



## Appendix A

### INTERNAL AUDIT ANNUAL REPORT 2022 TO 2023

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## 1 Role of Internal Audit

- 1.1 The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2025, which states that a relevant body must:
- ‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.***
- 1.2 The role of Internal Audit is best summarised through its definition within the Public Sector Internal Audit Standards (PSIAS) as an:
- ‘independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systemic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.***
- 1.3 The Corporate Manager – Internal Audit is responsible for effectively managing the internal audit activity in accordance with the Standards, which are mandatory, and encompass the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.
- 1.4 The Councils are responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising the Councils that these arrangements are in place and operating effectively.
- 1.5 The Councils’ response to Internal Audit activity should lead to the strengthening of the control environment and therefore, contribute to the achievement of the organisations’ objectives.

## 2 Internal Audit Approach

- 2.1 To enable effective outcomes, Internal Audit provide a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.
- 2.2 The full range of work undertaken forms the annual Internal Audit opinion together with the work of other assurance providers, to the extent that it can be relied on.
- 2.3 To ensure internal audit work meets the needs of the Councils during these challenging times, Internal Audit seeks to ensure sufficient coverage is directed to assess identified key control areas, which involves a risk-based approach to our work.
- 2.4 All formal internal audit assignments result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Councils on the framework of internal control, risk management and governance in operation and to make recommendations for improvement.

2.5 Each audit report is given an audit opinion, which is evidence-based, and levels of assurance awarded take into account not just control issues or risks raised, but also the adequacy of evidence which has been subject to audit review and testing. The audit opinion is also subject to the professional judgement of the Corporate Manager – Internal Audit.

**Audit Opinions:**

<p><b>Substantial Assurance</b></p> <p>A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p>
<p>Reasonable Assurance</p> <p>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>
<p><b>Limited Assurance</b></p> <p>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance and control to effectively manage risks to the achievement of objectives in the area audited.</p>
<p><b>No Assurance</b></p> <p>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</p>

2.6 Each audit recommendation is given a risk rating, which supports the overall audit opinion.

**Risk Definitions:**

Risk	Definition
<b>High</b>	A fundamental control process, or statutory obligation, creating the risk that significant fraud, error or malpractice could go undetected.
<b>Medium</b>	A control process that contributes towards providing an adequate system of internal control
<b>Low</b>	These issues would contribute towards improving the system under review.

### 3. Corporate Manager – Internal Audit - Audit Opinion

- 3.1 The Corporate Manager – Internal Audit has a responsibility under PSIAS to provide an independent annual internal audit opinion on the overall adequacy and effectiveness of the Councils’ governance, risk and control framework and therefore the extent to which the Councils can rely on it and inform Annual Governance Statement.
- 3.2 No system of internal control can provide absolute assurance against material misstatement/loss or eliminate risk, nor can Internal Audit give that assurance. The work of Internal Audit is intended only to provide reasonable assurance on controls.
- 3.3 An internal audit review of the Councils’ compliance to the seven core principles of good governance, underpinned by the risk management arrangements, assurance and governance audits, has shown that there are sound governance arrangements in place.
- 3.4 82% of Internal Audit work completed during 2022- 23 has yielded an acceptable level of assurance (substantial or reasonable) over the design and operation of the services, systems and processes audited. For those audit reviews that have presented significant concern, actions have been agreed to improve controls and are closely monitored until such a time they are addressed. Any outstanding weaknesses in the governance, risk and control framework will continue to be followed up by Internal Audit.
- 3.5 As the Councils’ Corporate Manager – Internal Audit I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the Councils’ governance, control and risk processes.
- 3.6 I have performed my duties in accordance with CIPFA’s guidance on the role of the Head of Internal Audit.
- 3.7 Annual Internal Audit Opinion:

#### **Annual Internal Audit Opinion 2022/23**

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Councils’ internal control environment.

In my opinion the Councils’ framework of governance, risk management and control is ‘Reasonable’, and the results of audit work has demonstrated controls to be working in practice.

This is based on the findings of the managed audit and governance reviews carried out throughout 2022/23 and evidence from other assurance providers, and considering the current climate in which the Councils are operating.

Where weaknesses have been identified, we have worked positively with management to agree appropriate corrective actions and timescale for improvement.

I do not consider there to be any areas of significant corporate concern.

