

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

COMMITTEE: JOINT AUDIT AND STANDARDS COMMITTEE	REPORT NUMBER: JAC/20/19
FROM: Corporate Manager – Internal Audit and Data Protection	DATE OF MEETING: 17 May 2021
OFFICER: Corporate Manager – Internal Audit and Data Protection	KEY DECISION REF NO. N/A

ANNUAL INTERNAL AUDIT REPORT 2020/21

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to inform Councillors of the work undertaken within the Internal Audit Service for the year, 2020/21 and provides Councillors with a review of the variety and scope of projects and corporate activities which are supported through the work of the team.

2. OPTIONS CONSIDERED

- 2.1 This is a regulatory report and there are no options to consider.

3. RECOMMENDATIONS

- 3.1 That the contents of this Internal Audit report, supported by Appendix A, be agreed.

REASON FOR DECISION

For the Committee to agree the Internal Auditors annual report for 2020/21.

4. KEY INFORMATION

- 4.1 Requirement of Internal Audit - Public Sector Internal Audit Standards (PSIAS)

The PSIAS require the Corporate Manager – Internal Audit and Data Protection to report periodically to senior management and this Committee on Internal Audit's performance relative to its Internal Audit Plan including significant risk exposures and control issues where relevant, fraud risks and governance issues.

- 4.2 As the Councils' Delivery Programme continues and re-shapes and transforms its services the demand on Internal Audit's services to provide assurance, support and guidance on a diverse range of activities continues. The Corporate Manager – Internal Audit and Data Protection monitored requests, with a risk-based approach, for the re-allocation of Internal Audit resources from the approved 2020/21 Internal Audit Plan.

- 4.3 There was due consideration in conducting this year's audits to ensure that Internal Audit maintained its objectivity and independence. As further demonstration of organisational independence, the Corporate Manager – Internal Audit and Data

Protection can confirm that there has been no inappropriate scope or resource limitations placed upon him.

4.4 In line with the Councils' Internal Audit Charter the work was conducted to ensure that it delivers against the PSIAS and the requirement to produce an annual Head of Internal Audit opinion. In doing this it can be confirmed that the work conducted covered the following activities:

- Governance processes
- Monitoring
- Ethics
- Information and Information technology governance
- Risk Management
- Fraud management

4.5 Audits conducted (as opposed to Audit investigations) are also split into two types, 'Fundamental' and 'Risk' reviews. 'Fundamental' reviews are conducted in the latter half of the financial year to meet with External Audit testing requirements.

4.6 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.

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 audits 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).
- The impact of Covid-19 and the approach taken by management to evaluate the key governance processes that enable front line Services to operate within a framework of control.
- Looking at our Business Continuity arrangements and resilience generally.

Audit Opinion – the Corporate Manager – Internal Audit and Data Protection is satisfied that 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.

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.

5. LINKS TO CORPORATE PLAN

- 5.1 The delivery of a comprehensive Internal Audit service supports the Councils’ objectives, in particular ensuring the right people are doing the right things, in the right way, at the right time, for the right reasons.
- 5.2 However, all Internal Audit work has been associated with the Councils’ strategic themes and the attached report, Appendix A, provides a summary of the work undertaken by theme. This work will contribute to the 2020/21 overall Internal Audit opinion on the Councils’ control environment provided by the Corporate Manager – Internal Audit and Data Protection, as required by the Accounts and Audit (England) Regulations 2015.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no direct financial implications arising from this report. All Internal Audit recommendations must be considered in terms of their cost effectiveness.

7. LEGAL IMPLICATIONS

- 7.1 There are no direct legal implications arising from this report other than the statutory framework under which Internal Audit operates.

8. RISK MANAGEMENT

- 8.1 This report is not directly linked with any one of the Councils’ Significant Risks. The key risk, however, is set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
<p>Internal controls within each Council may not be efficient and effective.</p> <p>As a result, each Council may not identify any significant weakness that could impact on the achievement of their aims and/or lead to fraud, financial loss or inefficiency.</p>	Unlikely 2	Bad 3	<p>Councillors receive and approve the internal audit work programme and other reports on internal controls throughout the year.</p> <p>The work programme is based on an assessment of risk for each system or operational area.</p>

9. CONSULTATIONS

- 9.1 The 2020/21 Internal Audit Plan was delayed and revised due to COVID-19 and approved by the Joint Audit and Standards Committee on 30th November 2020 (Paper JAC/20/4), having previously been endorsed by the S151 Officer and the Senior Leadership Team.

