



**Committee Name: Audit**

**Committee Date: 18/01/2022**

**Report Title: Internal Audit Q2 Update**

<b>Portfolio:</b>	Cllr Paul Kendrick, cabinet member for resources
<b>Report from:</b>	Internal Audit Manager – Norwich City Council
<b>Wards:</b>	<b>‘All Wards’</b>
<b>OPEN PUBLIC ITEM</b>	

### **Purpose**

To outline the review process and proposed amendments to the Internal Audit plan for 2021/22.

### **Recommendation:**

It is recommended that members endorse the proposed changes to the Internal Audit Plan for 2021/22.

### **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 2021/22 the Internal Audit Plan was endorsed by the Audit Committee on 9 March 2021. In line with the Public Sector Internal Audit Standards, the risk-based plan is required to be sufficiently flexible to reflect the changing risk and priorities of the organisation.
2. The Internal Audit Plan has been reviewed to ensure it continues to address the key identified risks and is deliverable with the available resource. The updated plan has been reviewed and agreed by the Corporate Leadership Team.
3. Appendix 1 sets out in detail the review undertaken, proposed amendments to the planned work and resource implications.

## Consultation

Not applicable 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.

The proposals in the report to provide additional resources to complete the plan are expected to cost £20,000. This can be delivered within the original budget allocation.

## 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.	Risk based review of the plan to ensure sufficient coverage to issue the end of year opinion.  Sufficient and appropriate resources to deliver the plan.

**Other Options Considered**

Not applicable for this report.

**Reasons for the decision/recommendation**

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

**Background papers:** None

**Appendices: Revised Internal Audit Plan Revisions 2021-2022 -  
appended report**

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Eastern Internal Audit Services



NORWICH CITY COUNCIL

Revised Annual Internal Audit Plans 2021/22

Responsible Officer: Internal Audit Manager, Norwich City Council

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## 1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority 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 2021/22 the Internal Audit Plan was endorsed by the Audit Committee on 9 March 2021. In line with the Public Sector Internal Audit Standards, the risk-based plan is required to be sufficiently flexible to reflect the changing risk and priorities of the organisation.
- 1.3 Due to ongoing difficulties in delivering the agreed work with current resources it is necessary to revise the agreed 2021/22 Internal Audit Plan.
- 1.4 The Internal Audit plan 2021/22 started later than usual with no work being scheduled in quarter one to allow for the finalisation of outstanding 2020/21 work. In addition, the Executive Director of Corporate and Commercial Services sought to relieve the already identified resource pressures on the Internal Audit service by entering into the Eastern Internal Audit Consortium arrangement led by South Norfolk Council.
- 1.5 The Head of Internal Audit from Eastern Internal Audit Services oversees the management of the Internal Audit plan with 2 FTEs delivering the assurance work. This arrangement will be in place until April 2022 when the Council is to enter the consortium arrangement and the work will start to be delivered by an outsourced contractor.
- 1.6 Due to the late start of the plan and ongoing challenges faced by the internal team such as staff sickness and the Covid-19 Pandemic impacting on assurance work, it is recognised that the current plan of work devised at the end of the 2020/21 financial year is no longer achievable.
- 1.7 The Internal Audit Plans for 2021/22 has therefore been revised to defer any work that is not considered a significant risk to the Council and reprofile the remaining assurance areas.
- 1.8 Additional external resources will be used to enhance resource capabilities for the areas that do represent a significant risk to the Council and the remainder will be assigned to the in-house team based on the number of chargeable days that can be achieved by 31 March 2022. This will increase the likelihood of sufficient assurance work being delivered in time for the Annual Internal Audit Opinion on the governance, risk and control framework for 2021/22.
- 1.9 This report outlines our approach and changes proposed to the Internal Audit plan for 2021/22.

## 2. INTERNAL AUDIT PLAN 2021/22 AMENDMENTS

### 2.1 Deferred audits

A total of 485 days was originally planned for 2021/22. A total of 280 of these days were allocated to audit work. It is proposed that the following audits are deferred reducing the plan by 65 days and bringing the total of audit work to 235 days.

