

# Eastern Internal Audit Services



**Broadland District Council**

**Internal Audit Update - Progress and Follow Up**

**Period Covered: 1 April 2022 to 12 September 2022**

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

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## 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 22 days of programmed work have now been completed, equating to 14% 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 10 working days after quarter end.

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

- 5.1 BRD2213 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.

## **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 and eight needs attention priority recommendations are currently outstanding.

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

## 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                             | BRD2314   | 8           | 8            | 5              | Fieldwork underway.   |                 |                 |           |                 |          |                   |
| <b>TOTAL</b>                                   |           | <b>8</b>    | <b>8</b>     | <b>5</b>       |   |                 |                 |           |                 |          |                   |
| <b>Quarter 2</b>                               |           |             |              |                |   |                 |                 |           |                 |          |                   |
| Covid-19 Relief Grants                         | BRD2302   | 8           | 8            | 5              | Fieldwork underway.   |                 |                 |           |                 |          |                   |
| Council Tax and NNDR                           | BRD2308   | 15          | 15           | 0              |   |                 |                 |           |                 |          |                   |
| Community Assets                               | BRD2312   | 8           | 8            | 5              | Fieldwork underway.   |                 |                 |           |                 |          |                   |
| <b>TOTAL</b>                                   |           | <b>31</b>   | <b>31</b>    | <b>10</b>      |   |                 |                 |           |                 |          |                   |
| <b>Quarter 3</b>                               |           |             |              |                |   |                 |                 |           |                 |          |                   |
| Procurement and Contract Management            | BRD2303   | 10          | 10           | 0              |   |                 |                 |           |                 |          |                   |
| Business Continuity and Emergency Planning     | BRD2304   | 8           | 8            | 0              |   |                 |                 |           |                 |          |                   |
| Risk Management                                | BRD2305   | 4           | 4            | 0.5            | Scoping of the audit currently underway.  |                 |                 |           |                 |          |                   |
| Accounts Payable                               | BRD2306   | 10          | 10           | 0              |   |                 |                 |           |                 |          |                   |
| Local Council Tax Support and Housing Benefit  | BRD2307   | 15          | 15           | 0              |   |                 |                 |           |                 |          |                   |
| Elections                                      | BRD2315   | 8           | 8            | 1              | APM (Audit Planning Memorandum) issued on 11 July 2022. Fieldwork due to start on 4 October 2022. |                 |                 |           |                 |          |                   |
| <b>TOTAL</b>                                   |           | <b>55</b>   | <b>55</b>    | <b>1.5</b>     |   |                 |                 |           |                 |          |                   |
| <b>Quarter 4</b>                               |           |             |              |                |   |                 |                 |           |                 |          |                   |
| Key Controls and Assurance                     | BRD2301   | 10          | 10           | 0              |   |                 |                 |           |                 |          |                   |
| Payroll and HR                                 | BRD2309   | 8           | 8            | 0              |   |                 |                 |           |                 |          |                   |
| Economic Development                           | BRD2310   | 9           | 9            | 0.5            | APM (Audit Planning Memorandum) in preparation.   |                 |                 |           |                 |          |                   |
| Housing Strategy and Affordable Housing        | BRD2311   | 6           | 6            | 0              |   |                 |                 |           |                 |          |                   |
| <b>TOTAL</b>                                   |           | <b>33</b>   | <b>33</b>    | <b>0.5</b>     |   |                 |                 |           |                 |          |                   |
| <b>IT Audits</b>                               |           |             |              |                |   |                 |                 |           |                 |          |                   |
| Service Desk                                   | BRD2317   | 5           | 5            | 0              |   |                 |                 |           |                 |          |                   |
| Post-Implementation Finance System             | BRD2318   | 3           | 3            | 0              |   |                 |                 |           |                 |          |                   |
| Network Security and Infrastructure Management | BRD2316   | 9           | 9            | 0              |   |                 |                 |           |                 |          |                   |
| <b>TOTAL</b>                                   |           | <b>17</b>   | <b>17</b>    | <b>0</b>       |   |                 |                 |           |                 |          |                   |
| <b>Follow Up</b>                               |           |             |              |                |   |                 |                 |           |                 |          |                   |
| Follow Up                                      | NA        | 10          | 10           | 5              |   |                 |                 |           |                 |          |                   |
| <b>TOTAL</b>                                   |           | <b>10</b>   | <b>10</b>    | <b>5</b>       |   |                 |                 |           |                 |          |                   |
| <b>TOTAL</b>                                   |           | <b>154</b>  | <b>154</b>   | <b>22</b>      |   |                 | <b>0</b>        | <b>0</b>  | <b>0</b>        | <b>0</b> |                   |
| <b>Percentage of plan completed</b>            |           |             |              | <b>14%</b>     |   |                 |                 |           |                 |          |                   |

