



## Appendix A

### Overview of Internal Audit Activity, 12 Months to 31<sup>st</sup> March 2020

#### 1. Introduction

- 1.1 The work completed by Internal Audit for the Financial Year 2019/20 is reported here to the Joint Audit and Standards Committee.
- 1.2 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013, were revised on 1 April 2016 and further revised on 1 April 2017.

The standards require periodic self-assessments and an independent assessment, by an external source, every five years.

An external review was carried out during February 2018 where the External Assessor identified **no areas of non-compliance** with the standards that would affect the overall scope or operation of the internal audit activity.

**Furthermore, the team were commended for their structured and focussed approach. Auditees clearly value their input, requesting reviews, consultancy and their advice.**

A few minor areas were identified where the standards have not been followed. The External Assessor made some practical and pragmatic recommendations to address these. Since this was last reported to the Committee the Corporate Manager – Internal Audit has materially completed these actions.

#### 2. Internal Audit reports with Adverse Opinions

- 2.1 2 audits with an audit opinion of 'Limited Assurance' have been issued during the year and are detailed below. All audits conducted are listed in Section 6 below.

The reviews that returned an audit opinion on the control environment of "Limited Assurance' in the last financial year (2018/19) where actions were outstanding have been kept under review by audit and, where appropriate, the management actions have been reassessed with the appropriate manager. These audits, with their present status are outlined below:

##### 2018/19

1. Land Charges (Fee reconciliations) (to be revisited following conclusion of the management review)
2. Sourcing contracts and tendering process and contract management (to be revisited following conclusion of the management review)

3. Contract spend (to be revisited following conclusion of the management review)
4. Governance – Gifts and hospitality and Declarations of Interest (audit closed)
5. Housing Delivery (request from management to follow-up during 2020/21)
6. Payroll (audit closed)

2019/20

7. Workplace security
8. IT purchases

2.1.1 2018/19 Land Charges (Fee Reconciliations): Internal Audit Opinion: “Limited Assurance”

| Key Risk  | Issue Raised   | Management Response   |
|---|--|---|
| Fee income is not recognised through inadequate processes and controls.   | Fee levels have not been reviewed recently; nor the two largest self-billing customers’ invoices reconciled to searches conducted. | We need to annually review the land charges search fees to ensure that the income covers the cost of delivery of the service, which is currently the case.<br><br>Formal annual reviews to be established.<br><br>Regular reconciliation of searches against income will be established, along with a retrospective reconciliation. |
| <p>Present status at this report date:</p> <p>The full reconciliation of income against delivery cost, including the two largest self-billing customers, will be carried out in parallel with phase 3 of the management review and a further proposed restructure in 2020. Considerations will still need to be given to capital costs of service improvement which now fall across multiple services following the management restructure.</p> |  |   |

2.1.2 2018/19 Sourcing contracts and tendering process and contract management: Internal Audit Opinion: “Limited Assurance”

| Key Risk  | Issue Raised  | Management Response  |
|---|---|--|
| The Councils are vulnerable to reputational and financial risks as contracts may fail to meet performance expectations, exceed budget and/or breach compliance. | Although no issues were identified during testing, due to a lack of meeting minutes, it was not clear for all contracts tested, what actions take place to address any service delivery issues should they arise. | Many of the recommendations made within this report could potentially be addressed through appropriate training provided to the Contract Managers which they would benefit from. |

