



Appendix A

Overview of Internal Audit Activity, 6 Months to 30th September 2021

1. Introduction

- 1.1 The work completed by Internal Audit to date for the Financial Year 2021/22 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 have been further revised on 1 April 2017.

2. Internal Audit report with an Adverse Opinion

- 2.1. The one review that returned an audit opinion on the control environment of ‘Limited Assurance’ at the end of the last financial year (2020/21) 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 this follow up audit is reported in Section 6 below together with all the audits undertaken to date.
- 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 as at the end of the financial year 2020/21, presented to this Committee on 17th May 2021 (Paper JAC/20/20).

3.2 Statutory Officers Working Group

The Corporate Manager – Internal Audit attends this meeting in his capacity as ‘Head of Internal Audit and Risk Management’ and as the Councils’ Deputy Monitoring Officer to provide appropriate professional determination on governance matters as they arise.

3.3 Deputy Monitoring Officer (DMO)

The Corporate Manager - Internal Audit is one of two DMOs 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 was reported to this Committee on 27th September 2021 (Paper JAS/21/6).

5 Probity

5.1 Details of the anti-fraud and corruption work undertaken is reported annually to this Committee in a report entitled 'Managing the Risk of Fraud and Corruption'. The 2020/21 report was presented to this Committee on 29th March 2021 (Paper JAC20/13).

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. In response to the COVID pandemic business grants details have been added to the exercise and uploaded.

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 2021/22 Internal Audit Plan, reporting of outcomes is associated with all the Councils' strategic priorities. Both audits in progress and completed are reported below, with the latter given 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
Corporate Procurement Cards	To seek assurances on the internal controls being exercised over the purchase card process.	<ul style="list-style-type: none"> ○ Non-compliance with user guide. ○ Cardholders may not be appropriately trained. ○ Fraudulent spending patterns may go undetected. 	<ul style="list-style-type: none"> ○ Testing identified a number of individual payments exceeding the policy spend limit without supporting evidence. Commissioning and Procurement has already addressed this by requesting that all expenditure exceeding the (new) limit of £300 should be pre-agreed with the authorising manager as a one-off necessary expenditure and evidence maintained. <p>Good practice identified:</p> <ul style="list-style-type: none"> ○ The Councils' policy and procedures are regularly updated and reviewed. All card holders are requested to confirm they have seen and understood any updates. These confirmations are kept on file by Commissioning and Procurement. ○ Payments are processed promptly and correctly. 	Reasonable Assurance
Budgetary Control	<p>This review was carried out in August to September 2021 as part of the Internal Audit plan and following a specific request from the Assistant Director - Corporate Resources to review current processes within the finance department that operate to produce financial reports to the Councils' Cabinet meetings.</p> <p>The scope includes the following:</p> <ul style="list-style-type: none"> ○ How the finance system can be used to eliminate the need for manipulation of data in spreadsheets (source of human error) and how the Chart of Accounts could be better 	<ul style="list-style-type: none"> ○ Inaccurate, incomplete and untimely financial information. ○ Overuse of excel spreadsheets for financial reporting that can lead to human error. 	<p>The review established:</p> <ul style="list-style-type: none"> ○ The changes needed for the Chart of Accounts to ensure that it reflects reporting requirements, reduces the need for manipulation of ledger data, and provides more detailed information. ○ A lack of check controls throughout the process. ○ A need to move towards monthly reporting and standardise processes across each of the Business Partners so that best practice is adopted. ○ That budget meetings need to be more demonstrably focussed on key financial risks and actions to mitigate these. ○ How the quarter end process can be streamlined through an automated process, benefiting from prior monthly checks and reporting, and through reviewing Business Partners' workloads to ensure tighter timetables can be met. 	Undertaken as 'Consultancy work' at the request of the Assistant Director – Corporate Resources.

	<p>utilised for this purpose staff.</p> <ul style="list-style-type: none"> o Recommendations for use of check controls before reports are published. o The procedures and processes used to generate reports to identify where errors could occur. o The role that the Finance Business Partners play to assess areas of weakness. o How the report production timetable and month / quarter end processes could be streamlined to ensure earlier report production and sufficient review time, including how monthly soft closes can be achieved to support this. 			
Risk Management	<p>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.</p>	<ul style="list-style-type: none"> o Poor governance and "Tone of the organisation". o Reckless risk-taking o Inability to implement effective risk management processes. o Non-existent, ineffective or inefficient risk assessments. o Not integrating risk management with strategy setting and performance management. 	<ul style="list-style-type: none"> o The assurance framework within which the Significant Risks Register operates can be improved to include assurances received on mitigating actions and linking risks to individual corporate objectives. o Recommendations have been made to enhance the Risk Management Strategy when it is next reviewed. o Given the wide remit of the Internal Audit and Risk Management Services team, and the current level of resource available, a recommendation has been also made to consider re-instating a dedicated risk management resource. <p>Good practice identified:</p> <ul style="list-style-type: none"> o All Risks in the Significant Risk Register (SRR) had Risk Owners, Cabinet member leads, mitigation actions and all other areas of the SRR was completed. o Risks included within the SRR includes the original, current and target risk scores. 	Reasonable Assurance

