NORWICH City Council

Committee Name: Audit

Committee Date: 21/09/2021

Report Title: Internal Audit Q1 Update

Portfolio:	Cllr Paul Kendrick
Report from:	Internal Audit Manager – 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 2021/22 during the period 1 April to 10 September 2021.

This report also provides the committee with details of any high priority outstanding internal audit recommendations.

Recommendation:

It is recommended that members note the progress in delivering the internal audit plan of work within this period and management progress against delivering outstanding high priority internal audit recommendations.

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing and environment
- Inclusive economy

This report helps to meet all above 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:

(a) Any significant changes to the approved Audit Plan;
(b) Progress made in delivering the agreed audits for the year; and,
(c) Where applicable will provide any significant outcomes arising from completed audits.

3.   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. The frequency of reporting and the specific content are for the council to determine.

4.   This report therefore provides the committee with details of high priority recommendations that are outstanding.

Consultation

n/a for this report.

Implications

Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.

Legal

None 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.

Other Options Considered

n/a for this report.

Reasons for the decision/recommendation

The Committee receives this report in conformance with the Public Sector Internal Audit Standards.

Background papers: n/a

Appendices: Appendix 1 Internal Audit Quarter One Update.

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Eastern Internal Audit Services

Norwich City Council

Progress Report on Internal Audit Activity

Period Covered: 1 April 2021 to 10 September 2021

Responsible Officer: Faye Haywood – Internal Audit Manager Norwich City Council

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1.   **INTRODUCTION**

1.1   This report is issued to assist Norwich City Council in discharging its responsibilities in relation to the internal audit activity.

1.2   The Public Sector Internal Audit Standards also require 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. The frequency of reporting and the specific content are for the Council to determine.

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 those audits where applicable

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

2.1   At the meeting on 9 March 2021, the Annual Internal Audit Plan for the year was presented to the Audit Committee. Since that meeting, there have been no significant changes made to the agreed plan.

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 68 days of programmed work has been completed, equating to 13% of the Internal Audit Plan for 2021/22.

3.3   The Internal Audit team has concluded all work from 2020/21 and is beginning to catch up on 2021/22 work following a later than normal start to the plan. We expect all quarter two allocated work to be in draft report stage by the end of September 2021.

4.   **THE OUTCOMES ARISING FROM OUR WORK**

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

Opinion		Definition
Substantial Assurance		Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance		Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Limited Assurance		There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance		Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

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

Risk Priority	Definition
High	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Medium	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Low	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

5. FOLLOW UP

5.1 The Public Sector Internal Audit Standards 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. The frequency of reporting and the specific content are for the Council to determine.

5.2 **Status of agreed actions**

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 team on a regular basis and reported through to this Committee. Verification work is also undertaken for those recommendations that are reported as closed.

Appendix 2 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 to enable the Committee to easily identify historical outstanding recommendations. The table also identifies outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding within the period covered by the report.

5.3 At the request of the Audit Committee Chair, progress against medium priority recommendations will be reported to the Committee in the future. The internal audit team will begin to work with each Service Area to prepare the data for reporting.

5.4 For 2019/20 a total of four high priority recommendations are outstanding. Three recommendations relate to the Information Security Review and one relates to the Contract Management audit. These outstanding recommendations have previously been reported to the Committee.

5.5 Further information has been requested from the responsible officers regarding high priority outstanding recommendations and is provided at **Appendix 3**.

6. FRAUD AND ANTI CORRUPTION

6.1 The council participates fully in a national data matching exercise known as the National Fraud Initiative (NFI) which is run by the Cabinet Office to prevent and detect fraud. Data matching, between public and private sector bodies, flags up inconsistencies in data that may indicate fraud and error and helps Councils to complete proactive investigations.

The NFI is conducted every two years and involves data matching across a number of datasets from over 1,200 participant organisations from across the public and private sectors. A data

extraction exercise has been undertaken. Data matches have been received and are reviewed by service leads on a risk basis.

Additional datasets were requested in respect of the various (1st tranche) government business support grants, paid to businesses to alleviate the effects of Covid 19, as a drive to identify illegitimate grant claims and errors. 39 data matches were received back from NFI in May 2021 and are being reviewed on a risk basis.

As a result of post payment assurance work, a number of cases have been referred to the Anglian Revenue Partnership Fraud team for further review. Recovery or referral actions have and will be taken in line with the recovery guidance issues by BEIS.