|  |   |  |
|--|---|--|
| <p>Poor communication with contractor fails to correct performance.</p>  | <p>It could not be:</p> <ul style="list-style-type: none"> <li>• Evidenced that contracts include expected performance measures and associated penalties for not meeting these.</li> <li>• Confirmed that appropriate contractor insurance is in place as no evidence was obtained by contract managers.</li> </ul> | <p>It remains however, the responsibility of Managers to manage this process once equipped with the tools to do so.</p> <p>Furthermore, consideration could be given to escalating these issues to the Procurement Board which would strengthen this course of action.</p> |
| <p>Present status at this report date:</p> <p>The Corporate Manager for Finance and Commissioning and Procurement has commissioned a piece of work with the East of England Local Government Association to undertake a review of the entire commissioning and procurement function. This review will involve a workshop, interviews and a survey to understand how this function is operating within the organisation, with recommendations for best practice and a programme of implementation for improvements to follow, including a training programme for managers on effective contract management and establishing their responsibilities.</p> <p>The team have now migrated all paper contracts to Suffolk Sourcing which is the software the Council has opted to use used for contract management, the next phase with be a training programme for all Corporate Managers/contract owners which will assist them with effective contract management.</p> <p>Whilst a Business Partner model operates within this area, the Corporate Manager acknowledged that this required reviewing. Therefore, a workshop for all Corporate Managers and Assistant Directors took place in February 2020 to explore how this is working and how this can be improved.</p> |   |  |

### 2.1.3 2018/19 Contract spend: Internal Audit Opinion: 'Limited Assurance'

| Key Risk  | Issue Raised   | Management Response  |
|---|--|--|
| <p>Loss of money through poor and/or inadequate contractual arrangements for supplier services.</p> | <p>Inconsistent operating model to describe relationship and service provision between Contract Manager and the Finance and Procurement Business Partners.</p> | <p>Whilst management have responded positively to the findings and recommendations in the report it is recognised that the Councils' operational services are embarking on a significant restructuring. Whilst the principles of the findings should not be lost it is likely that the detail of how and when they will be considered and enacted is presently open.</p> |

Present status at this report date:  
 The same comments refer as reported in 2.1.2 above

2.1.4 2018/19 Governance – Gifts and Hospitality and Declarations of Interest: Internal Audit Opinion: “Limited Assurance”

| Key Risk   | Issue Raised  | Management Response   |
|--|---|---|
| Undeclared gifts or interests may lead to challenges of independence; of inability to demonstrate fair and lawful actions; and a lack of transparency to our stakeholders.   | Staff gifts, hospitality and ‘declarations of interest’ are not subject to review and would appear that not all staff are aware of this log and procedures to report. | Online form generated. A user guide to go alongside this is being produced and a process for logging completed forms is to be agreed.<br><br>All Senior staff are currently required to complete annual related party transaction declarations which covers part of the Declaration of Interests already. |
| <p>Present status at this report date: (Sufficient) Reasonable assurance</p> <p>Officers are working on a common corporate approach for registering and monitoring Declaration of Interests and Gifts and Hospitality. Once agreed, communications will go out to all officers and Councillors and will also form part of the induction process.</p> |   |   |

2.1.5 2018/19 Housing Delivery: Housing Delivery: Internal Audit Opinion: ‘Limited Assurance’

| Key Risk   | Issue Raised  | Management Response   |
|--|---|---|
| <p>Statutory and regulatory obligations are not complied with (e.g. servicing of boilers; fire alarms; etc.)</p> <p>Failure to implement an agreed Compliancy Action Plan may lead to a lack of focus and critical deadlines for compliance improvements being missed.</p> | <p>Without full confidence that all relevant Council owned properties are registered on the Open Housing (OH) system, no assurance can be given that the Councils are compliant in meeting the required housing servicing and maintenance checks.</p> <p>Close liaison between the Corporate Asset Register and the OH system should continue to ensure all known properties meet the required standards.</p> | <p>An Interim Corporate Asset Manager has recently been appointed to undertake this task.</p> |

Present status at this report date:

An Interim Building Services Manager was appointed in November 2019 and their role is to focus on ensuring Babergh and Mid Suffolk are compliant as a Landlord by conducting a review.

As a result, in the past two months a full audit of Gas Compliance has taken place with work undertaken to check compliance as well as policy and procedural changes to ensure we are compliant going forward.

The focus has now moved on to Fire Safety and Legionella.