John Snell – Corporate Manager Internal Audit

3.8 In assessing the level of assurance to be given, I have based the opinion on:

- Written reports on all internal audit work completed during the year – assurance and consulting engagements.
- Results of follow up exercises undertaken.
- The anticipated outcome from audits currently in draft.
- The results of work of other review bodies where appropriate.
- The extent of resources available to deliver the internal audit work.
- The quality and performance of the Internal Audit Service and the extent of compliance with the Standards.

#### 4. Internal Audit Coverage and Planning

##### Planning

4.1 The 2022/23 Internal Audit work generated from the assurance and planning approach methodology (see also Section 2 – Internal Audit Approach) was based on:

- Data obtained from risk registers.
- The Councils' priorities to ensure that audit work is aligned to the overall organisational objectives and required outcomes.
- The skills, knowledge and experience of audit staff.
- Detailed discussions held with all members of the Senior Leadership Team representing all areas of the Councils – this is critical to ensuring the audit work is aligned to the management of the key risks across the Councils and focus on the key control processes that support the mitigation of those risks.
- Horizon scanning – changes to/new legislation.
- Information taken from other assurance processes within, and external to, the Councils.

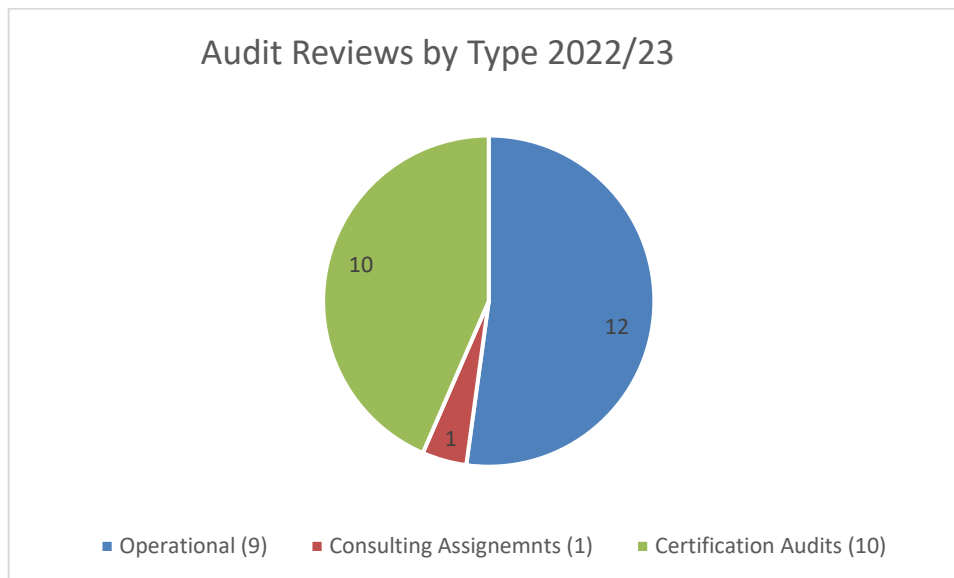
4.2 The following factors are considered when assessing and selecting the audit work to be undertaken:

- **Materiality** – in monetary terms, the relative significance or importance of a particular system or process to the Councils.
- **Corporate importance** – the extent to which the Councils depend on the correct running of the system, whether for legal or regulatory requirements or to meet corporate priorities.
- **Vulnerability** – the extent to which the system is liable to breakdown, open to corruption, loss, error etc.
- **Organisational concerns** – the assessment of the risk to the organisation and the focussing of resources in response to that risk.

#### 5. Summary of Internal Audit Activity

5.1 In 2022/23, a total of 23 specific audit assignments were completed, with a number of assignments currently in progress. The main reason for a number of audits still in progress and deferred to 2023/24 is as a result of unplanned work relating to various government grants requiring certification.

