



# **NORWICH** City Council

**Committee name:** Audit

**Committee date:** 04/10/2022

**Report title:** Internal Audit Progress Update 2022/23

**Portfolio:** Councillor Kendrick, cabinet member for resources

**Report from:** Head of Internal Audit – Norwich City Council

**Wards:** All wards

## **OPEN PUBLIC ITEM**

### **Purpose**

This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2022/23

### **Recommendation:**

It is recommended that members note the progress in delivering the remainder of the 2021/22 internal audit plan of work and progress with delivery of the 2022/23 plan.

### **Policy framework**

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report helps meet all the Corporate priorities.

## Report Details

1. The Audit Committee receive updates on progress made against the annual internal audit plan. This report forms part of the overall reporting requirements to assist the Council in discharging its responsibilities in relation to the internal audit activity.
2. The Public Sector Internal Audit Standards require the Chief Audit Executive to report to the Audit Committee the performance of internal audit relative to its agreed plan, including any significant risk exposures and control issues. To comply with the above the report identifies:
  - Any significant changes to the approved Audit Plan;
  - Progress made in delivering the agreed audits for the year;
  - And where applicable will provide any significant outcomes arising from completed audits.

## Consultation

3. Not applicable for this report.

## Implications

### Financial and Resources

4. There are no specific financial implications from this report; the internal audit plan will be delivered from within the resources available.

## Legal

5. There are no specific legal implications arising from this report.

## Statutory Considerations

<b>Consideration:</b>	<b>Details of any implications and proposed measures to address:</b>
Equality and Diversity	Not applicable for this report.
Health, Social and Economic Impact	Not applicable for this report.
Crime and Disorder	Not applicable for this report.
Children and Adults Safeguarding	Not applicable for this report.
Environmental Impact	Not applicable for this report.

## Risk Management

Risk	Consequence	Controls Required
Failure to undertake the Annual Internal Audit Plan could result in the Head of Internal Audit not being able to provide an annual opinion.	Reductions in Internal Audit coverage could permit on-going weaknesses in the internal control environment at the Council not being detected and reported upon.	Progress against completing the annual internal audit plan is reported to the Audit Committee in accordance with the Public Sector Internal Audit Standards. Additional resources are deployed where required to ensure adequate levels of coverage are provided for the annual opinion.

## Other Options Considered

6. Not applicable for this report.

## Reasons for the decision/recommendation

7. The Committee is receiving this report in conformance with the Public Sector Internal Audit Standards and to assure itself on the progress being made against planned audit activity.

## Appendices:

Appendix 1 Internal Audit Progress Update 2022/23.

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**Background papers:** None



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## Eastern Internal Audit Services



**Norwich City Council**

**Progress Report on Internal Audit Activity**

**Period Covered: 1 April 2022 to 7 September 2022**

**Responsible Officer: Faye Haywood – Head of Internal Audit for Norwich City Council**

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## 1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) requires the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues.
- 1.3 To comply with the above this report includes:
- Any significant changes to the approved Audit Plan;
  - Progress made in delivering the agreed audits for the year;
  - Any significant outcomes arising from audits; and
  - Performance Indicator outcomes to date.

## 2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 In accordance with the PSIAS, the annual internal audit plan should be reviewed on a regular basis and adjusted, when necessary, in response to changes on the organisation's business risks, operations, programmes, systems and controls.

Since the approval of the plan in March 2022, a horizon scan of risks with the potential to impact the Council have been considered by Internal Audit. The table below provides the areas in which the Internal Audit team should be consider providing audit coverage on.

These areas will be discussed with the Corporate Leadership Team to determine whether the existing internal audit plan should be reprofiled in response. Our three-year programme allows us to re-prioritise the assurance needs of the Council so that we focus on the most strategic risks in year and make best use of our resources. The Committee is asked to consider if these and if there are any other areas of strategic risk which could form part of the discussion with Corporate Leadership Team.

Area	Assessment
Safeguarding	A compliance risk is currently highlighted within the Corporate Risk Register covering safeguarding. The strategic plan has set aside audit coverage for safeguarding in 2024/25, however due to the impact that the cost-of-living crisis will likely have on residents, internal audit have considered whether coverage should be pulled forward into the 2022/23 plan to provide positive assurance that the Councils arrangements will contribute towards the mitigation of this risk. This work could review policies, the identification and reporting of concerns, partnership working and staff training.
Nutrient Neutrality	Local Authorities across Norfolk have had to consider how they will respond to the nutrient neutrality concerns from Natural England which have resulted in a pause on development approvals locally. This will have an impact on both existing planning proposals and future projects. Each Council will need to consider how this risk impacts delivery of objectives on housing delivery. Through initial conversations it is understood that all affected Councils are working together on a resolution and a proposed solution. Assurance at this stage may therefore not be of benefit, however it is proposed that Internal Audit keeps a watching brief on how the situation develops.
Financial Viability	A risk in inflation has put further pressure on the medium-term financial plans of local authorities with Norwich City Council reporting that savings of £11m will need to be identified over the next four years. A July 2022 report to Cabinet has outlined these challenges and confirms that the Council will be re-considering priorities in response. The discussion with CLT will focus on how the Internal Audit team can support this work and provide assurance over the risks identified.