As a result of the recent housing consultation the planned staffing structures now support an Asset Compliance Manager and the introduction of an Administration Team Leader focussed on Compliance management. In addition, a dedicated inhouse Asbestos Surveyor has been introduced rather than relying solely on external contractors.

The development of a business case in relation to a Joint Venture between Babergh, Mid Suffolk and Flagship Housing includes measuring compliance and identifying any gaps with a plan to close those gaps, thereby ensuring compliance. These matters were recently raised with the Chief Executive and the Health and Safety Board. Future corporate awareness will be achieved through the development of a Corporate Compliance dashboard, which is now in development.

Housing would like to see in the 2020/21 Corporate Audit Plan a focus on checking controls and procedures as well as the compliance of individual Council owned properties. Note: Internal Audit have brought this work forward and commissioned an external provider to undertake the review. Work is currently in progress.

#### 2.1.6 2018/19 Payroll: Internal Audit Opinion: 'Limited Assurance'

| Key Risk   | Issue Raised  | Management Response  |
|--|---|--|
| Penalty or censure arising from incorrect treatment for contractors and temporary employees assessed as inside IR35. | A lack of awareness of the legislation by Corporate Managers. | <p>A recruitment policy has been drafted and includes IR35 guidance. The policy will be published on Connect, promoted in Working Together and in Managers' Monthly email 'Bulletin'.</p> <p>The Interim Corporate Manager will also liaise with the Corporate Manager, Finance to ensure Commissioning and Procurement and Human Resources agree the best internal process.</p> |

Present status at this report date: (Sufficient) Reasonable assurance

IR35 guidance has been produced, communicated to staff and published on 'Connect'.

- 2.2 As well as conducting audit reviews Internal Audit had significant involvement within the period in a variety of different Council activities/issues, which included:

Section Reference:

- 3 Council Governance**
- 4 Risk Management**
- 5 Probity**
- 6 Audits conducted**
- 7 Business support activities**

### **3 Council Governance**

#### **3.1 Annual Governance Statement (AGS)**

Internal Audit has led on the production of the AGS which was completed again as at the end of the financial year 2019/20, presented to this Committee today, 27<sup>th</sup> July 2020, alongside an Assurance Mapping exercise across the Councils designed to identify gaps in good practice and aid the 2019/20 Internal Audit planning process.

#### **3.2 Statutory Officers Working Group**

The Corporate Manager – Internal Audit and Data Protection sits on this group to provide appropriate professional guidance and advice on a range of governance matters. This group also has responsibility for managing Information Governance and compliance with the requirements of the Information Governance General Data Protection Regulation (GDPR) 2018.

#### **3.3 Deputy Monitoring Officer**

The Corporate Manager - Internal Audit and Data Protection undertakes the role of Deputy Monitoring Officer for the Councils with the specific duty to ensure that the Councils, their officers, and Elected Councillors, maintain the highest standards of conduct in all they do, pursuant to Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.

#### **3.4 Developing our Values**

The Councils have championed a development of values through a natural work team approach. The Corporate Manager - Internal Audit and Data Protection believes that a clear set of values and behaviours is a cornerstone to supporting good governance and has provided team resource to support the project.

## **4 Risk Management**

4.1 It is the role of the Audit and Risk Management Services team within the Councils to provide support, guidance, professional advice and the necessary tools and techniques to enable the Councils to take control of the risks that threaten delivery at a strategic and operational level. The role of the team is also to provide a level of challenge and scrutiny to the risk owners. The work of the team will be directed to affect the achievement of the following risk management objectives:

- Align the organisations culture with the risk management framework
- Integrate and embed the risk management framework across the organisations
- Enable the organisations to recognise and manage the risks it faces
- Minimise the cost of risk
- Anticipate and respond to emerging risks, internal and external influences and a changing operating environment
- Implement a consistent method of measuring risk

4.2 As part of good governance, the Councils' manage and maintain a register of its Significant Risks and Operational Risks - assigning named individuals as responsible officers for ensuring the risks and their treatment measures are monitored and effectively managed. Full details of the Significant Risk Register and the work overseen by the Audit and Risk Management Services Team is subject to a separate report being presented to this Committee today.