- 2.2 A risk assessment will be undertaken during internal audit planning in quarter four 2022 to establish when assurance will be required for each of these areas. The original plan is provided at **Appendix 1**. The revised plan is provided at **Appendix 2** for comparison.

Audit	Days	Reason for deferral
<b>Quarter 3</b>		
NC2216 Debt Recovery	10 days	These days are covered by reviewing debt management procedures in Housing Benefits, Council Tax and NNDR. The remaining applicable area, Accounts Receivable will be added to the 2022/23 plan as part of a 3-year strategic plan.
NC2220 New Financial Management Code	10 days	Head of Audit, Finance and Risk has provided an overview of compliance against the financial management code. No further assurance deemed as required.
NC2202 Grant's assurance Green Homes	15 days	Originally profiled across quarter 3 and 4. Assurance work for this grant is not yet required. Testing required for the grant determination will be carried out by the Internal Audit Manager when requested and in line with the deadline provided by BEIS.
<b>Quarter 4</b>		
NC2218 Towns fund deal	20 days	This review will be deferred into 2022/23 when projects get up and running and area is sufficiently progressed to carry out testing.
IT audit - tbc	10 days	Auditable area not yet determined. Days to be carried forward into the 2022/23 plan.
<b>Total</b>	<b>65 days</b>	

### 2.3 Consultancy days

A total of 485 days was originally planned for 2021/22. A total of 205 days were allocated to consultancy work including 20 days for follow up. Much of the consultancy days will not be delivered due to no need having been identified.

- 2.4 Consultancy days will be separated out of the overall total in Audit Committee reporting to show progress against audit work that will be relied upon when determining the annual opinion. If any significant work is carried out in the areas of consultancy work listed below it will be reported to the committee in detail. All consultancy work except for risk management which will be delivered by the in-house team until April 2022, will be delivered by the Internal Audit Manager as and when required.

Consultancy	Days	Delivered	Work to date
Anti-Fraud and Corruption - NFI	20	0	Internal Audit has not been involved in matching exercises in 2021/22.
Anti-Fraud and Corruption - Investigations	10	0	No areas of investigation completed.
Information Governance Group	5	1	Meetings attended where required.
Resources, Performance & Delivery Board	5	1	Meeting attended where required.
Joint Ventures Insourcing	45	0	Internal Audit Manager to provide support to Project Place. Details of work to be provided to Audit Committee.
New Housing System	10	2	TIAA has provided IT support provided on reconciliation controls.

<b>Consultancy</b>	<b>Days</b>	<b>Delivered</b>	<b>Work to date</b>
Consultancy Contingency	15	7	BSG Support – Covid19 business grants support and advice.
Risk Management	15	6	Preparing cabinet update papers
Data Breach Response	5	0	None raised for IA attention
Annual Governance Statement	10	8	Supporting the preparation of the AGS 2020/21. No further support required.
Audit Management Duties	45	12	Internal Audit Management duties. Reviewing reports. Audit Committee papers.
<b>TOTAL</b>	<b>185</b>	<b>37</b>	

## 2.5 Additional resource

Internal Audit coverage will be enhanced by an external resource to increase the likelihood of the revised internal audit work will be delivered. The following audits have been reallocated from the in-house team and will be delivered in quarter four. TIAA will continue to deliver planned IT audit coverage.

<b>Audit</b>	<b>Days</b>	<b>Audit scope</b>
<b>Quarter 4</b>		
Accounts Payable	10	A key controls financial systems audit. The audit will evaluate compliance with procedures for adding and amending suppliers, the processing of approved purchase orders and authorisation of orders in line with delegated authority.
Environmental Services	20	This audit will evaluate the controls in place for the management of environmental services by the in-house NCSL. This is the first audit of the new arrangements since the Council brought Environmental Services in house from April 2021. Our review will focus on whether the Council is receiving a high standard of delivery for residents in line with the terms of the contract for street cleaning, parks and open spaces.
Social Housing Delivery Programme	20	This audit will focus on providing assurance that required governance controls are well established to deliver the social housing delivery programme.
<b>Total</b>	<b>50</b>	

## 2.6 Summary of internal audit plan revisions

As a result of the proposed revisions the original 2021/22 Internal Audit Plan has been reduced by 65 audit days to better reflect remaining available days up to 31 March 2022 and to allow the team to focus on providing assurance over significant risks at the Council.

