



Appendix A

Overview of Internal Audit Activity, 6 Months to 30th September 2022

1. Introduction

- 1.1 The work completed by Internal Audit to date for the Financial Year 2022/23 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 5 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, which include:

Section Reference:

- 3 Council Governance**
- 4 Probity**
- 5 Audits conducted**
- 6 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 2021/22 and presented to this Committee on 16th May 2022 (Paper JAC/21/27).

3.2 Statutory Officers Working Group

The Corporate Manager – Internal Audit attends this meeting in his capacity as ‘Head of Internal Audit’ to provide appropriate professional determination on governance matters as they arise.

4 Probity

- 4.1 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 2021/22 report was presented to this Committee on 28th March 2022 (Paper JAC/21/20).
- 4.2 The data requirements and data specifications for the 2022/23 National Fraud Initiative (NFI) exercise have been upload following the prescribed timetable set using the NFI's secure electronic upload facility. In response to the COVID pandemic business grants details have been added to the exercise and uploaded.
- 4.3 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.
- 4.4 To strengthen the team's knowledge base around counter fraud and corruption activities the People Programme Board approved the Corporate Manager – Internal Audit's application for the Lead Auditor to undertake the CIPFA Accredited Counter Fraud Technician (ACFTech) qualification. The ACFTech is a comprehensive introduction to counter fraud. The course examines the impact of fraud in the UK and includes an overview of the civil and criminal justice systems. It focuses on fraud awareness, how to gather evidence and how to obtain information without prejudicing any later investigation. It also provides a solid grounding for those who wish to go on and study the CIPFA Accredited Counter Fraud Specialist (ACFS) qualification.
- 4.5 To help combat fraud and corruption activities the Internal Audit team have produced and issued a Money Laundering presentation to all Corporate Managers aimed at raising awareness of the risks associated with the Councils' business.

As the Councils' Money Laundering Reporting Officer (MLRO), the Corporate Manager for Internal Audit will be working with HR and OD to ensure that this area of learning is included within the Induction Programme for all relevant posts.

5 Audits Conducted

- 5.1 In line with the 2022/23 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.

5.1.1 Health of the Organisation

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Contract Management	<p>The review built on the work undertaken by East of England Local Government Association and their report in 2022. It considered the framework and arrangements for procurement and contract management, focusing on highlighting best practices for the management of contracts across the sector.</p> <p>Note: The audit scope has been extended to include a review of contract spend, which will be undertaken later in the year.</p>	<ul style="list-style-type: none"> o A general lack of coordination and central responsibility for ensuring contract management is carried out. o Failure to provide adequate training for those staff responsible for managing contracts. o Failure to centrally house and control contract management information. o Contracts are not let in accordance with procurement regulations, leading to risks to 	<ul style="list-style-type: none"> o There is no agreed Performance and Contract Management Framework that outlines overarching responsibility, scrutiny and oversight. o The documentation in place would benefit from review, update, rationalisation and simplification. Example documents from other councils are provided to support this work. o Governance around managing the procurement, exemptions 	<p>Undertaken as 'Consultancy work' at the request of the Director – Corporate Resources.</p> <p>Further work around contract spend planned during 2022/23.</p>

		<p>reputation and poor value for money.</p> <ul style="list-style-type: none"> o Lack of robust contract and performance management results in a risk that services are not of high quality and do not offer value for money. 	<p>and conflicts of interest requires review and enhancement.</p> <ul style="list-style-type: none"> o There is not a formal process to ensure that off contract spend is identified and the need for formal contract documentation is considered and addressed. <p>Good practice identified:</p> <ul style="list-style-type: none"> o There is considerable experience and good practice that has been developed by individual Managers. This can be built upon to establish the required Framework. o The Councils have agreed an action plan to implement recommendations from the East of England Local Government Association (EELGA). Implementation of both the EELGA and Internal Audit recommendations will significantly improve the Councils' Procurement and Commissioning functions <p>Management have accepted all the recommendations and advised that implementation will be prioritised in the Procurement Transformation Plan and that additional resources are to be recruited to drive the transformation.</p>	
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.	<ul style="list-style-type: none"> o Reconciliations of the principal control accounts were at the time of testing found to be performed regularly and on a timely basis, however, they there was no secondary check to ensure their accuracy. o Management information reporting through the S151 Report continues to be produced although there is no evidence of management oversight. <p>Management have accepted the recommendations and advised that a review of the whole process around these reconciliations will be undertaken as part of the finance transformation, implementation of balance sheet monitoring and new the finance management system.</p>	Limited Assurance – Follow Up to be undertaken during 2022/23.