## 5.2 Completed audit reviews by type:



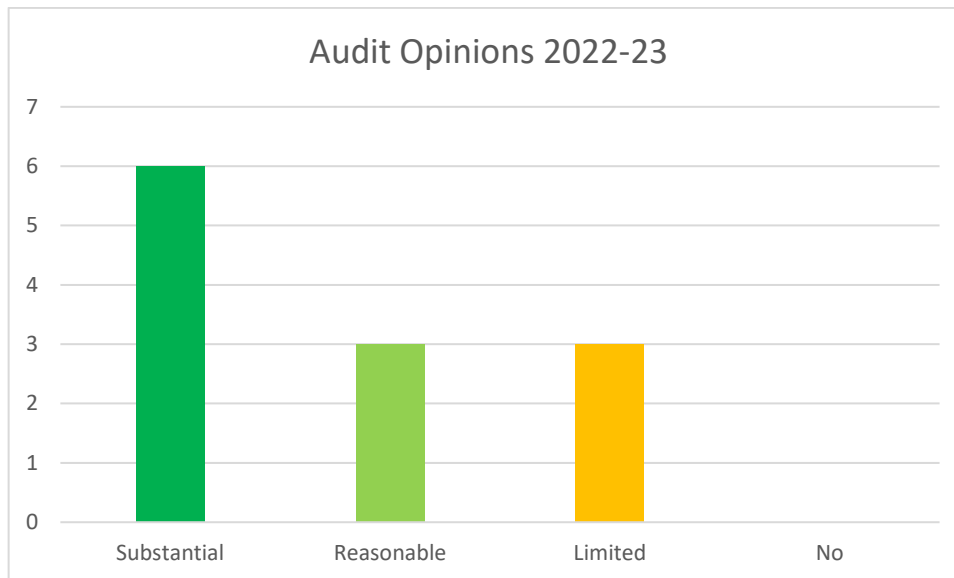
**Operational Audits** – are detailed audit work carried out to evaluate the Councils' effectiveness, efficiency and economy of operations under management's control.

**Consulting Assignments** – consulting engagements are generally advisory in nature. They are generally performed at the specific request of management. Work may include providing advice on new systems and emerging risks, training and representation on working groups. This work reduces the issues that could be raised in future audits and contributes to a stronger control environment.

**Certification Audits** – Internal Audit is required to certify certain government grants.

5.3 The results of audit work carried out in 2022-23 are positive, where an opinion is provided, having an opinion of 'Substantial' or 'Reasonable'. However, there were audits which resulted in more serious concerns over controls; 3 pieces of work had an overall opinion of 'limited Assurance' and are due to be followed up during 2023/24, the results of which will be reported back to this Committee as part of Internal Audit's interim report later in the year.

### 5.3.1 Audit opinions on completed work:



### 5.4 Audits completed:

#### 5.4.1 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.</p>	<ul style="list-style-type: none"> <li>A general lack of coordination and central responsibility for ensuring contract management is carried out.</li> <li>Failure to provide adequate training for those staff responsible for managing contracts.</li> <li>Failure to centrally house and control contract management information.</li> <li>Contracts are not let in accordance with procurement regulations, leading to risks to reputation and poor value for money.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>There is no agreed Performance and Contract Management Framework that outlines overarching responsibility, scrutiny and oversight.</li> <li>The documentation in place would benefit from review, update, rationalisation and simplification. Example documents from other councils are provided to support this work.</li> <li>Governance around managing the procurement, exemptions and conflicts of interest requires review and enhancement.</li> <li>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.</li> </ul> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>There is considerable experience and good practice that has been developed by individual Managers. This can be built upon to establish the required Framework.</li> <li>The Councils have agreed an action plan to implement recommendations from the East of England Local Government Association (EELGA). Implementation of</li> </ul>	Undertaken as 'Consultancy work' at the request of the Director – Corporate Resources.

			<p>both the EELGA and Internal Audit recommendations will significantly improve the Councils' Procurement and Commissioning functions.</p> <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>	
Contract Spend		<ul style="list-style-type: none"> <li>o Expenditure incurred without agreed contract.</li> <li>o Costs incurred without clear business needs assessment of service requirement or optimum service delivery.</li> <li>o Expenditure is incurred in excess of agreed contract levels.</li> <li>o Overruns compromise procurement policy and best practice model.</li> <li>o Misreporting and execution in accounts</li> <li>o Inappropriate allocation between capital and revenue with errors in depreciation and surplus / deficit reporting</li> <li>o Excessive Expenditure by service remains unchecked.</li> <li>o Monitoring and challenge does not identify projection (extrapolation) of consumption and contravention of procurement framework.</li> </ul>	<ul style="list-style-type: none"> <li>o With the resourcing issues and challenges faced within the Commissioning and Procurement (C&amp;P) team the Director of Corporate Resources requested that this piece of work be deferred into 2023/24.</li> <li>o The Director of Corporate Resources reported in April 2023 that resources are now in place and good progress is being made to transform the C&amp;P function, but an embedding period will be required before we will see the changes coming through.</li> </ul> <p>Provision has been made in the 2023/24 Internal Audit Plan to undertake this work.</p>	
General Ledger	<p>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.</p>	<p>Control accounts and reconciliations are mismanaged or ineffective and mis-posting may go unnoticed.</p>	<ul style="list-style-type: none"> <li>o Reconciliations of the principal control accounts were at the time of testing found to be performed regularly and on a timely basis, however, there was no secondary check to ensure their accuracy.</li> <li>o Management information reporting through the S151 Report continues to be produced although there is no evidence of management oversight.</li> </ul> <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>	<p>Limited Assurance – Follow Up to be undertaken during 2023/24.</p>
Budgetary Control	<p>Process of managing centralised budgets; communication and challenge of budgets spread across services; control of one activity dependent upon another.</p>	<ul style="list-style-type: none"> <li>o There may be inadequate time and resources set aside for preparing the annual budget and assumptions made when preparing the budget may not be clearly defined or supported, leading to inaccurate information being used during the estimates process and the rates not being struck on time.</li> <li>o Budgets may not be effectively monitored or managed by budget holders leading to the inefficient use of Council resources and unnecessary expenditure prior to the year end.</li> </ul>	<p>The Director of Corporate Resources has confirmed that the 2023/24 budget process included oversight by SLT, income focus group, budget challenge group ELT briefings, and Business Partners working closely with Service managers and Directors to set the budget as well as regular briefings with members including Overview &amp; Scrutiny review of the budget assumptions and savings and pressures.</p> <p>Quarterly reporting on the HRA and the GF continued throughout the year as well as half year treasury management performance.</p> <p>The finance transformation work is well on track for delivery and includes enhancing the skills and knowledge of the Business Partners and improvements that will come from reporting in the new financial management system, reducing the reliance on manual spreadsheets. Therefore, at the request of the Director of resources this work has been pushed</p>	