As part of the preparation for this Plan, auditors engaged with senior management to identify their view of the coming year's risks linked to the Corporate Plan and Delivery Programme, and to gather and map management assurance across the Councils' functions.

- 9.2 The half year report on progress towards completion of this report was reported alongside the revised audit plan in November 2020. No significant comments were forthcoming.

9.3 Similarly, the preparation of this report followed the same consultation process.

10. EQUALITY ANALYSIS

- 10.1 An equality analysis has not been completed because the report content does not have any impact on the protected characteristics.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 There are no environmental implications arising from this report.

12. APPENDICES

Title	Location
(a) Appendix A - Overview of Internal Audit Work	Attached

13. BACKGROUND DOCUMENTS

- ### 13.1 Internal Audit Plan 2020/21 and Progress Report – Paper JAC/20/4.

Authorship:

John Snell 01473 825822/ 01449 724567
Corporate Manager – Internal Audit and john.snell@aberghmidsuffolk.gov.uk
Data Protection



Appendix A

Overview of Internal Audit Activity, 12 Months to 31st March 2021

1. Introduction

- 1.1 The work completed by Internal Audit for the Financial Year 2020/21 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.

2. Internal Audit reports with Adverse Opinions

- 2.1 One audit has been issued with an audit opinion of 'Limited Assurance' in this period, details of which are recorded in Section 6 below together with all the audits conducted.

The reviews that returned an audit opinion on the control environment of 'Limited Assurance' in the last financial year (2019/20) where actions were outstanding have been kept under review by audit and, where appropriate, the management actions have been reassessed with the appropriate manager. The status of these audits were reported to this Committee on 30th November 2020 – Paper JAC/20/4.

- 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 (Covid and non-Covid related)**

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 2020/21 and being presented to this Committee today.

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.

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.

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 later in the year.

5 Probit

5.1 Full details of the anti-fraud and corruption work undertaken during the year is subject to a separate report that was presented to this Committee on 29th March 2021 (Paper JAC/20/13) entitled 'Managing the Risk of Fraud and Corruption'.

5.2 The data requirements and data specifications for the 2020/21 National Fraud Initiative (NFI) exercise commenced in October 2020 using the NFI's secure electronic upload facility. Elections and single person discounts data were uploaded in December 2020. This year, due to Covid business grants, additional data was uploaded in response to this.

- 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 or error indicated by the match.

6 Audits conducted

- 6.1 In line with the 2020/21 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
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 but lacked full evidence of a second officer sign-off. S151 reports have not been formally issued this financial year, although adequate alternative reports have been issued to provide s151 Assurances to Management and Members.	Reasonable Assurance
Payables	The overall objective of this audit was to provide assurance over the adequacy and effectiveness of the current controls and provide guidance on how to improve current controls going forwards; focussing on: <ul style="list-style-type: none"> • management oversight • performance • compliance activity 	Payments are made when no goods or services are received. Payments are made, disputes dealt with, or refunds obtained, without appropriate authority. Monies are inappropriately moved or settled, giving rise to misleading financial reporting. Payments do not conform to Council policies and procedures or regulatory frameworks.	The Councils adhere to the 30-day payment policy. Refunds follow policy, has adequate separation of duties and are appropriately authorised. The Finance procedures ensure the appropriate controls within Integra to identify and correct any mis-codings. Appropriate reconciliations being carried out are evident but require formal sign off by management.	Reasonable Assurance
Income Waste Service	The primary aim of the audit is to evaluate the adequacy of key controls in place to ensure that the Waste Team identify, bill, collect and account for sundry debt income on a timely basis.	Not all discretionary/chargeable waste collections have been identified and set up for billing. The charges levied do not accord with the Council's policy and prices. Debts are not collected in a timely manner, meaning the Council's income is at risk.	Brown bin retrieval notes are regularly kept up to date. Notes are well detailed and concise. All write offs process for both councils are followed correctly according to the Debt Monitoring and Recovery Policy.	Reasonable Assurance

