

Audit Committee
21 July 2022

Annual Report and Opinion 2021/22

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Portfolio: Finance

Ward(s) Affected: All

Purpose of the Report:

This report concludes on the Internal Audit Activity undertaken during 2021/22, it provides an Annual Opinion concerning the organisation's framework of governance, risk management and control and concludes on the Effectiveness of Internal Audit and provides key information for the Annual Governance Statement.

Recommendations:

- a) Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.
- b) Note that a **reasonable** audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2022.
- c) Note the conclusions of the Review of the Effectiveness of Internal Audit.

1. Summary

- 1.1 This report concludes on the Internal Audit Activity undertaken during 2021/22, it provides an Annual Opinion concerning the organisation's framework of governance, risk management and control and concludes on the Effectiveness of Internal Audit and provides key information for the Annual Governance Statement.

2. Background

- 2.1 In line with the Public Sector Internal Audit Standards, which came into force from 1 April 2013; an annual opinion should be generated which concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;

- A summary of the work that supports the opinion should be submitted;
- Reliance placed on other assurance providers should be recognised;
- Any qualifications to that opinion, together with the reason for qualification must be provided;
- There should be disclosure of any impairments or restriction to the scope of the opinion;
- There should be a comparison of actual audit work undertaken with planned work;
- The performance of internal audit against its performance measures and targets should be summarised; and,
- Any other issues considered relevant to the Annual Governance Statement should be recorded.

- 2.2 This report also contains conclusions on the Review of the Effectiveness of Internal Audit, which includes;

- The degree of conformance with the PSIAS and the results of any quality assurance and improvement programme;
- The outcomes of the performance measures for the Contractor; and,
- The degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

3. Current position/findings

- 3.1 The Annual Report and Opinion 2021/22 and the Review of the Effectiveness of Internal Audit are shown in the report attached.

4. Proposed action

- 4.1 For the Audit Committee to review the Annual Report and Opinion for 2021/22, and the Review of the Effectiveness of Internal Audit.

5. Issues and Risks

- 5.1 **Resource implications** – there are no resource implications arising from this report.
- 5.2 **Legal implications** – there are no legal implications arising from this report.
- 5.3 **Equality implications** – there are no equality implications arising from this report.
- 5.4 **Environmental impact** – there are no impacts on the environment arising from this report.
- 5.5 **Crime and disorder** – there are no impacts upon crime and disorder arising from this report.
- 5.6 **Risks** – These findings indicate that reliance can be placed on the opinions expressed by the Head of Internal Audit on the Governance, Risk Management and Control framework at Broadland, which can then be used to inform the Council's Annual Governance Statement.

6. Conclusion

- 6.1 The overall opinion is that the framework of governance, risk management and control at Broadland District Council for the year ended 31 March 2022 is deemed to be reasonable, representing a stable control environment.

It is also encouraging to note that nine assurance audits resulted in positive assurance.

- 6.2 The outcomes of the Effectiveness Review confirm that Internal Audit:

- Is compliant with the Public Sector Internal Audit Standards;
- Is continually monitoring performance and looking for ways to improve; and;
- Is substantially compliant with CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.

These findings therefore indicate that reliance can be placed on the opinions expressed by the Head of Internal Audit for Broadland, which can then be used to inform the Council's Annual Governance Statement.

7. Recommendations

- a) Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.
- b) Note that a **reasonable** audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2022.
- c) Note the conclusions of the Review of the Effectiveness of Internal Audit.

Background papers

None

Eastern Internal Audit Services



BROADLAND DISTRICT COUNCIL

Annual Report and Opinion 2021/22

Responsible Officer: Faye Haywood Head of Internal Audit for Broadland 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 (PSIAS) - require the Head of Internal Audit to provide a written report to those charged with governance (known in this context as the 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 2021/22, 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 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 AGS, but there are also a number of other important sources to which the 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 5**.

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 Managing Director 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 Management and Leadership Team and key stakeholders and then approved by the Audit Committee.

The Internal Audit plan was approved at the meeting held 24 June 2021.

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 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.

2.2.1 The opinion itself

The overall opinion in relation to the framework of governance, risk management and controls at Broadland is reasonable.

It is encouraging to note that of the 13 assurance audits completed within the year, nine have resulted in a positive assurance grading.