## **5 Probity**

5.1 Full details of the anti-fraud and corruption work undertaken during the year is subject to a separate report being presented to this Committee today entitled 'Managing the Risk of Fraud and Corruption'.

5.2 The data requirements and data specifications for the 2019/20 National Fraud Initiative (NFI) exercise commenced in October 2019 using the NFI's secure electronic upload facility. Elections and single person discounts data were uploaded in December 2019. Final outcomes are to be confirmed, but already the exercise has identified one case with a recoverable overpayment of £6,300. The overpayment was caused by the claimant not notifying that they were a full-time student and in receipt of student finance.

5.3 The release of matches of information across all the contributor's data is managed on a risk-based approach by the system users, supported by Internal Audit. The system users access their data from the NFI and can investigate, in conjunction with the matched partner / contributor, to evaluate the potential fraud indicated by the match.

## **6 Audits conducted**

6.1 In line with the 2019/20 Internal Audit Plan reporting of outcomes is associated with all the Councils' strategic themes and are reported below, with their associated audit opinion on the control environment.

## 6.1.1 Health of the Organisation

| AUDIT  | PURPOSE OF AUDIT   | KEY RISK(S)  | SUMMARY OF KEY FINDINGS  | AUDIT OPINION   |
|--|--|--|--|---|
| 1<br>Receivables<br>(Focus on debt management, analysis and reporting) | Audit has worked with Finance Staff to review and evaluate the revised working practices in the transaction team.  | Monies due to the Councils are not recognised, accounted for or collected on a timely basis.   | This was consultative and advisory work and does not result in a report with findings.<br>However, this area will be subject to a subsequent review in early 2020/21.  | No formal opinion is currently offered.                   |
| 2<br>BMS Invest  | As reported to the Board (BDC Suffolk Holdings Ltd and MSDC Suffolk Holdings Ltd) in June 2018 the audit approach would follow several stages of review. The first, Governance, has been concluded and the next area proposed was the transactional testing, to verify the key processes and procedural controls created by management are fit for purpose and operating as planned. | General considerations are insufficient to ensure best fit to company strategy.<br>Legal and money laundering considerations are not sufficiently robust or not undertaken in early due diligence.<br>An inappropriate tenant is engaged in the property.<br>Financial investment and risk considerations are ineffective. | Acquisitions selected confirmed that appropriate controls were in place for all aspects reviewed:<br>* Market research undertaken was appropriate and complete.<br>* Adequate consideration has been given to legal implications of the acquisitions.<br>* Appropriate money laundering checks were undertaken<br>* Terms of tenancies detail roles and responsibilities of tenants.<br>* Risks are managed and monitored at Board level with Council oversight. | Substantial assurance                                     |
| 3<br>General Ledger  | To review the controls in operation in both the structure and management of the operating system and the associated key reconciliations between the host and feeder systems to ensure that posting accuracy and financial integrity are assured.   | Control accounts and reconciliations are mismanaged or ineffective and mis-posting may go unnoticed.   | Reconciliations of the principal control accounts were at the time of testing found to be performed regularly and on a timely basis.   | (Sufficient) Reasonable assurance                         |
| 4<br>IT purchasing   | Following a request from the Assistant Director, Customer Services, Digital Transformation and Improvement, Internal Audit reviewed the adequacy of internal controls operating under the ordering, receiving  | Unauthorised IT purchases may be made.   | There is no internal proof of IT goods received to confirm against the purchase order. Furthermore, there is no formal monitoring or records   | Limited Assurance<br>(Follow-up planned by early 2020/21) |