		<ul style="list-style-type: none"> <li>Insufficient financial information may be provided to management and Councillors leading to poor decision making.</li> </ul>	back until the new system is in and BPR is complete in all areas of finance, (currently 80% completed).	
Fees and Charges	The review will focus on the setting of fees and charges strategy, review of regulatory constraints, statutory obligations and market challenges.	<ul style="list-style-type: none"> <li>The Councils do not maximise their income.</li> <li>The Councils do not deliver services in a cost-effective manner.</li> <li>The Councils may overlook market opportunities.</li> </ul>	As a result of the unplanned work around certification of government grants, this work has been deferred to 2023/24.	
Register of Interests, Gifts and Hospitality	To review the adequacy and effectiveness of the Councils' 'Acceptance by Employees of offers of Gifts and Hospitality Policy' and Declaration of Interests.	<ul style="list-style-type: none"> <li>Code of Conduct - The lack of a corporate policy and procedures to guide staff could lead to a breach in Code of Conduct and unethical behaviour.</li> <li>Declaration of Interests and Gifts &amp; Hospitality Procedures - Failure to appropriately declare gifts and hospitality offered or register interests, may result in Staff impartiality being affected resulting in reputational damage and ineffective use of resources.</li> <li>Central Register - The lack of a Central Register that is regularly reviewed, by the appropriate Officer, and published could be open to challenges of not being transparent to all our stakeholders</li> </ul>	This work is currently in progress. A member of the Democratic Services team has been assigned to develop a set of procedures in line with good practice, which will be rolled out to all staff. Moving forwards the existing handwritten forms and registers will be electronically completed and held in Modern.Gov. Oversight of declarations will be undertaken by the Democratic Services team and independently reviewed on an annual basis by Internal Audit.	
Election Costs	The election expenses return for the election held in May 2021 includes all allowable expenditure incurred by the Council in relation to the running of an election.	<ul style="list-style-type: none"> <li>Amounts claimed within the election expense return are not in accordance with the requirements of the election expenses guidance.</li> <li>Claims submitted may be rejected or incorrect, leaving the Councils liable for the costs and may lead to a level 5 fine under the virtue of Section 175 (1)</li> <li>The Summary of Accounts form is not accurate and has not been verified.</li> <li>The Election expenses claim is not consistent and is not supported by accepted supporting documentation</li> </ul>	<ul style="list-style-type: none"> <li>The reconciliations were carried out in isolation with no formal secondary verification.</li> <li>Integra is unable to generate a budget report specifically for the 2021 elections as there is no unique cost centre or identifier to identify costs.</li> <li>It was not possible to use the Electoral Management System (EMS) to its full potential during the 2021 election, resulting in some employees' contact details (and level of experience) not being kept for the upcoming election in 2023.</li> <li>No process notes or Business Continuity Plans were available for the 2021 elections.</li> </ul> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>The Summary of Accounts submission was submitted within the agreed time, in accordance with the election expenses guidelines and with supporting evidence of costs.</li> <li>The Corporate Manager has already begun to make improvements to the EMS in terms of data cleansing and capturing up to date Election employee data for future elections, as well as ensuring a comprehensive Business Continuity Plan is in place.</li> </ul>	Limited Assurance – Follow Up to be undertaken during 2023/24.