- 2.7 A total of 235 days will be delivered overall. As identified above, details of consultancy days delivered will be reported to the Audit Committee separately so to accurately reflect the audit work being relied upon for the annual internal audit opinion. Once complete the revised plan provides sufficient assurance to enable the annual internal audit plan to be relied upon for the Council's Annual Governance Statement.



Original plan 2021/22		Revised Plan 2021/22	
Audit days	300	Audit Days	235

### 3. RECOMMENDATIONS

- 3.1 Audit Committee consider the suggested revisions to the 2021/22 Internal Audit Plan to ensure that it provides the coverage required to meet the assurance needs of the Council and the requirements to enable the Annual Internal Audit Opinion to be provided within resources available. It is recommended that members endorse the proposed changes to the Internal Audit Plan for 2021/22.

### 4. CONCLUSION

- 4.1 Internal Audit is required to ensure that the plan of assurance work remains responsive to the needs of the Council throughout the year amending our approach as and when required.
- 4.2 To counteract resourcing challenges facing the delivery of the internal audit plan in 2021/22, it is proposed that the plan is reduced by 65 days overall and 50 days of planned work are re-allocated to an external resource. It is proposed that consultancy days continue to be delivered upon request and if significant reported in detail to the Audit Committee; allowing the Progress report to better reflect progress against work that will be relied upon for the Annual Head of Internal audit opinion.

## APPENDIX 1 – INTERNAL AUDIT PLAN ORIGINAL 2021/22

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations			Date to Committee
							High	Medium	Low	
<b>Quarter 1</b>										
		0	0	0						
<b>Quarter 2</b>										
Risk Management	NC2206	15	15	15	Final draft report 23 November 2021	Reasonable	0	5	1	Nov-21
Corporate Health & Safety	NC2204	15	15	12	Draft report stage					
IR35 Compliance	NC2205	10	10	9	Draft report stage					
Grants assurance DFG	NC2201	5	5	5	Completed signed certification issued					n/a
Business Support Grants	NC2203	20	20	19	Draft report stage					
<b>TOTAL</b>		<b>65</b>	<b>65</b>	<b>60</b>						
<b>Quarter 3</b>										
Environmental Services	NC2213	20	20	0	Scheduled					
Accounts Payable	NC2215	10	10	0	Scheduled					
Housing Rent/Arrears	NC2208	15	15	3	APM issued 8 October 2021					
Housing Benefits	NC2209	15	15	0	Scheduled					
Council Tax	NC2210	10	10	5	APM issued 6 December 2021. Fieldwork ongoing					
National Non Domestic Rates (NNDR)	NC2211	10	10	5	APM issued 6 December 2021. Fieldwork ongoing					
Debt Recovery	NC2216	10	10	0	Scheduled					
Treasury Management	NC2212	10	10	1	APM issued 22 October 2021					
New Financial Management Code	NC2220	10	10	0	Scheduled					
Grants assurance Green Homes	NC2202	5	5	2	Scheduled					
<b>TOTAL</b>		<b>115</b>	<b>115</b>	<b>16</b>						