			<p>Due to COVID-19, procedures such as timeliness of invoicing for both brown bins and trade, and overall income have been impacted.</p> <p>The process for credit notes needs to be tightened to ensure that there is evidence of authorisation by an appropriate authorising officer within waste services.</p> <p>At the time of the audit, forecast income information was not available due to the uncertainty on businesses and the current lockdown position. A year-end review is needed to assess impact on processes and any future pricing for the trade waste service.</p>	
Budgetary Control	To evaluate the internal controls that help determine how budgeting and budgetary control enables the Councils to plan, control, coordinate and appraise its' activities.	<p>Council expenditure exceeds planned limits. This may lead to budgetary pressures and a lack of resources to provide satisfactory services to the public. Non-compliance with the Council's procedures.</p> <p>Where budget managers do not have clarity with regards to how their budgets are formed, this has potential to reduce the level of budgetary control, with managers unable to identify pressures within the budget therefore increasing the risk of potential over-spends.</p> <p>Further risks include fraud; misappropriation; material errors; legal and regulatory penalties; poor decision-making and reputational damage.</p>	Work started although put on hold and deferred into 2021/22 following management's directive to focus on critical services in response to the COVID emergency.	
Financial Governance	The purpose of the review is to ensure that the Council is maintaining robust Financial Governance in relation to the new COVID-19 arrangements. The review will evaluate the adequacy of key controls around how the Councils collect, manage, monitor and report COVID-19 expenditure.	<p>The risks of poor financial governance include fraud; misappropriation; material errors; legal and regulatory penalties; poor decision-making and reputational damage.</p>	<p>An update on COVID-19 Financial implications was provided to the Cabinet for each council in July 2020 and a decision log actions taken at Tactical Management Team is maintained and followed up.</p> <p>Forecast financial loss due to COVID has been estimated and source of funds to cover the gap identified and presented to the Cabinet.</p> <p>Testing confirmed that invoices and purchase orders were correctly approved, but a recommendation has been made to apply a</p>	Substantial Assurance

			<p>retrospective waiver process where urgent spending decisions were made.</p> <p>Changes in financial processes due to COVID 19 were properly communicated and COVID costs were separately identified and accounted for.</p>	
Payroll	The audit reviewed Payroll processes to confirm the controls in place are adequate, including the workarounds / detective controls designed to identify and address known issues. The following areas were included: • Starters, Pay Changes & Leavers.	<p>Payment approval process is ineffective.</p> <p>Changes to payroll standing data may not be adequately controlled and processed promptly.</p> <p>Starters and Leavers may not be properly added or removed from the payroll system in a timely manner.</p> <p>Recovery of employee debt.</p>	<p>Testing of new starters showed that all employees had complete and accurate records on file and payment was as agreed in their contract. All employees had been given their HR induction promptly.</p> <p>All controls relating to the Leavers process was found to be prompt and accurate, including the removal of IT access.</p> <p>Pay rate master files can only be undertaken by SCC IT upon request from HR. Any unauthorised changes to the system would get picked up in the monthly payroll checks performed by HR staff.</p> <p>Overtime testing highlighted some staff had been paid at the incorrect rate resulting in an underpayment, which has subsequently been corrected.</p>	Reasonable Assurance
Business Grant payments – Support Central Government various Grant Funding Schemes	To provide assurance to Senior Management that BMSDC are following Discretionary Business Grant policy implemented to manage Central Government Business grants, during Covid – 19 pandemic.	<p>First party application fraud – the risk that an applicant may misrepresent their circumstances to qualify for a government grant or scheme;</p> <p>Third party impersonation fraud – the risk that a third party may impersonate a business to extract grant funding from the government.</p>	<p>Adequate controls are in place for the processing of business grants and to help prevent fraud and possible errors.</p> <p>The audit identified one mis-payment due to an administrative error and three miscoding's had occurred within Integra where the grant category had incorrectly applied (which have now been corrected). Recovery of the mis-payment has commenced – the applicant subsequently qualified for a discretionary grant and the initial grant payment was offset against that.</p>	Reasonable Assurance