Support Central Government various Grant Funding Schemes	To ensure that the prescribed criteria in terms of eligibility is met.	<ul style="list-style-type: none"> <li>Failure to comply with the prescribed conditions will result in either the grant being reduced, suspended or being withheld.</li> <li>Any expenditure that fails to comply with the prescribed conditions shall immediately become repayable to the Minister of State.</li> </ul>	<ul style="list-style-type: none"> <li>The conditions attached to the grants requiring Internal Audit certification been complied with.</li> </ul>	Prescribed declarations have been presented to the Ministry for Housing, Communities and Local Government either directly or indirectly if received via Suffolk County Council.
Payroll	To review the robustness of the starters and leavers processes and ensure deductions in salaries were agreed, authorised where necessary, and correct.	<ul style="list-style-type: none"> <li>Errors may be made when an employee leaves the organisation.</li> <li>Arrangements to collect outstanding money/asset may not be made.</li> <li>Loss of money to the Councils.</li> <li>Individuals pay may be incorrect and go unnoticed.</li> <li>Ghost employees may go undetected.</li> <li>Emergency payments may be uncontrolled.</li> <li>Errors in the changing of standing data may go unnoticed, leading to inaccurate pay.</li> <li>Deductions from pay many not be authorised.</li> </ul>	<ul style="list-style-type: none"> <li>All employees tested had complete employee records on file and salary payments were as per job advertisement and signed contract.</li> <li>The leavers process is prompt and accurate and all IT assets are returned to the Councils and access to the networked terminated.</li> <li>All deductions in salaries are agreed and any variances in salaries promptly investigated and corrected, if appropriate.</li> </ul>	Substantial Assurance

## 5.4.2 Environment

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Licensing	To provide assurance that the Councils' Licensing function is operating satisfactory with robust internal controls in place.	<ul style="list-style-type: none"> <li>There may be a lack of adequate policies and/or procedures covering legislation and process for issuing entertainment and dog licences.</li> <li>Entertainment/dog licence may be inappropriately processed and issued impacting on the Council's reputation, the public and health and safety.</li> <li>Income for entertainment/dog licences may not be appropriately received, recorded or accounted for leading to a loss of income to Council.</li> </ul>	As a result of the unplanned work around certification of government grants, this work has been deferred to 2023/24.	

## 5.4.3 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"> <li>Policies and Procedures - Guide/flowchart is not adhered to.</li> <li>Staff unclear of their responsibilities.</li> <li>Document Management System/Uniform is not used to its full potential or purpose.</li> </ul>	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,	Substantial Assurance

		<ul style="list-style-type: none"> <li>Performance (Monitoring and Reviewing) - Non-compliance with guide/flowchart, abnormal activity may go undetected and key targets missed</li> </ul>	<ul style="list-style-type: none"> <li>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 deadlines and officer professional grade.</li> <li>Guidance on the workflow for officers needs to be developed and the significance of key controls explained to officers in the team.</li> </ul> <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.</p> <p>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"> <li>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.</li> </ul>	
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"> <li>Submission of fraudulent applications.</li> <li>Submission of third-party fraudulent applications.</li> </ul>	<ul style="list-style-type: none"> <li>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).</li> </ul>	
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"> <li>Safeguarding incidents undermine residents' safety and wellbeing.</li> <li>Lack of staff and member awareness results in a failure to act.</li> <li>Failure of the Councils to meet statutory responsibilities leads to regulatory sanction.</li> </ul>	<ul style="list-style-type: none"> <li>The s11 report is produced but fails to acknowledge the current Safeguarding Policy is 7 years past its review date.</li> <li>There is no Refresher training programme in place.</li> <li>Greater clarity is required over the roles and responsibilities of the Safeguarding Leads.</li> </ul> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>HR ensures Safeguarding training is completed as part of the new starter induction process.</li> <li>Taxi and Events Licensing ensures all license holders have DBS checks and where relevant evidence of Safeguarding training.</li> <li>The process for reporting concerns through the Customer Alert List is effective.</li> </ul> <p>Note: Internal Audit can confirm that the Safeguarding policy was presented at SLT on 24 May 2023, where the policy was agreed with</p>	<p>Limited Assurance – Follow Up to be undertaken during 2023/24.</p>