There have been no new reported cases of fraud or whistleblowing issues that required an audit investigation within this reporting period.

The Internal audit has reviewed the Whistleblowing policy at the request of the Audit Committee Chair. A report containing results of this review are provided elsewhere on the agenda.

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
							High	Medium	Low	
Quarter 2										
Risk Management	NC2206	15	15	1	Audit scoped research complete.					
Health & Safety	NC2204	15	15	7	APM issued on 06.08.21 and approved by service. Testing in progress.					
IR35 Compliance	NC2205	10	10	6	APM issued 24.8.21 Testing in progress.					
Grants assurance DFG	NC2201	5	5	5	Completed signed certification issued					n/a
Grants assurance Green Homes	NC2202	10	10	2	Service contacted with initial questions.					
Business Support Grants	NC2203	20	20	4	APM issued 13.8.21 Testing in progress.					
TOTAL		75	75	25						
Quarter 3										
Payroll	NC2207	10	10	0	Scheduled					
Housing Rent/Arrears	NC2208	15	15	0	Scheduled					
Housing Benefits	NC2209	15	15	0	Scheduled					
Council Tax	NC2210	10	10	0	Scheduled					
National Non Domestic Rates (NNDR)	NC2211	10	10	0	Scheduled					
Accounts Payable	NC2215	10	10	0	Scheduled					
Debt Recovery	NC2216	10	10	0	Scheduled					
Treasury Management	NC2212	10	10	0	Scheduled					
Environmental Services	NC2213	20	20	0	Scheduled					
Grants assurance Green Homes	NC2202	5	5	0	Scheduled					
TOTAL		115	115	0						

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations			Date to Committee
							High	Medium	Low	
Quarter 4										
Capital Accounting and Programme Management	NC2214	30	30	1	Capital Accounting and Programme Management Audit Combined. APM with CLT for approval.					
Social Housing Delivery Programme	NC2217	20	20	0						
Towns Fund Deal	NC2218	20	20	0						
Capital Accounting and Programme Management				0						
New Financial Management Code	NC2220	10	10	0						
TOTAL		**80**	**80**	**1**						
IT Audits										
IT Governance		10	10	0	TIAA Instructed, APM being developed					
Housing & Tenancy Application		10	10	0	TIAA Instructed, APM being developed					
To be determined		10	10	0						
TOTAL		**30**	**30**	**0**						
Consultancy										
Anti Fraud and Corruption - NFI		20	20	0						
Anti Fraud and Corruption - Investigations		10	10	0	None raised for IA attention					
Information Governance Group		5	5	1	Ongoing support					
Resources, Performance & Delivery Board		5	5	1	Meeting attended, information provided.					
Joint Ventures Insourcing		45	45	0						
New Housing System		10	10	0						
Consultancy Contingency		15	15	7	BSG Support					
Risk Management		15	15	6	Preparing Q1 update papers					
Data Breach Response		5	5	0	None raised for IA attention					
Annual Governance Statement		10	10	8	Supporting the preparation of the AGS.					
Audit Management Duties		45	45	9	Ad hoc advice, reports reviews					
TOTAL		**185**	**185**	**32**						
Follow Up										
Follow Up		20	20	5						
TOTAL		**20**	**20**	**5**						
TOTAL		**505**	**505**	**68**			**0**	**0**	**0**	
Percentage of plan completed				**13%**						

APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS

This appendix shows outstanding recommendations that are high priority only.

		Completed between 1 April 2021 to 10 September 2021			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**													
2019/20 Audits														
Contract management - Housing repairs & responsive maintenance	**Control environment:** Limited **Compliance:** Limited				1						1			
Commercial Property Investment Strategy	**Control environment:** Good **Compliance:** Good													
Information Security and GDPR	**Control environment:** Satisfactory **Compliance:** Limited				3						3			
Payroll	**Control environment:** Satisfactory **Compliance:** Substantial													
Scheme of Delegation compliance	**Control environment:** Good **Compliance:** Substantial													
2020/21 Audits														
Contract Management - Waste Services	Limited													
Equality Duties	Limited													
High level cyber security check	Reasonable													
Key Policies & Procedures	Limited													
Licensing	Reasonable													
Northgate pre-implementation (Core phase)	Reasonable													
Total		0	0	0	4	0	0	0	0	0	4	0	0	0

