating to 17% of the Internal Audit Plan for 2022/23.

## 4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

**Substantial Assurance:** Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

**Reasonable Assurance:** Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

**Limited Assurance:** Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

**No Assurance:** Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

- 4.2 Recommendations made on completion of audit work are prioritised using the following definitions:

**Urgent (priority one):** Fundamental control issue on which action to implement should be taken within 1 month.

**Important (priority two):** Control issue on which action to implement should be taken within 3 months.

**Needs attention (priority three):** Control issue on which action to implement should be taken within 6 months.

- 4.3 In addition, on completion of audit work “Operational Effectiveness Matters” are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.
- 4.4 During the period covered by the report, Internal Audit has not issued any reports in final. A total of one audit was scheduled for quarter 1 in the area of Community Activity. This work is nearing completion. The quarter two audits are scheduled to be issued in draft before 10 working days after quarter end.
- 4.5 During the period, at the request of management, an investigation has been carried out into the use of discounts and the write off of arrears at the Council’s leisure facilities. The investigation has resulted in recommendations regarding the creation of a formal policy in this area and better use of system notes to evidence the reason for any membership arrears being written off or discounts given. The investigation has also identified that one membership should be revoked.

## **5. UPDATE REGARDING OUTSTANDING INTERNAL AUDIT WORK FROM 2021/22**

- 5.1 SNC2213 Cyber Security has been issued in draft, and is awaiting formal management responses. Due to the significant nature of the risks, management have commissioned further work in this area from an external party. Once these have been received, the two pieces of work will be used to develop enhancements to the control framework which is at present indicated as a limited assurance. It is anticipated that the report and outcomes from this work will be reported to FRAG at the January 2023 meeting.
- 5.2 The Big Sky position statement has now concluded, and the results discussed with senior management and Big Sky. The Managing Director would like to hold a dedicated session to discuss the results and actions from this work in October 2022.

## **6. FOLLOW UP OF AGREED AUDIT RECOMMENDATIONS**

- 6.1 In addition to providing the Committee with the performance of internal audit relative to its plan, the Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action.
- 6.2 To comply with the above this report includes the status of agreed actions.
- 6.3 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently

taken is monitored by the Internal Audit Contractor on a regular basis and reported through to the Committee. Verification work is also undertaken for those recommendations that are reported as closed.

- 6.4 **Appendix 2** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round. A total of two urgent and 10 important recommendations are currently outstanding.

**Appendix 3** and **Appendix 4** provide the committee with details of urgent and important priority recommendations that are overdue by the year in which they were raised. Management responses and a new deadline have been indicated for each.

## 7. PROPOSAL

- a) The Finance, Resources, Audit and Governance Committee are requested to receive the Progress Report. In doing so the Committee is ensuring that the Internal Audit Service remains compliant with professional auditing standards.
- b) The Finance, Resources, Audit and Governance Committee are asked to receive the position in relation to the completion of agreed audit recommendations.

## 7. RECOMMENDATIONS

- 7.1 That members receive the report on progress in relation to the completion of the Internal Audit Plan for 2022/23 as at 26 September 2022.
- 7.2 That members discuss the position in relation to the completion of agreed internal audit recommendations as at 26 September 2022.

## APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
<b>Quarter 1</b>											
Community Activity	SNC2314	8	8	6	Fieldwork concluding.						
<b>TOTAL</b>		<b>8</b>	<b>8</b>	<b>6</b>							
<b>Quarter 2</b>											
Covid-19 Relief Grants	SNC2302	8	8	5	Fieldwork underway.						
Community Assets	SNC2312	8	8	5	Fieldwork underway.						
<b>TOTAL</b>		<b>16</b>	<b>16</b>	<b>10</b>							
<b>Quarter 3</b>											
Council Tax and NDR	SNC2308	15	15	3	Fieldwork underway.						
Risk Management	SNC2305	4	4	0.5	Scoping meetings held.						
Procurement and Contract Management	SNC2303	10	10	0							
Business Continuity and Emergency Planning	SNC2304	8	8	0							
Accounts Payable	SNC2306	10	10	0							
Local Council Tax Support and Housing Benefit	SNC2307	15	15	0							
Elections	SNC2315	8	8	1.5	Fieldwork underway.						
<b>TOTAL</b>		<b>70</b>	<b>70</b>	<b>5</b>							
<b>Quarter 4</b>											
Key Controls and Assurance	SNC2301	10	10	0							
Payroll and HR	SNC2309	8	8	0							
Economic Development	SNC2310	9	9	0.5	APM (Audit Planning Memorandum) in preparation.						
Housing Strategy and Affordable Housing	SNC2311	6	6	0							
Leisure	SNC2313	10	10	0							
<b>TOTAL</b>		<b>43</b>	<b>43</b>	<b>0.5</b>							
<b>IT Audits</b>											
Service Desk	SNC2317	5	5	0							
Post-Implementation Finance System	SNC2318	3	3	0							
Network Security and Infrastructure Management	SNC2316	9	9	0							
<b>TOTAL</b>		<b>17</b>	<b>17</b>	<b>0</b>							
<b>Follow Up</b>											
Follow Up	N/A	12	12	6							
<b>TOTAL</b>		<b>12</b>	<b>12</b>	<b>6</b>							
<b>TOTAL</b>		<b>166</b>	<b>166</b>	<b>27.5</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Percentage of plan completed</b>				<b>17%</b>							