5.1.2 Community

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Planning Enforcement – Follow Up – May 2022 and September 2022.	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 used to its full potential or purpose • Performance (Monitoring and Reviewing) - Non-compliance with guide/flowchart, abnormal activity may go undetected and key targets missed 	<p>The initial work in November 2021 resulted in an audit opinion of 'Limited Assurance', resulting in a Follow Up audit in May 2022. The findings showed that two of the agreed recommendations, namely,</p> <ul style="list-style-type: none"> o It is not clear from testing whether allocated caseloads are balanced in terms of quantity and complexity. There was no strong correlation between missed case 	Substantial Assurance

			<p>deadlines and officer professional grade.</p> <ul style="list-style-type: none"> Guidance on the workflow for officers needs to be developed and the significance of key controls explained to officers in the team. <p>had not been fully implemented and a further concern had been identified relating to the performance management data. The audit opinion therefore remained and another Follow Up audit was carried out in September 2022. The results of this work showed that all recommendations and the concern over the performance data had been addressed, raising the audit opinion to 'Substantial Assurance'</p> <p>Good practice identified:</p> <ul style="list-style-type: none"> Although the introduction of the process flowchart requires further work the Planning Enforcement service area deserves credit for pursuing a transformational approach to embed more efficient and effective working processes. 	
Covid-19 Business Support Grant Schemes	To ensure that the prescribed criteria in terms of eligibility is met and provide assurance in administrating the various grant funding grants.	<ul style="list-style-type: none"> Submission of fraudulent applications. Submission of third-party fraudulent applications. 	<ul style="list-style-type: none"> Work on-going – regular completion and submission of the Councils' priority reconciliation or assurance returns to the Department for Business, Energy and Industrial Strategy (BEIS). 	
National Test and Trace Government Funding and Contain Outbreak Management Fund (COMPF)	Purpose of the grant review is to ensure that expenditure is lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of COVID-19.	<ul style="list-style-type: none"> Failure to comply with the prescribed conditions will result in either the grant being reduced, suspended or being withheld. Any expenditure that fails to comply with the prescribed conditions shall immediately become repayable to the Minister of State. 	The conditions attached to the Test and Trace Grant Determination No. 31/5075 and the COMPF Determination No. 31/5518 have both been complied with.	Prescribed declarations have been presented to the Ministry for Housing, Communities and Local Government.
Safeguarding	Added to the audit work plan at the request of the Director for Law and Governance - The audit focussed on the legislative duty of the Councils to ensure that their functions, and any services that they contract out to others, have the necessary arrangements in place to help and protect children and adults at risk of abuse or neglect.	<ul style="list-style-type: none"> Safeguarding incidents undermine residents' safety and wellbeing. Lack of staff and member awareness results in a failure to act. Failure of the Councils to meet statutory responsibilities leads to regulatory sanction. 	Work in Progress – due to be completed by end of November 2022.	-

5.1.3 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 (2021-22) No [31/5515] have been complied with.	Prescribed declaration presented to the Ministry for Housing, Communities and Local Government via the administrating

				authority, Suffolk County Council.
Council house rent setting	To ensure that the Councils' rent-setting processes are robust so that rents are set correctly, both initially and at re-let, and are increased or decreased in line with requirements with changes adequately reflected in the rent setting processes.	<ul style="list-style-type: none"> o The Councils' approach to rent setting is not consistently applied, unfair and lacks transparency. o The rents set are not accurately calculated and applied in accordance with the approved policy. o Rent increases are not implemented promptly and accurately. 	Work in Progress – due to be completed by end of November 2022.	-
Council house letting	To ensure that the current systems and processes in place for tenancy lettings, allocations and assessments are robust, and operating effectively in line with regulatory standards. The audit will also provide management with assurance that the allocation of housing accommodation is only given to persons who are qualified to receive housing from the Councils.	<ul style="list-style-type: none"> o The housing allocations policy is out of date and not fit for purpose. o The allocations process is not consistently applied in line with the approved policy. o Accommodation is given to persons who do not qualify for Council housing. o Fraudulent housing applications are submitted to gain council accommodation. 	Work in Progress – due to be completed by end of November 2022.	-

5.1.4 Customers and Wellbeing

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
PCIDSS (Payment Card Industry Data Security Standards)	To provide assurance that the systems of control in respect of the latest PCIDSS is effective and consistently applied.	<ul style="list-style-type: none"> o Non-compliance with the PCI DSS, leading to the imposition of fines, increased transaction charges, or suspension of ability to process card payments. o Equipment, systems or web links may be manipulated, leading to fraud or cardholder data being compromised, imposition of fines, increased transaction charges, or suspension of ability to process card payments. 	Work in Progress – due to be completed by end of November 2022.	-

5.2 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.

Each auditor signs an annual declaration of interest.

6 Business Support Activities

6.1 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.

- 6.2 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 and assisting in the preparation of mandatory returns to Central Government.

7 Resources

- 7.1 The work of Internal Audit continues to be 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.
- 7.2 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.

8 Professional Practice

8.1 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).

8.2 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.

After this exercise, any actions arising from the review are materially implemented with any significant actions being reported to the Joint Audit and Standards Committee.

8.3 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.

9 Conclusions

- 9.1 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.
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