|                                    |  |  |   |   |
|------------------------------------|--|--|---|---|
|                                    | and payment of IT equipment.   |  | maintained of who receives the equipment. This provides a further risk to the Council of potential loss of assets.  |   |
| 5<br>Corporate<br>Payment<br>Cards | With the introduction of a new payment card user guide in January 2019 the audit sought to gain assurance that appropriate controls are in place and operating effectively in relation to usage.               | Non-compliance with user guide.<br><br>Cardholders may not be appropriately trained.<br><br>Fraudulent spending patterns may go undetected.  | The purchase card process in place appears to be working well with the expected levels of control in place and operating effectively. Some minor recommendations have been made to further strengthen record keeping ensuring a full audit trail of authorisation is maintained.  | (Sufficient)<br>Reasonable<br>assurance |
| 6<br>Fees and<br>Charges           | A review of the Councils fees and charges was included within the 2019/20 Audit Plan to identify any new potential income streams, benchmark to other authorities and gain assurances of oversight and review. | There may not be adequate oversight of charging processes within service areas.<br><br>Fees and charges may be inappropriate and the Councils may miss opportunity to bring in more revenue.<br><br>The Councils may lose business if their fees and charges are not competitive with other providers. | Fees and Charges are updated annually as part of the budget setting process.<br><br>The introduction of a Fees and Charges Policy, including the requirement for service managers to carry out more active use of benchmarking/market intelligence when setting fees and charges, would help ensure that they are comparable with others. | (Sufficient)<br>Reasonable<br>assurance |
| 7<br>Treasury<br>Management        | Policy, strategy, procedures and behaviours. Cash management, transaction processing, CHAPS and BACS processing, and reconciliation and oversight.   | Discrepancy in loan terms may go undetected.<br><br>Performance may be poor and go undetected.<br><br>Errors and anomalies would go undetected.  | No significant or undetected material errors or omissions were determined in banking, investment or ledger postings.  | Substantial<br>Assurance                |

|  |  |  |  |  |
|--|--|--|--|--|
|  |  | Inappropriate arrangements may be used |  |  |
|--|--|--|--|--|

### 6.1.2 Housing

| AUDIT                           | PURPOSE OF AUDIT   | KEY RISK(S)   | SUMMARY OF KEY FINDINGS   | AUDIT OPINION  |
|---------------------------------|--|---|---|--|
| 8<br>Voids                      | The purpose of the audit was to provide assurance that effective controls and processes are in place for managing void properties.                                     | <p>Processes and procedures to obtain notification of empty property and promotion of empty properties are inadequate.</p> <p>Inadequate prioritisation and assessment of the potential tenant results in the property remaining empty.</p> <p>Appropriate decisions and actions not being taken to support the effective operation to resolve empty and void properties.</p> | <p>Statutory obligations and KPIs are met diligently by all members involved in the voids process.</p> <p>Levels of management oversight, reporting and scrutiny were found to be appropriate.</p> <p>The only recommendations made in this report relate to possible considerations to further improve the security of council properties generic pins, mitigating any misuse of them to gain unauthorised access.</p> | (Sufficient)<br>Reasonable<br>assurance  |
| 9<br>Disabled Facilities Grants | This audit focused on the administration function to ensure grants are awarded in accordance with the Councils' criteria and the conditions set by Central Government. | Funding is not given to the correct people, meeting the correct criteria or reclaimed appropriately.  | The conditions attached to the Disabled Facilities Capital Grant Determination (2018-19) No [31/3337] have been complied with.  | Prescribed declaration presented to the Ministry for Housing, Communities and Local Government via the administrating authority, Suffolk County Council. |

|               |  |  |                            |   |
|---------------|--|--|----------------------------|---|
| 10<br>Housing | Ascertain and report on the systems and processes the Councils have in place to ensure compliance and provide assurance that these are designed and operating effectively in relation to health and safety and building safety compliance. | Failure to implement an agreed Compliancy Action Plan may lead to a lack of focus and critical deadlines for compliance improvements being missed. | Currently work in progress | - |
|---------------|--|--|----------------------------|---|