			<p>some minor changes, and includes a section on roles and responsibilities in connection to the Safeguarding functions. The next stage is for the Policy to be discussed by the new Cabinet Members on 6 July 2023 and ratified by Cabinet in summer 2023.</p> <p>However, the finding around refresher training was dependant on the policy being agreed and therefore still remains outstanding.</p> <p>Based up on the current position the audit opinion remains as <b>Limited Assurance</b> and will require a further follow up in Quarter 2 to ensure all findings have been implemented.</p>	
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## 5.4.4 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"> <li>The Councils' approach to rent setting is not consistently applied, unfair and lacks transparency.</li> <li>The rents set are not accurately calculated and applied in accordance with the approved policy.</li> <li>Rent increases are not implemented promptly and accurately.</li> </ul>	<p>It is noted that some of the changes made to the rate of rent charged on the rent system resulted in a number of errors in the rent charged by the Councils. Corrective actions be taken to rectify the errors. Management are confident that with the rent integrity work being undertaken, and with the rent and service charge policy now in place, the team are making in-roads to better compliancy and control in future.</p> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>The Rent and Service Charge policy was approved by Mid Suffolk Cabinet and the Babergh Cabinets in July 2022. The policy is due for review in July 2027.</li> </ul>	Reasonable Assurance
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"> <li>The housing allocations policy is out of date and not fit for purpose.</li> <li>The allocations process is not consistently applied in line with the approved policy.</li> <li>Accommodation is given to persons who do not qualify for Council housing.</li> <li>Fraudulent housing applications are submitted to gain council accommodation.</li> </ul>	<ul style="list-style-type: none"> <li>The Allocations Policy was published in October 2022.</li> <li>Copies of identity documents (ID) for all named individuals on a housing register application are not always retained on file.</li> <li>The Councils ID verification process is currently paper based which may result in the Councils missing some applicants' ID information.</li> </ul> <p>Good practice identified:</p>	Substantial Assurance

			<ul style="list-style-type: none"> <li>o Signed tenancy agreements are in place for new tenants.</li> <li>o New tenants are recorded on the Continuous Recording of Lettings and Sales in Social Housing in England system.</li> </ul>	
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### 5.4.5 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"> <li>o Non-compliance with the PCI DSS, leading to the imposition of fines, increased transaction charges, or suspension of ability to process card payments.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>o The IT Network Security Policy was scheduled to be reviewed on 20th December 2021; however, this is yet to be updated and approved.</li> <li>o Analysis of the IT Patch Management and Vulnerability Scanning Policy noted that the document was published in August 2020, however, there is no indication of when the document will be next updated.</li> </ul> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>o Review of the Network Management Policy confirmed the document is up-to-date and reflects current practices.</li> <li>o Testing confirmed that staff with access rights to obtain payments from customers were appropriately set up on Capita system and access right on the system commensurate to their job roles.</li> </ul>	Reasonable Assurance
Shared Revenues Partnership (SRP) – Business Rates and Council Tax, 2021/22.  <b>Note:</b> This work is undertaken by Ipswich Borough Council's Internal Audit Section as the Partnership's host authority.	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 and Council Tax.	<ul style="list-style-type: none"> <li>o 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.</li> <li>o Failure to ensure that billing and collection arrangements are robust and adequately applied.</li> </ul>	<ul style="list-style-type: none"> <li>o Valuation Office reports had been reconciled to the Northgate Revenues and Benefits (NRB) system accurately and were completed in a timely manner.</li> <li>o Council Tax Precepts and National Non Domestic Rates (NNDR) NDR Multipliers were input accurately and signed off by a second person.</li> <li>o Collection and refund reconciliations were found to be valid and agree to supporting data.</li> <li>o Automated debt recovery procedures are in place to ensure recovery money due timely.</li> <li>o Write offs were authorised in line with delegated authority.</li> </ul>	Opinion for both Councils relating to Business Rates and Council Tax have been assessed as Effective – defined as - Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met