6.1.2 Community

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Planning Enforcement	To review the prioritisation of limited resources, ensuring the prompt completion of prioritised investigations and referrals, and that case sign-off's have been correctly exercised.	<ul style="list-style-type: none"> • Policies and Procedures - Guide/flowchart is not adhered to • Staff unclear of their responsibilities • DMS/Uniform is not utilised to its full potential or purpose • Performance (Monitoring and Reviewing) - Non-compliance with guide/flowchart, abnormal activity may go undetected and key targets missed 	WIP	-

6.1.3 Housing

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Housing – Health and Safety – Follow Up audit (previous audit opinion assessed as 'Limited Assurance')	The purpose of the review was to 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>A lack in effective management through an improvement plan may lead to failure in providing sufficient compliance assurance.</p> <p>Weal 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>Improvements have been made since the last audit of compliance with Health and Safety regulations for housing services, however some recommendations are still to be implemented although these are currently being worked on.</p> <p>A full compliance dashboard is in the process of being introduced. It is currently being tested in order to resolve system issues.</p> <p>Both the Electrical Safety and Lift Maintenance Policy have been drafted, but they have not yet been reviewed and agreed.</p> <p>The Fire Risk Management Policy/Procedures dated August 2020 were approved by the Corporate H&S Board in September 2020.</p> <p>Housing Management Team (HMT) have an overarching risk register, which had been reviewed and highlighted risk owners and mitigating actions.</p>	Reasonable Assurance
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 administering authority, Suffolk County Council.

6.1.4 Customers

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
<p>Shared Revenues Partnership (SRP) – Business Rates and Council Tax, 2020/21.</p> <p>Note: This work is undertaken by Ipswich Borough Council's Internal Audit Section as the Partnership's host authority.</p>	<p>The objective of the audit was to evaluate the operation of controls and assess their effectiveness in mitigating risks to the business objective relating to Business Rates.</p>	<p>Incorrect multipliers used to calculate business rate billing and inadequate controls over the billing process resulting in under or overcharging rate payers may lead to reputational damage, non-compliance with legislation and financial loss.</p>	<p>One low level corporate risk was identified involving the need for a secondary officer check of NNDR parameters with supporting evidence to avoid potential errors.</p> <p>Effectively functioning controls include :</p> <ul style="list-style-type: none"> ○ Rateable values on the Northgate system are reconciled on a regular basis to the figures received by the Valuation Office on a regular basis. This enables reliance on the accuracy of the rateable values recorded on the Northgate system. ○ Exemptions, reliefs, and discounts applied to accounts are supported by evidence of eligibility. ○ There is an effective process in place to ensure that only valid refunds are authorised in line with the scheme of delegations. ○ There are controls in place to ensure that only accurate and authorised refunds are processed via the bacs system. ○ NNDR records are reconciled to the general ledger and to the receipting system (for income) monthly. 	<p>Opinion for both Councils relating to Business Rates and Council have been assessed as Effective – defined as - <i>Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met</i></p>
	<p>The objective of the audit was to evaluate the operation of controls and assess their effectiveness in mitigating risks to the business objective relating to Council Tax</p>	<p>Failure to ensure that billing and collection arrangements are robust and adequately applied.</p>	<p>Effectively Functioning Controls include:</p> <ul style="list-style-type: none"> ○ Precepts have been entered onto the Council Tax system accurately and were reviewed by a Senior Officer. ○ Exemptions, reliefs, and discounts applied to accounts are supported by evidence of eligibility. ○ Council Tax records are reconciled to the general ledger and to the receipting system (for income) monthly. ○ The resolution of unidentified receipts in the suspense account was found to be effective and timely. 	

Cyber Security	<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; Network Security; User Education and Awareness; Malware Prevention; Removable Media Controls; Secure Configuration; Managing User Privileges; Incident Management; Home and Mobile Working; and 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 Ransomware – a kind of malware that locks victims out of their data or systems and only allows access once money is paid Phishing – emails purporting to come from a public agency to extract sensitive information from members of the public.</p>	<ul style="list-style-type: none"> o The organisation has demonstrated that its infrastructure is sufficiently managed and secure to connect to the Public Service network. o The organisation has not assessed and registered risks specific to its IT and cyber security. o The organisation issues staff with removable media. However, the organisation does not maintain records of issued media, its approval and secure disposal. <p>Good practice identified:</p> <ul style="list-style-type: none"> • The organisation has established mandatory cyber security training, which is regularly delivered to its staff. • The organisation's infrastructure security is managed by Suffolk County Council and there is an agreement in place. 	Reasonable Assurance
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6.1.5 Assets and Investments