## APPENDIX 2 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 1 April 2022 and 6 September 2022			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
Audit Ref	Audit Area	Assurance Level													
<b>2019/20 Internal Audit Reviews</b>															
SNC2006	Corporate Governance	Reasonable			1						0				
SNC2009	Income	Reasonable						1			1				
<b>2020/21 Internal Audit Reviews</b>															
SNC2102	Corporate Governance	Reasonable						1			1				
SNC2108	Key Controls and Assurance	Reasonable						1			1				
SNC2104	HR and Payroll	Reasonable						1			1				
SNC2112	Remote Access	Reasonable						1	1		2				
<b>2021/22 Internal Audit Reviews</b>															
SNC2206	Counter Fraud and Corruption	Limited								6	6				
SNC2201	Key Controls and Assurance	Reasonable									0		3	4	
SNC2203	Annual Governance Statement	Substantial								1	1				
SNC2207	Accounts Receivable	Limited									0	1	2	2	
SNC2208	Income	Reasonable									0		3	3	
SNC2209	Accountancy Services	Reasonable									0		2	1	
SNC2202	Performance Management, Business Planning	Reasonable						1			1				
SNC2214	Disaster Recovery	Limited				1			1	2	1	5	1	2	
SNC2211	Homelessness and Housing Options	Reasonable		2							0	0	2	1	
SNC2205	Corporate Health and Safety	Substantial			1						0				2
SNC2210	Covid-19 Business Grants	Reasonable						1			1				
<b>TOTALS</b>			<b>0</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>6</b>	<b>1</b>	<b>8</b>	<b>2</b>	<b>20</b>	<b>2</b>	<b>14</b>	<b>13</b>

### APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2020/21

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
SNC2104 HR and Payroll	Recommendation 3: The audit trail in the payroll system be improved so that it is possible to view the authorisation details for all claims submitted, including the authorising officer and the dates submitted and authorised.	2	Chief of Staff	30/06/2021	31/03/2023	4	Outstanding	The Oracle implementation has been delayed by Suffolk County Council. It is now looking like the move over will take place in the spring, although a firm date is still to be confirmed. With this in mind, it is requested that this recommendation is extended to end of March 2023.
SNC2112 Remote Access	Recommendation 1: The newly developed ICT & Digital Change Management Policy be adopted into the wider SPARK Transformation Programme as a basis for Corporate change management.	3	Assistant Director of ICT/Digital and Transformation	01/10/2021	31/12/2022	3	Outstanding	We are currently completing an ISO maturity assessment that will cover policy and procedure which is due to be completed by the end of June 2022. The outputs of this will then lead to a rewrite of all policies including any existing policies to ensure we are complying with industry standards. Based on the revised completion date of the maturity assessment and then need for circulation and sign off a revised due date of end of Q3 is requested.

## APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2021/22

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
SNC2214 Disaster Recovery	Recommendation 1. DR provision be considered for new systems.	Urgent	AD Transformation, Innovation and IT	01/09/2022	N/A	0	Complete, awaiting evidence	Recommendation complete, Head of Internal Audit is awaiting evidence to ensure recommendation can be closed.
SNC2214 Disaster Recovery	Recommendation 3. Regular DR tests be scheduled and undertaken.	Urgent	AD Transformation, Innovation and IT	01/02/2022	30/04/2023	2	Outstanding	ICT are working with Emergency Planning to agree the priority of systems in terms of Recovery Times. DR tests to be scheduled from April 2023, post the move to Horizon.
SNC2214 Disaster Recovery	Recommendation 4. A formal IT risk management process be developed to assess potential DR scenarios.	Important	AD Transformation, Innovation and IT	01/09/2022	31/12/2022	1	Outstanding	IT Risk Management framework is in draft, due for completion at the end of December 2022.
SNC2214 Disaster Recovery	Recommendation 5. Increasing the DR resilience at both Broadland and South Norfolk councils by sharing DR services be formalised.	Important	AD Transformation, Innovation and IT	30/06/2022	30/09/2022	1	Complete, awaiting evidence	Recommendation complete, Head of Internal Audit is awaiting evidence to ensure recommendation can be closed.
SNC2206 Counter Fraud and Corruption	Recommendation 3: A Counter Fraud and Corruption Strategy be devised, applying to all aspects of the Councils' business. This should be communicated throughout the Councils and acknowledged by those charged with governance. A strategy provides a framework for preventing and tackling bribery, fraudulent and corrupt acts against the Councils.	Important	AD Finance	30/04/2022	30/09/2022	3	Outstanding	The Fraud report will be going to Cabinet in September. The interim due date is now therefore end of September, and the reason for the change of due date is due to cabinet reports being deferred to September Cabinet meeting.
SNC2206 Counter Fraud and Corruption	Recommendation 4: Proactive work be undertaken to raise awareness of potential fraud.	Important	AD Finance	30/04/2022	30/09/2022	3	Outstanding	Update as above.
SNC2206 Counter Fraud and Corruption	Recommendation 5: A programme of work be introduced to improve staff awareness and responsiveness to fraud across the Council.	Important	AD Finance	30/04/2022	30/09/2022	3	Outstanding	Update as above.
SNC2206 Counter Fraud and Corruption	Recommendation 6: An annual fraud plan be devised, agreed by committee and reflect resources mapped to risks and arrangements	Important	AD Finance	30/04/2022	30/09/2022	3	Outstanding	Update as above.



Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
	for reporting outcomes. This plan should cover all areas of the local authority's business and include activities undertaken by contractors and third parties or voluntary sector activities.							
SNC2206 Counter Fraud and Corruption	Recommendation 7: The Councils to introduce an official programme to publicise fraud and corruption cases internally and externally, which is positive and endorsed by the council's communications team.	Important	AD Finance	30/04/2022	30/09/2022	3	Outstanding	Update as above.
SNC2206 Counter Fraud and Corruption	Recommendation 9: A fraud and corruption response plan should be devised to cover all areas of counter fraud work: prevention, detection, investigation, sanctions and redress.	Important	AD Finance	30/04/2022	30/09/2022	3	Outstanding	Update as above.