Discretionary Business Grants - Support Central Government various Grant Funding Schemes			Post payment validation checks were found to be sound in order to mitigate fraud and errors and satisfy the criteria for financial assurance – no errors were found.	Substantial Assurance
Risk Management	The broad objective of the audit is to evaluate whether there is a Risk Management Framework (RMF) in place which can enable the risk management process to be carried out and developed in a comprehensive manner, whereby all significant risks are identified, evaluated, controlled, monitored, and reported in accordance with best practice.	Poor Governance and "Tone of the Organization". Reckless Risk-Taking. Inability to Implement Effective Enterprise Risk Management (ERM) processes. Non-existent, Ineffective or Inefficient Risk Assessment Not integrating Risk Management with Strategy-Setting and Performance Management	Work in progress	-

6.1.2 Housing

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
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.

Housing Health Safety – &	<p>Ascertain and report on whether the Organisation has appropriate policy/procedures to ensure actual compliance (in terms of completion of the statutory checks) with both statutory and regulatory health and safety requirements/best practice.</p>	<p>A lack in effective management through an improvement plan may lead to failure in providing sufficient compliance assurance.</p> <p>Weak communications and monitoring of performance may lead to failure in identifying opportunities for improvements.</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>Recommendations have been made to further strengthen governance and oversight.</p> <p>A compliance dashboard is being developed which will assist in addressing this issue.</p> <p>Most of the issues identified are included within a compliance action plan which is being developed.</p> <p>A full set of Housing Health & Safety Policies need to be finalised, approved and regularly reviewed to ensure they remain fit for purpose.</p> <p>The operational risk register needs to be updated with risks highlighted within the Consultant's building services update report.</p>	Limited Assurance (to be followed up early next year)
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6.1.3 Customers and Wellbeing

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Cyber Security review	<p>The review considers the Cyber Security controls in place at the Councils using the National Cyber Security Centre's "10 steps to Cyber Security" framework covering the following areas:</p> <p>Risk Management Regime;</p> <p>Network Security;</p> <p>User Education and Awareness;</p> <p>Malware Prevention;</p> <p>Removable Media Controls;</p> <p>Secure Configuration;</p> <p>Managing User Privileges;</p> <p>Incident Management;</p> <p>Home and Mobile Working; and</p> <p>Monitoring</p>	<p>Malware – malicious software that includes viruses, Trojans, worms or any code or content that could have an adverse impact on organisations or individuals.</p> <p>Ransomware – a kind of malware that locks victims out of their data or systems and only allows access once money is paid.</p> <p>Phishing – emails purporting to come from a public agency to extract sensitive information from members of the public.</p>	Work started although put on hold and deferred into 2021/22 following management's directive to focus on critical services in response to the COVID emergency.	
Shared Revenues Partnership (SRP) – 2019/20 Audit Review	<p>Note: This work is undertaken by Ipswich Borough Council's Internal Audit Section as the Partnerships' host authority.</p> <p>The objective of the audit was to ascertain the extent to which the identified risks have been managed and to evaluate whether effective controls to mitigate the risks have been established and have been operating effectively throughout the period under review relating to Council Tax, National</p>	<p><u>Council Tax</u></p> <p>Failure to ensure precepts are entered accurately may result in inaccurate liabilities and reputational damage.</p> <p>Council Tax monies received or refunded may be incorrectly posted resulting in misstatement of entries in the main financial system.</p>	<p>Key findings for both Councils –</p> <p>The Council Tax & NNDR precepts and annual rateable value multiplier have been input to NRB correctly and reviewed for accuracy.</p>	<p>Opinion for both Councils across the three elements:</p> <p>Good (All controls are being applied consistently and effectively. This means that all the control areas</p>