Substantial assurance was concluded in the following areas:

- Corporate Health and Safety
- Annual Governance Statement

A total of three assurance reports (Disaster Recovery, Counter Fraud and Corruption and Accounts Receivable) have received a Limited assurance grading.

We recommend that the urgent and important priority findings raised within these reports are referenced within the Council's Annual Governance Statement, until such time that verification work to demonstrate improvements are embedded is undertaken. A summary of those actions is provided in section 3.5 of this report.

The work for Cyber Security is now complete however the report is currently undergoing quality assurance processes. Four draft reports (Food Safety and Licencing, Key Controls and Assurance, Income and Accounts Receivable) have been issued in draft and require finalisation however their opinions as indicated have been relied upon for the purposes of this opinion.

One position statement has been completed for Council Tax Discounts and Exemptions; this work has suggested improvement actions for management consideration.

In providing the opinion the Council's risk management framework and 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 been taken into account.

The opinion has been discussed with the Corporate Management and Leadership Team 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 computer 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 140 days were originally included within the 2021/22 internal audit plan. A position statement on Council Tax Discounts and Exemptions was added to the plan taking the total to 149 delivered to date. The Cyber Security report is currently in final stages.

The 2021/22 plan has resulted in a total of 13 assurance reviews and one position statement being carried out. Nine of the 13 assurance reviews have received a positive assurance grading, a total of three have received a limited assurance grading.

The Executive Summaries of all assurance reports have been presented to 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 of the 39 recommendations agreed so far for 2021/22, 11 have been completed; three are outstanding; 25 are within deadline; and two have been rejected by management.

One 'needs attention' recommendation is outstanding from 2019/20; and a total of five (two 'important' and three 'needs attention') recommendations are outstanding from 2020/21.

Please refer to **Appendix 3**, which shows the details of the progress made to date in relation to the implementation of the agreed recommendations, and **Appendix 4**, which provides an update from management regarding important outstanding recommendations.

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

As stated in the opinion itself, three assurance reports have resulted in 'Limited' assurance (Disaster Recovery, Counter Fraud and Corruption and Accounts Receivable). We therefore recommend that the recommendations (four urgent and 12 important) raised in these reports are referenced within the Annual Governance Statement until such time that they can be verified as complete. The recommendations are summarised as follows:

Disaster Recovery (DR) - Urgent

1. DR provision be considered for new systems.
2. Council DR Plans be reviewed, updated, communicated and tested.
3. Regular DR tests be scheduled and undertaken.

Disaster Recovery (DR) - Important

1. A formal IT risk management process be developed to assess potential DR scenarios.
2. Increasing the DR resilience at both Broadland and South Norfolk Councils by sharing DR services be formalised.

3. Ensure that appropriate staff have DR responsibilities and skills/knowledge is refreshed.
4. Recovery time objectives be reviewed for existing systems and defined for new systems.

Counter Fraud and Corruption – Important (please note the two urgent recommendations raised have now been reported as complete)

1. A Counter Fraud and Corruption Strategy be devised, applying to all aspects of the Councils' business.
2. Proactive work be undertaken to raise awareness of potential fraud.
3. A programme of work be introduced to improve staff awareness and responsiveness to fraud across the Council.
4. An annual fraud plan be devised, agreed by committee and reflect resources mapped to risks and arrangements for reporting outcomes.
5. The Councils to introduce an official programme to publicise fraud and corruption cases internally and externally.
6. A fraud and corruption response plan should be devised to cover all areas of counter fraud work.

Accounts Receivable - Urgent

1. Sundry Debt reports to be run and reviewed regularly, with action taken as appropriate. Additionally, a plan should be developed to address the backlog of aged debts that has accrued with progress against the plan monitored.

Accounts Receivable – Important

2. Review of system controls to be completed to verify if there is a means of preventing duplicate Invoice/Credit Note document numbers being raised automatically.
3. The council take all steps to recover outstanding debts, including legal action, with documented decisions and rationale maintained for individual debts.

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 Internal Assessment

A checklist for conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note has been completed for 2021/22 covering; 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.

On conclusion of completion of the checklist conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

5.1.2 External Assessment

In relation to the Attribute Standards it is recognised that to achieve full conformance an external assessment is needed. This is required to be completed every five years, with the first review having been completed in January 2017 and the next due for October 2022.