## APPENDIX 2 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

|                                       |   |                 | Completed between 1 April 2022 to 12 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> |   |                 |   |            |            |   |            |            |                   |            |            |                   |                                |            |            |
| BRD2011                               | Disaster Recovery                         | Reasonable      |   |            |            |   |            | 1          |                   |            |            | 1                 |                                |            |            |
| <b>2020/21 Internal Audit Reviews</b> |   |                 |   |            |            |   |            |            |                   |            |            |                   |                                |            |            |
| BRD2102                               | Corporate Governance                      | Reasonable      |   |            |            |   |            | 1          |                   |            |            | 1                 |                                |            |            |
| BRD2108                               | Key Controls and Assurance                | Reasonable      |   |            |            |   |            | 1          |                   |            |            | 1                 |                                |            |            |
| BRD2104                               | HR and Payroll                            | Reasonable      |   |            |            |   |            | 1          |                   |            |            | 1                 |                                |            |            |
| BRD2112                               | Remote Access                             | Reasonable      |   |            |            |   |            | 1          | 1                 |            |            | 2                 |                                |            |            |
| <b>2021/22 Internal Audit Reviews</b> |   |                 |   |            |            |   |            |            |                   |            |            |                   |                                |            |            |
| BRD2210                               | Covid-19 Business Grants                  | Reasonable      |   |            |            |   |            | 1          |                   |            |            | 1                 |                                |            |            |
| BRD2206                               | Counter Fraud and Corruption              | Limited         |   |            |            |   |            |            |                   | 6          |            | 6                 |                                |            |            |
| BRD2214                               | Disaster Recovery                         | Limited         |   |            |            | 1   |            |            | 1                 | 2          | 1          | 5                 | 1                              | 2          |            |
| BRD2209                               | Accountancy Services                      | Reasonable      |   |            |            |   |            |            |                   |            |            | 0                 |                                | 2          | 1          |
| BRD2203                               | Annual Governance Statement               | Substantial     |   |            |            |   |            |            |                   |            | 1          | 1                 |                                |            |            |
| BRD2211                               | Homelessness and Housing Options          | Reasonable      |   | 2          |            |   |            |            |                   |            |            | 0                 |                                | 2          | 1          |
| BRD2205                               | Corporate Health and Safety               | Substantial     |   |            | 1          |   |            |            |                   |            |            | 0                 |                                |            | 2          |
| BRD2202                               | Performance Management, Business Planning | Reasonable      |   |            |            |   |            | 1          |                   |            |            | 1                 |                                |            |            |
| <b>TOTALS</b>                         |   |                 | <b>0</b>  | <b>2</b>   | <b>1</b>   | <b>1</b>  | <b>2</b>   | <b>6</b>   | <b>1</b>          | <b>8</b>   | <b>2</b>   | <b>20</b>         | <b>1</b>                       | <b>6</b>   | <b>4</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  |
|---------------------------|--|-----------|--|------------|------------------|-------------------------|-------------|--|
| BRD2104<br>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. | Important | 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<br>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.  | Important | 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  |
|---|--|-----------|--------------------------------------|------------|------------------|-------------------------|-------------|--|
| BRD2214<br>Disaster Recovery            | Recommendation 1. DR provision be considered for new systems.  | Urgent    | AD Transformation, Innovation and IT | 01/09/2022 | N/A              | 0                       | Outstanding | No response received.  |
| BRD2214<br>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 2022. 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. |
| BRD2214<br>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 | N/A              | 0                       | Outstanding | No response received.  |
| BRD2214<br>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                       | Outstanding | Please see response provided for recommendation 3.   |
| BRD2206<br>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 was considered (and approved) by the BDC SIEC Committee on 24 August 2022. This is now going onto Cabinet this month. 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.  |
| BRD2206<br>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 | As above.  |
| BRD2206<br>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 | As above.  |



| Job                                     | Recommendation  | Priority  | Responsible Officer | Due Date   | Revised Due Date | Number of times revised | Status      | Latest Response |
|---|---|-----------|---------------------|------------|------------------|-------------------------|-------------|-----------------|
| BRD2206<br>Counter Fraud and Corruption | Recommendation 6: An annual fraud plan be devised, agreed by committee and reflect resources mapped to risks and arrangements 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. | Important | AD Finance          | 30/04/2022 | 30/09/2022       | 3                       | Outstanding | As above.       |
| BRD2206<br>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 | As above.       |
| BRD2206<br>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 | As above.       |