	<p>Non-Domestic Rates and Housing Benefits.</p>	<p><u>NNDR</u></p> <p>Incorrect multipliers may be used when calculating business rate bills resulting in under or over charging customers which may lead to reputational damage and financial loss.</p> <p>Failure to review exemptions and discounts in a timely manner may result in financial loss.</p> <p>Rates due to the Council may not be correctly identified and collected resulting in loss of revenue to the Council.</p> <p><u>Housing Benefits</u></p> <p>Claims may be paid incorrectly resulting in irrecoverable overpayments made to customers.</p> <p>Unauthorised payments may be made resulting in misappropriation which may lead to financial loss.</p> <p>Overpayments may be incorrectly calculated which may result in financial loss.</p>	<p>Appropriate segregation of duties exists.</p> <p>The benefits system has been reconciled to the general ledger and independently reviewed on a timely basis.</p>	<p>in the audit are being properly managed and the associated risks are being mitigated).</p>
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6.1.4 Assets and Investments

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Asset Management	To provide assurance over the adequacy and effectiveness of current controls over Asset Management and provide guidance on how to improve current the controls going forward.	<p>There may be no formally documented asset management policy in place leading to inconsistencies in how Council assets are managed.</p> <p>There may be insufficient controls in place for recording and accounting for fixed asset additions and disposals resulting in incorrect accounting treatment and incomplete asset registers.</p> <p>There may be inadequate procedures in place in relation to the monitoring and safeguarding of Council assets leading to increased risk of misappropriation of assets.</p> <p>There may be insufficient insurance cover in relation to Council assets resulting in financial loss to the Council.</p>	Work in progress	-
Capital Finance Projects	<p>To ensure that the capital programme supports delivery of the Council's priority outcomes.</p> <p>In summary, the scope will cover the following areas: Policies and Procedures, Governance arrangements, Allocation of Capital Programme Budget, Project Initiation, Monitoring, End of Project</p>	<p>The Capital Programme does not reflect the Council's priorities.</p> <p>Policies and procedures, training and guidance do not provide sufficient understanding to manage capital projects.</p>	<p>All capital finance projects are aligned to the BMSDC strategic direction, evidenced by project documentation including the Project Initiation Document.</p> <p>The General Fund (GF) and Housing Revenue Account</p>	Reasonable Assurance

	Evaluation and Tracking Realisation of Proposed Benefits.	Inadequate reporting arrangement over the project operation and financial progress leading to overspends. Lack of clearly defined/stated benefits.	(HRA) Budgets were approved by the Councils in February 2020, which included the Capital Programme. The approval signatory, project office sign off checks and supporting finance information had not been completed or made available on all key project deliverable documents reviewed. Post Implementation Reviews had not been carried out on all closed projects reviewed.	
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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.

6.3 Work conducted during the year compared to the approved 2020/21 Audit Plan

The audit plan was approved by this Committee in November 2020 (Paper JAC/20/4) and initially Internal Audit work conducted is derived from this source. The Corporate Manager for Internal Audit and Data Protection exercised discretion at the time of drafting the specific audit briefs to ensure that the work was still appropriate and of a sufficient risk ranking to continue the review.

The Councils' response to the COVID-19 Emergency and reprioritisation of workloads exercise has had a significant impact on the Internal Audit resource and its ability to deliver normal internal audit work during the course of the year. From April 2020 Internal Audit has and continues to support the Councils' Tactical Management Team, Business Cell assisting in checking emergency grant applications and the Staff Matters Cell with particular responsibility for maintaining the 'Staff Redeployment List'. As a result, the Corporate Manager for Internal Audit and Data Protection has agreed with management to defer a number of audits into 2021/22, namely:

- Assets of Community Value
- Community Grant Funding
- Safeguarding
- Health and Safety
- Babergh and Mid Suffolk Holding Companies
- Babergh and Mid Suffolk Growth Companies

6.4 Performance review

- 6.4.1 Audit clients continue to express a high level of satisfaction with the service delivered. The latest figures are based on a 50% return of the completed customer satisfaction surveys.