The external assessment was undertaken by the Institute of Internal Auditors in 2017 and it has concluded that ***“the internal audit service conforms to the professional standards and the work has been performed in accordance with the Internal Professional Practices Framework”***. Thus, confirming conformance to the required standards.

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. Audit Committee Satisfaction – measured annually	Annual	Adequate	Good	Exceeded
2. Chief Finance Officer Satisfaction – measured quarterly	Annual	Good	Good	Achieved
<u>Internal Audit Process</u>				
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	Quarterly	100%	7%	Not achieved. One report issued within target.
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	Quarterly	100%	0%	Not achieved
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)		100%	100%	Achieved
6. Compliance with Public Sector Internal Audit Standards		Generally conforms	Generally conforms	Achieved
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.		100%	n/a	None raised
<u>Clients</u>				
8. Average feedback score received from key clients (auditees)		Adequate	Adequate	Achieved
9. Percentage of recommendations accepted by management		90%	95%	Exceeded
<u>Innovations and Capabilities</u>				
10. Percentage of qualified (including experienced) staff working on the contract each quarter		60%	88%	Exceeded
11. Number of training hours per member of staff completed per quarter		1 day	1 day	Achieved

5.2.2 Performance has not been in line within the boundaries of our agreed targets in some areas during 2021/22 such as the issuing of draft reports 10 day after quarter end and performance reports being provided within a 15 working day window after quarter end.

As reported Audit Committee throughout the year, Internal Audit performance has continued to be impacted in 2021/22 by the Covid-19 pandemic. The development and approval of the 2021/22 internal audit plan in quarter two had an impact on the profiling and resourcing of the internal audit plan. A period of adjustment was also required in response to prolonged remote working practices. Contractor resourcing and sickness were also a key challenge throughout the year.

This performance result has been experienced across the internal audit consortium in 2021/22. Resourcing levels did settle in time to ensure the 2021/22 plan of work could be completed.

In response to the challenges faced this year, the Head of Internal Audit has enhanced communication and monitoring arrangements. The contractor has also committed to reviewing resource planning processes by allocating resources and booking in audits well in advance of the proposed start date.

The 2021/22 procurement exercise has now concluded which will see the current contractor continue to provide the Internal Audit service. The Head of Internal Audit has used this opportunity strengthen the key performance measures around timeliness included within the contract.

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 the Assistant Director Finance for independent scrutiny and verification.

APPENDIX 1 – AUDIT WORK UNDERTAKEN DURING 2021/22

Audit Area	Assurance	No of Recs	Resolved	P1 OS	P2 OS	P3 OS	Not yet due
Annual Opinion Audits							
Key Controls and Assurance (DRAFT)	Reasonable	7	0	0	0	0	7
Performance Management, Business Planning	Reasonable	3	2	0	0	1	0
Annual Governance Statement	Substantial	3	2	0	0	0	1
Corporate Health and Safety	Substantial	3	0	0	0	0	3
Counter Fraud and Corruption	Limited	11	5	0	0	0	6
Accounts Receivable (DRAFT)	Limited	5	0	0	0	0	5
Income (DRAFT)	Reasonable	6	0	0	0	0	6
Accountancy Services	Reasonable	3	0	0	0	0	3
Covid-19 Business Grants	Reasonable	3	2	0	0	1	0
Homelessness & Housing Options	Reasonable	5	0	0	0	0	5
Food Safety and Licencing (DRAFT)	Reasonable	4	0	0	0	0	4
IT audits							
Cyber Security	TBC						
Disaster Recovery	Limited	8	0	0	1	0	7
Total		61	11	0	1	2	47

Assurance level definitions		Number
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.	2
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.	7
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.	3
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