### 3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1**.
- 3.2 In summary 61 days of programmed work have now been completed, equating to 19% of the Internal Audit Plan for 2022/23.

### 4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

**Substantial Assurance:** Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

**Reasonable Assurance:** Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

**Limited Assurance:** Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

**No Assurance:** Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

- 4.2 Recommendations made on completion of audit work are prioritised using the following definitions:

**Urgent (priority one):** Fundamental control issue on which action to implement should be taken within 1 month.

**Important (priority two):** Control issue on which action to implement should be taken within 3 months.

**Needs attention (priority three):** Control issue on which action to implement should be taken within 6 months.

- 4.3 In addition, on completion of audit work "Operational Effectiveness Matters" are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.
- 4.4 During the period covered by the report, Internal Audit has not yet issued any reports in final from the 2022/23 plan. Quarter one work should now be concluded and as demonstrated by Appendix one, delays have resulted in one out of four reports issued in draft.

The work on food health and safety is complete and awaiting management responses. Leasehold Management, Anti-Fraud and Corruption and FOI's and complaints are however ongoing and are expected to be in draft for distribution to management by the end of September 2022.

Quarter two work is in progress and each audit report is due to be issued in draft 10 working days after quarter end.

## **5. UPDATE REGARDING OUTSTANDING INTERNAL AUDIT WORK FROM 2021/22**

- 5.1 Two reports remain in draft from the 2021/22 plan. These are Environmental Services and Capital Accounting and Programme Management. The Capital Accounting and Programme Management report is due to be discussed Resource, Performance and Delivery Board. The management responses for the Environmental Services report are being discussed and finalised.
- 5.2 The remaining audit that was reported as 'in progress' at the July 2022 meeting is IT Governance. This has now been finalised and the Executive Summary is included at **Appendix 2**.

## **6. FOLLOW UP OF AGREED AUDIT RECOMMENDATIONS**

- 6.1 In addition to providing the Committee with the performance of internal audit relative to its plan, the Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action.
- 6.2 To comply with the above this report includes the status of agreed actions.
- 6.3 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to the Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 6.4 **Appendix 3** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round. A total of one high and 11 medium and 10 low recommendations are currently outstanding.

**Appendix 4, 5 and 6** provide the committee with details of high and medium priority recommendations that are overdue by the year in which they were raised. Management responses and a new deadline have been indicated for each.



## APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee	Comments
							Urgent	Important	Needs Attention	Op		
<b>Quarter 1</b>												
FOIs and Complaints	NC2302	10	10	7	Fieldwork underway.							
Anti-Fraud and Corruption	NC2303	10	10	7	Fieldwork underway.							
Food Health and Safety	NC2319	10	10	10	Draft report issued on 29 July 2022.							
Leasehold Management	NC2323	10	10	7	Fieldwork underway.							
<b>TOTAL</b>		<b>40</b>	<b>40</b>	<b>31</b>								
<b>Quarter 2</b>												
Annual Governance Statement	NC2301	10	10	7	Fieldwork underway.							
Leisure	NC2311	12	12	8	Fieldwork underway.							
Buildings at Risk	NC2318	10	10	1	Audit Planning Memorandum issued.							
Planned Housing Maintenance	NC2321	15	15	6	Fieldwork underway.							
<b>TOTAL</b>		<b>47</b>	<b>47</b>	<b>22</b>								
<b>Quarter 3</b>												
Staff Wellbeing	NC2312	10	10	0								
Elections	NC2305	10	10	0								
Accounts Receivable	NC2307	10	10	0								
Payroll	NC2309	15	15	0								
Garden Waste Service	NC2313	8	8	0								
Parks and Open Spaces	NC2314	10	10	0								
Economic Development incl. Towns Fund	NC2316	12	12	0								
Housing Compliance Data Validation Checks	NC2322	15	15	0								
<b>TOTAL</b>		<b>90</b>	<b>90</b>	<b>0</b>								