<p>Shared Revenues Partnership (SRP) – Housing Benefits, 2021/22.</p> <p><b>Note:</b> 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 objectives relating to Housing Benefits.</p>	<ul style="list-style-type: none"> <li>○ Failure to have a rigorous assessment process in place to assess and review claims may result in non-compliance with DWP requirements, inconsistency in processing claims and/or invalid claims being paid out leading to irrecoverable overpayments.</li> <li>○ Failure to have robust controls over the payments process may result in unauthorised or invalid payments being made leading to financial loss or errors in posting payments to the accounting system resulting in misstatement of entries.</li> <li>○ Failure to have a robust process in place to manage the identification and classification of overpayments may result in overpayments not being recovered and unnecessarily written off, and the inability of the Council to maximise the subsidy received from the government.</li> <li>○ Failure to have a robust and thorough Quality Assurance (QA) process in place may result in the unnecessary use of extra resources on correcting errors, dealing with complaints, appeals and reconsideration, and losses in subsidy.</li> </ul>	<ul style="list-style-type: none"> <li>○ IBC BACS rejects for rent allowance has not been checked/reconciled between NRB and Agresso on a regular basis.</li> </ul> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>○ Local Housing Allowance (LHA) rates set within the NRB system are in accordance with Central Government limits.</li> <li>○ LHA Rates are correctly entered into the Northgate system.</li> <li>○ The amount of award is automatically calculated using the LHA parameters within the NRB system.</li> <li>○ There are documented procedures/guidance for the Localised Verification Framework (which replaced Risk Based Verification in September 2021).</li> <li>○ Supporting documentation has been retained of verification checks undertaken.</li> <li>○ BACS runs are correct and have been appropriately authorised.</li> <li>○ Regular reconciliation of payments from the Northgate system to the relevant finance system is undertaken and discrepancies are investigated (MSDC/BDC).</li> </ul>	<p>Opinion for both Councils relating Housing Benefits have been assessed as Reasonable – defined as - <i>Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.</i></p>
<p>Data Quality - Management</p>	<p>The objectives of the audit review are to:</p> <ol style="list-style-type: none"> <li>1) Undertake a current state assessment of the Data Maturity of the Organisation: Assessing the current data maturity level by reviewing data practices and the extent to which key principles and policies are embedded. It will also evaluate team engagement, data literacy, existing processes, risk controls, and their effectiveness. This is likely to include understanding whether data standards are in place and what assurances there are in regards data quality.</li> <li>2) Review Information Asset Register to ensure it is complete and has been created correctly.</li> <li>3) Provide best practice guidance (where possible) on all of the above.</li> </ol>	<ul style="list-style-type: none"> <li>○ Lack of transparency, accessibility and completeness of information.</li> <li>○ The importance of good data quality is not embedded throughout the Council and relayed to other external stakeholders.</li> <li>○ Decisions are made on the basis of inaccurate information.</li> <li>○ Inaccurate performance management information may mask service delivery issues.</li> </ul>	<p>Currently work in progress. Given the size of the work involved it has been agreed with management to spread the work into 2023/24.</p>	

## 5.4.6 Assets and Investments

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
<p>Babergh Growth and Mid Suffolk Growth Company's partnership with NORSE Group</p>	<p>The purpose of the audit was to provide assurance that the Councils' property portfolio governance arrangements are sound.</p>	<ul style="list-style-type: none"> <li>○ 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.</li> <li>○ Non-executive directors of the Board are unable to give independent, robust challenge.</li> <li>○ The Board does not have sufficient, complete or timely information on which to base its decisions.</li> <li>○ 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.</li> <li>○ The companies set up by the Board may not fulfil their obligations.</li> <li>○ Communications from the Board are not effective or timely meaning that the Council cannot place reliance on the workings of the Board.</li> </ul>	<ul style="list-style-type: none"> <li>○ The signed Shareholders' Agreement include a Business Plan, and this is revised annually. The revised Plan is reviewed by Norse informally to ensure there are no material changes that require Shareholder agreement.</li> <li>○ Project surpluses are shared equally unless otherwise agreed in the Project Plans. The methodology for calculation of those surpluses is clearly outlined in the agreed Needham Market HQ Project Plan.</li> <li>○ The Needham Market HQ documentation comprises a Project Plan, Development Agreement and Facilities Agreements. The Facilities Agreements align to the agreed Loan amounts as per the Project Plan.</li> </ul> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>○ The individual Project Plans are supplemented by a Facilities Agreement encompassing the terms and conditions of the Project Loan. The process for draw down of monies was reviewed in 2021/22 and deemed satisfactory.</li> <li>○ Delegations are included in the approved Business Plan. Amendments are via the annual Business Plan review process and require Shareholder Agreement.</li> </ul>	<p>Substantial Assurance</p>
<p>Acquisitions</p>	<p>The purpose of the audit is to provide management with assurances that robust arrangements are in place for the effective oversight on management of assets regarding the recording, reporting, use and maintenance to ensure that they adhered to good practices.</p>	<ul style="list-style-type: none"> <li>○ There may be no formally documented asset management policy in place leading to inconsistencies in how Council assets are managed.</li> <li>○ 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.</li> <li>○ 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.</li> <li>○ There may be insufficient insurance cover in relation to Council assets resulting in financial loss to the Councils.</li> </ul>	<p>Currently work in progress. This audit was delayed due to staff changes within the Strategic Property team.</p>	

## 6. Independence

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.