APPENDIX 2 - ASSURANCE CHART

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Annual Opinion Audits						
Corporate Governance		Reasonable	Reasonable	Reasonable		
Risk Management			Maturity Assessment			X
Annual Governance Statement					Substantial	
Corporate Health and Safety					Substantial	
Counter Fraud and Corruption					Limited	
Procurement and Contract Management		Reasonable		Position Statement		
Business Continuity and Emergency Planning						X
Performance Management, Business Planning					Reasonable	
Key Controls & Assurance	Reasonable	Reasonable	Reasonable	Reasonable	X	X
Fundamental Financial Systems						
Accounts Receivable	Substantial		Substantial		X	
Income / Remittances	Substantial		Substantial		X	
Accountancy Services	Substantial		Reasonable		Reasonable	
Local Council Tax Support and Housing Benefits		Reasonable		Reasonable		X
Council Tax / NNDR		Substantial		Reasonable		X
Covid-19 Business Grants					Reasonable	
Accounts Payable		Reasonable		Reasonable		X
Payroll / HR		Reasonable		Reasonable		X

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Service Area reviews						
Broadland Growth	Reasonable		Reasonable			
Regulatory Services - Private Water Supplies, Assisted Burials and Environmental Protection.		Reasonable				
Waste Management						
Housing Strategy, Homelessness, Home Options and Affordable Housing			Limited		Reasonable	X
Private Sector Housing, includes Disabled Facilities Grants and loans			Substantial			
Elections						X
Environmental Health - Licensing, Food Safety	Substantial				Reasonable (DRAFT)	
Planning	Reasonable		Reasonable			
Community Activity						X
Community Assets						X
Economic Development				Position Statement		X
GP Referral Scheme	Reasonable					
IT Audits						
Remote Access				Reasonable		
Service Desk				Reasonable		X
Cyber Security		Reasonable			X	
Network Infrastructure Management						X
Network Security						
Data Back Up			Position Statement			
Disaster Recovery	Reasonable		Reasonable		Limited	
Social Media	Substantial					
Post-implementation Finance System						X
Planning Application	Limited					

APPENDIX 3 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed between 9 March 2022 and 31 March 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													
2019/20 Internal Audit Reviews															
BRD2011	Disaster Recovery	Reasonable					1				1				
2020/21 Internal Audit Reviews															
BRD2102	Corporate Governance	Reasonable					1				1				
BRD2105	Housing Benefit and Council Tax Support	Reasonable			1						0				
BRD2108	Key Controls and Assurance	Reasonable					1				1				
BRD2106	Council Tax and NNDR	Reasonable		1	1						0				
BRD2104	HR and Payroll	Reasonable					1				1				
BRD2112	Remote Access	Reasonable					1	1			2				
2021/22 Internal Audit Reviews															
BRD2210	Covid-19 Business Grants	Reasonable			1			1			1				
BRD2206	Counter Fraud and Corruption	Limited	2								0		6		
BRD2214	Disaster Recovery	Limited							1		1	2	4	1	
BRD2209	Accountancy Services	Reasonable									0		2	1	
BRD2203	Annual Governance Statement	Substantial			1						0			1	
BRD2211	Homelessness and Housing Options	Reasonable									0		4	1	
BRD2205	Corporate Health and Safety	Substantial									0				3
BRD2202	Performance Management, Business Planning	Reasonable		2				1			1				
TOTALS			2	3	4	0	2	6	1	0	0	9	2	16	7

APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS

2020/21

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
BRD2104 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	31/12/2022	3	Outstanding	The Oracle implementation has been delayed by Suffolk County Council. It is now looking like the move over will take place in the autumn, although a firm date is still to be confirmed. With this in mind, it is requested that this recommendation is extended to December 2022.
BRD2112 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.	2	Assistant Director of ICT/Digital and Transformation	01/10/2021	30/09/2022	3	Outstanding	Our approach to governing transformation has changed and although SPARK brand still exists we have moved to a portfolio approach of governing projects and programmes. As we recruit to the vacant posts this will become one of their key objectives to implement as part of the new approach and the project framework. Based on the above a revised due date of end of Q3 is requested.

2021/22

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
BRD2214 Disaster Recovery	Recommendation 3. Regular DR tests be scheduled and undertaken.	Urgent	AD Transformation, Innovation and IT	01/02/2022	30/09/2022	1	Outstanding	New Infrastructure project is ongoing with a completion timeline anticipated for July. The implementation of the new infrastructure will provide the platform for this can only be completed in line with the delivery and closure of this project. Recommend revised due date of end of Q2 to allow for any unforeseen potential project slippage.

APPENDIX 5 – 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 2021/22 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 to the Council is for the year ended 31 March 2022. 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.