### 6.1.3 Customers and Wellbeing

| AUDIT                    | PURPOSE OF AUDIT  | KEY RISK(S)   | SUMMARY OF KEY FINDINGS  | AUDIT OPINION   |
|--------------------------|---|---|--|---|
| 11<br>Workplace security | The audit sought to provide management with reasonable, but not absolute, assurance on the adequacy and effectiveness of key controls relating to building security through site visits; security of information within the buildings; and compliance with the Councils' IT policies. | <p>Access to the workplace is not secure and controlled.</p> <p>Passwords are not kept confidential.</p> <p>Printing is not secure and sensitive data is not disposed of safely.</p> <p>IT equipment is not kept secure at all times.</p> | <p>Council responsibility for Health and Safety issues in Endeavour House unclear.</p> <p>Instances were identified at Endeavour House and Creeping Road depot where IT and security policies and procedures have not been followed.</p> | Limited Assurance<br>(Follow-up planned by the early 2020/21) |

6.2 In undertaking this work there was due consideration to ensure that Internal Audit maintained its objectivity and independence. The prioritisation of work took account of the requirements of the approved audit plan.

Objectivity was maintained in that the auditors had no personal or professional involvement with or allegiance to the area audited. The determination of appropriate parties to which the details of an impairment to independence or objectivity is disclosed was dependent upon the expectations of the activity and was expressed during the planning of each audit.

Annual declarations of interest were signed by each auditor.

6.3 Work conducted during the year compared to the approved 2019/20 Audit Plan

The audit plan was approved by this Committee (Paper JAC/18/20) and initially Internal Audit work conducted is derived from this source. The Corporate Manager Internal Audit and Data Protection exercised discretion at the time of drafting the specific audit brief to ensure that the work was still appropriate and of a sufficient risk ranking to continue the review.

Of those audits proposed in the plan some were not undertaken, largely as a result of losing audit resources and through the management review where service areas were being restructured and were potential added value would be limited:

- ‘Capital Accounting’, which given the material focus provided each Year End by External Audit (due to the materiality in the Financial Accounts), was deemed within Risk Appetite by the Corporate Manager Finance.
- ‘Procurement/Contract Management’, the Corporate Manager for Finance and Commissioning and Procurement commissioned a piece of work with the East of England Local Government Association to undertake a review of the entire commissioning and procurement function. Resultant recommendations for best practice and a programme of implementation for improvements will be followed up by an audit during 2020/21.
- ‘Budgetary Control’, the Corporate Manager for Finance and Commissioning and Procurement is to undertake a review of the budgetary control framework and its application. Resultant recommendations for best practice and a programme of implementation for improvements will be followed up by an audit during 2020/21.
- ‘Peer Challenge’, the Peer Challenge organised through the Local Government Association was deferred into 2020/21 although has now been put on hold as a result of COVID-19.

## 6.4 Performance review

6.4.1 In line with the findings on the external review undertaken in February 2018 Audit clients continue to express a high level of satisfaction with the service delivered. The latest figures are based on a 70% return of the completed customer satisfaction surveys.

|  | 18/19 | 19/20 |
|--|-------|-------|
| <b>Before the Audit</b>  |       |       |
| Were you given adequate notification of the audit?   | 100%  | 100%  |
| Were you informed of the audit objectives?   | 100%  | 100%  |
| Were you able to discuss with the auditor the risks you felt should be addressed?  | 100%  | 100%  |
| <b>Carrying out the Audit</b>  |       |       |
| Did you feel that an environment of trust and confidence was achieved?   | 100%  | 100%  |
| Was the audit carried out in an efficient and timely manner?   | 100%  | 100%  |
| If not, were you kept informed of the progress towards final report?   | 100%  | 100%  |
| Did the auditors work in a professional and helpful manner, with appropriate integrity?  | 100%  | 100%  |
| <b>Reporting the Audit</b>   |       |       |
| Were you given the opportunity to discuss the findings with the auditor throughout the audit as well as at draft report stage? | 100%  | 100%  |
| Were the findings adequately supported by evidence?  | 100%  | 100%  |
| Were the recommendations in the final report practical?  | 100%  | 100%  |