## 7. Effectiveness

This section of the report sets out information on the effectiveness of the service and focuses on compliance with the Public Sector Internal Audit Standards (PSIAS), performance and customer feedback.

The purpose of reviewing effectiveness is to ensure that the annual opinion may be relied upon as a key source of evidence in the Annual Governance Statement.

### 7.1 Quality Assurance & Improvement

The Quality Assurance and Improvement (QAIP) is a requirement within ‘the Standards.’

The Standards require the ‘Head of Internal Audit’ to develop and maintain a QAIP to enable the Internal Audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance. The QAIP must include both internal and external assessments.

Internal assessments are both on-going and periodical, and external assessments must be undertaken independently at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the Internal Audit activity, identifying areas for improvement.

The most recent independent External Quality Assessment (EQA) was carried out by TILIA Solutions in February 2023. This was carried out through a process of document review and interviews with the Chief Executive, the Director of Corporate Resources (S151), both Joint Audit and Standards Committee Chairs, a sample of audit clients, and Internal Audit staff. No areas of non-compliance with the standards that would affect the overall scope or operation of the Internal Audit activity were identified and the function is valued and well-regarded across the Councils.

The report has however raised a small number of recommendations and suggestions which have been agreed by the Corporate Manager for Internal Audit – these are largely ‘tweaks’ to existing working practices and have since been implemented.

During 2022/23, the Corporate Manager for Internal Audit has ‘self-assessed’ the activities of Internal Audit against the requirements of the PSIAS and CIPFA’s Local Government Application Note (LGAN) and is satisfied that compliance has been maintained. This has been reviewed by the Director of Corporate Resources (S151).



## 7.2 Audit Networks

It is important to keep abreast of good professional practice. Internal Audit has strong links with audit colleagues both within Suffolk and nationally and are members of the Local Authority Chief Auditors' Network (LACAN), Midland Audit Group (MAG), the Suffolk Working Audit Partnership (SWAPs) and the Suffolk Local Authority Fraud Group.

## 7.3 Quality Control

The following performance indicators are maintained to monitor service delivery:

	Key Performance Indicator	Target	21/22	22/23
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	5	7
5	Average Number of days between the completion of audit fieldwork and issue of draft report.	10 working days	8	5
6	Average Number of days between the issue of the draft and final report.	15 working days	6	4
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 management's request for continual support within the Business Cell responsible for the administration of business grants)	90%	76%	70%

The reduced percentage of the audit plan delivered is as a result of unplanned work certifying various government grants and management's request for internal audit's continual support to provide a level of assurance to the Business Cell responsible for the administration of business grants.

Customer Feedback – Information obtained from customer surveys provides valuable feedback on Internal Audit processes and informs staff performance reviews. Although the number of returned customer surveys was disappointing, those that did return their survey expressed a high level of satisfaction with the service delivered.

## 8. Other Internal Audit activity

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

### 8.1 Council Governance

8.1.1 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 2022/23 and is being presented to this Committee today.

### 8.1.2 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.

## 8.2 Probity

8.2.1 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 2022/23 report was presented to this Committee on 22<sup>nd</sup> March 2023 (Paper JAC/21/46).

In brief the report explained the current arrangements in place across both Councils to ensure there is a pro-active corporate approach to preventing fraud and corruption and creating a culture where fraud and corruption will not be tolerated. It also provided details of proactive work undertaken by Internal Audit to deter, prevent and detect fraud and corruption. Of note, was raising Money Laundering awareness through a series of presentations to all Corporate Managers. This was followed up with compulsory online e-learning module for all staff to complete. This training will enable employees to recognise suspicious transactions and what to do if they identify them. The completed module will automatically be filed on everyone’s personal records. This will also form part of the induction programme for new employees.

## 8.3 Business Support Activity

8.3.1 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.

## 9. **Resources**

9.1 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.

9.2 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.

## 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:**

John Matthissen Chair of the Joint Audit and Standards Committee – Mid Suffolk

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

Melissa Evans, Director of Corporate Resources

Ifty Ali, Interim Director for Law & Governance and Monitoring Officer

Senior Leadership Team