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations		
							High	Medium	Low
<b>Quarter 4</b>									
Grants assurance Green Homes	NC2202	10	10	0	Scheduled				
Payroll	NC2207	10	10	0	Scheduled				
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	Scheduled				
<b>TOTAL</b>		<b>90</b>	<b>90</b>	<b>1</b>					
<b>IT Audits</b>									
IT Governance		10	10	0	TIAA Instructed, APM being developed				
Housing & Tenancy Application		10	10	1	TIAA Instructed, APM being developed				
To be determined		10	10	0	10 days to be carried forward into the 2022/23 plan.				
<b>TOTAL</b>		<b>30</b>	<b>30</b>	<b>1</b>					
<b>Consultancy</b>									
Anti Fraud and Corruption - NFI		20	20	0	No internal audit involvement 2020/21				
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	Internal Audit Manager to provide assurance on Project Place.				
New Housing System		10	10	2	IT support provided on reconciliation controls.				
Consultancy Contingency		15	15	7	BSG Support - Covid19 business grants				
Risk Management		15	15	6	Preparing risk management update papers cabinet				
Data Breach Response		5	5	0	None raised for IA attention				
Annual Governance Statement		10	10	8	Supporting the preparation of the AGS in 2020/21. No further days required.				
Audit Management Duties		45	45	14	Internal Audit Management responsibilities, reviewing reports.				
<b>TOTAL</b>		<b>185</b>	<b>185</b>	<b>39</b>					
<b>Follow Up</b>									
Follow Up		20	20	10					
<b>TOTAL</b>		<b>20</b>	<b>20</b>	<b>10</b>					
<b>TOTAL</b>		<b>505</b>	<b>505</b>	<b>137</b>			<b>0</b>	<b>5</b>	<b>1</b>
<b>Percentage of plan completed</b>				<b>27%</b>					

## APPENDIX 2 – REVISED INTERNAL AUDIT PLAN 2021/22

Audit Area	Audit Ref	No. of days	Revised Days	Auditor	Days Delivered	Status	Assurance Level	Recommendations			Date to Committee
								High	Medium	Low	
<b>Quarter 1</b>											
		0	0		0						
<b>Quarter 2</b>											
Risk Management	NC2206	15	15	AH	15	Final draft report 23 November 2021	Reasonable	0	5	1	Nov-21
Corporate Health & Safety	NC2204	15	15	AH	12	Draft report stage					
IR35 Compliance	NC2205	10	10	SE	9	Draft report stage					
Grants assurance DFG	NC2201	5	5	SE	5	Completed signed certification issued					n/a
Business Support Grants	NC2203	20	20	SE	19	Draft report stage					
<b>TOTAL</b>		<b>65</b>	<b>65</b>		<b>60</b>						
<b>Quarter 3</b>											
Housing Rent/Arrears	NC2208	15	15	SE	3	APM issued 8 October 2021					
Housing Benefits	NC2209	15	15	AH	0	Scheduled					
Council Tax	NC2210	10	10	AH	1	APM issued 6 December 2021					
National Non Domestic Rates (NNDR)	NC2211	10	10	AH	1	APM issued 6 December 2021					
Debt Recovery	NC2216	10			0	Deferred					
Treasury Management	NC2212	10	10	AH	1	APM issued 22 October 2021					
New Financial Management Code	NC2220	10			0	Deferred					
Grants assurance Green Homes	NC2202	15			0	Deferred					
<b>TOTAL</b>		<b>95</b>	<b>60</b>		<b>6</b>						
<b>Quarter 4</b>											
Environmental Services	NC2213	20	20	SS	0	Scheduled					
Accounts Payable	NC2215	10	10	EV	0	Scheduled					
Payroll	NC2207	10	10		0	Scheduled					
Capital Accounting and Programme Management	NC2214	30	30	SE	1	Capital Accounting and Programme Management Audit Combined. APM with CLT for approval.					
Social Housing Delivery Programme	NC2217	20	20	SS	0	Scheduled					
Towns Fund Deal	NC2218	20			0	Deferred					
<b>TOTAL</b>		<b>110</b>	<b>90</b>		<b>1</b>						
<b>IT Audits</b>											
IT Governance		10	10	PK	0	TIAA Instructed, APM being developed					
Housing & Tenancy Application		10	10	PK	1	TIAA Instructed, APM being developed					
To be determined		10			0	Days carried forward 2022/23					
<b>TOTAL</b>		<b>30</b>	<b>20</b>		<b>1</b>						
<b>TOTAL</b>		<b>300</b>	<b>235</b>		<b>68</b>			<b>0</b>	<b>5</b>	<b>1</b>	
<b>Percentage of plan completed</b>					<b>29%</b>						