|   |      |      |
|---|------|------|
| Was the report issued in a timely manner following testing? | 100% | 100% |
| <b>Will the audit improve internal controls?</b>            | 100% | 80%  |
| <b>Will the audit enable you to improve your service</b>    | 100% | 80%  |
| <b>Overall, how would rate the audit?</b>                   |      |      |
| Excellent   | 80%  | 85%  |
| Good  | 10%  | 15%  |
| Satisfactory  | 10%  |      |
| Poor  |      |      |
| <b>Did the Auditor demonstrate the Councils' values?</b>    |      |      |
| Our People  |      | 100% |
| Our Customers   |      | 100% |
| Being Open and Honest                                       |      | 100% |
| Taking Ownership  |      | 100% |
| Being Ambitious   |      | 100% |

6.4.2 Internal Audit continue to perform well against the agreed Key Performance Indicators. The reduction in time between draft and final reports has been influenced by the discussions on management actions arising from audits.

The reduced percentage of the audit plan delivered is as a result of a reduction in available audit resources and the timing of the management review, which included a review of the Internal Audit service provision by the Corporate Manager – Internal Audit and Data Protection – refer to section 8.

|   | Key Performance Indicator   | Target             | 18/19 | 19/20 |
|---|---|--------------------|-------|-------|
| 1 | 100% audit recommendations accepted by management.  | 90%                | 100%  | 100%  |
| 2 | % high priority recommendations implemented.  | 100%               | 100%  | 100%  |
| 3 | % of individual audit system reviews completed within target days or prior approved extension by the Corporate Manger – Internal Audit. | 100%               | 100%  | 100%  |
| 4 | Average Number of days between the issue of Internal audit briefs and commencement of audit fieldwork.                                  | 10 working days    | 6     | 5     |
| 5 | Average Number of days between the completion of audit fieldwork and issue of draft report.   | 10 working days    | 6     | 5     |
| 6 | Average Number of days between the issue of the draft and final report.   | 15 working days    | 15    | 9     |
| 7 | The % of internal audits completed to the satisfaction of the auditee.  | 80% 'Satisfactory' | 100%  | 100%  |
| 8 | Percentage of the audit plan completed - (below target as a result of reduced audit resources and impact of management review)          | 90%                | 86%   | 73%   |

## **7 Business support activities**

7.1 Babergh and Mid Suffolk District Councils and West Suffolk Council commissioned a joint review into the implementation and delivery of the Shared Legal Services team. The Corporate Manager – Internal Audit and Data Protection was part of a team that undertook a light touch gateway review, which involved interviewing key officers who use the service, with a view to take the learning from what has been achieved and to look at opportunities for further developing the service.

7.2 Internal Audit aim to retain close working relationships with colleagues and have provided support and advice on proposed system and control developments, enhancements and changes. The material of which have been described above.

In addition, Internal Audit will undertake specific investigations and reviews at the request of management. These are often not in the original audit plan and, if not appropriate to an existing piece of work, are conducted at the discretion of the Corporate Manager - Internal Audit and Data Protection.

## **8. Resources**

8.1 Subsequent to the 2018/19 year end the Specialist Lead for Internal Audit, has retired, leaving a resource shortfall in the team. The position has been further compounded by the appointment of the Specialist Lead for Risk Management to a role within the Councils' Finance Team, effective from 9<sup>th</sup> December 2019. A current recruitment campaign for the Specialist Lead for Audit proved unsuccessful.

8.2 With the latest resource shortfall the Corporate Manager – Internal Audit and Data Protection produced a report for senior management to consider the options open to the Councils for the future provision of its Internal Audit service. The report considered the advantages and disadvantages of the available options, supported by costs, where appropriate.