	19/20	20/21
Before the Audit		
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%
Carrying out the Audit		
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%
Reporting the Audit		
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%
Will the audit improve internal controls?		
80% 80%		
Will the audit enable you to improve your service		
80% 80%		
Overall, how would rate the audit?		
Excellent	80%	85%
Good	10%	15%
Satisfactory	10%	
Poor		
Did the Auditor demonstrate the Councils' values?		
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 reduced percentage of the audit plan delivered is as a result of responding to the Covid-19 emergency and resultant reprioritisation of workloads.

	Key Performance Indicator	Target	19/20	20/21
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 Manager – 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	5	6
5	Average Number of days between the completion of audit fieldwork and issue of draft report.	10 working days	5	7
6	Average Number of days between the issue of the draft and final report.	15 working days	9	8
7	The % of internal audits completed to the satisfaction of the auditee (source: returned Customer Surveys)	80% 'Satisfactory'	100%	100%
8	Percentage of the audit plan completed - (below target as a result of responding to the COVID-19 Emergency)	90%	73%	58%

7 Business support activity (Covid and non-Covid related)

- 7.1 Internal Audit have been part of the Councils' Tactical Management Team (TMT) responsible for managing emerging risks and directing resources to help ensure critical services are maintained across the two districts.
- 7.2 The Corporate Manager for Internal Audit and Data Protection is a member of the Staff Matters Cell responsible for taking a co-ordinated approach to different factors affecting staff during the pandemic and to look at the preparation of policies, procedures and protocols. In addition, the Cell is responsible for maintaining the 'Redeployment List' and advising on requests made for additional resources to support TMT decisions.
- 7.3 A member of the Internal Audit team is supporting the Councils' Business Cell by providing assurance over the administering of business grant schemes announced by Central Government. The work includes ensuring that the prescribed criteria in terms of eligibility is correctly applied and met and managing the risk of fraud using available digital assurance tools, such as Spotlight.
- 7.4 The Corporate Manager for Internal Audit and Data Protection is a member of a Public Realm Working Group tasked with reviewing the Councils' service provision with responsibility for providing advice and guidance on governance matters including risk.

8. Resources

- 8.1 The work of Internal Audit is resourced from existing staff and from an external audit partner. This arrangement still allows a direct internal provision plus the commissioning of external skills and capacity and provides a blend of resources from within the Councils and from an external partner of services.
- 8.2 The option of working with an external partner currently makes good sense in that management still retains control over the internal audit function while at the same time leveraging the internal audit resource of the third-party service provider. It

provides access to valuable and diverse specialised skills as needed and achieves a level of flexibility which can be critical in effectively dealing with a range of operational issues.

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 has 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 more 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 audits 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).
- The impact of Covid-19 and the approach taken by management to evaluate the key governance processes that enable front line Services to operate within a framework of control.

- Looking at our Business Continuity arrangements and resilience generally.

In undertaking this assessment, a number of questions were directed at service managers to establish the extent of the impact COVID-19 has had on their service area. This assessment helped Internal Audit determine the key risk areas and direct their resources accordingly. As a result of the reviews and discussions with service managers Internal Audit was able to draw the following conclusions:

- 1) There has not had to be significant variations to controls, and the control framework has transferred well to aspects such as remote working. This would indicate that the Council has a robust control framework that can adapt at a time of crisis.

- 2) Changes to working practices undoubtedly have occurred but these have not reduced control and, in some instances, have improved the efficiency of processes with automation often replacing previous manual / physical activity.

- 3) Where changes have been enforced, staff have maintained a clear understanding of the basis of control and, in most instances, created solutions which have maintained the integrity of the process. Resulting efficiency gains need to be recognised and maintained.

As the Head of Internal Audit I can, in principle, provide reasonable assurance that the general governance controls across the Councils have not been overly weakened because of the changes made to adjust to COVID19. There are areas that have been identified where the Council is potentially at a greater risk as a result of the pandemic and these have been included in the work undertaken and within the Audit Plan next year.

Audit Opinion – the Corporate Manager – Internal Audit and Data Protection is satisfied that 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' – i.e., 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.

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:

Dave Muller Chair of the Joint Audit and Standards Committee – Mid Suffolk

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)