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Gateway 14	<p>The audit reappraised the function of the structure; composition and operation of the organisation in line with its terms of reference; considered the oversight, reporting and escalation mechanisms and decision-making framework; assurance on the independence selection and appointment and awarding of contracts.</p> <p>The audit reappraised the function of the structure; composition and operation of the organisation in line with its terms of reference; considered the oversight, reporting and escalation mechanisms and decision-making</p>	<ul style="list-style-type: none"> • The actions of the Board, including the development of strategic objectives and legal frameworks, are taken without due consideration of the impact on the organisation. • Non-executive directors of the Board are unable to give independent, robust challenge. • The Board does not have sufficient, complete or timely information on which to base its decisions. • Evidence of the decisions made by the Board, including the challenge process, is not retained and/or is not transparent in confirming the decision process. 	<ul style="list-style-type: none"> • G14 Ltd.'s Articles of Association are in place and registered with Companies House. • A declaration of interest register is maintained for G14 Ltd directors, which agrees to the active directors logged at Companies House. • G14 management accounts are circulated to Board members for review in advance of the G14 Ltd Board meetings. • Minor issues were found in respect to the risk register and responsibilities/timelines for mitigating actions. <p>Good practice identified:</p> <ul style="list-style-type: none"> • Gateway 14 Ltd Board reports on progress of the G14 project to MSDC (Suffolk Holdings) Ltd Board who in turn reports to the Mid Suffolk District Council. • The 'Environmental Health Land and Contamination' and the 'Environmental Health Air Quality' consultations are available on the Council's website. 	Substantial Assurance

<p>Babergh Holding and Mid Suffolk Holding Companies</p>	<p>framework; assurance on the independence selection and appointment and awarding of contracts.</p>	<ul style="list-style-type: none"> The companies set up by the Board may not fulfil their obligations. Communications from the Board are not effective or timely meaning that the Council cannot place reliance on the workings of the Board. 	<ul style="list-style-type: none"> The Governance Strategy which supports the detail of the functioning of the Board requires review; matters reserved for shareholders is not documented. The minutes of Board meetings are not clear as to who is a director, a decision-maker, and who is in attendance with no voting rights. Regular updates from the Holding Companies' Boards to Council Cabinets are not provided by the Portfolio Holders. The Risk Registers contain an initial and a target risk score but do not include a current score; dates by which mitigating actions are due are required. <p>Good practice identified:</p> <ul style="list-style-type: none"> Full Council, February 2021, approved the Joint Capital and Joint Investment Strategies which gave detail of the ongoing investments in, and priorities of the Growth Companies. The Annual Accounts have been filed with Companies House on a timely basis. Prior to approving the Annual Accounts Board training was provided by the Holding Companies' Auditors. 	<p>Reasonable Assurance</p>
<p>Babergh Growth and Mid Suffolk Growth Companies</p>			<ul style="list-style-type: none"> A review of the Board, the Chairman and the members with regard to their effectiveness, performance, capability and suitability is yet to be carried out. The Babergh and Mid Suffolk (BMS) Invest Complaints Management Strategy, Health and Safety Policy and Business Continuity Plan need updating. BGL and MSGL have articles of association, which cover areas such as directors' powers and responsibilities. A declaration of interest register was maintained for BGL and MSGL directors, which was cross referenced to the active directors logged at company house. <p>Good practice identified:</p> <ul style="list-style-type: none"> The rights of the shareholders are clearly set out in the BGL and MSGL Shareholders' Agreements, both of which have been signed by the various parties. The Trading Companies Structure shows BGL and MSGL report to BMS Council's Holding companies respectively, who in turn report to their local authorities. 	<p>Reasonable Assurance</p>

Asset Management	To provide assurance over the adequacy and effectiveness of current controls over Asset Management and provide guidance on how to improve the current 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>	WIP	
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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.

Annual declarations of interest are signed by each auditor.

7 Business Support Activities

7.1 Until recently Internal Audit have been part of the Councils' Tactical Management Team responsible for managing emerging risks and directing resources to help ensure critical services are maintained across the two districts. Their professional insight is now called upon when required.

7.2 A member of the Internal Audit team is supporting the Councils' Business Cell by providing assurance over the administering of the various business grants schemes announced by Central Government. The work includes ensuring that the prescribed criteria in terms eligibility is correctly applied and met and managing the risk of fraud using available digital assurance tools, such as 'Spotlight' and the National Fraud Initiative platform.

8 Resources

8.1 The work of Internal Audit is resourced from existing staff and from an external 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 external partner arrangement also provides access to valuable and diverse 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), the Midland Audit Group and more recently the Local Authority Chief Auditors Network (LACAN).

9.2 Public Sector Internal Audit Standards (PSIAS)

The team has fully reviewed their working practices to ensure that the 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 is also responsible for overseeing the risk management arrangements across both Councils. This role has an independent sponsor to champion reports and proposals. This is vested in the Assistant Director, Law & Governance and Monitoring Officer.

10 Conclusions

- 10.1 The Corporate Manager – Internal Audit 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

Katherine Steel Assistant Director, Corporate Resources

Emily Yule Assistant Director, Law & Governance and Monitoring Officer

Senior Leadership Team