APPENDIX 3 – OUTSTANDING HIGH PRIORITY RECOMMENDATIONS 2019-20

Audit	Recommendation	Agreed Action	Responsible officer	Agreed Date	Status/Comments
Information Security &GDPR	The Information Asset Register (IAR) has not been updated since 2016 and has not been approved by the Corporate Information Assurance Group (CIAG). Information Asset Owners were not aware of the assets they owned. The Register does not have GDPR considerations as it was last updated prior to the regulation coming into place. The council should review and update the Information Asset Register on an annual basis.	In 2019 we worked on the schedule of processing and decided to update the IAR in 2019. This will be commenced as planned and will include GDPR considerations.	***Data Protection & Security Team Leader***	~~June 2021~~	89 review requests were sent to officers within the council – one request for each team. Currently 4 are still outstanding and have been last chased on 18/06/21. As at 29/07 there is only one outstanding return – the ASB service. However, there are mitigating circumstances (restructure and resource issues within the management team). Once on a firmer footing we will meet with them in person to complete a full review of their return, but for now we are satisfied of the previous return as an accurate reflection. The asset register has now been reviewed in its entirety. **Evidence requested by internal audit, pending verification.**
Information Security & GDPR	The council should present the IAR to the CIAG on an annual basis, once updated, to gain official approval for the document.	NB – a newly appointed experienced data protection officer is now assisting with the completion all the outstanding actions from this GDPR audit	***Data Protection & Security Team Leader***	~~Dec 20~~ ~~Apr 21~~ Oct 21	Scheduled for Autumn 2021 CIAG
Information Security & GDPR	The council does not currently have the capability to remove certain records according to their own retention schedule, due to the limitation of key systems. The Schedule of processing is not fully completed	This is well known and published on our website for customers. IT is working with software suppliers to identify their disposal functionality, which will be implemented over the coming year.	***Data Protection Security Team Leader and IT***	~~Mar 21~~ Sep 23	IT suppliers were contacted by LGSS IT. Some have come back with their timelines for compliance. There is no date for this as we are entirely dependent on the software providers working on a solution, but realistically this

Audit	Recommendation	Agreed Action	Responsible officer	Agreed Date	Status/Comments
	The council should push to replace software that prohibits the adherence to the schedule of processing retention rules with their IT partners.	The schedule of processing is a working document and is continually being updated. It will be reviewed at CIAG.			will be a long-term project – likely to be at least 5 years. As software is upgraded, which includes ability to remove data, this will be tested. Currently, we have software for Civica, which is being deployed, and Northgate revs and bens which was being tested, but has found issues and so testing has been suspended. For new software provisions such as E5 and iTrent, the ability to follow retention guidelines has been stated in the specification.
Contract management - Housing repairs & responsive maintenance	The council should introduce sample check processes in-house, including drilling down to source data and confirming competitiveness of rates, to validate reports provided by NPSN, or alternatively obtain independent verification.	Significant work has progressed in partnership with NPSN to establish and agree a revised set of key performance indicators (KPI's) that reflect the requirements of the council. These have been incorporated into the NPSN Operational Plan for 2020/21 and are monitored at the joint Liaison Meetings. The housing business intelligence team (BIT) were deployed to support the Community Hub from March until August and since returning have been focused on restoring reporting back to business-as-usual. We have been working closely with NPS to do so. NNB performance data relating to the new KPI framework is being reviewed	*Head of Neighbourhood Housing*	~~March 2021~~ ~~July 2021~~ October 2021	This one action was split in two by service: 1) Although no specific actions/projects initiated to ensure IT systems used to record contractor data are fit for purpose ensure the requirements have been incorporated into work on implementing the new housing IT system. Update officer A: Full review of existing processes has been carried out and pinch points have been mitigated where appropriate. The design is complete and implementation is now in progress. **Internal Audit verification of evidence required.** 2) Continue to review any remaining KPI definitions derived from contractor data with NPS to ensure all definitions are clear,

Audit	Recommendation	Agreed Action	Responsible officer	Agreed Date	Status/Comments
		and monitored. In line with the council's corporate reporting there was a pause on data analysis due to the impacts of Covid 19 when employees were redeployed to deal with the pandemic. Neighbourhood housing services have responsibility for undertaking periodic quality checking as agreed, documented above, and are responsible for reporting this within the Council. Under performance and data gaps are scrutinised and challenged at a senior level as part of regular management and liaison meetings. Performance is also reviewed by the two company boards, who receive reports on company performance and finance			unambiguous and in line with contracted obligations. Update officer: Ongoing. Regular contract negotiations continuing with NPS.