8.3 Subject to further discussions over a shared service model, senior management agreed that the option of working with an external partner makes good sense and one that would potentially best suit the business needs of the Councils. A combination of a core in-house team boosted by an external resource will allow us to achieve a level of flexibility, which can be critical in effectively dealing with a range of operational issues and enables access to valuable and diverse specialised skills as needed.

## **9 Professional Practice**

### 9.1 Membership of audit bodies

It is important to keep abreast of best professional practice. Internal Audit has strong links with audit colleagues both within Suffolk and nationally and are members of the Suffolk Working Audit Partnership (SWAPs) and the Midland Audit Group.

### 9.2 Public Sector Internal Audit Standards (PSIAS)

The team have fully reviewed their working practices to ensure that our Internal Audit documents and processes comply with, and can be evidenced to, the PSIAS.

This has resulted in a refining of the Internal Audit Charter Strategy; Internal Audit Services Manual; Internal Audit Risk Log; Quality Assurance and Improvement Programme; procedure notes; and working papers. These documents are published on the Councils' intranet, 'Connect', and remain subject to regular review. Subsequent to this exercise the actions arising from the review are materially implemented.

### 9.3 Independence

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations.

The Corporate Manager – Internal Audit and Data Protection is also responsible for overseeing the risk management and most recently following the phase 2 management review data protection arrangements across both Councils. Each of these roles has an independent sponsor to champion reports and proposals. These are vested in the Assistant Director, Law & Governance and Monitoring Officer.

## **10 Audit opinion**

10.1 The Corporate Manager – Internal Audit and Data Protection is responsible for the delivery of an audit opinion and report that can be used by the Councils to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

10.2 In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no significant weaknesses in the processes reviewed. In assessing the level of assurance to be given, the Corporate Manager – Internal Audit and Data Protection has based his opinion on:

- Written reports on all internal audit completed during the course of the year, both assurance and consultancy;
- Results of any follow up exercises undertaken in respect of previous years' internal audit work;
- The results of work of other review bodies where appropriate;
- The extent of resources available to deliver the internal audit work; and
- The quality and performance of the internal audit service and the extent of compliance with the Public Sector Internal Audit Standards (PSIAS).

Audit Opinion – the Corporate Manager – Internal Audit and Data Protection is satisfied the sufficient assurance work has been carried out to allow him to form a reasonable conclusion on the adequacy and effectiveness of each Council's internal control environment.

10.3 It is the Corporate Manager – Internal Audit and Data Protection's opinion that the Councils' framework of governance, risk management and internal control is

'(Sufficient) – Reasonable Assurance' – the system, process or activity should achieve its objectives safely and effectively. However, whilst there are some control weaknesses most key controls are in place and operating effectively. Where weaknesses have been identified through internal audit review, Internal Audit have worked with management to agree appropriate corrective actions and a timescale for improvement.

#### Coronavirus

- 10.4 The opinion is based on internal audit work undertaken, and completed, prior to emergency measures being implemented as a result of the coronavirus pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops.

It is not possible, as at 31 March, to quantify the additional risk arising from the current short-term measures or the overall impact on the framework of governance, risk management and control. However, this is an area currently under focus to establish the effect on the Councils' control environment as a result of the Covid19 outbreak.

## **11 Conclusions**

The Corporate Manager – Internal Audit and Data Protection considers that there are no additional audit related issues that currently need to be brought to the attention of this committee.

**Draft Circulation:**

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Bryn Hurren Chair of the Joint Audit and Standards Committee – Babergh

Lee Parker (Cabinet lead for Customers, Digital Transformation & Improvement – Babergh)

Suzie Morley (Cabinet lead for Customers, Digital Transformation & Improvement – Mid Suffolk)

Senior Leadership Team, which include Katherine Steel Assistant Director, Corporate Resources (S151 Officer)