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
<b>Quarter 4</b>											
Procurement and Contract Management	NC2304	15	15	0							
Key Controls and Assurance	NC2306	15	15	0							
Income	NC2308	10	10	0							
Housing Benefits	NC2310	15	15	0							
Markets	NC2315	10	10	0							
Contaminated Land and Air Quality	NC2320	10	10	0							
Housing Compliance Data Validation Checks - part 2	NC2322	15	15	0							
Housing Services incl. Community Safety and Anti-Social Behaviour	NC2324	12	12	0							
<b>TOTAL</b>		<b>102</b>	<b>102</b>	<b>0</b>							
<b>IT Audits</b>											
Cyber Security	NC2325	10	10	0							
Disaster Recovery	NC2326	10	10	0							
Housing System Implementation Phase 2	NC2327	10	10	0							
<b>TOTAL</b>		<b>30</b>	<b>30</b>	<b>0</b>							
<b>Follow Up</b>											
Follow Up	N/A	16	16	8							
<b>TOTAL</b>		<b>16</b>	<b>16</b>	<b>8</b>							
<b>TOTAL</b>		<b>325</b>	<b>325</b>	<b>61</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Percentage of plan completed</b>				<b>19%</b>							

## APPENDIX 2 – EXECUTIVE SUMMARIES FINALISED REPORTS

### Assurance Review of the IT Governance Arrangements

#### Executive Summary

##### OVERALL ASSURANCE ASSESSMENT



##### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
IT Service KPI Management	0	0	1	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>

No recommendations have been raised in the areas of: IT Strategy Management, IT Project Management, IT Risk Management and IT Service Structure.

##### SCOPE

The objective of the audit was to review the systems and controls in place within IT Governance, to help confirm that these are operating adequately, effectively and efficiently and can be relied upon. The scope included the following: IT Strategy Management, IT Project Management, IT Risk Management, IT Service KPI management, and IT Service Structure.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'needs attention' recommendation being raised upon the conclusion of our work.

## POSITIVE FINDINGS

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It is acknowledged there are areas where sound controls are in place and operating consistently:

- The Council has a formally documented Customer Experience and Digital Strategy in place. It covers the period 2021 - 2024 and has been published alongside the Business Strategy.
- There are detailed processes in place for the management of projects and the overarching transformation programme.
- The Customer, IT and Digital Board and Manager meetings are in place to monitor progress with projects, programmes and the general IT working relationship with the other Council departments.
- The Customer Experience and Digital Strategy for the period 2021-24 includes a section entitled "Monitoring and Reporting Progress" and we have found that there are plans to review the strategy in September 2022, with further reviews planned into 2023 in advance of a revised strategy to be published in 2024.
- For risk management, the Council operates a system of directorate, department and Corporate risk registers. All of these are scrutinised by the relevant local management bodies on a regular basis and includes IT operational risk registers.
- We have noted that the Customer, IT and Digital Board and Management groups include representation from across the Council, which helps to ensure that all departments are included in discussions related to IT changes.
- IT risks are generalised at the Strategic risk register level and are split into individualised risks within the Customer, IT and Digital Directorate risk register.
- The Council is currently reviewing its IT service structure with a view to providing improved support for a rapidly changing Council.

## ISSUES TO BE ADDRESSED

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The audit has highlighted the following area where one 'needs attention' recommendation has been made.

### **IT Service KPI management**

- There is a need to conduct a review of IT user and operational policies and these are marginally outdated in most cases.

### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

## APPENDIX 3 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

		Completed between 1 April 2022 and 7 September 2022			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
		High	Medium	Low	High	Medium	Low	High	Medium	Low		High	Medium	Low
Audit Area	Assurance Level													
<b>2018/19 Audits</b>														
Procurement Compliance	Compliance: Satisfactory			2							0			
<b>2019/20 Audits</b>														
Information Security and GDPR	Controls: Satisfactory Compliance: Limited					1					1			
Payroll	Control: Satisfactory Compliance: Substantial		1			1	1				2			
<b>2020/21 Audits</b>														
Contract Management - Waste Services	Limited		1								0			
Equality Duties	Limited						2				2			
Northgate pre-implementation	Reasonable								1		1			
Key Policies & Procedures	Limited			1		4	2				6			
Licensing	Reasonable					1					1			
<b>2021/22 Audits</b>														
Risk Maturity Assessment	Reasonable										0		2	
Off-payroll working (IR35) compliance	Reasonable						2				2			1
Housing Rents and Arrears	Substantial						1				1			1
Accounts Payable	Reasonable							1			1		2	4
Council Tax	Reasonable								1	2	3			3
NNDR	Reasonable										0		2	2
Treasury Management	Reasonable										0		1	
Business Support Grants	Reasonable			3		2					2			
		0	2	6	0	9	8	1	2	2	22	0	7	11

### APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2019/20

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Information Security and GDPR	The Council should ensure all suppliers deemed to be high risk or high impact in the aforementioned review sign up to the amended terms and conditions.	Medium	Leah Mickleborough, Head of Legal and Procurement	31/03/2020	31/10/2022	Outstanding	There are currently 3 remaining contracts where updated terms are required; nonetheless, all parties involved are ultimately bound by the DPA 2018 which minimises risks involved.
Payroll	Complete the signing of the co-operation agreement with Sefton.	Medium	Dawn Bradshaw, Head of HR and OD	31/12/2021	30/09/2022	Outstanding	Agreement has been redrafted and signed off by NCC. Nplaw providing the agreement to the 3rd party payroll provider, anticipated final sign off was July 2022. Delayed at Sefton due to extended holiday of solicitor - revised due date September.

## APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2020/21

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Key Policies and Procedures	Decide on a corporate level how often policies should be reviewed and ensure that all policies comply with this decision.	Medium	Helen Chamberlin, Head of Strategy, Engagement and Culture	31/01/2022	31/05/2023	Outstanding	<p>IT are working on pulling all policies and strategies into a shared area (Sharepoint). This shared information will include policy owners and review dates for each policy. Automated update reminders will be sent to all policy owners as and when each policy is due for review. The process will include how to add new policies and will highlight the sign off process for the policies.</p> <p>IT are now proposing migrating from Sharepoint 2013 to Sharepoint Online. This requires rebuilding, which is going to take a considerable amount of time. The corporate document library cannot be built until after the departmental sites and citynet structure are in place and content-owners have been trained; this means it will be April/May next year before it's completed.</p>
Key Policies and Procedures	Once a decision on review frequency has been made, develop a review schedule of all key documents. This could be attached to the code of governance with a reference to this on all relating documents.	Medium	Helen Chamberlin, Head of Strategy, Engagement and Culture	31/01/2022	31/05/2023	Outstanding	As above.
Key Policies and Procedures	Develop a framework that gives guidance for developing a coherent and relevant policy and ensure the new framework is communicated to staff. The content could include multiple elements.	Medium	Helen Chamberlin, Head of Strategy, Engagement and Culture	31/01/2022	31/05/2023	Outstanding	We will develop a brief note advising Heads of Service that all new corporate policies must be stored in the shared area and reviewed regularly. This will explain that HoS should use existing corporate policy documents as their model and secure agreement from their Director as to the appropriate approval route on a case by case basis.



Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Key Policies and Procedures	Ensure that all documents are reviewed in accordance with the framework during their next review.	Medium	Helen Chamberlin, Head of Strategy, Engagement and Culture	31/01/2022	31/05/2023	Outstanding	The Strategy team will check the policies due for renewal in the shared area on a quarterly basis and highlight any issues to the Head of Strategy, Engagement and Culture, who will resolve with the relevant HoS or escalate to CLT if required.
Licensing	Complete a review of fees and obtain authorisation from licensing committee for implementation 2021-22.	Medium	Sarah Ashurst, Head of Planning and Regulatory Services	30/04/2021	30/10/2022	Outstanding	Full review of all fees and charges across the service commenced, including discretionary licensing fees. View to implementation Sept/Oct 2022

## APPENDIX 5 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2021/22

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Business Support Grants	1. Given the multi-authority probable fraud, reporting to NAFN to investigate is appropriate.	Medium	Neville Murton, Interim Head of Finance, Audit and Risk	28/02/2022	N/A	Complete, awaiting evidence	Recommendation has been reported as complete; evidence has been requested and will be verified before sign off.
Business Support Grants	2. There are numerous other records on the Civica system for this property, most of these companies went into liquidation, and were only occupiers for a few months. So, prior to reporting to NAFN, consider checking if there are any common directors, as the probable fraud could be more widespread.	Medium	Neville Murton, Interim Head of Finance, Audit and Risk	28/02/2022	N/A	Complete, awaiting evidence	Recommendation has been reported as complete; evidence has been requested and will be verified before sign off.
Accounts Payable	4.1 Ensure independent checks are carried out each time an amendment is made to a supplier's details. For this check to take place via phone, using the phone number from the supplier's website or the number that is stored on the system. For these checks to be noted on the e5 system, so there is evidence and a clear audit trail.	High	Neville Murton, Interim Head of Finance, Audit and Risk	31/07/2022	N/A	Complete, awaiting evidence	Recommendation has been reported as complete; evidence has been requested and will be verified before sign off.

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Council Tax	Ensure that all delegated officers have a signed financial delegation record form which is retained appropriately to verify and validate approval of transactions.	Medium	Tanya Bandekar, Head of Revenue and Benefits	31/08/2022	N/A	Outstanding	DOA forms are signed. One updated signature is required before this recommendation can be fully signed off.